ATLAS BLOCKCHAIN GROUP INC.

MANAGEMENT DISCUSSION AND ANALYSIS

For the Three Months and Year Ended May 31, 2019

This Management Discussion and Analysis for Atlas Blockchain Group Inc. ("Atlas" or the "Company") provides analysis of the Company's consolidated financial results for the three months and year ended May 31, 2019 and should be read in conjunction with the accompanying audited consolidated financial statements and related notes for the year ended May 31, 2019.

1.1 Date of Report

The following Management Discussion and Analysis ("MD&A") focuses on significant factors that have affected Atlas Blockchain Group Inc. (herein after referred to as the "Company" or "Atlas") performance and such factors that may affect its future performance. This MD&A should be read in conjunction with the Company's audited consolidated financial statements and related notes for the year ended May 31, 2019 which were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Unless otherwise noted, all currency amounts are in Canadian dollars. This MD&A is dated September 27, 2019.

Forward-Looking Information

This MD&A and the documents incorporated by reference herein contains certain statements, which may constitute "forward-looking information" within the meaning of Canadian securities law requirements ("forward-looking statements"). These forward-looking statements are made as of the date of this MD&A and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation. Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including "may", "future", "expected", "intends" and "estimates". By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. The Company provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Certain forward-looking statements in this MD&A include, but are not limited to the following:

- the Company's strategies and objectives, both generally and in respect of its existing business and business expansion into the cannabis industry;
- the legislation, regulations and licensing related to the cultivation, production and sale of cannabis products by the Company's subsidiaries and other business interests;
- the Company's plans to grow sales and offer new products and services;
- the ability to enter and participate in international market opportunities;
- conditions in the financial markets generally, and with respect to the prospects for small capitalization commercial/technologies companies and the cannabis industry specifically;
- the expected demand for the Company's services and products;
- the Company's future cash requirements; and
- the timing, pricing, completion, regulatory approval of proposed financings.

The above and other aspects of the Company's anticipated future operations are forward-looking in nature and, as a result, are subject to certain risks and uncertainties. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, undue reliance should not be placed on them as actual results may differ materially from the forward-looking statements. Such forward-looking statements are estimates reflecting the Company's best judgment based upon current information and involve a number of risks and uncertainties, and there can be no assurance that other factors will not affect the accuracy of such forward-looking statements. Such factors include but are not limited to the Company's ability to obtain the necessary financing and the general impact of financial market conditions, the demand for the Company's services and products, the success of the Company's current and future development efforts, changes in prices of required equipment and commodities, competition, foreseen and unforeseen government regulations and other risks.

Management's Responsibility for Financial Statements

The information provided in this MD&A, including the audited consolidated financial statements, are the responsibility of management. In the preparation of these audited consolidated financial statements, estimates are sometimes necessary to make a determination of the future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying condensed interim consolidated financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

1.2 Overall Performance and Nature of the Business

Nature of Business

During the year ended May 31, 2019, the Company's primary business was utilizing specialized equipment to solve complex computational problems to validate transactions on the blockchain. The Company received digital assets for this service. Due to decline of, and instability in, the prices of cryptocurrencies globally in 2018, all cryptocurrency mining operations have been suspended.

The Company's secondary business is co-location, back-up/redundancy IT, telecom equipment, cloud computing to small and medium size businesses in Western Canada. The Company also provides software manufacturing rental facilities to IT start-up companies in Vancouver, British Columbia.

Cryptocurrency Mining Services

Cryptocurrency mining is the process of confirming transactions to be added on a blockchain by solving complex, computation puzzles using high performance computers. Cryptocurrency is critical to the continuing functioning and security of the cryptocurrency network and, to incentivize this activity, a miner that verifies and solves a new block is awarded a newly generated quantity of cryptocurrency. During the year ended May 31, 2019, the Company was focused on mining Bitcoin.

MKH Acquisition

During the year ended May 31, 2018, the Company acquired all the issued and outstanding shares of MKH Electric City Holdings, LLC for USD$300,000 (CDN$388,440).

The Company has completed renovations of the facility to become a dedicated five-megawatt (5.0 MW) cryptocurrency mining operation. The Company is working with the Grant County Public Utility District which

has undertaken an application prioritization process to manage the energization schedule. The Company has completed the application and is waiting to be informed of the scheduled date. As at the date of this report, the Company does not have a clear date of when the power will be provided to the facility.

While working on the facility renovation and waiting for electricity, Atlas entered into a private co-located hosting arrangement with an industry partner and commenced operation of 1,000 ASIC S9 miners. As at the date of this report, the mining operation has been suspended due to adverse market conditions, increase in bitcoin network mining difficulty and volatility in the price of bitcoin.

At the time of this report, the Company does not have a clear plan in regards to the disposition or any future activities in regards to the facility.

Co-location and Cloud Services

The Company's subsidiary Atlas Cloud Enterprises (2013) Ltd is in the business of providing co-location and back-up/redundancy IT and telecom equipment, and cloud computing, to small and medium businesses in Western Canada.

There is a growing trend in the computing and information storage sectors towards cloud computing. Many businesses and non-profit organizations are moving away from the capital investment required to set up a network computer system and the on-going operating costs of maintaining a computer system, and are opting instead to use and pay only for the equipment and storage that they need, via the Internet, which is the essence of cloud computing. There is also a growing trend of businesses using off-site backup of their computer files, known as co-location. Co-location operates on the basis of having a second set of files or information stored on another computer at another location, which can be accessed if the business's primary computers fail. The Company plans to capitalize upon both of these trends by offering both cloud computing services and co-location services.

To ensure security of its services, the Company invested in upgraded power supply, backup power supplies through batteries and generators, reinforced premises in case of earthquakes, emergency plans in case of floods or other natural disasters, and high-speed fibre optic access.

The co-location and cloud services business has fully developed capabilities and growth opportunities exist by selling cloud and other services to existing and new information technology related businesses.

Software Manufacturing Rental Facilities

Cranium provides committed space to start-up and growth IT companies, providing desks, chairs, high-speed internet, meeting rooms, relevant workshops and other office infrastructure required by such companies to grow and compete in the information technology sector.

Isracann Biosciences Inc ("Isracann")

Due to the decline of, and instability in, the prices of cryptocurrencies globally in 2018, the Company was not able to profitably execute on its mining model and does not believe that prevailing market conditions and sentiment will adequately return shareholder value on any future expenditure in that business. Accordingly, the Company determined to shift its focus to the growing global cannabis sector, and is in the process of an acquiring Isracann Biosciences Inc. by way of a securities exchange agreement (the "Securities Exchange Agreement") and conducting a series of related transactions contemplated in the Securities Exchange Agreement (altogether, the "Transaction") (see Subsequent Events and Proposed Transaction).

On September 23, 2019 the Company received conditional approval from the Canadian Securities Exchange (the "CSE") to complete its fundamental change application relating to completion of the Transaction.

