ATLAS CLOUD ENTERPRISES INC.

MANAGEMENT DISCUSSION AND ANALYSIS

For The Three and Six Month Periods Ended November 30, 2017

This Management Discussion and Analysis for Atlas Cloud Enterprises Inc. (the "Company") provides analysis of the Company's condensed interim consolidated financial results for the three and six month periods ended November 30, 2017 and should be read in conjunction with the accompanying condensed interim consolidated financial statements and related notes for the three and six month periods ended November 30, 2017.

1.1 <u>Date of Report</u>

The following Management Discussion and Analysis ("MD&A") focuses on significant factors that have affected Atlas Cloud Enterprises Inc. (the "Company" or "Atlas Cloud") performance and such factors that may affect its future performance. This MD&A should be read in conjunction with the Company's condensed interim consolidated financial statements and related notes for the three and six month periods ended November 30, 2017 and the Company's annual audited consolidated financial statements and related notes for the year ended May 31, 2017 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 January 29, 2018.

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 planned business expansion into Bitcoin mining services;
- the Company's plans to grow sales and offer new products and services;
- 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 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 condensed interim consolidated financial statements, are the responsibility of management. In the preparation of these condensed interim 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

Nature of Business and Overall Performance

The Company was incorporated under the *Business Corporations Act* (Alberta) on January 21, 2010.

The Company entered into a Share Exchange Agreement on March 18, 2014 which completed July 23, 2014 with Atlas Cloud Enterprises (2013) Ltd., a private British Columbia corporation, and the shareholders of Atlas Cloud, whereby the Company acquired 100% of the issued and outstanding shares in exchange for 5,000,000 common shares of the Company.

The Company was previously listed on the Canadian Securities Exchange ("CSE") as a junior resource exploration company under the symbol "SYP". Upon completion of the transaction on July 23, 2014, the Company changed its name from Sypher Resources Ltd. to Atlas Cloud Enterprises Inc. and its common shares are now traded under the symbol "AKE". The Company's head office is located at 308 East 5th Avenue, Vancouver, BC V5T 1H4 and its registered and records office is care of 1900, 520 – 3rd Avenue S.W., Calgary, AB T2P 0R3.

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. The Company intends to expand its business into the Bitcoin mining services.

As at November 30, 2017, the Company had not yet achieved profitable operations, had incurred cumulative losses of $4,157,645 and will likely incur more losses in the development of its business operations. The continued operations of the Company are dependent on its ability to generate positive cash flows and/or obtain additional financing. There is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

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 The Cranium ("Cranium"), an entity providing software manufacturing rental facilities for startup and growth information technology companies. 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. The Company is continuing to run and expand Cranium's clientele.

Bitcoin Mining Services

On November 15, 2017, the Company announced its interest to expand its business to provide Bitcoin mining services. Mining is the process of confirming transactions to be added on a Blockchain by solving complex, computation puzzles using high performance computers. Mining 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 coins. The Company may exchange a portion of coins earned through its mining operations for fiat currencies, such as Canadian dollars or US dollars in order to fund forecasted expenses from time to time, while holding the remainder as inventory to benefit from price appreciation/volatility.

The Company intends to redevelop the Facility (as defined below) it acquired in connection to the MKH Acquisition (as defined below) into a data centre for mining services. The Facility is being built out and expected to operate at 80% energy capacity per the public utility with the initial 3MW able to run at least 1,700 machines generating 23 Peta-has of mining capability. See "MKH Acquisition" below.

MKH Acquisition

On December 20, 2017, the Company announced the intention to acquire all the issued and outstanding shares of MKH Electric City Holdings, LLC, a Washington State company which owns a 6,600-square-foot location (the "Facility"), which the Company believes will be ideal for digital currency mining (the "MKH Acquisition"). The Facility is currently being converted to host cryptocurrency mining servers. The Company intends to dedicate the Facility to mining bitcoin.

The Facility, located in Electric City, Washington, is less than five kilometres from the Grand Coulee dam, which impounds a sizable portion of the Columbia River. Due to its location, the Facility significantly benefits from electrical provisioning at approximately three cents per kilowatt-hour, one of the least expensive commercial rates in the world. The Company's energy consumption dedicated to digital currency mining for this individual location is 3.0 Mw, supplied by the Grant County Public Utility Department with the ability to upgrade to 5.0 Mw.

The Company shall acquire all the issued and outstanding shares of MKH Electric City Holdings, LLC for USD$300,000, and the Company is expected to spend up to USD$2.6 million in facility infrastructure costs and related expenses to retrofit the existing warehouse into a data centre. Completion of the MKH Acquisition is subject to a number of conditions, including but not limited to, approval of the CSE.

To further advance the Company in the digital currency mining services industry, during the period, the Company has appointed a new Chief Financial Officer and subsequent to November 30, 2017, the Company appointed a new director, a Chief Blockchain Officer and a Chief Technology Officer.

Fiscal 2018 Second Quarter Summary:

- For the three month period ended November 30, 2017, the Company recorded a net loss and comprehensive loss of $1,811,347 or $0.05 loss per share compared to a net loss and comprehensive loss of $148,941 or $0.01 loss per share for the three month period ended November 30, 2016.
- For the three month period ended November 30, 2017, the Company recorded net revenues of $99,727 compared to $74,107 for the three month period ended November 30, 2016, an increase of $25,620.
- As at November 30, 2017, the Company had total assets of $5,649,153 (May 31, 2017 - $1,007,842) and working capital of $1,893,872 (May 31, 2017 - $225,483).
- During the period ended November 30, 2017, the Company issued 49,999,997 Special Warrants at $0.06 per Special Warrant, for gross proceeds of $3,000,000. Each Special Warrant entitles the holder to receive, without payment of any additional consideration or need for further action, 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. Pending issuance of the Units, the subscription proceeds will be available for use by the Company. Each Unit will consist of one common share and one common share purchase warrant, exercisable at $0.08 per share for 24 months. As at November 30, 2017, the Company has received the proceeds and spent the net proceeds from the Offering to purchase 1000 Antminer S9s from Bitmain Technologies Ltd. ("Bitmain") which will be utilized for mining Bitcoins. The Antminer S9 of Bitmain is currently the most powerful graphic processing unit miner of Bitmain on the market. It is based on the 16nm process node and is built using TSMC's 16nm FinFET technology. Each Antminer S9 delivers a 0.098 J/GHs and employs 189 chips. The Company subsequently filed the preliminary Short-Form Prospectus on December 27, 2017.
- On October 31, 2017, the Company issued 4,217,647 shares at a deemed price of $0.25 per share to settle an aggregate principal amount of $1,023,000 plus accrued interest of $31,412 in full satisfaction of all the Company's convertible debentures outstanding.
- On November 15, 2017, the Company announced its intention to complete a non-brokered private placement offering of up to 40,000,000 units (the "Units") at a price of $0.35 per Unit for gross

proceeds of up to $14,000,000 (the "Offering"). Each Unit will consist of one common share in the capital of the Company (a "Share") and one transferable common share purchase warrant (a "Warrant"), with each Warrant exercisable into one additional Share at a price of $0.75 for a period of 24 months from the date of closing.

These condensed interim consolidated financial statements have been prepared, in accordance with IFRS, on the assumption that the Company will realize its assets and discharge its liabilities in the normal course of business. The Company has incurred losses since its inception. The Company currently derives its primary revenue stream from its co-location and cloud services and its secondary revenue stream of providing software manufacturing rental facilities. Its ability to continue as a going concern depends upon whether it develops profitable operations and continues to raise adequate financing. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

There can be no assurance that the Company will be able to raise the funds necessary to continue future operations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the statements of financial position. The condensed interim consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

1.3 Selected Annual Information

N/A

1.4 Results of Operations

During the three month period ended November 30, 2017, the Company recorded a net loss and comprehensive loss of $1,811,347 or $0.05 per share, as compared to a net loss and comprehensive loss of $148,941 or $0.01 per share for the three month period ended November 30, 2016. Revenues increased from $74,107 for the three month period ended November 30, 2016 to $99,727 during the current three month period, an increase of $25,620. This increase is generally due to an overall increase in co-location and cloud services and software manufacturing facility rental revenues as compared to the prior period. Total expenses for the three month period ended November 30, 2017 were $1,911,074 as compared to $223,048 for the three month period ended November 30, 2016. Significant changes in general and administrative expenses for the three month period ended November 30, 2017 include the following:

a) Amortization of equipment and leasehold improvements totaling $30,274 as compared to $83,727 for the three month period ended November 30, 2016. Amortization of $45,873 related to intangible assets was not recorded in the current period as it was fully expensed during the three month period ended November 30, 2017. Amortization is a non-cash expense.
b) Consulting fees in the amount of $195,000 was recorded during the three month period ended November 30, 2017 as compared to $nil during the three month period ended November 30, 2016. Consultants were engaged to assist with the identification, due diligence, negotiations and closing of the Company's entry into the digital currency mining services industry.
c) Interest and accretion in the amount of $77,849 was recorded on the $1,023,000 convertible debenture during the three month period ended November 30, 2017 as compared to $22,860 during the three month period ended November 30, 2016. On October 31, 2017, the Company issued 4,217,647 shares at a deemed price of $0.25 per share to settle the aggregate principal amount of $1,023,000 plus accrued interest of $31,411.73 in full satisfaction of all the convertible debentures outstanding.

d) Property operating expenses increased from $28,297 for the three month period ended November 30, 2016 to $35,733 for the three month period ended November 30, 2017, an increase of $7,436. These costs are associated to the overhead expenses relating to costs to run the Cranium and co-location and cloud services which we are continuing to work on minimizing without affecting service.
e) Stock-based compensation for the three month period ended November 30, 2017 was $1,451,895 as compared to $nil in the prior comparable period. This is a non-cash expense which is attributable to the number of incentive stock options granted and vested during the period and the assumptions used for the Black-Scholes pricing model.
f) Travel and promotion for the three months ended November 30, 2017 was $31,005 as compared to $2,794 for the three month period ended November 30, 2016, an increase of $28,211. This increase was attributable to the two equity financings announced during the period and the Company's entry into the Bitcoin mining services industry.

Overall, the Company's expenses increased significantly as compared to the comparable prior period mainly due to the granting of incentive stock options that were issued to entice and retain key personnel and the increase in consulting fees who were were engaged to assist with the identification, due diligence, negotiations and closing of the Company's entry into the Bitcoin mining services industry.

During the six month period ended November 30, 2017, the Company recorded a net loss and comprehensive loss of $1,949,052 or $0.08 per share, as compared to a net loss and comprehensive loss of $365,347 or $0.02 per share for the six month period ended November 30, 2016. Revenues increased from $150,089 for the six month period ended November 30, 2016 to $194,866 during the current six month period, an increase of $44,777 or 28%. This increase is generally due to an overall increase in co-location and cloud services and software manufacturing facility rental revenues as compared to the prior period. Total expenses for the six month period ended November 30, 2017 were $2,143,918 as compared to $515,436 for the six month period ended November 30, 2016. Significant changes in general and administrative expenses for the six month period ended November 30, 2017 include the following:

a) Amortization of intangible assets, equipment and leasehold improvements totaling $106,421 as compared to $169,910 for the six month period ended November 30, 2016. Amortization of $45,873 related to intangible assets has now been fully expensed during the first quarter of fiscal 2018 resulting in a decrease in amortization expense for the six month period ended November 30, 2017. Amortization is a non-cash expense.
b) Financing costs of $nil was recorded during the six month period ended November 30, 2017 compared to $60,270 in finders' fees paid for the arrangement of $1,023,000 convertible debenture during the six month period ended November 30, 2016.
c) Consulting fees in the amount of $195,000 was recorded during the six month period ended November 30, 2017 as compared to $nil during the six month period ended November 30, 2016. Consultants were engaged to assist with the identification, due diligence, negotiations and closing of the Company's entry into the Bitcoin mining services industry.
d) Interest and accretion in the amount of $120,068 was paid and/or accrued on the $1,023,000 convertible debenture during the six month period ended November 30, 2017 as compared to $41,213 during the six month period ended November 30, 2016. On October 31, 2017, the Company issued 4,217,647 shares at a deemed price of $0.25 per share to settle the aggregate principal amount of $1,023,000 plus accrued interest of $31,412 in full satisfaction of all the convertible debentures outstanding.
e) Office facilities and administrative services increased from $87,685 during the six month period ended November 30, 2016 to $94,620 during the six month period ended November 30, 2017, an increase of $6,935. This increase was due to increased activity and changes required to generate and accommodate more customers in the co-location and cloud services and the co-working space rental operations.
f) Office and sundry costs increased from $9,099 for the six month period ended November 30, 2016 to

$13,974 for the six month period ended November 30, 2017, an increase of $4,875. These costs reflect the increased activity in its software manufacturing rental facility revenues.

g) Stock-based compensation for the three month period ended November 30, 2017 was $1,451,895 as compared to $nil in the prior comparable period. This is a non-cash expense which is attributable to the number of incentive stock options granted and vested during the period and the assumptions used for the Black-Scholes pricing model.

h) Professional fees incurred during the six month period ended November 30, 2017 totaled $41,794 (2016 - $56,876), a decrease of $15,082. This decrease was mainly due to the professional services required for the initiation and negotiations of the convertible debenture financing in the prior period.

i) Travel and promotion for the six months ended November 30, 2017 was $32,842 as compared to $3,522 for the six month period ended November 30, 2016, an increase of $29,320. This increase was attributable to the two equity financings announced during the period and the Company's entry into the Bitcoin mining services industry.

Overall, the Company's expenses increased significantly as compared to the comparable prior period mainly due to the granting of incentive stock options that were issued to entice and retain key personnel and the increase in consulting fees who were were engaged to assist with the identification, due diligence, negotiations and closing of the Company's entry into the Bitcoin mining services industry.

There can be no assurance that the Company will be able to continue to raise funds in which case the Company may be unable to meet its obligations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded in the condensed interim consolidated financial statements.

1.5 Summary of Quarterly Results

	Q2 Nov. 30, 2017 $	Q1 Aug. 31, 2017 $	Q4 May 31, 2017 $	Q3 Feb. 28, 2017 $	Q2 Nov. 30, 2016 $	Q1 Aug. 31, 2016 $	Q4 May 31, 2016 $	Q3 Feb. 29, 2016 $
Total net revenues	99,727	92,220	91,920	71,954	74,107	75,892	71,421	46,571
Operating expenses	35,733	35,640	37,248	44,270	28,297	46,457	78,071	19,298
Administrative expenses	393,172	118,138	75,851	132,243	111,024	159,658	47,768	78,739
Amortization	30,274	76,147	130,560	86,156	83,727	86,183	73,204	63,054
Stock-based compensation	1,451,895	-	-	-	-	-	-	-
Net loss	1,811,347	137,705	112,177	190,715	148,941	216,406	127,622	114,520
Basic loss per share (1)	0.05	0.01	0.01	0.01	0.01	0.01	0.01	0.01

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

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. The Company also recorded $195,000 in consulting fees to assist with the identification, due diligence, negotiations and closing of the Company's entry into the digital currency mining services industry.

During the first quarter of fiscal 2018, the Company amortized $45,873 related to intangible assets which have now been fully amortized. This is a non-cash expense.

During the fourth quarter of 2017, the Company incurred $75,851 in administrative costs which included reclassifying financing costs expensed in the first quarter that were associated with the convertible debenture financing by decreasing the associated liability.

During the second quarter of 2016, the Company incurred $40,000 in financing costs by the issuance of 333,333 bonus shares at a value of $0.12 per common for short-term loans of $200,000.

During the years ended May 31, 2015, 2016 and 2017 and the first quarter of fiscal 2018, the Company amortized intangible assets acquired with the acquisitions of Atlas Cloud and The Cranium.

1.6 Liquidity

At November 30, 2017, the Company had working capital of $1,893,872 (May 31, 2017 – $225,483). Cash held at November 30, 2017 was $1,923,760 compared with $223,623 at May 31, 2017.

During the six month period ended November 30, 2017, the Company experienced cash outflows of $286,234 (November 30, 2016 – $339,167) from operating activities. The Company made its semi-annual interest payment of $46,035 on its convertible debentures during the period ended November 30, 2017. Investing activities decreased cash by $3,052,776 (six month period ended November 30, 2016 – $66,175). These cash outflows were incurred for the purchase equipment required for its entry into digital currency mining services industry and for its co-location and cloud services operations in the prior comparable period.

The Company received $40,000 with respect to a short term loan payable. This loan is due on demand, does not bear interest and is unsecured. Subsequent to November 30, 2017, the short-term loan has been repaid

On October 31, 2017, the Company issued 4,217,647 shares at a deemed price of $0.25 per share to settle the aggregate principal amount of $1,023,000 plus accrued interest of $31,412 in full satisfaction of all the convertible debentures outstanding. The Company received proceeds from financing activities of $143,300 for the issuance of share capital as a result of the exercise of incentive stock options and warrants during the six month period ended November 30, 2017 compared to $nil proceeds during the six month period ended November 30, 2016..

