ATLAS CLOUD ENTERPRISES INC.

ANNUAL INFORMATION FORM

For the Financial Year Ended May 31, 2017

Dated December 8, 2017

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INTRODUCTORY NOTES

Date of Information

All information contained in this Annual Information Form ("**AIF**") is current as of May 31, 2017 with subsequent events disclosed to December 8, 2017.

Currency and Exchange Rates

All dollar amounts herein are expressed in Canadian dollars unless otherwise indicated.

Forward-Looking Information

This AIF 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 AIF and Atlas Cloud Enterprises Inc. (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 AIF include, but are not limited to the following:

- the Company's strategies and objectives, both generally and in respect of its existing business and planned business operations;
- the Company's plans to grow sales and offer new products;
- conditions in the financial markets generally, and with respect to the prospects for small capitalization commercial/technologies companies specifically;
- the expected demand for the Company's services;
- 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, the success of the Company's current and future development efforts, changes in prices of required commodities, competition, government regulations and other risks as set out under "Risk Factors" below.

GLOSSARY OF TERMS

The following is a glossary of certain terms used in this AIF.

"**ABCA**" means the *Business Corporations Act* (Alberta);

"ACE" means Atlas Cloud Enterprises (2013) Ltd., the Company's wholly-owned subsidiary;

"AIF" means this annual information form of the Company dated December 8, 2017 for the year ended May 31, 2017;

"**Common Shares**" means common shares in the capital of the Company;

"**Company**" or "**Atlas**" means Atlas Cloud Enterprises Inc.;

"**CSE**" means the Canadian Securities Exchange;

"**Data Centre**" means the Company's Tier 2 data centre located at 308 East 5th Avenue, Vancouver, BC;

"**Finder's Warrants**" means Warrants issued to finders as partial consideration in connection with the Company's non-brokered placement of Convertible Debentures;

"**MNP**" means MNP LLP, the auditors of the Company;

"**Options**" means incentive stock options to purchase Common Shares issued pursuant to the Option Plan;

"**Option Plan**" means the incentive stock option plan of the Company;

"**RTO**" means the reverse takeover of the Company by ACE, pursuant to the Share Exchange Agreement;

"**Share Exchange Agreement**" means the share exchange agreement dated March 18, 2014 between the Company and ACE;

"**TSX-V**" means the TSX Venture Exchange; and

"**Warrants**" means common share purchase warrants in the capital of the Company.

CORPORATE STRUCTURE

Name, Address, and Incorporation

The Company was incorporated under the ABCA on January 21, 2010 as "Sypher Resources Ltd.". On July 23, 2014, in connection with a reverse takeover transaction with ACE, the Company changed its name to "Atlas Cloud Enterprises Inc."

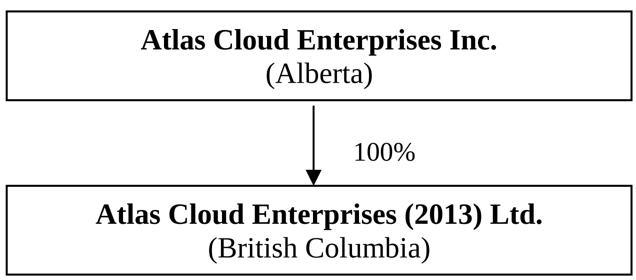
The head office of the Company is located at 308 East 5th Avenue, Vancouver, British Columbia, V5T 1H4. The registered office of the Company is located at 1900, 520 – 3rd Avenue SW, Calgary, Alberta, T2P 0R3.

The Company's Common Shares are listed on the CSE under the trading symbol "AKE". The Company is a reporting issuer in Canada in the Provinces of British Columbia, Alberta and Ontario.

The Company's primary business is the provision of co-location and back-up/redundancy IT and telecom equipment, and cloud computing, to small and medium businesses in Western Canada. The Company's secondary business is the rental of software manufacturing facilities to technological start-up businesses.

Intercorporate Relationships

The Company operates through its' wholly-owned subsidiary, ACE, a company incorporated on August 15, 2013 under the *Business Corporations Act* (British Columbia), which carries on business in Vancouver, British Columbia.



GENERAL DEVELOPMENT OF THE BUSINESS

Three-Year History

During the three most recently completed financial years, the Company transitioned from the business of acquiring and exploring mineral properties to the business of co-location and cloud computing services, as part of the RTO completed on July 23, 2014. The Company, through its subsidiary, provides two types of products or services: co-location and cloud computing to small and medium businesses in Western Canada and the rental of software manufacturing facilities to technological start-up businesses, described further under the heading "*Description of Business*". Since the completion of the RTO, the Company has focused on the expansion of its Data Centre, developing a clientele base for its software manufacturing rental facilities, and achieving the financial position required for its plans through equity and debt financings.

On March 18, 2014, the Company entered into the Share Exchange Agreement with ACE pursuant to which the Company acquired all of the issued and outstanding common shares of ACE in consideration of issuing to the former shareholders of ACE an aggregate of 5,000,000 Common Shares, such that ACE became a wholly-owned subsidiary of the Company. The RTO was completed on July 23, 2014.

On July 4, 2014, in connection with the RTO, the Company raised $622,675 by way of a non-brokered private placement of 4,150,500 units of the Company, each unit consisting of one Common Share and one-half of one Warrant. Each Warrant entitles the holder to acquire one additional Common Share at $0.25 per Common Share until July 4, 2016.

On November 30, 2014, the Company entered into an agreement to acquire the assets of The Cranium ("**The Cranium**"), an entity providing software manufacturing rental facilities for startup and growth information technology companies. Cranium provides committed space to startup 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. The Company is continuing to run and expand Cranium's clientele base. In December 2014, the Company acquired the assets of The Cranium. In consideration of the acquisition of The Cranium, the Company issued 200,000 Common Shares at a price of $0.13 per Common Shares.

On October 25, 2015, the Company obtained a term loan in the amount of $200,000 (the "**Loan**"), 25% of which was provided by directors of the Company. The proceeds from the Loan were used to complete the BC Hydro upgrade to 1600 amp service, complete the addition of redundant power required of a facility operating at a "Tier 2 data centre" level, and for general working capital.

On May 12, 2016, the Company substantially completed Phase 1 of the Data Centre, including a major power upgrade, adding a generator and transfer switch, and adding power distribution and cooling connections.