Fiscal 2019 Summary:

- Recorded a net loss and comprehensive loss of $9.6m or $0.09 loss per share compared to a net loss and comprehensive loss of $7.4m or $0.11 loss per share for the year ended May 31, 2018.
- Recorded total revenues of $1,766,381 compared to $1,105,895 for the year ended May 31, 2018, an increase of $660,486.
- Generated revenues of $946,520 from mining Bitcoin (2018 - $742,519)
- Mined 113.66 Bitcoins at the co-location facility (2018 – 69.07)
- Terminated the agreement with the co-location partner, suspended all Bitcoin mining operations, and fully impaired all cryptocurrency mining operation related assets.
- Entered into a definitive share exchange agreement dated March 12, 2019, pursuant to which the Company has agreed to acquire all of the issued and outstanding common shares in the capital of Isracann Biosciences Inc. Isracann, cannabis firm, is focused on becoming a leading low-cost, quality cannabis cultivator. Isracann aims to provide products for the Israeli medical cannabis market with the long-term goal of exporting to major European markets.
- Has closed a subscription receipt private placement, raising total gross proceeds of $10.1m

1.3 Selected Annual Information

Fiscal year ended	**May 31, 2019 ($)**	May 31, 2018 ($)	May 31, 2017 ($)
Bitcoin mined revenue	**946,520**	742,519	-
Co-location and cloud services revenue	**223,818**	207,451	175,578
Software manufacturing rental facility revenue	**149,075**	186,096	145,822
Property operating expenses	**625,806**	535,705	156,272
Administrative and other expenses	**4,943,694**	3,131,191	478,866
Amortization	**788,966**	584,419	386,626
Stock-based compensation	**1,160,713**	3,329,406	-
Loss before other item and comprehensive income	**5,762,798**	6,474,826	707,891
Basic and diluted loss per share	**0.09**	0.11	0.04
Net loss and comprehensive loss	**9,597,688**	7,369,161	668,239
Total assets	**16,372,432**	14,556,977	1,007,842
Long term financial liabilities	**-**	-	828,800

1.4 Results of Operations

During the year ended May 31, 2019, the Company recorded a net loss and comprehensive loss of $9.6m (May 31, 2018 - $7.4m) or $0.09 per share (2018 - $0.11 per share)

Revenue:

- Recorded revenue of $1.8m (2018- $1.1m) an increase of $660,486.
- Digital assets mined during the year ended May 31, 2019 generated $946,520 in cryptocurrency mining revenues before the mining operations were suspended in December 2018 due to the volatility in the value of Bitcoin.

Expenses:

Total operating expenses for the year ended May 31, 2019 were $7.5m (May 31, 2018 - $7.6m)

a) Amortization and depreciation of $788,966 (2018 - $584,419). Increase of $204,547 was due to depreciation of $558,240 for the 1,000 ASIC miners. The miners were fully impaired during the second quarter period ended November 30, 2018; therefore, no amortization was recorded for the miners during the subsequent periods. This is a non-cash expense.
b) Consulting fees in the amount of $1,179,390 (2018 - $758,558). Consultants were engaged to assist with the operations of the Company's digital currency mining business and to assist with the identification, due diligence and acquisition of the Company's potential change of business (see Proposed Transactions – Section 1.10).
c) Office facilities and administration services increased from $374,665 for the year ended May 31, 2018 to $769,328 during the current year, an increase of $394,663. This increase was mainly due to the expenses relating to the generation of revenues by its Bitcoin mining facility until operations were suspended in late December 2018.
d) Professional fees of $350,040 (2018 -$234,511) This increase is due to the auditor review and legal fees associated with the Company's change of business as required under the policies of the CSE during the year ended May 31, 2019.
e) Promotion and advertising expense of $1.7m (2018 - $917,501) This increase is due to the implementation of marketing and advertising initiatives ongoing with branding of the Company.
f) Stock-based compensation of $1.2m (2018 - $3.3m). A total of 6,125,000 stock options were granted in the current year in order to entice and retain key personnel as compared to 4,175,000 options granted in the prior year. This is a non-cash expense.

1.5 Summary of Quarterly Results

The following table presents a summary of unaudited quarterly financial information for the last eight consecutive quarters:

	Q4 May 31, 2019 $	Q3 Feb. 28, 2019 $	Q2 Nov. 30, 2018 $	Q1 Aug. 31, 2018 $	Q4 May 31, 2018 $	Q3 Feb. 28, 2018 $	Q2 Nov. 30, 2017 $	Q1 Aug. 31, 20,17 $
Total revenues	530,027	164,827	510,949	560,578	806,800	107,148	99,727	92,220
Operating expenses	43,844	120,775	243,886	217,301	360,727	103,605	35,733	35,640
Administrative expenses	1,053,194	919,323	1,874,343	1,096,834	896,085	1,723,796	393,172	118,138
Amortization	120,605	39,067	187,740	441,554	320,525	157,473	30,274	76,147
Stock-based compensation	81,522	96,637	151,700	830,854	(164,123)	2,041,634	1,451,895	-
Net loss before other item and comprehensive income	819,500	1,010,975	1,946,720	1,985,603	538,698	3,919,360	1,811,347	137,705
Basic loss per share (1)	0.01	0.01	0.02	0.02	0.03	0.04	0.05	0.01

(1) Loss per share on a diluted basis is not disclosed as it is anti-dilutive due to losses incurred.

During the third quarter of fiscal 2019, the Company suspended its Bitcoin mining operation due to adverse market conditions, increase in bitcoin network mining difficulty and decrease in the price of bitcoin.

During the first quarter of fiscal 2019, the Company recorded $487,339 in Bitcoin mined included in total revenues of $560,578. Stock-based compensation of $830,854 was recognized in relation to the granting of 6,125,000 incentive stock options. Consulting fees of $362,845 was recorded for technical consultants to assist with the operations of the Company's digital currency mining business.

During the fourth quarter of fiscal 2018, the Company recorded $742,519 in bitcoin mined included in total revenues of $806,800. Property operating expenses associated with the increase in revenues was $360,727 and amortization of $320,525 was recorded on equipment used to earn income.

During the third quarter of fiscal 2018 stock-based compensation of $2,041,634 was recognized in relation to the granting of 2,375,000 incentive stock options allowing it to entice and retain key personnel to acquire, develop and maintain its cryptocurrency operations. This is a non-cash expense.

During the second quarter of fiscal 2018, the Company granted 1,800,000 options to a director and consultants of the Company to acquire 1,800,000 common shares at an exercise price of $1.00 until November 29, 2022. Stock-based compensation of $1,451,895 was recognized in relation to this grant which is required to retain and entice key personnel. This is a non-cash expense.

1.6 Liquidity and Capital Resources

At May 31, 2019, the Company had working capital of $4.2 million (excluding restricted cash of $10.1 million) (May 31, 2018 – $8.4 million)). Non-restricted cash held at May 31, 2019 was $4.2 million compared with $8.0 million at May 31, 2018.

During the year ended May 31, 2019, the Company experienced cash outflows of $2.9 million (May 31, 2018 – $2.9 million) from operating activities.

Investing activities reduced cash by $856,714 (2018 – $6.0 million). These cash outflows were incurred for the purchase of property, plant and equipment upgrades required for its cryptocurrency mining services facility

during the current and prior year and the advance of $500,000 for the issuance or promissory notes receivable to Isracann Biosciences Inc. in the current year.

