



ATLAS CLOUD ENTERPRISES INC.

**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

For the three and six month periods ended November 30, 2017

(Expressed in Canadian dollars)

**NOTICE OF NO AUDITORS' REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the condensed interim consolidated financial statements.

The accompanying unaudited condensed interim consolidated financial statements of Atlas Cloud Enterprises Inc. (the "Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada ("CPA Canada") for a review of interim financial statements by an entity's auditor.

ATLAS CLOUD ENTERPRISES INC.

ATLAS CLOUD ENTERPRISES INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)
(UNAUDITED)

	NOVEMBER 30, 2017	MAY 31, 2017
Assets		
Current		
Cash	\$ 1,923,760	\$ 223,623
Accounts receivable	89,675	94,550
Prepaid expenses	4,029	4,335
Total Current Assets	2,017,464	322,508
Intangible assets (Note 3)	-	45,873
Property and equipment (Note 4)	3,631,689	639,461
Total Assets	\$ 5,649,153	\$ 1,007,842
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 8)	\$ 83,592	\$ 94,755
Deferred revenue	-	2,270
Short term loan (Note 6)	40,000	-
Total Current Liabilities	123,592	97,025
Convertible debentures payable (Note 5)	-	828,800
Total Liabilities	123,592	925,825
Shareholders' Equity		
Share capital (Note 7)	3,316,022	1,955,868
Equity reserves (Note 7)	1,564,337	221,885
Equity component of convertible debentures (Note 5)	-	112,857
Special warrant and share subscriptions (Note 7)	4,802,847	-
Deficit	(4,157,645)	(2,208,593)
Total Shareholders' Equity	5,525,561	82,017
Total Liabilities and Shareholders' Equity	\$ 5,649,153	\$ 1,007,842

Basis of presentation and going concern (Note 2)

Commitment (Note 9)

Subsequent Events (Note 11)

Approved on behalf of the Board of Directors:

"Frederick W. Stearman"

Director

"Yana Popova"

Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

ATLAS CLOUD ENTERPRISES INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)
(UNAUDITED)

	Three Month Period Ended November 30, 2017	Three Month Period Ended November 30, 2016	Six Month Period Ended November 30, 2017	Six Month Period Ended November 30, 2016
Revenue				
Co-location and cloud services	\$ 49,087	\$ 37,807	\$ 97,724	\$ 77,514
Software manufacturing facility rental income	50,275	36,300	96,765	72,575
Miscellaneous revenue	365	-	377	-
Total Revenue	99,727	74,107	194,866	150,089
General and Administrative Expenses				
Amortization	\$ 30,274	\$ 83,727	\$ 106,421	\$ 169,910
Bad debt expense	-	-	2,919	-
Consulting	195,000	-	195,000	-
Financing costs	-	-	-	60,270
Interest and accretion (Notes 5 and 8)	77,849	22,860	120,068	41,213
Management fees (Note 8)	1,667	-	1,667	-
Office facilities and administrative services (Note 8)	48,504	48,295	94,620	87,685
Office and sundry	4,354	7,398	13,974	9,099
Property operating expenses (Note 8)	35,733	28,297	71,373	74,754
Professional fees (Note 8)	27,700	23,706	41,794	56,876
Stock-based compensation (Note 7)	1,451,895	-	1,451,895	-
Transfer agent, listing and filing fees	7,093	5,971	11,345	12,107
Travel and promotion	31,005	2,794	32,842	3,522
Total Expenses	(1,911,074)	(223,048)	(2,143,918)	(515,436)
Net Loss and Comprehensive Loss For The Period	\$ (1,811,347)	\$ (148,941)	\$ (1,949,052)	\$ (365,347)
Basic and Diluted Loss Per Share	\$ (0.05)	\$ (0.01)	\$ (0.08)	\$ (0.02)
Weighted Average Number Of Shares Outstanding	34,988,425	16,908,833	25,899,206	16,908,833

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

ATLAS CLOUD ENTERPRISES INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY/(DEFICIENCY)
(Expressed in Canadian dollars)
(UNAUDITED)