On June 29, 2016 and July 22, 2016, the Company closed two tranches of a private placement of an aggregate of $1,023,000 of convertible debentures (the "**Debentures**"). The Debentures bear interest at a rate of 9% per annum, calculated and payable semi-annually, mature 36 months from the date of issuance, and are convertible until maturity, at the option of the holder, into Common Shares at a conversion price of $0.25 per Common Share. In connection with the private placement of Debentures, the Company issued 401,800 Finders' Warrants to a finder. The proceeds of this private placement were used for Phase 2 of the buildout of the Data Centre, including the purchase and installation of 30 high density racks, fire suppression system, a security system, and a redundant cooling condenser.

Subsequent Events

On October 30, 2017, the Company completed a non-brokered private placement of 49,999,997 special warrants ("**Special Warrants**") at $0.06 per Special Warrant, for an aggregate gross proceeds of $3,000,000. Each Special Warrant will entitle the holder to receive, without payment of any additional consideration one unit on the earlier of: (i) four months and a day after closing; and (i) the day a receipt is issued by the applicable securities commissions for a final prospectus which qualifies the issuance of the units. Each unit will consist of one Common Share and one Warrant. Each Warrant entitles the holder to acquire one additional Common Share at $0.08 per Common Share for a period of 24 months following the date of issuance. The proceeds of this private placement will be used by the Company to acquire new computer hardware, to expand its current operations, and for general working capital.

On October 30, 2017, the Company also issued 4,217,647 Common Shares to settle the aggregate principal of $1,023,000 plus accrued interest of $31,361.72 outstanding under the Debentures.

On November 15, 2017, the Company announced a non-brokered private placement offering of up to

40,000,000 units, at a price of $0.35 per unit for gross proceeds of up to $14,000,000. Each such unit will consist of one Common Share and one Warrant. Each Warrant entitles the holder to acquire one additional Common Shares at $0.75 per Common Share for a period of 24 months from the date of issuance. The Company intends to use the net proceeds of this private placement as follows: (a) $5,000,000 for the acquisition of a geophysical redundancy facility for backup and archiving that is two seismic grids away with access to sub-$0.03kWh electricity; (b) $2,000,000 for research and development to secure blockchain storage and backup/archiving products; (c) $1,000,000 for secure, traceable media hosting and streaming products; (d) $2,000,000 for production and development of servers; (e) $1,000,000 for hiring operational, security and networking teams; and (f) the remaining amount for general working capital.

On November 15, 2017 the Company announced the appointment of Ms. Yana Popova as Chief Financial Officer, director and audit committee member of the Company filling the vacancy created by the resignation of Ms. Laurie Sadler as Chief Financial Officer, director and audit committee member.

On December 5, 2017 the Company announced that it engaged Invictus Investor Relations Inc. to provide investor relations services pursuant to an investor relations consulting agreement dated December 1, 2017 and granted stock options to acquire up to 300,000 common shares in the capital of the Company at an exercise price of $1.00 per share (a total of 1,800,000 stock options were granted to certain directors, officers and consultants effective November 29, 2017.) The Company further announced the departure of Mr. Nicholas Glass, director effective November 30, 2017.

Risk Factors

<u>General</u>

No Operating History

The Company, since the acquisition of ACE, has no history of earnings; it has not paid any dividends and it is unlikely to pay any dividends in the immediate or foreseeable future. The success of the Company will depend to a large extent on the expertise, ability, judgement, discretion, integrity and good faith of its management.

Holding Company Status

The Company is a holding company and essentially all of its operating assets are the capital stock of its subsidiary, ACE. As a result, investors in the Company are subject to the risks attributable to ACE. As a holding company, the Company conducts substantially all of its business through ACE, which is expected to generate the majority of the Company's revenues. Consequently, the Company's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the future earnings of ACE and the distribution of those earnings to the Company. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of ACE, holders of indebtedness and trade creditors will generally be entitled to payment of their claims from the assets of ACE before any assets are made available for distribution to the Company.

Start-up business risk

The Company is a relatively new company having only operated since August 15, 2013, since which time it has been in the development stage. The Company is still rolling out its business and recruiting initial clients and it is therefore uncertain whether the Company can get to the stage of being a stable operating business with its existing financial resources. The Company is subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its growth objectives.

Reliance on Key Personnel

The Company's success depends in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse effect on the Company. The Company will not have key person insurance in effect for management. The contributions of these individuals to the Company's immediate operations are likely to be of central importance. In addition, the competition for qualified personnel in the biotech industry is intense and there can be no assurance that the Company will be able to continue to attract and retain all personnel necessary for the development and operation of the Company's business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the Company's management.

Competition

The Company is engaged in an industry that is highly competitive, is evolving and is characterized by technological change. As a result, it is difficult for it to predict whether, when and by whom new competing technologies or new competitors may enter the market. The Company faces competition from companies with strong positions in certain markets it is currently targeting, and in new markets and regions it may enter. Larger competitors such as Telus and Bell are market leaders in the data hosting space. A number of smaller local organizations also compete with the small independent providers such as the Company. Additionally, unforeseen competition could have a significant adverse effect on the growth potential of the Company.

The Company cannot assure that it will be able to compete effectively against current and future competitors. In addition, competition or other competitive pressures may result in price reductions, reduced margins or loss of market share, any of which could have a material adverse effect on the Company's business, financial condition or results of operations.

Failure to Manage Growth

The Company's failure to manage its growth successfully may adversely impact its operating results. The Company's ability to manage growth will require it to continue to build its operational, financial and management controls, contracting relationships, marketing and business development plans and controls and reporting systems and procedures. The Company's ability to manage its growth will also depend in large part upon a number of factors, including the ability for it to rapidly:

- expand its internal and operational and financial controls significantly so that it can maintain control over operations;

- attract and retain qualified technical personnel in order to continue to develop reliable and flexible products and provide services that respond to evolving customer needs;

- build a sales team to keep customers and partners informed regarding the technical features issues and key selling points of its products and services;

- develop support capacity for customers as sales increase; and

- build a channel network to create an expanding presence in the evolving marketplace for its products and services.

An inability to achieve any of these objectives could harm the business, financial condition and results of operations of the Company.

Facility Development

The further development of the Company's Data Centre is subject to various potential problems and uncertainties, and may be delayed or adversely affected by a number of factors beyond the Company's control, including delays in the delivery or installation of equipment by suppliers, difficulties in integrating new equipment with the Company's existing facilities, shortages in materials or labor, defects in design or construction, diversion of management resources, or insufficient funding or other resource constraints. Moreover, actual costs for development may exceed the Company's budgets. As a result of delays, cost overruns, changes in market circumstances or other factors, the Company may not be able to achieve the intended economic benefits from the expansion of the Data Centre, which in turn may materially and adversely affect the Company's business, prospects, financial condition and results of operations.