On May 21, 2019, and the Company announced the closing of $10.1 million total financing of non-brokered offering of subscription receipts of the Company at $0.17 per Subscription Receipt. Each Subscription Receipt entitles the holder to receive, upon satisfaction of certain escrow release conditions, and without payment of additional consideration, one unit in the capital of the Company. Each Unit will be comprised of one common share of Atlas (pre-consolidation basis) and one Atlas Share purchase warrant (pre-consolidation basis). Each Warrant will entitle the holder thereof to acquire one Atlas Share at $0.34 per Atlas Share for two years following the date of issuance. These subscription receipts of $10,152,760 are held in escrow until the escrow conditions are satisfied. The aggregate net proceeds from the Offering will be used for development of cultivation facilities and to provide general working capital upon completion of the acquisition.

Overall, cash decreased by $3,800,020 for the year ended May 31, 2019, as compared to an increase of $7,754,260 in the prior year.

As at May 31, 2019, the Company has the following financial obligations:

	< 1 year	1 – 3 years	Total
	$	$	$
Accounts payable and accrued liabilities	1,039,331	-	1,039,331

As at May 31, 2019, the Company's subsidiary Atlas Cloud Enterprises (2013) Ltd is committed to a ten-year operating lease for its 7,400 square foot office with an annual commitment of $123,840 until November 2024 with an option to renew for an additional ten-year term.

The Company has been dependent upon external financings to fund activities. In order to carry out planned and further capital expenditures and pay for administrative costs, the Company may spend its existing working capital and seek to raise additional funds as needed.

The Company is not subject to any externally imposed capital requirements.

1.7 Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements to which the Company is committed.

1.8 Transactions between Related Parties

All related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. All amounts either due from or due to related parties other than specifically disclosed are non-interest bearing, unsecured and have no fixed terms of repayments.

a) Related party transactions with directors, subsequent and former directors and companies and entities over which they have significant influence over

	YEARS ENDED MAY 31,	
	2019	2018
	$	$
Consulting fees	**165,097**	182,531
Management fees	**60,000**	31,750
Professional fees	**66,276**	-

b) Key management compensation

	YEARS ENDED MAY 31,	
	2019	2018
	$	$
Management/Consulting/Professional fees and short-term benefits	**295,525**	175,857
Share-based payments	**930,763**	1,210,497

c) Prepaid expenses - As of May 31, 2019, a company with a director in common was paid $Nil (2018 - $5,250) in advance for management fees.

d) Accounts payable - As of May 31, 2019, directors and companies with directors in common were owed $104,528 (2018 - $145,129).

e) Interest – As of May 31, 2019, directors and companies with directors in common incurred interest on convertible debentures and loans of $Nil (2018 –$1,066).

f) Office facilities and administrative services – As of May 31, 2019, the Company incurred $39,000 (2018 – $43,500) in office facilities and administrative services expenditures related to Fred Stearman, a director of the Company.

g) Property operating expenses – As of May 31, 2019, the Company incurred $39,000 (2018 – $43,500) in property operating expenses related to Fred Stearman, a director of the Company.

1.9 Fourth Quarter

Fourth quarter financial results differ significantly from prior periods due to the following:

- the Company identified, performed due diligence and entered into a share exchange agreement to acquire Isracann Biosciences Inc.
- fourth quarter net loss and comprehensive loss decreased significantly compared to the first two quarters due to the suspension of the Company's Bitcoin mining operations in the third quarter.

1.10 Proposed Transactions

The Company received conditional approval from the CSE on September 23, 2019 with respect to its requalification application following the completion of the Transaction. For further details please refer to the management Information Circular filed on SEDAR on June 7, 2019. Material details are described below.

The Company entered into a definitive share exchange agreement dated March 12, 2019 pursuant to which the Company has agreed to acquire all of the issued and outstanding common shares in the capital of Isracann Biosciences Inc., a private British Columbia company, from the shareholders of Isracann subject to the certain conditions set out therein. The Isracann Shareholders are expected to receive approximately 47,180,000 post-

Consolidation common shares in the capital of the Company (the "Atlas Shares") at a deemed price of $0.50 per Atlas Share on a pro-rata basis. Upon successful completion of the Transaction, the Company will continue the business of Isracann.

On July 16, 2019, the Company entered into a convertible loan agreement with Cannisra Holdings Limited ("Cannisra") as borrower for the loan of up to CAD$3,000,000 (the "Convertible Loan"). The Convertible Loan was secured by two general security agreements over all present and after-acquired property of the borrower and the guarantor, respectively. The Convertible Loan matures on December 31, 2020 and bears interest at a rate of 6% per annum accruing on a daily basis on the loan amount outstanding. The Convertible Loan is convertible at any time, at the option of the Company, into Ordinary Shares of Cannisra. The Company will convert the Convertible Loan into 99% of the equity of Cannisra prior to the closing of the Transaction. Pursuant to the Convertible Loan, the Issuer is entitled to elect up to four members to the board of directors of Cannisra.

The principal business carried on by Isracann, through its operating subsidiaries and Cannisra, is medical cannabis cultivation to provide products to the Israeli medical cannabis market. The Company may consider exporting medical cannabis products to Germany when the Israeli government begin granting medical cannabis export permits, which the Israeli government has advised to occur by the end of 2019 or early 2020. There is no guarantee that the Israeli government shall begin issuing medical cannabis export permits on the timeline anticipated, or at all.

Isracann is operationally located in Israel, and aims to embark on an industrial-scale cannabis farming enterprise targeting both domestic and international commercial opportunities.

The Company intends to build four greenhouses (the "Isracann Facilities"). Phase I involves the build out of two Isracann Facilities that total 115,000 square feet. Phase II involves another two Isracann Facilities that total 115,000 square feet. Each of the Isracann Facilities is 57,500 square feet with an estimated annual production capacity of 5,750 kg of dried cannabis flower. The Isracann Facilities will be built to comply with the Israeli Medical Cannabis Good Agricultural Practices and Good Security Practices.

Atlas entered into a bridge loan agreement with Isracann Biosciences Inc. and in aggregate advanced $500,000 to date. The bridge loan is secured by a promissory note. In the event closing of the Acquisition occurs on or before December 31, 2019, the bridge loan will bear no interest and be forgiven upon closing. In the event closing does not occur on or before December 31, 2019, the bridge loan will become immediately due on demand and will bear interest at a rate of 2% per annum.

1.11 Critical Accounting Estimates

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosure of contingent assets and contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The following are the estimates and assumptions that have been made in applying the Company's accounting policies that have the most significant effect on the amounts in the consolidated financial statements:

(i) Impairment of non-financial assets

Impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. These calculations are based on available data, other observable inputs and projections of cash flows, all of which are subject to estimates and assumptions. Recoverable amounts are also sensitive to assumptions about the future usefulness of in-process development and the related marketing rights. At the year end, management concluded that the Bitcoin Mining Equipment and Building and Leasehold Improvement in MKH are impaired (Note 8 of the audited consolidated financial statements).

(ii) Income taxes

Uncertainties exist with respect to the interpretation of evolving tax regulations relating to digital assets, changes in tax laws, and the amount and timing of future taxable income. The Company has not recognized the value of any deferred tax assets in its statements of financial position.

The Company recognizes the tax benefit from an uncertain tax position only if it is probable that the tax position will be sustained based on its technical merits. The Company measures and record the tax benefits from such a position based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Company's estimated liabilities related to these matters are adjusted in the period in which the uncertain tax position is effectively settled, the statute of limitations for examination expires or when additional information becomes available. The Company's liability for unrecognized tax benefits requires the use of assumptions and significant judgment to estimate the exposures associated with our various filing positions. Although the Company believes that the judgments and estimates made are reasonable, actual results could differ and resulting adjustments could materially affect our effective income tax rate and income tax provision.