Six Month Periods Ended November 30, 2016 and 2017 and Year Ended May 31, 2017

	SHARE NUMBER	CAPITAL AMOUNT	EQUITY RESERVE	EQUITY COMPONENT OF CONVERTIBLE DEBENTURES	SHARE SUBSCRIPTIONS AND SPECIAL WARRANTS	DEFICIT	TOTAL
Balance, May 31, 2016	16,908,833	\$ 1,938,801	\$ 202,052	\$ -	\$ -	\$ (1,540,354)	\$ 600,499
Finders' warrants on debenture financing	-	-	36,900	-	-	-	36,900
Expiry of finders' warrants	-	17,067	(17,067)	-	-	-	-
Convertible debentures	-	-	-	112,857	-	-	112,857
Net loss for the period	-	-	-	-	-	(365,347)	(365,347)
Balance, November 30, 2016	16,908,833	1,955,868	221,885	112,857	-	(1,905,701)	384,909
Net loss for the period	-	-	-	-	-	(302,892)	(302,892)
Balance, May 31, 2017	16,908,833	1,955,868	221,885	112,857	-	(2,208,593)	82,017
Issued for cash							
Stock options exercised	550,000	210,943	(73,443)	-	-	-	137,500
Broker warrants exercised	392,000	94,800	(36,000)	-	-	-	58,800
Share subscriptions	-	-	-	-	1,802,847	-	1,802,847
Special warrants	-	-	-	-	3,000,000	-	3,000,000
Convertible debentures exercised	4,217,648	1,054,411	-	(112,857)	-	-	941,554
Stock-based compensation	-	-	1,451,895	-	-	-	1,451,895
Net loss for the period	-	-	-	-	-	(1,949,052)	(1,949,052)
Balance, November 30, 2017	22,068,481	\$ 3,316,022	\$ 1,564,337	\$ -	\$ 4,802,847	\$ (4,157,645)	\$ 5,525,561

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

ATLAS CLOUD ENTERPRISES INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
(UNAUDITED)

	SIX MONTH PERIOD ENDED NOVEMBER 30,	
	2017	2016
Operating Activities		
Net loss for the period	\$ (1,949,052)	\$ (365,347)
Adjustments for non-cash expenses and income		
Accretion	112,754	-
Amortization	106,421	169,910
Stock-based compensation	1,451,895	-
Changes in non-cash operating assets and liabilities		
Amounts receivable	4,875	(11,315)
Prepaid expenses	306	(380)
Accounts payable and accrued liabilities	(11,163)	(117,827)
Deferred revenue	(2,270)	(14,208)
Cash Used In Operating Activities	(286,234)	(339,167)
Investing Activities		
Purchase of equipment	(3,052,776)	(66,175)
Cash Used In Investing Activities	(3,052,776)	(66,175)
Financing Activities		
Short term loan payable	40,000	(200,000)
Proceeds from debenture financing	-	1,023,000
Share subscriptions and special warrants	4,802,847	-
Share capital proceeds	196,300	-
Cash Provided By Financing Activities	5,039,147	823,000
Change In Cash	1,700,137	417,658
Cash, Beginning of Period	223,623	34,614
Cash, End of Period	\$ 1,923,760	\$ 425,272
Supplementary Information		
Cash paid for interest	\$ 46,035	\$ -
Cash paid for income taxes	\$ -	\$ -

Non-cash Investing and Financing Transactions (Note 9)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

ATLAS CLOUD ENTERPRISES INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
NOVEMBER 30, 2017
(UNAUDITED)

1. NATURE OF OPERATIONS

Atlas Cloud Enterprises Inc. (the “Company”), which was incorporated under the *Business Corporations Act* (Alberta) on January 21, 2010, has a registered and records office at 1900, 520 – 3rd Avenue S.W., Calgary, Alberta, T2P 0R3.

The Company’s primary business is providing co-location, back-up/redundancy IT, telecom equipment, and cloud computing to small to medium size businesses in Western Canada. The Company’s secondary business is providing software manufacturing rental facilities to IT startup companies. During the period ended November 30, 2017, the Company announced its interest to expand its business to provide Bitcoin mining services.

2. BASIS OF PRESENTATION AND GOING CONCERN

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB (“International Accounting Standards Board”) applicable to the preparation of condensed interim consolidated financial statements, including International Accounting Standard (“IAS”) 34 - Interim Financial Reporting. The accounting policies followed in these condensed interim consolidated financial statements are materially the same as those applied in the Company’s audited annual financial statements for the year ended May 31, 2017.

These condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Atlas Cloud Enterprises (2013) Ltd. All significant intercompany balances and transactions have been eliminated on consolidation.

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of January 29, 2018, the date the Board of Directors approved the statements. Any subsequent changes to IFRS after this date could result in changes to the condensed interim consolidated financial statements for the three and six month periods ended November 30, 2017. The condensed interim consolidated financial statements do not contain all disclosures required under IFRS and should be read in conjunction with Company’s annual financial statements and the notes thereto for the year ended May 31, 2017.

The preparation of condensed interim financial statements in conformity with IFRS requires management to make judgments and estimates that affect the reported amounts of assets and liabilities and disclosures of contingent assets and contingent liabilities at the date of the condensed interim financial statements and the reported amounts of revenues and expenses during the reporting period. 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. Actual results could differ from those estimates. Significant accounts that require estimates as the basis for determining the stated amounts include but are not limited to share-based payments, allocation of financing proceeds, and income taxes. Differences may be material.

	NOVEMBER 30, 2017	MAY 31, 2017
Working capital	\$ 1,893,872	\$ 225,483
Deficit	\$ (4,157,645)	\$ (2,208,593)

ATLAS CLOUD ENTERPRISES INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
NOVEMBER 30, 2017
(UNAUDITED)

2. BASIS OF PRESENTATION AND GOING CONCERN (cont'd...)

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 inception. It currently derives revenues from its software manufacturing rental facilities business segment and established revenues from its primary business, the provision of co-location and cloud services. 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 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.

3. INTANGIBLE ASSETS

	Atlas Cloud (2013)	The Cranium	Total
Cost as at May 31, 2016, 2017 and November 30, 2017	\$ 743,673	\$ 10,000	\$ 753,673
Amortization			
As at May 31, 2016	449,909	10,000	459,909
Additions	247,891	-	247,891
As at May 31, 2017	697,800	10,000	707,800
Additions	45,873	-	45,873
As at November 30, 2017	743,673	10,000	753,673
Net Book Value as at May 31, 2017	45,873	-	45,873
Net Book Value as at November 30, 2017	\$ -	\$ -	\$ -

ATLAS CLOUD ENTERPRISES INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
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(UNAUDITED)

4. PROPERTY AND EQUIPMENT

	Furniture and Equipment	Data Centre Equipment	Leasehold Improvements	Bitcoin Mining Equipment	Total
Cost					
As May 31, 2016	\$ 13,979	\$ 583,165	\$ 124,431	\$ -	\$ 721,575
Additions	-	70,948	8,742	-	79,690
As at May 31, 2017	13,979	654,113	133,173	-	801,265
Additions	-	-	-	3,052,776	3,052,776
As at November 30, 2017	13,979	654,113	133,173	3,052,776	3,854,041
Amortization					
As at May 31, 2016	3,346	\$ -	19,723	-	23,069
Additions	2,127	123,728	12,880	-	138,735
As at May 31, 2017	5,473	123,728	32,603	-	161,804
Additions	851	53,038	6,659	-	60,548
As at November 30, 2017	6,324	176,766	39,262	-	222,352
Net Book Value as at May 31, 2017	8,506	530,385	100,570	-	639,461
Net Book Value as at November 30, 2017	\$ 7,655	\$ 477,347	\$ 93,911	\$ 3,052,776	\$ 3,631,689

During the period ended November 30, 2017, the Company paid US\$2,380,000 (Cdn\$3,052,776) for the purchase of 1,000 Antminer S9 application-specific integrated servers. As at November 30, 2017, these servers have not been put into production.

5. CONVERTIBLE DEBENTURES

On June 29, 2016, the Company closed the first tranche of a convertible debenture financing in the amount of \$1,002,000. A second tranche of \$21,000 closed on July 22, 2016 for a total amount of \$1,023,000. The convertible debentures bear interest at a rate of 9% per annum, calculated and payable semi-annually in arrears. The convertible debentures are for a term of 36 months and are convertible at the discretion of the holder at a conversion price of \$0.25 per share. The option to convert includes the principal and any unpaid accrued interest at the time of conversion. The debentures are secured by a first ranking charge on all the Company's assets. The Company paid a finders' fee of 7% of the gross proceeds and issued finders' warrants in the amount equal to 7% of the amount raised by finder, exercisable at \$0.15 per finder's warrant for a period of 24 months from the date of closing. The Company used the Black Scholes pricing model to estimate the fair value of the finders' warrants of \$36,900 using a dividend yield of \$nil, annualized volatility of 119-122%, a risk free interest rate of 0.54-0.58% and an expected life of 2 years.