Operational Risk

The nature of the Data Centre is the mechanical equipment to provide power, cooling and bandwidth to compose the product. Equipment may be under a service contract, but unforeseen service outages will have a negative impact on the product, and ACE. Maintenance can be adversely affected by manufactures defects, lack of parts or by staff shortages.

Technology Risk

The Company's Data Centre is being built based on mainstream power and cooling technologies. The lifecycle of the mechanical components is 10 years. A paradigm shift away from refrigerated cooling and lead acid batteries connected to a diesel back-up generator, could cause a change in the business model that ACE could not expect. There are technologies such as emersion server cooling in liquid that is on the horizon, unfortunately several and drive technology has not adjusted to this niche. Through reinvestment of profits, ACE can experiment with new technology and be an early adopter before the competition.

Business with High Attrition Rates

Many of the Company's target clients are technology start-ups whose business revolves around the social media and mobility areas. Many of these customers have unproven and unpredictable business models with greater risks.

Environmental Risks

Earthquakes, hurricanes, flooding, ice storms, gas leaks and other possible natural and man-made disasters are all factors that must be considered and which despite pre-planning, can have material adverse consequences on the Company and its business.

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 usual 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.

Litigation

The Company may become party to litigation, mediation and/or arbitration from time to time in the ordinary course of business which could adversely affect its business. Monitoring and defending against legal actions, whether or not meritorious, can be time-consuming, divert management's attention and resources and cause the Company to incur significant expenses. In addition, legal fees and costs incurred in connection with such activities may be significant and we could, in the future, be subject to judgments or enter into settlements of claims for significant monetary damages. Substantial litigation costs or an adverse result in any litigation may adversely impact the Company's business, operating results or financial condition.

Political and Economic Instability

The Company may be affected by possible political or economic instability. In particular, many of the Company's targeted Canadian customers are susceptible to Asian markets and investment that affects Western Canada. If there were sudden economic and political change in Asia, it would have an impact of growth in Western Canada. The effect of these factors cannot be accurately predicted.

Conflicts of Interest

Certain of the Company's directors are also directors of other technology companies and as such may, in certain circumstances, have a conflict of interest requiring them to abstain from certain decisions. Conflicts, if any, will be subject to the procedures and remedies of the ABCA.

Additional Capital

The development and the business of the Company may require additional financing. Failure to obtain sufficient financing may result in the delay or indefinite postponement of its business plans. The initial primary source of funding available to the Company consists of equity financing. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company.

Global Economy Risk

An economic downturn of global capital markets has been shown to make the raising of capital by equity or debt financing more difficult. The Company will be dependent upon the capital markets to raise additional financing in the future, while it establishes a user base for its products. As such, the Company is subject to liquidity risks in meeting its development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the Company's ability to raise equity or obtain loans and other credit facilities in the future and on terms favorable to the Company and its management. If uncertain market conditions persist, the Company's ability to raise capital could be jeopardized, which could have an adverse impact on the Company's operations and the trading price of the Company's shares.

Dividend Risk

The Company has not paid dividends in the past and does not anticipate paying dividends in the near future. The Company expects to retain its earnings to finance further growth and, when appropriate, retire debt.

Market Risk for Securities

The market price for the Company's Common Shares could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the Company. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies.

Volatile Market Price for Common Shares

The market price for Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control, including the following:

- actual or anticipated fluctuations in the Company's quarterly results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the industry in which the Company operates;
- addition or departure of the Company's executive officers and other key personnel;
- release or expiration of transfer restrictions on outstanding Common Shares;
- sales or perceived sales of additional Common Shares;
- operating and financial performance that vary from the expectations of management, securities analysts and investors;
- regulatory changes affecting the Company's industry generally and its business and operations;
- announcements of developments and other material events by the Company or its competitors;
- fluctuations to the costs of vital production materials and services;
- changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors;
- operating and share price performance of other companies that investors deem comparable to the Company or from a lack of market comparable companies; and
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company's industry or target markets.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Such volatility has been particularly evident with regards to the share prices of medical cannabis companies that are public issuers in Canada. Accordingly, the market price of the Company's Common Shares may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are lasting and not temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in share price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of Common Shares may be materially adversely affected.

Cloud Computing Risks

Business Continuance

ACE's business is based on customers having ACE host their IT infrastructure or utilizing ACE's infrastructure to host important applications. To operate, customers must have Internet access. ACE is dependent on downstream connectivity through Optic Zoo Fibre and for Internet traffic through Hurricane Electric. Although suppliers have redundancy, the loss of Internet connectivity will have serious adverse effects on ACE's business.

Data Security

Once customers send their data to the Cloud, it is in risk of a data breach. Data is susceptible to interception and capture even if encrypted or located behind a firewall. Recent Trojan virus issues surrounding open SSL communication protocols exposed this issue. Reports by Edward Snowden exposed the NSA involvement of mass collection of Internet traffic. While ACE has redundant firewalls, gateway antivirus, and relations with third party security providers, there can be no guarantees that security breaches from unknown or internal causes will not occur. Failure to properly address or prevent such security breaches can adversely affect ACE's business.

Regulatory Complications

The Cloud industry is self-regulating, but certain customers must adhere to privacy laws, *Patriot Act*, and acceptable Internet use policy. There are more potential impacts of privacy and security on the horizon which will have financial and operational impact. The following lists some of the regulatory hurdles which may face ACE; and failure to adequately address or comply with such regulations may have a serious adverse impact on ACE's business.

Certain Canadian legislation which directly references Cloud services and privacy laws include:

- *Personal Information Protection and Electronic Documents Act* ("**PIPEDA**"). Under PIPEDA, organizations are held accountable for how they collect, use, maintain and store personal information, and this obligation does not diminish once data collected is transferred and stored with a third party (i.e. a cloud service provider) even if that third party is located outside of Canada. PIPEDA requires that the organization in question ensure that a comparable level of privacy protection be put in place by the third party cloud service provider;

- Canada's "anti-spam" law ("**CASE**") came into force on July 1, 2014. It regulates most electronic interactions and is expected to significantly alter the Canadian landscape of electronic business. CASE amends PIPEDA to specifically prohibit the collection and use of personal information or electronic addresses without consent or knowledge in the case of (a) data mining or (b) any means of telecommunication if it is obtained through accessing a computer system in an illegal manner;

- In June 2012, the Privacy Commissions of Canada, British Columbia and Alberta jointly issued a guidance document entitled "Cloud Computing for Small and Medium-sized Enterprises: Privacy Responsibilities and Considerations" to help small and medium-sized enterprises understand and comply with their privacy responsibilities regarding the use of cloud services;
- Canada's Action Plan on Open Government (open.gc.ca/index-eng.asp);
- Shared Services Canada Architecture Framework Advisory Committee meets monthly;
- *Personal Information Protection Act* (Alberta);
- *Personal Information Protection Act* (BC) – "Cloud Computing Guidelines for Public Bodies";
- European Data Protection Directive;
- SSAE 16 **-** Independent verification of compliance with and effectiveness of security controls; and
- ISO 27001 international standard/certification.