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

There is uncertainty regarding the taxation of cryptocurrency and the Internal Revenue Service (IRS) may assess the Company differently from the position adopted. In addition, there is uncertainty with regards to sales tax implications of cryptocurrency transactions.

(iii) Fair value measurement of broker warrants

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair value for broker warrants requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the broker warrants, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for broker warrants are disclosed in Note 9.

(iv) Revenues from bitcoin mining

The Company recognizes revenue from the provision of transaction verification services within digital currency networks, commonly described as "cryptocurrency mining". As consideration for these services, the Company receives digital currency from each specific network in which it participates ("coins"). Revenue is measured based on the fair value of the coins received.

(v) Valuation of digital assets

The Company holds bitcoins as its digital assets. Bitcoins are considered to be an identifiable non-monetary asset without physical substance and are treated as intangible assets not subjected to amortization, under the scope of IAS 38 Intangible Assets.

Digital Assets are measured at fair value using the quoted price. The Digital Assets are valued based on the closing price obtained from "blockchain.com" at the reporting period corresponding to the different Digital Assets mined by the Company. The Company is relying on the data available at "blockchain.com" to be an accurate representation of fair value.

(vi) Useful life of mining equipment

Management was amortizing mining equipment over two years on a straight-line basis. The mining equipment is used to generate digital assets (refer to discussion on revenue recognition in Note 4(iii)). The rate at which the Company generates digital currencies and, therefore, consumes the economic benefits of its mining equipment is influenced by a number of factors including the following:

- the complexity of the mining process which is driven by the algorithms contained within the digital assets open source software;
- the general availability of appropriate computer processing capacity on a global basis technological obsolescence reflecting rapid development in the mining machines such that more recently developed hardware is more economically efficient to run in terms of digital assets mined as a function of operating costs, primarily power costs (i.e., the speed of mining machines evolution in the industry) is such that later mining machines models generally have faster processing capacity combined with lower operating costs and a lower cost of purchase.
- Based on the Company's, and the industry's short life cycle to date, management is limited by the market data available. Furthermore, the data available also includes data derived from the use of economic modelling to forecast future digital assets and the assumptions included in such forecasts, including digital currencies' (such as Bitcoin) price and network difficulty, are derived from management's assumptions which are inherently judgmental. Based on current data available, management has determined that the straight-line method of amortization over two years best reflects the current expected useful life of mining equipment. Management will review this estimate at each reporting date and will revise such estimates as and when data becomes available. The mining equipment has been assumed to have no residual value at the end of its useful life. Management will review the appropriateness of its assumption of nil residual value at each reporting date.
- As set out in Note 4(m) of the audited financial statements, management also assesses whether there are any indicators of impairment of mining equipment at the end of each reporting period and if any such indication exists, the Company will estimate the recoverable amount of its mining equipment.

1.12 Changes in Accounting Policies including Initial Adoption

The International Accounting Standards Board has issued some new standards and amendments that will be effective in the coming years. The listing below is of standards, interpretation and amendments issued which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective. The impact on the Company is currently being assessed.

Accounting standards implemented in 2019:

On April 1, 2018, the Company adopted the requirements of IFRS 9 *Financial Instruments*. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected-loss" impairment model. The Company has elected to apply the limited exemption in IFRS 9 paragraph 7.2.15 relating to transition for classification and measurement and impairment, and accordingly has not restated comparative periods in the year of initial application. IFRS 9 did not impact the Company's classification and measurement of financial assets and liabilities, and there was no significant impact on the carrying amounts of the Company's financial instruments at the transition date. The introduction of the new 'expected credit loss' impairment model had negligible impact on the Company, given the Company sells its conducts sales with known organizations with no historical level of customer default, and the corresponding receivables from these sales are short-term in nature. The Company currently has no hedging arrangements, and will apply the new accounting requirements under IFRS 9 as required.

The Company's financial instruments are accounted for and classified as follows under IFRS 9, as compared to the Company's previous policy in accordance with IAS 39:

April 1, 2018	IAS 39	IFRS 9
Financial Asset		
Cash and cash equivalents	Fair value through profit and loss ("FVTPL")	FVTPL
Accounts receivable	Loans and receivable	Amortized cost
Financial Liability		
Accounts payable	Other financial liabilities	Other financial liabilities at amortized cost

Changes in accounting policy:

The Company changed its accounting policy to conform to *IAS 38 Intangible Assets* when accounting for the Company's digital assets with retrospective application. As part of the application process, the Company considered the impact of the change on the prior year financial statements for 2018 which are presented for comparative purposes and determined that there was no impact from the adoption of IAS 38, because the unrealized remeasurement loss on digital assets was already recognized in net loss for 2018. The Company determined that the holding of digital assets meets the definition of an intangible asset in IAS 38 and accordingly the change in accounting policy provides reliable and more relevant information in accordance with IFRS.

New accounting standards issued but not yet effective:

The International Accounting Standards Board has issued some new standards and amendments that will be effective in the coming years. The listing below is of standards, interpretation and amendments issued which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective. The impact on the Company is currently being assessed.

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 Leases, which will replace IAS 17 Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard will be effective for the Company's fiscal period beginning June 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

1.13 Financial Instruments and Risk Management

(a) Categories of Financial Instruments

	Book value	Fair Value
May 31, 2019	**$**	**$**
Cash	**4,177,863**	**4,177,863**
Cash - restricted	**10,152,760**	**10,152,760**
Accounts receivable	**181,994**	**181,994**
Accounts payable	**1,039,331**	**1,039,331**
May 31, 2018	$	$
Cash	7,977,883	7,977,883
Accounts receivable	96,700	96,700
Accounts payable	897,112	897,112

The fair value of the Company's cash, restricted cash, accounts receivable, and accounts payable approximates their carrying value as at May 31, 2019 because of the demand nature or short-term maturity of these instruments.

Financial instruments that are measured at fair value on a recurring basis are classified at one of three levels within a fair value hierarchy according to the relative reliability of the inputs used to estimate their values. The three levels of the hierarchy are as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices that are observable
- Level 3: Inputs that are not based on observable market data

The Company's only financial instrument measured at fair value on a recurring basis is cash which is classified as level 1 of the fair value hierarchy.

(b) Financial risk management objectives and policies

The risks associated with the Company's financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

i) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and accounts receivable. The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for accounts receivables. The management measures the expected credit loss based upon historic default rate of customers and estimates the credit loss over the expected life of accounts receivables. As at May 31, 2019, the impairment allowance relating to trade and other receivables was $nil.

ii) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company seeks to ensure there is sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. As at May 31, 2019, the Company had an unrestricted cash balance of $4,177,863 (May 31, 2018 - $7,977,883) to settle current liabilities of $1,039,331 (May 31, 2018 - $897,112).