During the period ended November 30, 2017, the Company issued 49,999,997 Special Warrants at $0.06 per Special Warrant, for proceeds of $3,000,000. See "Fiscal 2018 Second Quarter Summary"

During the period ended November 30, 2017, the Company announced its intention to complete 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 Unit will consist of one Share and one transferable Warrant, with each Warrant exercisable into one additional Share at a price of $0.75 for a period of 24 months from the date of closing. As at November 30, 2017, the Company had received $1,813,500 in subscription agreements and recorded $10,653 in share issue costs attributable to the financing. Please see Subsequent Events Note 11 in the accompanying condensed interim consolidated financial statements.

During the six month period ended November 30, 2016, financing activities received net proceeds of $1,023,000 for the convertible debenture financing and repayment of $200,000 of short-term loans in the prior period. Overall, cash increased by $1,700,137 for the six month ended November 30, 2017, as compared to an increase of $417,658 in the prior six month period ended November 30, 2016.

As at November 30, 2017, the Company has the following financial obligations:

	< 1 year	1 – 3 years	Total
	$	$	$
Accounts payable and accrued liabilities	83,592	-	83,592
Short term loan	40,000	-	40,000
	123,592	-	123,592

As at November 30, 2017, the Company's subsidiary 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.

Management expects to add further co-location and cloud services customers in the coming months. During the six month period ended November 30, 2017, the Company recorded co-location and cloud services revenue of $194,866 as compared to $150,089 in the prior period. Software manufacturing rental facilities revenue was $97,724 as compared to $77,514 for the six month period ended November 30, 2016. Management will continue to develop its co-location and cloud services revenue stream. The Company announced on November 15, 2017 its interest to expand its business to provide digital currency mining services. As of the date of this MD&A, the Company has not provided any digital currency mining services but it has raised sufficient funds to develop the infrastructure to support such services. The Company's continued operations are dependent on its ability to generate positive cash flows or obtain additional financing.

1.7 Capital Resources

As at November 30, 2017, the Company has cash of $1,923,760 (May 31, 2017 - $223,623). The current monthly "burn" rate for operating, general and administrative expenses is approximately $45,000. The Company is currently generating revenues of approximately $30,000 per month which management is actively pursuing new customers to increase revenues. To reduce further interest costs, during the six month period ended November 30, 2017, issued a total of 4,217,647 shares at the deemed price of $0.25 per share to settle an aggregate principal amount of $1,023,000 plus accrued interest of $31,362 outstanding under its convertible debentures.

The Company has been dependent upon external financings to fund activities; however, it expects to increase revenue during the upcoming fiscal year to generate positive cash flow. In order to carry out planned expenditures and pay for administrative costs, the Company will spend its existing working capital and may seek to raise additional funds as needed.

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

1.8 Off-Balance Sheet Arrangements

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

1.9 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) During the six month period ended November 30, 2017, the Company incurred $18,000 (2016 - $18,000) for office facilities and administrative services to Fred Stearman, President, CEO and a director of the Company.

b) During the six month period ended November 30, 2017, the Company incurred $1,666 (2016 - $nil) for management fees to Yana Popova, CFO and a director of the Company.

c) During the six month period ended November 30, 2017, the Company incurred $nil (2016 - $32,784) for accounting fees to a company controlled the former CFO and director of the Company.

d) As of November 30, 2017, a director was owed a total of $nil (May 31, 2017 - $20,750) of which $nil (May 31, 2017 - $20,000) was included in the convertible debentures payable and $nil (May 31, 2017 - $750) accrued interest which was included in accounts payable and accrued liabilities. During the six month period ended November 30, 2017, $450 (November 30, 2016 - $nil) has been paid to Nicholas Glass, an independent director of the Company for interest on the convertible debentures. On October 31, 2017, the Company issued 82,466 common shares at a deemed value of $0.25 per share to settle the $20,000 principal amount and accrued interest of $616.

e) During the six month period ended November 30, 2017, the Company granted 500,000 stock options to a director of the Company. These stock options are exercisable into common shares at $1.00 per share for a period 5 years until November 29, 2022. Share-based compensation in the amount of $403,600 was recognized on the issuance of these stock options.

Management compensation transactions are summarized as follows:

	Six Month Period Ended November 31,	
	2017	2016
Management compensation	**$ 37,666**	$ 36,000
Professional fees	**$ Nil**	$ 32,784
Share-based payments	**$ 403,600**	$ Nil

1.10 Second Quarter

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

- Issued a total of 4,217,647 common shares at a deemed price of $0.25 per share to settle the principal amount of $1,023,000 convertible debenture and accrued interest of $31,362;
- Granted of 1,800,000 incentive stock options to a director and consultants of the Company which resulted in the recognition of $1,451,895 in stock-based compensation;
- Recorded $195,000 in consulting fees to assist with the identification, due diligence, negotiations and closing of the Company's entry into the digital currency mining services industry.
- Recorded $31,005 in travel and promotion expense in association with the Company's two equity financings of $3,000,000 and $14,000,000 and the subsequent acquisition of a Washington State company which owns a 6,600 square foot facility which it intends to use for digital currency mining, in Electric City, WA.

1.11 Proposed Transactions

In the normal course of business, the Company evaluates property and business development acquisition transactions and, in some cases, makes proposals to acquire such prospects. These proposals, which are usually subject to Board, regulatory and, sometimes, shareholder approvals, may involve future payments, share issuances and property work commitments and/or financial obligations. These future obligations are usually contingent in nature and generally the Company is only required to incur the obligation if it wishes to continue with the transaction.