Complexity

Customer IT environments have grown over time to often feature various applications running on disparate systems with no standardization. Moving such an environment adds to the complexity by adding latency, dissimilar operating systems and firmware. Most customers do not possess the means to fix their applications, resulting in unsuccessful modifications, which if unsatisfactory can lead to customers simply returning to their own on premise operations. Seeking to solve such customer problems can lead to monopolizing ACE's technical time and unbilled revenue.

Hidden costs

Extra costs to ACE can result from customer applications or modifications that were not disclosed in the Cloud Audit before contract phase. ACE personnel time can go unallocated or uncharged due to unforeseen delays, license requirements, insufficient infrastructure firmware, the revision history of operating systems, hardware compatibility, and human resource constraints. These can lead to ACE incurring overtime, travel and housing for subject matter experts which can add to the costs of providing service and may affect profitability.

Scalability

The Cloud is viewed as an unlimited scalable environment, unfortunately this scale comes in stages that may or may not be available at the right time to the customer or be available at the right stage, place or price. It is difficult for ACE forecast when it should or should not be expanding its scale, as there are no triggers or data to rely on.

Specific Risks with ACE's Operations

ACE's premise is in a shared building in an industrial warehouse district of Vancouver. The area is in a gentrifying part of Vancouver with many young families close by, as well as small restaurants, new condo developments, and cottage breweries. Although safe in terms of crime, ACE has left the original "Mayers Packaging" sign up, and is not advertising the actual use of the building. ACE's Data Centre entrance is through a nondescript lane alley steel door. This steel door is equipped with an electronic proximity card monitor, leading through a hallway, to another steel door where a second form of authentication is needed to proceed - what is commonly referred to as a “man-trap entrance”. The exterior door, man-trap, and internal space are all monitored by digitally recording cameras connected to motion detectors. The physical space is separated from the rest of the shared floor via cement block wall, re-enforced wire wall board and steel studs. There is no public access, and only those who have proximity cards will be able to gain access.

Internal to the Data Centre are the mechanics that provide for the key pieces of service equipment. Firstly is the enhanced power from BC Hydro, which actually feeds the Uninterruptable Power Supply batteries (UPS). These batteries are configured in a redundant fashion to offer uptime even if one or two batteries in the stack fail. If the Hydro grid goes offline, the equipment will run on batteries until the diesel back-up generator starts and begins to recharge. Once the Hydro grid is restored the automated transfer switch will send a signal to the generator to shut down and start charging the batteries from the standard grid power. The risks to this piece of infrastructure include a complete shutdown of the Uninterruptable Power Supply, which would prevent the equipment receiving any power and the Hydro grid being offline longer than the diesel fuel would last. Another risk is the event that the generator does not start, leaving the equipment to prematurely shut down. Overheating and fire are common dangers in areas containing concentrations of high energy consuming equipment. ACE’s Data Centre has its own form of non-corrosive mist fire suppression to handle any such electrical fire, and all these components meet or exceed a Data Centre Requirements for redundancy and uptime (according to the Uptime Institute).

Each server will have two power supplies, one going to the battery/power back up, the other directly to the grid. If one power supply fails the other takes over and if a UPS fails the grid will be used as the connection point. The Cloud environment can be backed up to a remote site electronically, rather than with large scale tape back-up libraries as a monetary option for customers. Having a remote back-up program will reduce the risk of data access for the customer.

Events in Calgary in June 2013 pointed out a number of risks that can affect a data centre. Flooding in the downtown core caused the hydro grid to go down and a number of generators were located in underground areas and thusly filled with water and were ruined. Downtown Calgary ended up totally blocked off to traffic and most of the above ground generators ran out of fuel. ACE is located above the 200 year flood plain, and its generator is above grade. There is no plan yet, however to have fuel delivered in an event of traffic blockage to the entire area, which is a potential risk. There is also the hazard of fire to the rest of the building, or in the local area, over which ACE will have no control. There is also the long term risk of the Hydro grid being off line for extended periods due to ice storms, blackouts or other disasters, such as the 2007 conduit fire that affected the Vancouver downtown core for 6 days. As well, Vancouver is min a zone 4 earthquake zone. The calamity that can be associated with a seismic event can destroy the building, sever internet access pipes, and prevent fuel from delivery.

These issues could be addressed with a secondary back-up site which is at least two geophysical zones away, however ACE is not currently in a position to implement such a back-up site at this time.

A customer’s biggest risk in using Cloud computing is not being able to access their data or computing power. The “Cloud” is essentially the server and the computing power installed in the rented cabinets of the data centre. Each cabinet is locked and on camera. ACE’s Cloud environment itself is accessed via two separate Internet fibre paths, in case one gets cut. Each feed is connected to a pair of redundant firewalls for security, both of which are monitored. Each server also includes gateway and server antivirus. However, there are still unknown security risks, such as those highlighted by the “heart bleed” Trojan bug. With millions of pieces of computer code there are always risks in the operating systems, firewalls, switches, routers and CPU chips and there is no way to be 100% secure. While ACE will seek to follow an acceptable Internet use policy, including that no gaming, adult content or questionable applications will be tolerated, such precautions may still not prevent ACE's site IP addresses from being blocked.

DESCRIPTION OF BUSINESS

General

The Company's primary business is the provision of co-location and back-up/redundancy IT and telecom equipment, and cloud computing, to small and medium businesses in Western Canada. The Company's secondary business is the rental of software manufacturing facilities to technological start-up businesses.

Co-Location and Cloud Services:

The Company 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 now 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:

In early December 2014, the Company executed an agreement to acquire the assets of Cranium, an entity providing software manufacturing rental facilities for startup and growth information technology companies. Cranium provides committed space to startup 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. The Company is continuing to run and expand Cranium's clientele base.

Segment Information

The Company operates in two segments: (i) co-location and cloud services, and (ii) the rental of software manufacturing facilities. The following table describes the revenue associated with each such segment for each of the Company's most recently completed financial years;

Segment	Year ended May 31, 2017	Year ended May 31, 2016
Co-location and cloud services	$175,578	$45,527

Rental of software manufacturing facilities	$145,822	$140,886

Products and Services

The Company, through ACE, offers the following services to its customers:

- **Colocation -** many businesses do not have the means to host their own computer equipment due to reliance on high power and backup availability, or large bandwidth requirements. Other businesses require short term computing power to suit their business cycle.