Other MD&A Requirements

Disclosure of Outstanding Share Capital

Authorized: Unlimited common shares without par value

	SHARE CAPITAL	
	NUMBER	AMOUNT
Balance, May 31, 2017	**16,908,833**	**$ 1,938,801**
Issued for cash		
Non-brokered private placement	39,999,978	8,480,688
Special warrant financing	49,999,997	1,657,611
Stock options exercised	550,000	210,943
Warrants exercised	2,866,667	306,298
Broker warrants exercised	401,800	97,170
Share issue costs	-	(2,001,959)
Convertible debentures exercised	4,217,648	1,054,411
Balance, May 31, 2018 and 2019	**114,944,923**	**$ 11,743,963**

During the year ended May 31, 2019, the Company issued no shares. The following share subscriptions were received:

On January 14, 2019, the Company closed the first tranche of the non-brokered offering consisting of 30,588,235 units at $0.17 per subscription receipt for a total amount of $5,200,100. Each subscription receipt entitles the holder to receive, upon satisfaction of certain escrow release conditions, and without payment of additional consideration, one unit in the capital of the Company. Each unit will be comprised of one common share of the Company and one purchase warrant. Each warrant will entitle the holder thereof to acquire one common share of the Company at $0.34 for two years following the date of issuance. The Company will pay eligible finders a

cash commission in the aggregate of approximately $224,893 on the Offering within the amount permitted by the policies the CSE. In addition, 1,322,909 non-transferable broker's warrants will be issued to eligible finders to purchase an aggregate of 1,322,909 common shares of the Company.

On May 21, 2019, the Company closed the second tranche of the non-brokered offering consisting of 28,823,529 units at $0.17 per subscription receipt for a total amount of $4,910,211. Each subscription receipt entitles the holder to receive, upon satisfaction of certain escrow release conditions, and without payment of additional consideration, one unit in the capital of the Company. Each unit will be comprised of one common share of the Company and one purchase warrant. Each warrant will entitle the holder thereof to acquire one common share of the Company at $0.34 for two years following the date of issuance. The Company will pay eligible finders a cash commission in the aggregate of $137,822 on the Offering upon satisfaction of certain escrow release conditions. In addition, 760,034 non-transferable broker's warrants will also be issued to eligible finders to purchase an aggregate of 760,034 common shares of the Company.

The gross proceeds from the subscription receipts have been deposited with the Escrow Agent in escrow (the "Escrowed Proceeds") pursuant to the Escrow Agreement. The Escrowed Proceeds will be released by the Escrow Agent to Atlas upon receipt of a notice to the Escrow Agent from Atlas on or prior to 5:00 pm (Vancouver time) on September 30, 2019).
The aggregate net proceeds from the offering will be used for development of cultivation facilities and to provide general working capital.

Share Purchase Warrants

The Company may issue share purchase warrants to acquire its common shares either in combination with share offerings, or on a stand-alone basis to its consultants and advisors. The terms of warrants issued are determined by the Company's Board of Directors.

The continuity of warrants for the years ended May 31, 2018 and 2019 is summarized below:

	NUMBER OF WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE
Balance, May 31, 2017	2,477,050	$0.23
Expired	(2,075,250)	0.25
Issued	91,940,357	0.39
Exercised	(3,268,467)	0.04
Balance, May 31, 2018	89,073,690	0.40
Cancelled	(14,285)	0.75
Balance, May 31, 2019	**89,059,405**	**0.40**

The following table summarizes the warrants outstanding and exercisable at May 31, 2019:

NUMBER OF WARRANTS	EXERCISE PRICE	EXPIRY DATE
41,506,933	$0.75	December 13, 2019
419,142	$0.75	December 15, 2019
47,133,330	$0.08	October 30, 2019
89,059,405		

As at May 31, 2019, the weighted average remaining contractual life of all warrants outstanding was 0.47 years (May 31, 2018 – 1.47 years).

During the year ended May 31, 2019, the Company closed of $10.1 million non-brokered offering of Subscription Receipts of the Company). Upon conversion of sub receipts to units, the following warrants will be issued on a post consolidated basis:

NUMBER OF WARRANTS	EXERCISE PRICE	EXPIRY DATE
59,411,764	$1.02	TBD
2,082,943	$1.02	TBD
61,474,119		

There were no warrants exercised from May 31, 2019 to the date of this report.

Stock Options

The Company adopted an incentive stock option plan (the "Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with CSE requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. Such options will be exercisable for a period of up to 10 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

In connection with the foregoing, the number of common shares reserved for issuance to any technical consultant will not exceed two percent of the issued and outstanding common shares in any twelve-month period. The number of common shares reserved for issuance to individuals providing investor relation services will not exceed two percent of the issued and outstanding common shares in any twelve-month period. Further, these options must vest over twelve months with a maximum of one quarter of the options vesting in any three-month period. Options may be exercised no later than 30 days following cessation of the optionee's position with the Company, provided that if cessation of office, directorship or technical consulting arrangement by reason of death, the option may be exercised within a maximum period of one year after such death. Subject to the expiry date of such option.

During the year ended May 31, 2019, stock-based compensation in the amount of $1,160,713 (May 31, 2018 - $3,329,406) was recognized on the granting and vesting of stock options to directors, officers and consultants.

The continuity of stock options for the years ended May 31, 2019 and 2018 is summarized below:

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Balance, May 31, 2017	1,100,000	$0.25
Exercised	(550,000)	0.25
Forfeited	(150,000)	0.25
Granted	4,175,000	1.00
Balance, May 31, 2018	4,575,000	0.94
Forfeited	(1,500,000)	1.00
Granted	6,250,000	0.40
Cancelled	(2,675,000)	1.00
Balance, May 31, 2019	**6,525,000**	**0.39**

The following table summarizes the stock options outstanding and exercisable at May 31, 2019:

NUMBER OF OPTIONS		EXERCISE PRICE	EXPIRY DATE
OUTSTANDING	EXERCISABLE		
400,000	400,000	$0.25	September 5, 2024
6,125,000	4,550,000	$0.40	June 21, 2023
6,525,000	**4,950,000**		

As at May 31, 2019, the weighted average remaining contractual life of all options outstanding was 4.13 years (May 31, 2018 – 4.68 years).

There were no stock options issued from May 31, 2019 to the date of this report.

Internal Controls Over Financial Reporting

National Instrument 52-109 requires the CEO and CFO to certify that they are responsible for establishing and maintaining internal control over financial reporting ("ICFR") for the Company and that those internal controls have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. The CEO and CFO are also responsible for disclosing any changes to the Company's internal controls during the most recent period that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting

Based on a review of its internal control procedures at the end of the period covered by this MD&A, management believes its internal controls and procedures are appropriately designed and were operating effectively as at May 31, 2019.

Disclosure Controls

Management is also responsible for the design and operation of disclosure controls and procedures to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers. The Company's Chief Executive Officer and Chief Financial Officer have each evaluated the design and effectiveness of the Company's disclosure controls and procedures as of the date of this report and have concluded that these controls and procedures are effective.

Subsequent Events

- On September 23, 2019 the Company received conditional approval from the Canadian Securities Exchange (the "CSE") to complete its fundamental change application relating to completion of the acquisition of Isracann pursuant to the Securities Exchange Agreement dated March 12, 2019, where Isracann Shareholders will receive one Company Share for each Isracann Share held at the closing of the Acquisition, on a post-Consolidation basis. It is anticipated that the Acquisition will result in Atlas issuing an aggregate of 47,180,000 Company Shares to the Isracann Shareholders, 28,000,000 Company Replacement Warrants to the holders of Isracann Warrants and 4,000,000 Company Replacement Options to the holders of Isracann Options. Certain of the Company Shares held by the current Isracann Shareholders will be subject to escrow conditions applicable securities laws and CSE requirements.
- In August 2019, the Company issued a promissory note to Isracann in the amount of USD$150,000 under the same terms as the two promissory notes issued during the year ended May 31, 2019 and described in Note 6 of the audited consolidated financial statements for the year ended May 31, 2019.