The Company announced on November 15, 2017 its interest to expand its business to provide Bitcoin mining services. As of the date of this MD&A, the Company has not provided any Bitcoin mining services but it has raised sufficient funds to develop the infrastructure to support such services. As announced December 22, 2017, the acquisition of a Washington State company which owns a 6,600 square foot facility, in Electric City is intended to be devoted entirely to Bitcoin mining. The CSE has determined that the development of the Facility will be considered a fundamental change pursuant to Policy 8 (Fundamental Changes) as the CSE has determined that the reorientation of the Company's business constitutes a change of business pursuant to the aforesaid policy. The change of business will require approval of the CSE and approval of the Company's security holders.

1.12 Critical Accounting Estimates

The preparation of condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments and estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed interim consolidated financial statements and the reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The condensed interim consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods.

Information about critical accounting judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the condensed interim consolidated financial statements within the next financial year are discussed below:

a) Intangible Assets – useful lives

   Following initial recognition, the Company carries the value of intangible assets at cost less accumulated amortization and any accumulated impairment losses. Amortization is recorded on a straight-line basis based upon management's estimate of the useful life and residual value. The estimates are reviewed at least annually and are updated if expectations change as a result of technical obsolescence or legal and other limits to use. A change in the useful life or residual value will impact the reported carrying value of the intangible assets resulting in a change in related amortization expense.

b) Valuation of share-based payments and compensatory warrants

   Share-based payments and compensatory warrants are determined using the Black-Scholes option pricing model based on estimated fair values of all share-based awards at the date of grant and is expensed to profit or loss over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

c) Convertible debentures

Convertible debentures are compound financial instruments which are accounted for separately by their components: a financial liability and an equity instrument. The financial liability, which represents the obligation to pay coupon interest on the convertible debentures in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance.

The identification of convertible debentures components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

d) Deferred income taxes

The Company recognizes the deferred tax benefit related to deferred income and resource tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant judgment of future taxable profit. Management is required to assess whether it is probable that the Company will benefit from its deferred tax assets. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods from deferred income and resource tax assets.

1.13 Changes in Accounting Policies including Initial Adoption

Standards issued but not yet effective up to the date of issuance of the Company's condensed interim consolidated financial statements are listed below. This listing is of standards and interpretations issued which the Company reasonably expects to be applicable at a future date.

(i) IFRS 7 Financial instruments: Disclosure

IFRS 7 Financial instruments: Disclosure, was amended to require additional disclosures on transition from IAS 39 to IFRS 9. IFRS 7 is effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018.

(ii) IFRS 9, Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

(iii) IFRS 15 Revenue from Contracts with Customers

The IASB replaced IAS 18, Revenue, in its entirety with IFRS 15, Revenue from Contracts with Customers. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early application permitted.

These amendments should be applied prospectively for annual periods beginning on or after January 1, 2016, with early application permitted.

(iv) 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 annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial adoption of IFRS 16. The extent of the impact of adoption of the standard has not yet been determined.

1.14 Financial Instruments and Other Instruments

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these condensed interim consolidated financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and process for managing those risks or the methods used to measure them from previous years unless otherwise stated in this note.

a. *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 amounts receivable. The Company limits exposure to credit risk by maintaining its cash with large financial institutions. The Company does not have cash that is invested in asset backed commercial paper. Credit risk is not concentrated with any particular customer. The Company's accounts receivable consist primarily of rent owing from co-location and co-working clients. A portion of accounts receivable is also made up of sales tax refundable from the government. In an effort to mitigate credit risk, management monitors its accounts receivable and it has been determined that no bad debts need to be recorded as all amounts are considered to be collectible.

As at November 30, 2017 and May 31, 2017, the Company's aging of accounts receivables was as follows:

	Current	31 – 60 days	61 – 90 days	91 days +	Total
November 30, 2017	**$ 28,747**	**$ 13,230**	**$ 10,521**	**$ 37,177**	**$ 89,675**
May 31, 2017	$ 21,642	$ 17,622	$ 9,793	$ 45,493	$ 94,550

Aging of account receivable to November 30, 2017 indicated that the Company's credit conditions may have deteriorated. This could in turn cause pressure on the Company's liquidity.

b. *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 November 30, 2017, the Company had a cash balance of $1,923,760 to settle current liabilities of $123,592.

c. *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and equity prices.

i. Interest rate risk

Interest rate risk arises from changes in market rates of interest that could adversely affect the Company. The Company's short term loan payable is subject to interest. Additionally, some of the Company's accounts payable and accrued liabilities are subject to interest on unpaid balances.

ii. Foreign currency risk

Foreign currency risk arises from fluctuations in foreign currencies versus the Canadian dollar that could adversely affect reported balances and transactions denominated in those currencies. The Company currently has no assets or liabilities and has no revenue or expenses denominated in a foreign currency, so it is not exposed to foreign currency risk.

iii. Equity price risk

Equity price risk arises from market fluctuations in equity prices that could adversely affect the Company's operations. The Company's current exposure to equity price risk is limited to declines in the values and volumes including those of its own shares, which could impede its ability to raise additional funds when required.

Determination of Fair Value:

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. The financial position carrying amounts for cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities and promissory notes payable approximate fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

Fair Value Hierarchy:

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

- Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.

- Level 3 – Applies to assets or liabilities for which there are unobservable market data.