- **Redundancy -** many businesses require secure off-site secondary storage of their electronic data, to protect against failure of their own systems and complete loss of data.

- **Dedicated Servers -** customers can custom build their own dedicated hardware to suit their needs, with optional support from ACE.

- **Web Hosting -** flexible web hosting packages with customized options and high security.

- **Backup -** Enterprise Backup systems from leading vendors that will cater to all sizes of business.

- **Virtualization -** Virtual servers and desktops from VMware.

- **Cloud Computing -** full cloud platform connected to a global network.

- **Web Development -** custom web development and programming services.

- **Tech Support -** Tier 1 and 2 tech support (Tier 1 is having a call log and a simple list of questions and answers; Tier 2 is having a specific resource answer the passed-on call, such as a network issue relating to internet connectivity).

Competitive Conditions

There are a number of existing companies in Western Canada providing similar services to that offered by AKE.

Cologix Inc. is a network neutral interconnection and data center company headquartered in Denver, Colorado. It provides scalable interconnection services and secure colocation services at strategically located facilities in Dallas, Jacksonville, Minneapolis, Montreal, Toronto and Vancouver. It provides more than 330 network choices and 16 prime interconnection locations. Cologix currently serves over 600 carrier, managed services, cloud, media, content, financial services and enterprise customers.

Others co-location and data centre operations in the Greater Vancouver Area include Telus, Bell, and Q9 (now a Bell managed company). There are a number of smaller hosting facilities in the 555 West Hastings Harbour Centre, including Savis (formerly Fusepoint) Nextlayer (Teliphone-Westel- Navigata), and Primus. In Calgary there is Data Hive, Carefactors (now Pivital), and in Kelowna there is Rackforce. New to the Vancouver market is TeraGo which purchased the Intrawest Data centre at 900 West Hastings Street, Vancouver and the old GT Network site at 701 West Georgia Street, Vancouver.

Notable competitive disruptions exist in the media and entertainment space. Large Animation and VFX firms are looking to host their equipment in lower tier data centres with lower electrical costs.

Applications such as rendering do not demand the highest percentage of up-time, while requiring enormous power to run. Vancouver has a shortage of powered facilities for such applications and the landscape provides for a choice of hosting locally vs. longer latency and lower costs in other geographical areas. The Company is working to address this issue by planning additional capacity in areas where power is available at a large discount. Atlas plans to invest in Blockchain technology; the risks are present that the enabling Security Tokens may be subject to market conditions, yet the technology of Blockchain to ensure a verifiable transaction will offer new mechanisms and applications that stand to create compelling shareholder value.

There are a number of factors that give ACE a competitive advantage:

- the Data Centre's central location close to the Vancouver downtown core, while also being in an industrial area that has the benefit of power availability that cannot be achieved in older commercial buildings. This power availability cannot normally be found in new construction, as the power grid has not kept pace with the increasing density in the downtown area. Atlas is looking at secondary geographical redundancy and lower cost areas to cater to power intensive applications that don't require Tier 2 and Tier 3 expensive facilities.

- ACE's building was formally an industrial site, such that it has the added benefit of high load capacity floors that can take the loads of the battery backup (UPS - uninterruptable power supply), the backup generator and the actual weight of the centralized computing equipment.

- most buildings in the downtown core prohibit generators and fuel from being located on roof tops due to weight and fuel regulations. ACE, however, has a 500kw diesel generator and enough fuel for 48 hours of use. A fuel supply company will be contracted to automatically monitor the fuel level and supply.

- ACE has a dual power supply as well as ample battery back-up to provide redundant power supply. This means that if one power supply fails the other will remain connected to a circuit that has the protection buffer equal to 20 minutes of battery time until the generator starts up and begins recharging.

- ACE's site is connected to two fibre-optic rings connected to the 555 West Hastings St. center for Internet traffic. These two full circle loops will provide connection to the Internet. There are two paths in each link, ensuring that the connection will be up, even if one or both of the links fail. Atlas has 12 pairs of Dark Fibre connected to the Optic Rings, Atlas is well poised to host bandwidth intensive applications such as distributed storage

Employees

As at the end of the Company's most recently completed financial year, May 31, 2017, the Company had one employee looking after coworking (software manufacturing) with additional personnel engaged on a contract basis. As of the date of this AIF, the Company has one employee.

DIVIDENDS AND DISTRIBUTIONS

The Company has not declared nor paid any cash dividends on any of its issued shares since its inception. Other than requirements imposed under applicable corporate law, there are no other restrictions on the Company's ability to pay dividends under the Company's constating documents. The Company has not paid any dividends on the Common Shares since its incorporation. The Company has no present intention of paying dividends on the Common Shares, as it anticipates that all available funds will be invested to finance the growth of its business and, when appropriate, retire debt.

DESCRIPTION OF CAPITAL STRUCTURE

The Company's authorized share capital consists of an unlimited number of Common Shares without par value and an unlimited number of Preferred Shares without par value.

All of the Common Shares are of the same class and, once issued, rank equally as to entitlement to dividends, voting powers (one vote per share) and participation in assets upon dissolution or winding up. No Common Shares have been issued subject to call or assessment. There are no pre-emptive rights, no conversion or exchange rights, no redemption, retraction, purchase for cancellation or surrender provisions applicable thereto; nor are there any sinking or purchase fund provisions, no provisions permitting or restricting the issuance of additional securities or any other material restrictions, and there are no provisions which are capable of requiring shareholders to contribute additional capital.

Preferred Shares may be issued in series, with such designations, rights, privileges, restrictions and conditions as the directors may determine. If so determined, Preferred Shares could have preference over the Common Shares as to the payment of dividends, the distribution of assets or return of capital upon liquidation, dissolution or winding-up of the Company. No Preferred Shares have been designated by the directors.
As of the date of this AIF, there are 22,068,481 Common Shares issued and outstanding as fully paid and non-assessable and no Preferred Shares issued and outstanding. In addition, 2,200,000 Common Shares are reserved for issuance under incentive stock options and 9,800 Common Shares are reserved for issuance under common share purchase warrants.

Warrants

The following table sets forth all Warrants of the Company that are outstanding as of the date of this AIF:

Number of Warrants	Exercise Price ($)	Expiry Date
9,800	$0.15	July 22, 2018

Options

During the financial year ended May 31, 2011, 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.