The Company may at any time after six months following the date of issue, repay the principal amount of the convertible debentures and any accrued interest at any time upon giving at least 30 days advance notice. The Company will pay a redemption premium of 5% on the outstanding principal if redeemed within 18 months from the date of closing.

ATLAS CLOUD ENTERPRISES INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
NOVEMBER 30, 2017
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5. CONVERTIBLE DEBENTURES (cont'd...)

The Company used the residual value method to allocate the principal amount of the convertible debentures between the liability and equity components. The Company valued the debt component of the convertible debentures by calculating the present value of the principal and interest payments, discounted at a rate of 16% being management's best estimate of the rate that a non-convertible debenture with similar terms would bear. The equity conversion feature of the convertible debentures comprises of the value of the conversion option, being the difference between the face value of the convertible debentures and the liability element calculated above.

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 convertible debentures outstanding.

6. SHORT TERM LOAN

During the period ended November 30, 2017, the Company arranged a short-term loan in the amount of \$40,000 from a non-related party. 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 in full.

7. SHARE CAPITAL

Authorized share capital

Unlimited common shares, without par value

Share issuances

As at November 30, 2017: 22,068,481 (2016 – 16,908,833) shares were issued and outstanding, of which nil (May 31, 2017 – 750,000) shares were held in escrow.

ATLAS CLOUD ENTERPRISES INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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7. SHARE CAPITAL (cont'd...)

Share purchase warrants

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

The continuity of warrants for the years ended May 31, 2017 and 2016 and period ended November 30, 2017 is summarized below:

	NUMBER OF WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE
Balance, May 31, 2016	2,463,200	\$0.25
Expired	(387,950)	0.25
Issued	401,800	0.15
Balance, May 31, 2017	2,477,050	\$0.23
Expired	(2,075,250)	0.25
Exercised	(392,000)	0.15
Balance, November 30, 2017	9,800	\$0.15

The following table summarizes the warrants outstanding and exercisable at November 30, 2017:

NUMBER OF WARRANTS	EXERCISE PRICE	EXPIRY DATE
9,800	\$0.15	July 22, 2018
9,800		

As at November 30, 2017, the weighted average remaining contractual life of all warrants outstanding was 0.64 years (May 31, 2017 – 0.25 years).

Please see Subsequent Events - Note 11.

Stock options

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

ATLAS CLOUD ENTERPRISES INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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(UNAUDITED)

7. SHARE CAPITAL (cont'd...)

Stock options (cont'd...)

The continuity of stock options for the years ended May 31, 2017 and 2016 and period ended November 30, 2017 is summarized below:

	NUMBER OF STOCK OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Balance, May 31, 2016 and May 31, 2017	1,100,000	\$0.25
Exercised	(550,000)	0.25
Forfeited	(150,000)	0.25
Granted	1,800,000	1.00
Balance, November 30, 2017	2,200,000	\$0.86

The following table summarizes the stock options outstanding and exercisable at November 30, 2017:

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		

As at November 30, 2017, the weighted average remaining contractual life of all options outstanding was 5.32 years (May 31, 2017 – 7.27 years)

The Company uses the Black-Scholes option pricing model to estimate the fair value of the options granted using the following assumptions:

	2017	2016
Dividend yield	Nil	N/A
Annualized volatility	116%	N/A
Risk-free interest rate	0.20%	N/A
Expected life	5 years	N/A

Please see Subsequent Events - Note 11.

Escrowed shares

All of the 5,000,000 shares issued to acquire Atlas Cloud Enterprises (2013) Ltd. are 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. As at November 30, 2017, there were nil shares remaining in escrow (May 31, 2017 - 750,000).

ATLAS CLOUD ENTERPRISES INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
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7. SHARE CAPITAL (cont'd...)