Directors and Officers

The Directors and Officers of the Company are:

Charlie Kiser, President and CEO
Fred Stearman, COO and Director
Yana Popova, CFO and Director
Dr. John Veltheer, Director
Sean Bromley, Director
Desmond Balakrishnan, Director

Conflicts of Interest

Certain officers and directors of the Company are officers and/or directors of, or are associated with other venture companies. Such associations may give rise to conflicts of interest. The directors are required by law, however, to act honestly and in good faith with a view to the best interests of the Company and its shareholders and to disclose any personal interest which they may have in any material transaction which is proposed to be entered into with the Company and to abstain from voting as a director for the approval of any such transaction.

Outlook

Due to the uncertainty of the bitcoin mining market and in efforts to increase shareholder value, Atlas Blockchain Group Inc. has entered into a Share Exchange Agreement dated March 12, 2019, between the Company and Isracann Biosciences Inc., a private B.C. company (please refer to Proposed Transactions).

Risks and Uncertainties

The business of Isracann, which will be the business of the Company upon completion of the Transaction, is subject to certain risks and uncertainties inherent in the cannabis industry. Prior to making any investment decision regarding Isracann, or the Company as the case may be, investors should carefully consider, among other things, the risk factors set forth below.

While this MD&A has described the risks and uncertainties that management of Atlas and Isracann believe to be material to the Company's business, it is possible that other risks and uncertainties affecting the Company's business will arise or become material in the future.

If the Company is unable to address these and other potential risks and uncertainties following the completion of the Transaction, its business, financial condition or results of operations could be materially and adversely affected. In this event, the value of the Company Shares could decline and an investor could lose all or part of their investment.

The following is a description of the principal risk factors that will affect the Company:

Limited Operating History

Isracann, whose respective businesses will comprise the business of the Company, has only limited operating results to date. Isracann has dedicated significant portions of its cash flows to creating infrastructure to capitalize on the opportunity for value creation that is emerging from the relaxing of local prohibitions on the cannabis industry in Israel, Europe and Canada. The Company's lack of extensive operating history makes it difficult for investors to evaluate the Company's prospects for success. Prospective investors should consider the risks and difficulties the Company might encounter, especially given the Company's lack of an extensive operating history or audited financial information. There is no assurance that the Company will be successful and the likelihood of success must be considered in light of its relatively early stage of operations.

Reliance on Management

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements or management agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results, financial condition or prospects.

Additional Financing

The Company will require equity and/or debt financing to support on-going operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Company when needed or on terms which are acceptable. The Company's inability to raise financing to fund on-going operations, capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon the Company's business, results of operations, financial condition or prospects.

If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Company Shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions.

Profitability of the Company

The Company may experience difficulties in its development process, such as capacity constraints, quality control problems or other disruptions, which would make it more difficult to generate profits. A failure by the Company to achieve a low-cost structure through economies of scale or improvements in manufacturing processes and design could have a material adverse effect on the Company's business, prospects, results of operations and financial condition.

Ongoing Costs and Obligations

The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure and growth and for regulatory compliance, which could have a material adverse impact on the Company's results of operations, financial condition and cash flows. In addition, future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Raw Materials and Supply

In the cannabis industry, there is a risk that raw input materials or materials purchased from a third-party processor or producer could be contaminated with pesticides, heavy metals, mycotoxin, and microbial agents. All recreational markets that sell our brands require quality assurance testing for each lot of final cannabis product and must be conducted by an independent, state certified, third-party testing laboratory with a statistically significant number of samples using acceptable methodologies to ensure that all lots manufactured of each cannabis product are adequately assessed for contaminants and the cannabinoid profile is correctly labeled for consumers. The quality assurance tests required for marijuana flowers and infused products currently include moisture content, potency analysis, foreign matter inspection, microbiological screening, and residual solvent levels.

If the Company's licensed processors and co-packagers or other third-party services providers fail to have positive testing results, the Company could experience negative adverse effect on its operations and ability to produce and sell its products.

Competition

It is likely that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition, results of operations or prospects of the Company.

Because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. To become and remain competitive, the Company will require research and development, marketing, sales and support. The Company may not have sufficient resources to maintain research and development, marketing, sales and support efforts on a competitive basis which could materially and adversely affect the business, financial condition, results of operations or prospects of the Company.

If the number of users of medical cannabis in Israel increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

Future Acquisitions or Dispositions

Material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (i) potential disruption of the Company's ongoing business; (ii) distraction of management; (iii) the Company may become more financially leveraged; (iv) the anticipated benefits and cost savings of those transactions may not be realized fully or at all or may take longer to realize than expected; (v) increasing the scope and complexity of the Company's operations; and (vi) loss or reduction of control over certain of the Company's assets.

The presence of one or more material liabilities of an acquired company that are unknown to the Company at the time of acquisition could have a material adverse effect on the business, results of operations, prospects and financial condition of the Company. A strategic transaction may result in a significant change in the nature of the Company's business, operations and strategy. In addition, the Company may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into the Company's operations.

Unfavorable Publicity or Consumer Perception

The Company believes the medical cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research or findings, regulatory investigations, litigation, media attention or other publicity will be favorable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory investigations, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or other publicity could have a material adverse effect on the demand for medical cannabis and on the business, results of operations, financial condition, cash flows or prospects of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or associating the consumption of medical cannabis with illness or other negative effects or events, could have such a material adverse effect. There is no assurance that such adverse publicity reports or other media attention will not arise.

Product Liability

As a provider to manufacturers and distributors of products designed to facilitate cannabis ingestion by humans, the Company would face an inherent risk of exposure to product liability claims, regulatory action and litigation if its customers' products are alleged to have caused significant loss or injury. In addition, tampering by unauthorized third parties or product contamination with respect to the cannabis used in the Company's customers' products may impact the risk of injury to consumers. Previously unknown adverse reactions resulting from human consumption of cannabis alone or in combination with other medications or substances could occur. As a supplier to manufacturers and distributors of products designed to facilitate the consumption of medical cannabis, or in its role as an investor in or service provider to an entity that is a manufacturer, distributor and/or retailer of medical cannabis, the Company may be subject to various product liability claims, including, among others, that the cannabis product caused injury or illness, included inadequate instructions for use or included inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the business, results of operations, financial condition or prospects of the Company. There can be no assurances that the Company will be able to maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to maintain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization

of the Company's potential products or otherwise have a material adverse effect on the business, results of operations, financial condition or prospects of the Company.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. Such recalls cause unexpected expenses of the recall and any legal proceedings that might arise in connection with the recall. This can cause loss of a significant amount of sales. In addition, a product recall may require significant management attention. Although the Company will have detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's brands were subject to recall, the image of that brand and the Company could be harmed. Additionally, product recalls can lead to increased scrutiny of operations by applicable regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Product Approvals

The Company may require advance approval of its products from authorities in the applicable jurisdiction. While the Company intends to follow the guidelines and regulations of each applicable local jurisdiction in preparing products for sale and distribution, there is no guarantee that such products will be approved to the extent necessary. If the products are approved, there is a risk that any jurisdiction may revoke its approval for such products based on changes in laws or regulations or based on its discretion or otherwise. If any of the Company's products are not approved or any existing approvals are rescinded, there is the potential to lead to a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Product Exchanges, Returns and Warranty Claims

If the Company is unable to maintain an acceptable degree of quality control of its products, the Company will incur costs associated with the exchange and return of the products as well as servicing its customers for warranty claims. Any of the foregoing on a significant scale may have a material adverse effect on the Company's business, results of operations and financial condition.