The following table sets forth all Options that are outstanding as of the date of this AIF:

Number of Options	Exercise Price ($)	Expiry Date
400,000	$0.25	September 5, 2014
1,800,000	$1.00	November 29, 2022

Special Warrants

On November 1, 2017, the Company issued 49,999,997 Special Warrants. Each Special Warrant entitles the holder to receive without payment of any additional consideration one unit on the earlier of: (i) four months and a day after closing; and (ii) the day a receipt is issued by the applicable securities commissions for a final prospectus which qualifies the issuance of the units. Each unit will consist of one Common Share and one Warrant. Each Warrant entitles the holder thereof to acquire one additional Common Share at $0.08 per Common Share for a period of 24 months following the date of issuance.

MARKET FOR SECURITIES

Trading Price and Volume

Up to July 25, 2014, the Common Shares of the Company were traded on the CSE under the trading symbol "SYP". On July 16, 2014, the Company changed its name to "Atlas Cloud Enterprises Inc." and thereafter on July 25, 2014, its Common Shares began trading on the CSE under the trading symbol "AKE".

The table below summarizes the range and volume of trading prices of Common Shares on the CSE for each of the months stated:

Month	**Price Range ($)**		**Volume**
	High	**Low**	
December 1 - 7, 2017	1.17	0.94	3,034,537
November 2017	1.25	0.30	19,222,447
October 2017	0.50	0.125	5,681,700
September 2017	-	-	-
August 2017	0.08	0.08	4,000
July 2017	0.12	0.08	36,000
June 2017	0.12	0.12	11,000
May 2017	-	-	-
April 2017	-	-	-
March 2017	0.13	0.09	6,500
February 2017	0.13	0.11	3,000
January 2017	0.13	0.11	44,000
December 2016	0.15	0.13	5,000
November 2016	-	-	-

Prior Sales

During the financial year ended May 31, 2016, the Company issued the following securities convertible into common shares:

Date of Issuance	Security	Number of Securities	Issue/Exercise Price Per Security ($)
June 29, 2016	Convertible Debentures	952(1)	0.25
June 29, 2016	Finders' Warrants	392,000(2)	0.15
July 22, 2016	Convertible Debentures	71(3)	0.25
July 22, 2016	Finders' Warrants	9,800(4)	0.15

(1) Subsequent to May 31, 2017, the Company reached a settlement agreement with the holders of the Convertible Debentures. All of these Convertible Debentures, plus outstanding interest owing, were converted into Common Shares on October 30, 2017.
(2) All of these Finders' Warrants have been exercised as at the date hereof.
(3) Subsequent to May 31, 2017, the Company reached a settlement agreement with the holders of the Convertible Debentures. All of these Convertible Debentures, plus outstanding interest owing, were converted into Common Shares on October 30, 2017.
(4) All of these Finders' Warrants remain outstanding as of the date hereof.

Subsequent to May 31, 2017, the Company issued the following securities convertible into common shares:

Date of Issuance	Security	Number of Securities	Issue/Exercise Price Per Security ($)
October 30, 2017	Special Warrants	49,999,997(1)	0.06

(1) Issued pursuant to the Company's $3,000,000 non-brokered private placement of Special Warrants. Each Special Warrant will entitle the holder to receive, without payment of any additional consideration one unit on the earlier of: (i) four months and a day after closing; and (i) the day a receipt is issued by the applicable securities commissions for a final prospectus which qualifies the issuance of the units. Each unit will consist of one Common Share and one Warrant, exercisable at $0.08 per Common Share for 24 months.

ESCROWED SECURITIES

The following table includes the balance of escrowed securities as at May 31, 2017:

Designation of Class	Number of Securities held in Escrow	Percentage of Class
Common Shares	750,000(1)	4.4%

(1) Pursuant to an escrow agreement dated July 7, 2014, entered into by certain shareholders in connection with the RTO, certain shareholders were required to submit their securities to escrow, of which 5,000,000 Common Shares were submitted, 10% of which were released upon closing of the RTO, and an additional 15% were released every six months thereafter over a period of 36 months. Subsequent to May 31, 2017, the remaining 750,000 Common Shares were released from escrow.

As of the date of this AIF, there were no Common Shares held in escrow.

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

The following table sets forth information regarding our directors and executive officers. The term of office for the Directors expires at the Company's next Annual General Meeting.

Name, Province or State and Country of Residence	Positions with the Company	Date of Appointment	Principal Occupation Within the Past Five Years[(1)]
Frederick Stearman *British Columbia, Canada*	President, CEO and Director	July 4, 2014	Chief Executive Officer; Former President of NextLayer Inc. (2012 – 2014). Formerly with Bell Canada (5 years) in ICT (information, computer technology department). Over 30 years of IT experience.
Martin Burian[(2)] *British Columbia, Canada*	Director	July 9, 2014	Currently CFO of Heffel Gallery Ltd.; Former CFO and Director of Tinkerine Studios Ltd. (TSX-V:TTD); Former Managing Director of Investment Banking for Haywood Securities Inc. (2010 – mid 2013)/
Dr. John Veltheer *British Columbia, Canada*	Director	July 9, 2014	CEO of Atom Energy Inc. (TSX-V: AGY.H) (since Aug. 2016); Former CEO of Lateral Gold Corp. (TSX-V:LTG) (Dec. 2014 – Nov. 2016); Former CEO of Orange Minerals Corp., (Dec. 2010 – Aug. 2016).
Yana Popova[(2)] *British Columbia, Canada*	CFO and Director	November 15, 2017	Financial Controller of Fortuna Investment Corp. (2017 to present); Accountant at Platinum Group Metals (2015-2017); Accountant at PowerOne Capital Markets (2011 - 2014)
Nicholas Glass[(2)] *British Columbia, Canada*	Director	July 9, 2014	Mediator and arbitrator in labour relations disputes and civil claims (since Apr. 1990)

(1) The information as to the principal occupation, business or employment is not within the knowledge of the Company and has been furnished by the respective director/officer.
(2) Member of the Audit Committee.

As of the date of the AIF, the Company's directors and executive officers, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 4,285,333 Common Shares, representing approximately 25.3% of the issued and outstanding Common Shares.

Frederick Stearman (*President, Chief Executive Officer and Director)*

Mr. Stearman started his career in technology in 1983 as a technical installer and computer programmer for Triad Systems in Sunnyvale, California. Triad Systems developed an advanced point of sale system of hardware and software for the automotive supply and industrial parts industry. Mr. Stearman advanced his technology experience in areas such as Novell and Ethernet and to Storage and IP Networks. He was employed by Bell Canada in the ICT (information, computer technology) department where he focused on data centres and managed services that were central to the Cloud Computing industry. Mr. Stearman has 30 years' of IT experience.

Mr. Stearman is not an employee of the Company, and, in his capacity as President, Chief Executive Officer and director, will dedicate approximately 50% of his time to the affairs of the Company. Mr. Stearman is not a party to any non-competition or confidentiality agreement with the Company.