The Company's financial instruments are classified into the following categories:

		November 30, 2017		May 31, 2017	
	Level	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
Cash	1	**$ 1,923,760**	**$ 1,923,760**	$ 223,623	$ 223,623
Short-term loan	1	**40,000**	**40,000**	-	-
Convertible debentures	3	**$ -**	**$ -**	$ 828,800	$ 828,800

1.15 Other MD&A Requirements

Disclosure of Outstanding Share Capital

Authorized: Unlimited common shares without par value

	SHARE CAPITAL	
	NUMBER	AMOUNT($)
Balance, May 31, 2016	**16,908,833**	**1,938,801**
Expiry of finder's warrant for private placement	-	17,067
Balance, May 31, 2017	**16,908,833**	**$ 1,955,868**
Issued for cash		
Stock options exercised	550,000	210,943
Broker warrants exercised	392,000	94,800
Convertible debentures exercised	4,217,648	1,054,411
Balance, November 30, 2017	**22,068,481**	**3,316,022**
Issued for cash		
Non-brokered private placement – Tranche 1	39,580,836	13,853,292
Non-brokered private placement – Tranche 2	419,142	146,699
Finders' fees	-	(679,397)
Share issue costs	-	(10,653)
Broker warrants exercised	9,800	2,370
Share issue costs – broker warrants	-	(1,560,650)
Balance, January 29, 2018	**62,078,259**	**$ 15,067,685**

During the year ended May 31, 2017, the Company recorded an increase in share capital of $17,067 for finder's warrants issued for a private placement that expired unexercised.

During the period ended November 30, 2017, the Company issued 550,000 common shares for the exercise of 550,000 incentive stock options at $0.25 per share for total proceeds of $137,500 which resulted in the transfer of $73,443 from equity reserve to share capital. The Company also issued 392,000 common shares for the exercise of 392,000 broker warrants at an exercise price of $0.15 per share for total proceeds of $58,800 which resulted in the transfer of $36,000 from equity reserve to share capital. The Company issued 4,217,648 common shares at a deemed price of $0.25 per share to settle an aggregate principal amount of $1,023,000 plus accrued interest of $34,712 in full satisfaction of all convertible debentures outstanding.

Subsequent to November 30, 2017, the Company issued 39,999,978 Units in two tranches at $0.35 per Unit for total proceeds of approximately $14,000,000. Each Unit consists of one Share and one transferable Warrant. Each Warrant entitles the holder to purchase one additional Share at a price of $0.75 for a period of two year from the date of closing. The Company paid cash finders' fees of $679,397 and issued 1,940,382 broker warrants exercisable at $0.75 for a period of two years from the date of closing with a deemed value of $1,560,650. The Company issued 9,800 common shares for the exercise of 9,800 broker warrants at $0.15 per share for total proceeds of $1,470 which resulted in the transfer of $900 from equity reserve to share capital.

Escrow Shares

As per the Share Exchange Agreement completed July 23, 2014, a total of 5,000,000 shares issued to acquire Atlas Cloud Enterprises (2013) Ltd. were subject to an escrow agreement pursuant to which 10% were released upon closing of the share exchange agreement, and an additional 15% will be released every six months thereafter over a period of 36 months. During the six month period ended November 30, 2017, the Company released 750,000 common shares held in escrow to leave nil remaining.

Share Purchase Warrants

The following share purchase warrants were outstanding at November 30, 2017 and the date of this report:

NUMBER OF	EXERCISE	
9,800	$0.15	July 22, 2018
9,800		

Subsequent to November 30, 2017, the Company issued 39,580,836 warrants exercisable at $0.75 until December 13, 2019 and issued a further 419,142 warrants exercisable at $0.75 until December 15, 2019 in association with the $14,000,000 equity financing that closed. The Company also issued 1,940,382 broker warrants exercisable at $0.75 until December 13, 2019 for finders' fees relation to this financing.

Stock Options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the 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 of the Company. Options granted will be exercisable for a term to be determined by the board of Directors, but not exceeding 10 years.
The following stock options were outstanding at November 30, 2017 and the date of this report:

NUMBER OF OPTIONS	EXERCISE PRICE	EXPIRY DATE
400,000	$0.25	September 5, 2024
1,800,000	$1.00	November 29, 2022
2,200,000		

Subsequent to November 30, 2017, the Company granted the following incentive stock options:

- granted 1,475,000 incentive stock options under the Company's stock option plan to certain directors and consultants effective December 13, 2017. The Options are exercisable at a price of $1.00 for a period of 5 years from the date of grant.
- granted 500,000 incentive stock options under the Company's stock option plan to a director and consultant of the Company effective December 19, 2017. The stock options are exercisable at a price of $1.00 for a period of 5 years from the date of grant.
- granted 150,000 incentive stock options under the Company's stock option plan to a consultant of the Company effective January 3, 2018. The stock options are exercisable at a price of $1.06 for a period of 5 years from the date of grant.

Special Warrant and Share Subscriptions

On October 30, 2017 issued a total of 49,999,997 special warrants at $0.06 per special warrant to raise $3,000,000 pursuant to a non-brokered private placement. 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 (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 common share purchase warrant, exercisable at $0.08 per share for 24 months

During the period ended November 30, 2017, the Company announced its intention to complete 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 Unit will consist of one common Share in the capital of the Company and one transferable common share purchase Warrant, with each Warrant exercisable into one additional Share at a price of $0.75 for a period of 24 months from the date of closing. As at November 30, 2017, the Company had received $1,813,500 in subscription. For further detail see "Subsequent Events"

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for the design and operating effectiveness of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with accounting principles generally accepted in Canada. 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 November 30, 2017.

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 November 30, 2017 and have concluded that these controls and procedures are effective.

SUBSEQUENT EVENTS

Subsequent to November 30, 2017, the Company:

- closed the first tranche of the Offering and issued 39,580,836 Units for gross proceeds of approximately $13,853,292. Each Unit consists of one Share and one Warrant. Each Warrant entitles the holder thereof to acquire one additional Share at a price of $0.75 per Share until December 13, 2019. The Company paid eligible finders a cash commission in the aggregate of $679,396.51 on the first tranche within the amount permitted by the policies of the CSE. In addition, 1,940,382 non-transferable broker's warrants were issued to eligible finders to purchase an aggregate of 1,940,382 Shares at a price of $0.75 per Share until December 13, 2019.
- granted 1,475,000 incentive stock options under the Company's stock option plan to an officer of the Company and consultants effective December 13, 2017. The stock options are exercisable at a price of $1.00 for a period of 5 years from the date of grant.
- closed the second and final tranche of the Offering and issued 419,142 Units at a price of $0.35 per Unit for gross proceeds of approximately $146,699. Each Unit consists of one Share and one Warrant. Each Warrant entitles the holder thereof to acquire one additional Share at a price of $0.75 per Share until December 15, 2019. No finder's fees were paid on the final tranche.