Special Warrant and Share Subscriptions

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. 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 of this financing and subsequently filed the preliminary Short-Form Prospectus on December 27, 2017.

Special warrants have been included in EPS calculations.

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 (the “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 (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. 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.

8. RELATED PARTY TRANSACTIONS

Key Management Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company’s executive officers and Board of Director members.

During the six month period ended November 30, 2017 the Company paid or accrued to the Chief Executive Officer \$18,000 (2016 - \$18,000) of which 50% was recorded in office facilities and administrative services and 50% in property operating expense. As at November 30, 2017, \$nil was owing to the Chief Executive Officer (May 31, 2017 - \$2,196) included in accounts payable. Also, during the period, the Company paid or accrued \$1,666 in management fees (November 30, 2017 - \$nil) and recorded \$nil (November 30, 2016 - \$32,784) in professional fees for professional services provided by a company related to the current and former Chief Financial Officer.

During the year ended May 31, 2017, a director of the Company purchased \$20,000 convertible debentures (Note 5). During the six month period ended November 30, 2017, the Company issued a total of 82,466 shares to a director of the Company at the deemed price of \$0.25 per share to settle an aggregate principal amount of \$20,000 plus accrued interest of \$616 outstanding under its convertible debentures. As at November 30, 2017, \$nil has been accrued and is included in accounts payable and accrued liabilities (May 31, 2017 - \$750) and \$450 (November 30, 2016 - \$nil) has been paid to the director.

During the 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.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
NOVEMBER 30, 2017
(UNAUDITED)

9. COMMITMENT

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.

10. NON-CASH INVESTING AND FINANCING TRANSACTIONS

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the Consolidated Statements of Cash Flows.

Six Month Period ended November 30, 2017:

- \$73,443 was transferred from equity reserves to share capital as a result of the exercise of 550,000 stock options.
- \$36,000 was transferred from equity reserves to share capital as a result of the exercise of 392,000 warrants.
- \$112,857 was transferred from the equity component of convertible debentures to share capital as a result of the conversion of \$1,023,000 principal and \$31,362 accrued interest to common shares.

Six Month Period ended November 30, 2016:

- \$17,067 was transferred from equity reserves to share capital as a result of the expiry of 387,950 finders' warrants.
- Issued 401,800 finders' warrants with a fair value of \$36,900 for convertible debenture financing.

11. SUBSEQUENT EVENTS

Subsequent to November 30, 2017, the Company:

- closed the first tranche of a non-brokered private placement offering of 39,580,836 units (the "**Units**") at a price of \$0.35 per Unit for gross proceeds of approximately \$13,853,292 (the "**Offering**"). Each Unit consists of one common share in the capital of the Company (a "**Share**") and one transferable common share purchase warrant (a "**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 has paid eligible finders a cash commission in the aggregate of \$679,396.51 on the Offering within the amount permitted by the policies of the Canadian Securities Exchange (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 a director 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.

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(Expressed in Canadian dollars)
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11. SUBSEQUENT EVENTS (cont'd...)

- closed the second and final tranche of a non-brokered private placement offering of 419,142 units (the “Units”) at a price of \$0.35 per Unit for gross proceeds of approximately \$146,699 (the “Offering”). Each Unit consists of one common share in the capital of the Company (a “Share”) and one transferable common share purchase warrant (a “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 in connection to the Offering in this 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 consultants 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 the acquisition of MKH Electric City Holdings LLC, a Washington State company which owns a 6,600-sq. ft. facility (the “New Facility”) located in Electric City, Washington State. The cost of the acquisition is \$300,000 USD and the Company is expected to spend up to \$2,600,000 USD in facility infrastructure costs and related expenses to retrofit the existing warehouse into a Bitcoin mining center. The CSE has determined that the development of the New Facility will be considered a fundamental change pursuant to Policy 8 (Fundamental Changes). The change of business will require approval of the CSE and approval of the Company’s security holders. The Company intends to seek security holder approval by way of a consent resolution. The Company will also be required to complete a disclosure document in support of the change of business. The Company anticipates making the required submissions to the CSE immediately with a view to completing the change of business during the first quarter of 2018.
- 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.
- filed a Preliminary Short Form Prospectus on December 27, 2018.
- 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.