Martin Burian (*Director)*

Mr. Burian has over 18 years' investment banking experience. Mr. Burian was the Managing Director of Investment Banking for Haywood Securities Inc. (2010 to mid-2013), former President of Bolder Investment Partners (2009 until its merger with Haywood Securities Inc. in 2010), and former CFO and director for Tinkerine Studios Ltd. (TSX-V). He obtained his chartered accountant and chartered business valuator designation while employed by KPMG and obtained his Bachelor of Commerce from the University of British Columbia in 1986. He is currently CFO Heffel Gallery Ltd.

Mr. Burian is not an employee of the Company, and, in his capacity as director, will dedicate approximately 5% of his time to the affairs of the Company. Mr. Burian is not a party to any non-competition or confidentiality agreement with the Company.

Dr. John Veltheer (*Director*)

Dr. Veltheer has been a director and/or officer of various private and public companies since 1998. He is currently the CEO of Atom Energy Inc. (TSX-V). Dr. Veltheer was the former CEO of Lateral Gold Corp. (TSX-V) from December 2014 to November 2016 and the former CEO of Orange Minerals Corp. from December 2010 to August 2016. Dr. Veltheer obtained a Bachelor of Science degree in Chemistry (Honours) from Queen's University in 1988 and his Ph.D. (Inorganic Chemistry) from the University of British Columbia in 1993.

Dr. Veltheer is not an employee of the Company, and, in his capacity as director, will dedicate approximately 10% of his time to the affairs of the Company. Dr. Veltheer is not a party to any non-competition or confidentiality agreement with the Company.

Yana Popova (*Chief Financial Officer and Director*)

Ms. Popova most recent worked with a Toronto-based merchant bank where she acted as an accountant to multiple public companies, one of which raised $145 million and went through a mine development. Ms. Popova received her Bachelor of Commerce at the University of Toronto.

Ms. Popova is not an employee of the Company, and, in her capacity as Chief Financial Officer and director, will dedicate approximately 20% of her time to the affairs of the Company. Ms. Yana is not a party to any non-competition or confidentiality agreement with the Company.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Except as noted below, no director or executive officer of the Company is, as at the date of this AIF, or has been within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including the Company), that:

(a) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or

(b) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Dr. Veltheer was a director of Echelon Petroleum Corp. (now named Trenchant Capital Corp.) ("**Echelon**"), which was subject to a cease trade order from the TSX-V from August 6, 2015 to April 25, 2016 for failing to file its annual audited financial statements for the year ended March 31, 2015 and management's discussion and analysis for the period ended March 31, 2015 on a timely basis. Dr. Veltheer resigned from the board of directors of Echelon on October 27, 2016.

No director or executive officer of the Company, nor a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

(a) is, as at the date of this AIF, or has been within 10 years before the date of this AIF, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(b) has, within 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

No director or executive officer of the Company has been subject to:

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

Conflicts of Interest

The Company's directors and officers may serve as directors or officers, or may be associated with, other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, the Company will follow the provisions of the *Business Corporations Act* (Alberta) ("**ABCA**") dealing with conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the ABCA. In accordance with the laws of the Province of Alberta, the directors and officers of the Company are required to act honestly, in good faith, and the best interest of the Company.

PROMOTERS

A “Promoter” is defined in the *Securities Act* (British Columbia) as a “person who (a) alone or in concert with other persons directly or indirectly takes the initiative of founding, organizing or substantially reorganizing the business of the issuer; or (b) in connection with the founding, organization or substantial reorganization of the business of the Company, directly or indirectly receives, in consideration of services or property or both, 10% or more of a class of the Company’s own securities or 10% or more of the proceeds from the sale of a class of the Company’s own securities of a particular issue.

Within the two most recently completed financial years ended May 31, 2017 and to the date of this AIF, no person has been a Promoter of the Company.

LEGAL PROCEEDINGS

The Company is not aware of any legal proceedings to which the Company is a party to or to which any of its property is subject outside of the ordinary course of the Company’s business, and no such proceedings are known to the Company to be contemplated.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed elsewhere in this AIF and in the consolidated financial statements of the Company for the year ended May 31, 2017, to the best of the Company’s knowledge, none of the directors or executive officers of the Company, or any shareholders who beneficially own, control or direct, directly or indirectly, more than 10% of the Company’s outstanding Common Shares, or any known associates or affiliates of such persons, had any material interests, direct or indirect, in any transaction within the three most recently completed financial years or during the current year that has materially affected or is reasonably expected to materially affect the Company.

TRANSFER AGENT AND REGISTRARS

The Company’s Registrar and Transfer Agent is Computershare Investor Services Inc., located at 510 Burrard Street, 3nd Floor, Vancouver, British Columbia V6C 3B9.

MATERIAL CONTRACTS

The Company does not have any material contracts which are still in effect at this time.

INTEREST OF EXPERTS

Names of Experts

The following are the persons or companies who were named as having prepared or certified a statement, report or valuation in this AIF either directly or in a document incorporated by reference and whose profession or business gives authority to the statement, report or valuation made by the person or company:

MNP LLP, the Company’s independent auditors, has prepared an independent audit report dated

September 19, 2017 in respect of the Company's audited consolidated financial statements for the years ended May 31, 2017 and 2016.

Interests of Experts

MNP LLP, auditors of the Company, have confirmed that they are independent of the Company within the meaning of the 'Rules of Professional Conduct' of the Institute of Chartered Accountants of British Columbia.

AUDIT COMMITTEE

The Company's audit committee (the "**Audit Committee**") has various responsibilities as set forth in National Instrument 52-110 *Audit Committees* ("**NI 52-110**") made under securities legislation, concerning constitution of its audit committee and its relationship with its independent auditor and among such responsibilities being a requirement that the audit committee establish a written charter that sets out its responsibilities.

Composition of the Audit Committee

At the present time, the Company's Audit Committee is composed of the following members:

Member	**Independent/Not Independent(1)**	**Financially Literate/ Not Financially Literate(2)**	**Relevant Education and Experience**
Martin Burian	Independent	Financially Literate	Mr. Burian has over eighteen years of investment banking experience with Haywood Securities, Bolder Investment Partners and Canaccord Capital. He brings wealth of knowledge and expertise in finance, business planning and execution for growth companies. Martin is a CPA, CA and a Chartered Business Valuator and is on the boards of several public companies.
Yana Popova	Not Independent	Financially Literate	Ms. Popova holds a Bachelor of Commerce from the University of Toronto.