Research and Development

Before the Company can obtain regulatory approval for the commercial sale of any of its products, it will be required to complete extensive trial testing to demonstrate safety and efficacy. Depending on the exact nature of trial testing, such trials can be expensive and are difficult to design and implement. The testing process is also time consuming and can often be subject to unexpected delays.

The timing and completion of trial testing may be subject to significant delays relating to various causes, including: inability to manufacture or obtain sufficient quantities of units and or test subjects for use in trial testing; delays arising from collaborative partnerships; delays in obtaining regulatory approvals to commence a study, or government intervention to suspend or terminate a study; delays, suspensions or termination of trial testing due to the applicable institutional review board or independent ethics board responsible for overseeing the study to protect research subjects; delays in identifying and reaching agreement on acceptable terms with prospective trial testing sites and subjects; variability in the number and types of subjects available for each study and resulting difficulties in identifying and enrolling subjects who meet trial eligibility criteria; scheduling conflicts; difficulty in maintaining contact with subjects after testing, resulting in incomplete data; unforeseen

safety issues or side effects; lack of efficacy during trial testing; reliance on research organizations to conduct trial testing, which may not conduct such trials with good laboratory practices; or other regulatory delays.

Difficulty in Developing Products

If the Company cannot successfully develop, manufacture and distribute its products, or if the Company experiences difficulties in the development process, such as capacity constraints, quality control problems or other disruptions, the Company may not be able to develop market-ready commercial products at acceptable costs, which would adversely affect the Company's ability to effectively enter the market. A failure by the Company to achieve a low-cost structure through economies of scale would have a material adverse effect on the Company's commercialization plans and the Company's business, prospects, results of operations and financial condition.

Success of New and Existing Products and Services

The Company has committed, and expects to continue to commit, significant resources and capital to develop and market new products and services. These products and services are relatively untested, and the Company cannot guarantee that it will achieve market acceptance for any new products and services that the Company may offer in the future. Moreover, these and other new products and services may be subject to significant competition with offerings by new and existing competitors in the business of manufacturing and distributing vaporizers and accessories. In addition, new products, services and enhancements may pose a variety of technical challenges and require the Company to attract additional qualified employees. The failure to successfully develop and market these new products, services or enhancements or to hire qualified employees could seriously harm the Company's business, financial condition and results of operations.

Continued Market Acceptance by Consumers

The Company is substantially dependent on continued market acceptance of its products by consumers. Although the Company believe that the use of products similar to the products to be designed and manufactured by the Company is gaining international acceptance, the Company cannot predict the future growth rate and size of this market.

Promoting and Maintaining Brands

The Company believes that establishing and maintaining the brand identities of products is a critical aspect of attracting and expanding a large customer base. Promotion and enhancement of brands will depend largely on success in providing high quality products. If customers and end users do not perceive the Company's products to be of high quality, or if the Company introduces new products or enters into new business ventures that are not favorably received by customers and end users, the Company will risk diluting brand identities and decreasing their attractiveness to existing and potential customers. Moreover, in order to attract and retain customers and to promote and maintain brand equity in response to competitive pressures, the Company may have to increase financial commitment to creating and maintaining a distinct brand loyalty among customers. If the Company incurs significant expenses in an attempt to promote and maintain brands, the business, results of operations and financial condition could be adversely affected.

Director and Officer Control of Company Shares

Following the completion of the Transaction, the officers and directors of the Company own approximately 9.36% of the issued and outstanding Company Shares. The Company's shareholders nominate and elect the Board of Directors, which generally has the ability to control the acquisition or disposition of the Company's assets, and the future issuance of Company Shares. Accordingly, for any matters with respect to which a

majority vote of the Company Shares may be required by law, the Company's directors and officers may have the ability to control such matters. Because the directors and officers control a substantial portion of such Company Shares, investors may find it difficult or impossible to replace the Company's directors if they disagree with the way the Company's business is being operated.

Results of Future Clinical Research

Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as CBD and THC) remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC). Although the Issuer and Atlas believe that the articles, reports and studies support their respective beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, uncertainties and assumptions, prospective purchasers of the Company Shares should not place undue reliance on such articles and reports. Future research studies and clinical trials may draw opposing conclusions or reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to cannabis, which could have a material adverse effect on the demand for the Company's products with the potential to lead to a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Reliance on Key Inputs

The distribution business is dependent on a number of key inputs and their related costs including raw materials and supplies related to product development and manufacturing operations. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the Company's business, financial condition, results of operations or prospects. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, the Company might be unable to find a replacement for such source in a timely manner or at all. If a sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to the Company in the future. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition, results of operations or prospects of the Company.

Dependence on Suppliers and Skilled Labour

The ability of the Company to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components. It is also possible that the final costs of the major equipment contemplated by the Company's capital expenditure plans may be significantly greater than anticipated by the Company's management, and may be greater than funds available to the Company, in which circumstance the Company may curtail, or extend the timeframes for completing, its capital expenditure plans. This could have an adverse effect on the Company's business, financial condition, results of operations or prospects.

Difficulty to Forecast

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the industry. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations, financial condition or prospects of the Company.

Management of Growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Internal Controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and materially adversely affect the trading price of the Company Shares.

Conflicts of Interest

Certain of the directors and officers of the Company are, or may become directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies.

Litigation

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the market price for the Company Shares. Even if the Company is involved in litigation and wins, litigation can redirect significant company resources.

Intellectual Property Risks

The Company will have certain proprietary intellectual property, including but not limited to brands, trademarks, trade names, patents and proprietary processes. The Company will rely on this intellectual property, know-how and other proprietary information, and may require employees, consultants and suppliers to sign confidentiality agreements. However, any confidentiality agreement may be breached, and the Company may not have adequate remedies for such breaches. Third parties may independently develop substantially equivalent proprietary information without infringing upon any proprietary technology. Third parties may otherwise gain access to the Company's proprietary information and adopt it in a competitive manner. Any loss of intellectual property protection may have a material adverse effect on the Company's business, results of operations or prospects.

Fraudulent Or Illegal Activity by Employees, Contractors And Consultants

The Company is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violates: (i) government regulations; (ii) manufacturing standards; (iii) federal and provincial healthcare fraud and abuse laws and regulations; or (iv) laws that require the true, complete and accurate reporting of financial information or data.

It may not always be possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the Company's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Company's operations, any of which could have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations or prospects.

Information Technology Systems and Cyber-Attacks

The Company's operations depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.