- issued 9,800 common shares for the exercise of 9,800 warrants for total proceeds of $1,470.
- granted 500,000 incentive stock options under the Company's stock option plan to a director and consultant of the Company effective December 19, 2017. The stock options are exercisable at a price of $1.00 for a period of 5 years from the date of grant.
- announced that Martin Burian has resigned from the board of directors of the Company, effective December 19, 2017. The Company also announced the appointment of Sean Bromley as a director of the Company, filling the vacancy created by the resignation of Mr. Burian.
- announced the acquisition of the Facility (see MKH Acquisition above).
- granted 150,000 incentive stock options under the Company's stock option plan to an officer of the Company effective January 3, 2018. The stock options are exercisable at a price of $1.06 for a period of 5 years from the date of grant.
- filed a preliminary short form prospectus dated December 27, 2017 with the regulatory authorities in British Columbia, Alberta, Manitoba and Ontario.
- announced the appointment of Matthew McKibbin as Chief Blockchain Officer, Timothy Lewis to the position of Chief Technology Officer and Daniel Sorger as VP of Corporate Finance.
- On January 2, 2018, the Company announced that the CSE has determined that the Company's intention to develop the Facility and its intention to provide Bitcoin mining services are considered a fundamental change to the Company's business. The Company is currently seeking shareholder approval for the fundamental change and is in the progress of filing the required documents to comply with the policies of the CSE. The Company does not foresee any difficulties obtaining shareholder approval or meeting the requirements of the CSE policies. The Company anticipates making the required submission to the CSE immediately with a view to completing the change of business during the first quarter of 2018. However, there is no guarantee that the Company will obtain shareholder approval or obtain the approval of the CSE to move forward with the fundamental change
- entered into a temporary hosting arrangement with an industry partner to commence near-term mining operations. The 1,000 S9 miners have arrived at the partner location, with the first units scheduled to come on-line on or around February 1, 2018. Activation and implementation of the entire 1,000-machine order are scheduled for no later than February 15, 2018. Under the terms of the agreement, Atlas will pay all fees plus operational costs of $0.10 (U.S.) per kilowatt-hour (kwh) during this short-term hosting arrangement
- granted 250,000 incentive stock options under the Company's stock option plan to a consultant of the Company effective January 17, 2018. The stock options are exercisable at a price of $1.01 for a period of 5 years from the date of grant.

DIRECTORS AND OFFICERS

The directors and officers of the Company are:

Fred Stearman, President, CEO and Director
Yana Popova, CFO and Director
Dr. John Veltheer, Director
Sean Bromley, 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

In its efforts to increase shareholder value, management has determined that the best way to increase shareholder value is to enter into the blockchain sector and digital currency mining while continuing to expand its co-location and cloud services business. However, if we are unable to achieve these objectives and we do not begin to produce any positive operating cash flow, the long term viability of the business may become in jeopardy.

RISKS AND UNCERTAINTIES

The Company's principal activity is the provision of data hosting services. Atlas is a start-up company and, in addition to facing all of the competitive risks in the data hosting sector, will face all the risks inherent in starting up a business and offering a service for the first time including: access to capital, ability to attract and retain qualified employees, ability to attract initial and ongoing customers and the ability to put in place appropriate operating and control procedures.

Industry specific risks include, but are not limited to:

- *Competitive risk* – 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 Atlas Cloud. Additionally, unforeseen competition could have a significant adverse effect on the growth potential of the Company;
- *Technology risk* – over the past three years, the Company completed the build-out of a modern data centre based on mainstream power and cooling technologies. The mechanical components have an estimated lifespan of 10 years; however, technological changes and hardware innovations may result in a paradigm shift away from this more traditional business model of refrigerated cooling and lead acid batteries connected to a diesel back-up generator. This could result in a change in the Company's business model, requiring reinvestment in new technology earlier than anticipated.
- *Environment risk:* – earthquakes, flooding, ice storms, gas leaks and other natural and man-made disasters are all factors that may impede the Company's business. While these factors have all been considered in the Company's planning process, they may still have adverse material consequences to the Company and its business.
- *Start-up business risk*: – The Company continues to develop 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**.**
- *Cloud Computing risks includes:*
    (i) business continuance – as the Company's business is dependent on internet access, the loss of internet connectivity would have serious adverse effects.

    (ii) data security – risk of data breach, the interception and capture of data, is mitigated by the Company's use of redundant firewalls, gateway antivirus and third party security providers; however, there is no guarantee against security breaches from unknown or internal causes. Failure to properly address such security breaches could adversely affect the Company's business.

(iii) regulatory complications – the Cloud industry is self-regulating, but certain customers must adhere to privacy laws, Patriot Act and acceptable internet use policy. Future privacy and security legislation, or change to existing regulation, may potentially impact the Company financially and operationally.

The following risks and uncertainties associated with the Company's entry into the digital currency mining services industry are not the only ones the Company may face. Additional risks and uncertainties that the Company is unaware of, or that the Company currently deems not to be material, may also become important factors that affect the Company. If any such risks actually occur, the Company's business, financial condition or results of operations could be materially adversely the result that the trading price of the Common Shares could decline and investors could lose all or part of their investment.

Acceptance and/or widespread use of cryptocurrency is uncertain

Currently, there is relatively small use of Bitcoins in the retail and commercial marketplace in comparison to relatively large use by speculators, thus contributing to price volatility that could adversely affect the Company's operations, investment strategies, and profitability.