(1) A member of an audit committee is independent if the member has no direct or indirect material relationship with the Company that could, in the view of the Board of Directors, reasonably interfere with the exercise of a member's independent judgment.

(2) An individual is financially literate if he has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

Audit Committee Charter

A copy of the charter of the audit committee is available as Schedule "A" to this AIF.

Audit Committee Oversight

At no time since the commencement of the financial year ended May 31, 2017 was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the board of directors of the Company.

Reliance on Certain Exemptions

At no time has the Company relied on the exemption in Section 2.4 of NI 52-110 (De Minimis Non-audit Services,) or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

The Company has in the most recently completed financial year relied on the exemption in Section 6.1 of NI 52-110 from the requirements of Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations) of NI 52-110.

Pre-Approval Policies and Procedures

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services, which policies are described in the charter of the audit committee attached as Schedule "A" to this AIF under the heading "External Auditors".

External Auditor Service Fees (By Category)

The Audit Committee has reviewed the nature and amount of the audit services provided by MNP to the Company to ensure auditor independence. The aggregate fees billed by the Company's external auditor during the financial years ended May 31, 2017 and May 31, 2016 were as follows:

Financial Period Ending	Audit Fees ($)(1)	Audit Related Fees ($)(2)	Tax Fees ($)(3)	All Other Fees ($)
2017	27,200	Nil	Nil	Nil
2016	33,660	Nil	3,000	Nil

(1) "Audit Fees" includes fees for the performance of the annual audit and for accounting consultations on matters reflected in the financial statements.
(2) "Audit-Related Fees" includes fees for assurance and related services that are related to the performance of the review of the financial statements including fees for AIF and "earn-in" audit work and are not reported under (1).
(3) "Tax Fees" includes fees for tax compliance, tax planning and tax advice.

ADDITIONAL INFORMATION

Additional information relating to the Company is available under the Company's profile on SEDAR at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and securities authorized for issuance under the Company's Option Plan is contained in the Company's Management Information Circular for its Annual General Meeting of Shareholders held on June 30, 2017. Additional financial information is provided in the Company's Audited Consolidated Financial Statements and Management's Discussion and Analysis for the year ended May 31, 2017 and in the Management's Discussion and Analysis for the fiscal quarter ending after that date.

SCHEDULE "A"
AUDIT COMMITTEE CHARTER

Mandate

The primary function of the audit committee (the "Committee") is to assist the Board of Directors in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by the Company to regulatory authorities and shareholders, the Company's systems of internal controls regarding finance and accounting and the Company's auditing, accounting and financial reporting processes. Consistent with this function, the Committee will encourage continuous improvement of, and should foster adherence to, the Company's policies, procedures and practices at all levels. The Committee's primary duties and responsibilities are to:

Serve as an independent and objective party to monitor the Company's financial reporting and internal control system and review the Company's financial statements.

Review and appraise the performance of the Company's external auditors.

Provide an open avenue of communication among the Company's auditors, financial and senior management and the Board of Directors.

Composition

The Committee shall be comprised of three Directors as determined by the Board of Directors, the majority of whom shall be free from any relationship that, in the opinion of the Board of Directors, would interfere with the exercise of his or her independent judgment as a member of the Committee.

At least one member of the Committee shall have accounting or related financial management expertise. All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of the Company's Charter, the definition of "financially literate" is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Company's financial statements.

The members of the Committee shall be elected by the Board of Directors at its first meeting following the annual shareholders' meeting. Unless a Chair is elected by the full Board of Directors, the members of the Committee may designate a Chair by a majority vote of the full Committee membership.

Meetings

The Committee shall meet a least twice annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee will meet at least annually with the CFO and the external auditors in separate sessions.

Responsibilities and Duties

To fulfill its responsibilities and duties, the Committee shall:

Documents/Reports Review

(a) Review and update this Charter annually.

(b) Review the Company's financial statements, MD&A and any annual and interim earnings, press releases before the Company publicly discloses this information and any reports or other financial information (including quarterly financial statements), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditors.

External Auditors

(a) Review annually, the performance of the external auditors who shall be ultimately accountable to the Board of Directors and the Committee as representatives of the shareholders of the Company.

(b) Obtain annually, a formal written statement of external auditors setting forth all relationships between the external auditors and the Company, consistent with Independence Standards Board Standard 1.

(c) Review and discuss with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the external auditors.

(d) Take, or recommend that the full Board of Directors take, appropriate action to oversee the independence of the external auditors.

(e) Recommend to the Board of Directors the selection and, where applicable, the replacement of the external auditors nominated annually for shareholder approval.

(f) At each meeting, consult with the external auditors, without the presence of management, about the quality of the Company's accounting principles, internal controls and the completeness and accuracy of the Company's financial statements.

(g) Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company.

(h) Review with management and the external auditors the audit plan for the year-end financial statements and intended template for such statements.

(i) Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Company's external auditors. The pre-approval requirement is waived with respect to the provision of non-audit services if:

    i. the aggregate amount of all such non-audit services provided to the Company constitutes not more than five percent of the total amount of revenues paid by the Company to its external auditors during the fiscal year in which the non-audit services are provided;

    ii. such services were not recognized by the Company at the time of the engagement to be non-audit services; and

    iii. such services are promptly brought to the attention of the Committee by the Company and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the Board of Directors to whom authority to grant such approvals has been delegated by the Committee.

Provided the pre-approval of the non-audit services is presented to the Committee's first scheduled meeting following such approval such authority may be delegated by the Committee to one or more independent members of the Committee.

Financial Reporting Processes

(a) In consultation with the external auditors, review with management the integrity of the Company's financial reporting process, both internal and external.

(b) Consider the external auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.

(c) Consider and approve, if appropriate, changes to the Company's auditing and accounting principles and practices as suggested by the external auditors and management.

(d) Review significant judgments made by management in the preparation of the financial statements and the view of the external auditors as to appropriateness of such judgments.

(e) Following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.

(f) Review any significant disagreement among management and the external auditors in connection with the preparation of the financial statements.

(g) Review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented.

(h) Review any complaints or concerns about any questionable accounting, internal accounting controls or auditing matters.

(i) Review certification process.

(j) Establish a procedure for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

<u>Risk Management</u>

1. To review, at least annually, and more frequently if necessary, the Company's policies for risk assessment and risk management (the identification, monitoring, and mitigation of risks).

2. To inquire of management and the independent auditor about significant business, political, financial and control risks or exposure to such risk.

3. To request the external auditor's opinion of management's assessment of significant risks facing the Company and how effectively they are being managed or controlled.

4. To assess the effectiveness of the over-all process for identifying principal business risks and report thereon to the Board.

Other

Review any related-party transactions.