The Company has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Operating Risks and Insurance

The Company's operations will be subject to hazards inherent in the medical cannabis industry, such as equipment defects, malfunction and failures, natural disasters which result in fires, accidents and explosions that can cause personal injury, loss of life, suspension of operations, damage to facilities, business interruption and damage to or destruction of property, equipment and the environment, labour disputes, and changes in the regulatory environment. These risks could expose the Company to substantial liability for personal injury, wrongful death, property damage, pollution, and other environmental damages. The frequency and severity of such incidents will affect operating costs, insurability and relationships with customers, employees and regulators.

The Company will continuously monitor its operations for quality control and safety. However, there are no assurances that the Company's safety procedures will always prevent such damages. Although the Company will maintain insurance coverage that it believes to be adequate and customary in the industry, there can be no assurance that such insurance will be adequate to cover its liabilities. In addition, there can be no assurance that the Company will be able to maintain adequate insurance in the future at rates it considers reasonable and commercially justifiable. The occurrence of a significant uninsured claim, a claim in excess of the insurance coverage limits then maintained by the Company, or a claim at a time when it is not able to obtain liability insurance, could have a material adverse effect on the Company, the Company's ability to conduct normal

business operations and on the Company's business, financial condition, results of operations and cash flows in the future.

Uninsured or Uninsurable Risk

The Company may be subject to liability for risks against which it cannot insure or against which the Company may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for the Company's normal business activities. Payment of liabilities for which the Company does not carry insurance may have a material adverse effect on the Company's financial position and operations.

Issuance of Debt

From time to time, the Company may enter into transactions to acquire assets or the shares of other organizations. These transactions may be financed in whole or in part with debt, which may increase the Company's debt levels above industry standards for companies of similar size. Depending on future exploration and development plans, the Company may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms to the Company. Neither the Company's notice of articles nor its articles will limit the amount of indebtedness that the Company may incur. As a result, the level of the Company's indebtedness from time to time, could impair its ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

Dilution

The Company may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Company which may be dilutive to the other shareholders and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Company Shares.

Financial Projections May Prove Materially Inaccurate or Incorrect

The Company's financial estimates, projections and other forward-looking information accompanying this Listing Statement were prepared by Atlas and Isracann without the benefit of reliable historical industry information or other information customarily used in preparing such estimates, projections and other forward-looking information. Such forward-looking information is based on assumptions of future events that may or may not occur, which assumptions may not be disclosed in such documents. Investors should research Atlas and Isracann and become familiar with the assumptions underlying any estimates, projections or other forward-looking information. Projections are inherently subject to varying degrees of uncertainty and their achievability depends on the timing and probability of a complex series of future events. There is no assurance that the assumptions upon which these projections are based will be realized. Actual results may differ materially from projected results for a number of reasons including increases in operation expenses, changes or shifts in regulatory rules, undiscovered and unanticipated adverse industry and economic conditions, and unanticipated competition. Accordingly, investors should not rely on any projections to indicate the actual results the Company might achieve.

Certain Remedies and Rights to Indemnification may be Limited

The Company's governing documents will provide that the liability of its board of directors and officers is eliminated to the fullest extent allowed under the laws of the Province of British Columbia and the federal laws of Canada applicable therein. Thus, the Company and the shareholders of the Company may be prevented from recovering damages for alleged errors or omissions made by the members of the board of directors of the Company and its officers. The Company's governing documents will also provide that the Company will, to

the fullest extent permitted by law, indemnify members of the board of directors of the Company and its officers for certain liabilities incurred by them by virtue of their acts on behalf of the Company.

Going-Concern Risk

The consolidatedfinancial statements of the Company have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Company's future operations are dependent upon the identification and successful completion of equity or debt financing and the achievement of profitable operations at an indeterminate time in the future. There can be no assurances that the Company will be successful in completing an equity or debt financing or in achieving profitability. The consolidatedfinancial statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

Client Acquisitions

The Company's success depends on its ability to attract and retain clients. There are many factors which could impact the Company's ability to attract and retain clients, including but not limited to the Company's ability to continually produce desirable and effective products, the successful implementation of the Company's client-acquisition plan and continued growth in the aggregate number of consumers choosing to use cannabis either recreationally or medically. The Company's failure to acquire and retain customers would have a material adverse effect on the Company's business, operating results and financial condition.

Credit Risk

The Company will be exposed to credit risk through its cash and cash equivalents. Credit risk arises from deposits with banks and outstanding receivables. The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

Industry and Regulatory Risks

Regulatory Regime

The business and activities of the Company are heavily regulated in all jurisdictions where it will carry on business. The Company's operations will be subject to various laws, regulations and guidelines by governmental authorities. Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over the activities of the Company, including the power to limit or restrict business activities as well as impose additional disclosure requirements on the Company's products and services. Achievement of the Company's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the impact of the compliance regime of Israel. Similarly, the Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

The Company will incur ongoing costs and obligations related to regulatory compliance in both Canada and Israel. Failure to comply with regulations may lead to possible sanctions including the revocation or imposition of additional conditions on licenses to operate the Company's business, the suspension or expulsion from a

particular market or jurisdiction or of its key personnel, and the imposition of fines and censures. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Changes in Laws, Regulations and Guidelines

The Company's operations will be subject to various laws, regulations, guidelines and licensing requirements both in Canada, Israel and abroad. While the Company is expected to be in compliance with all such laws, any changes to such laws, regulations, guidelines and policies due to matters beyond the control of the Company could have a material adverse effect on the Company's business, results of operations and financial condition.

Constraints on Marketing Products

The development of the Company's business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by government regulatory bodies. The regulatory environment in Canada and Israel limits companies' abilities to compete for market share in a manner similar to other industries. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's sales and results of operations could be adversely affected.

Economic Environment

The Company's operations could be affected by general the economic context conditions should the unemployment level, interest rates or inflation reach levels that influence consumer trends, and consequently, impact the Company's sales and profitability. As well, general demand for banking services and alternative banking or financial services cannot be predicted and future prospects of such areas might be different from those predicted by the Company's management.

Global Financial Conditions

Following the onset of the credit crisis in 2008, global financial conditions were characterized by extreme volatility and several major financial institutions either went into bankruptcy or were rescued by governmental authorities. While global financial conditions subsequently stabilized, there remains considerable risk in the system given the extraordinary measures adopted by government authorities to achieve that stability. Global financial conditions could suddenly and rapidly destabilize in response to future economic shocks, as government authorities may have limited resources to respond to future crises.

Future economic shocks may be precipitated by a number of causes, including a rise in the price of oil, geopolitical instability and natural disasters. Any sudden or rapid destabilization of global economic conditions could impact the Company's ability to obtain equity or debt financing in the future on terms favourable to the Company. Additionally, any such occurrence could cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. Further, in such an event, the Company's operations and financial condition could be adversely impacted.

Furthermore, general market, political and economic conditions, including, for example, inflation, interest and currency exchange rates, structural changes in the cannabis industry, supply and demand for commodities, political developments, legislative or regulatory changes, social or labour unrest and stock market trends will affect the Company's operating environment and its operating costs, profit margins and share price. Any

negative events in the global economy could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

OTHER INFORMATION

Other information relating to the Company may be found on the Company's website located at www.atlasblockchaingroup.com, the SEDAR website located at www.sedar.com and the CSE website located at thecse.com.

BY ORDER OF THE BOARD

Atlas Blockchain Group Inc.

"*Frederick W. Stearman*"

COO and Director
September 27, 2019