As relatively new products and technologies, Bitcoins have not been widely adopted as a means of payment for goods and services by major retail and commercial outlets. Conversely, a significant portion of Bitcoin demand is generated by speculators and investors seeking to profit from the short-term or long-term holding of cryptocurrencies.

The relative lack of acceptance of cryptocurrencies in the retail and commercial marketplace limits the ability of end-users to use them to pay for goods and services. A lack of expansion by cryptocurrencies into retail and commercial markets, or a contraction of such use, may result in increased volatility or a reduction in their market prices, either of which could adversely impact the Company's operations, investment strategies and profitability.

The value of Bitcoins may be subject to momentum pricing risk

Momentum pricing typically is associated with growth stocks and other assets whose valuation, as determined by the investing public, accounts for anticipated future appreciation in value. Bitcoin market prices are determined primarily using data from various exchanges, over-the-counter markets, and derivative platforms. Momentum pricing may have resulted, and may continue to result, in speculation regarding future appreciation in the value of Bitcoins, inflating and making their market prices more volatile. As a result, they may be more likely to fluctuate in value due to changing investor confidence in future appreciation (or depreciation) in their market prices, which could adversely affect the value of the Company's inventory and thereby affect the Company's shareholders.

The Company may be required to sell its coins to pay for expenses

The Company may sell its Bitcoins to pay for expenses incurred, irrespective of then-current Bitcoin prices. Consequently, the Company's Bitcoins may be sold at a time when the price is low, resulting in a negative effect on the Company's profitability.

The Company's Bitcoins may be subject to loss, theft or restriction on access

There is a risk that some or all of the Company's Bitcoins could be lost or stolen. Access to the Company's Bitcoins could also be restricted by cybercrime (such as a denial of service attack) against a service at which the Company maintains a hosted online wallet. Any of these events may adversely affect the operations of the Company and, consequently, its investments and profitability.

If the award of Bitcoins for solving blocks and transaction fees are not sufficiently high, miners may not have an adequate incentive to continue mining and may cease their mining operations

As the number of Bitcoins awarded for solving a block in the Blockchain decrease, the incentive for miners to continue to contribute processing power to the network will transition from a set reward to transaction fees. Either the requirement from miners of higher transaction fees in exchange for recoding transactions in the Blockchain or a software upgrade that automatically charges fees for all transactions may decrease demand for Bitcoins and prevent the expansion of the network to retail merchants and commercial businesses, resulting in a reduction in the price of Bitcoins that could adversely impact the Company's investments.

In order to incentivize miners to continue to contribute processing power to the network, the network may either formally or informally transition from a set reward to transaction fees earned upon solving for a block. This transition could be accomplished either by miners independently electing to record on the blocks they solve only those transactions that include payment of a transaction fee or by the network adopting software upgrades that require the payment of a minimum transaction fee for all transactions. If transaction fees paid for the recording of transactions in the Blockchain become too high, the marketplace may be reluctant to accept network as a means of payment and existing users may be the motivated to switch between cryptocurrencies or back to fiat currency. Decreased use and demand for Bitcoins may adversely affect their value and result in a reduction in the market price of coins.

If the award of Bitcoins for solving blocks and transaction fees for recording transactions are not sufficiently high to incentivize miners, miners may cease expending processing power to solve blocks and confirmations of transactions on the Blockchain could be slowed temporarily. A reduction in the processing power expended by miners could increase the likelihood of a malicious actor or botnet obtaining control in excess of 50 percent of the processing power active on the Blockchain, potentially permitting such actor or botnet to manipulate the Blockchain in a manner that adversely affects the Company's mining activities. If the award of Bitcoins for solving blocks and transaction fees are not sufficiently high, miners may not have an adequate incentive to continue mining and may cease their mining operations. Miners ceasing operations would reduce collective processing power, which would adversely affect the confirmation process for transactions and make the network more vulnerable to a malicious actor or botnet obtaining control in excess of 50 percent of the processing power. Any reduction in confidence in the confirmation process or processing power of the network may adversely impact the Company's mining activities and inventory of Bitcoins.

Risk related to technological obsolescence and difficulty in obtaining hardware

To remain competitive, the Company will continue to invest in hardware and equipment required for maintaining the Company's mining activities. Should competitors introduce new services/software embodying new technologies, the Company recognizes its hardware and equipment and its underlying technology may become obsolete and require substantial capital to replace such equipment.

The increase in interest and demand for cryptocurrencies has led to a shortage of mining hardware as individuals purchase equipment for mining at home.

Equipment will require replacement from time to time. Shortages of graphics processing units may lead to unnecessary downtime as the Company searches for replacement equipment.

Uninsured or Uninsurable Risks

The Company intends to insure its operations in accordance with technology industry practice. However, given the novelty of cryptocurrency mining and associated businesses, such insurance may not be available, uneconomical for the Company, or the nature or level may be insufficient to provide adequate insurance cover. The Company may become subject to liability for hazards against which the Company cannot insure or against which the Company may elect not to insure because of high premium costs or for other reasons. The payment of any such liabilities would reduce or eliminate the funds available for operations. Payments of liabilities for which the Company does not carry insurance may have a material adverse effect on the Company's financial position.

Completion of the MKH Acquisition

The closing of the MKH Acquisition is expected to occur subsequent to the date of this MDA. There can be no assurance that the Company will complete the MKH Acquisition on the basis described herein or on the expected closing date, or at all. If the Company does not complete the MKH Acquisition or any part thereof, it could have a material adverse effect on the Company.

OTHER INFORMATION

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

BY ORDER OF THE BOARD

Atlas Cloud Enterprises Inc.

"*Frederick W. Stearman***"**

President, CEO and Director
January 29, 2018