Consolidated Financial Statements of

Alternate Health Corp.

December 31, 2017

Alternate Health Corp.
MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements and other financial information in this annual report were prepared by management of Alternate Health Corp., reviewed by the Audit Committee and approved by the Board of Directors.

Management is responsible for the consolidated financial statements and believes that they fairly present the Company’s financial condition and results of operation in conformity with International Financial Reporting Standards. Management has included in the Company’s consolidated financial statements amounts based on estimates and judgments that it believes are reasonable, under the circumstances.

To discharge its responsibilities for financial reporting and safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and accurate preparation of financial statements. Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits. Management further assures the quality of the financial records through careful selection and training of personnel and through the adoption and communication of financial and other relevant policies.

These financial statements have been audited by the shareholders’ auditors, BDO Canada LLP, and their report is presented herein.

“Michael Murphy”
Chief Executive Officer
April 30, 2018

“Chris Boling”, CPA,
Chief Financial Officer

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BDO Canada LLP
TD Bank Tower
66 Wellington Street West
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Toronto ON M5K 1H1 Canada

Independent Auditor's Report

To the Shareholders of Alternate Health Corp.

We have audited the accompanying consolidated financial statements of Alternate Health Corp., which comprise the consolidated statement of financial position as at December 31, 2017 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the year ended December 31, 2017, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Alternate Health Corp. as at December 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Restated Comparative Information
The consolidated financial statements of Alternate Health Corp. for the year ended December 31, 2016 (prior to the restatement of the comparative information described in Note 21 to the consolidated financial statements) were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on May 1, 2017.

As part of our audit of the consolidated financial statements of Alternate Health Corp. for the year ended December 31, 2017, we also audited the adjustments described in Note 21 that were applied to restate the consolidated financial statements for the year ended December 31, 2016. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the consolidated financial statements of Alternate Health Corp. for the year ended December 31, 2016 other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the consolidated financial statements for the year ended December 31, 2016 taken as a whole.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

April 30, 2018
Toronto, Ontario

Alternate Health Corp.

Consolidated Statement of Financial Position (in Canadian dollars)

As at December 31	2017	2016
ASSETS		
Current assets		
Cash	$ 1,443,862	$ 570,003
Accounts receivable, net (Notes 15 & 17)	2,748,567	-
HST receivable	79,615	24,471
Income taxes receivable	135,491	-
Due from related parties (Note 17)	208,142	269,466
Supplies on hand	475,183	-
Prepaid expenses and deposits	575,748	23,740
	5,666,608	887,680
Non-current assets		
Convertible note receivable from related party (Notes 6 & 17)	665,200	-
Long term investments (Note 7)	5,082,277	-
Property and equipment (Note 8)	6,148,090	7,204
Intangible assets (Note 9)	2,367,722	1,001,928
Deferred income taxes (Note 12)	-	431,220
Total non-currents assets	14,263,289	1,440,352
	$ 19,929,897	$ 2,328,032
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 3,272,100	$ 315,088
Current portion of development fees payable (Note 10)	75,000	-
Deferred revenue	-	167,195
	3,347,100	482,283
Non-current liabilities		
Development fees payable to related party (Note 10)	476,359	538,200
Total liabilities	3,823,459	1,020,483
Shareholders' equity		
Share capital (Note 13)	36,670,560	3,085,186
Warrants (Note 13)	3,032,300	29,000
Share-based reserve (Note 13)	3,320,101	1,018,100
Deficit	(28,959,547)	(2,824,737)
Accumulated other comprehensive income	2,043,024	-
Total shareholders' equity	16,106,438	1,307,549
	$ 19,929,897	$ 2,328,032

Approved by the Board of Directors: /s/"Michael Murphy" Director /s/"Bernie Rice" Director

The accompanying notes are integral to these consolidated financial statements

Alternate Health Corp.

Consolidated Statement of Loss and Comprehensive Loss (in Canadian dollars)

For the years ended December 31,	2017	2016
Revenue	$ 13,254,790	$ 183,546
Operating expenses		
Advertising and promotion	284,902	119,967
Depreciation and amortization of equipment and intangible assets	1,367,939	96,100
Bad debts (Note 15)	426,555	-
Consulting fees (Notes 17 & 19)	7,895,733	423,057
Interest on long term liabilities	92,897	67,275
Lab supplies	2,454,714	-
Management fees (Note 17)	3,525,328	-
Office and general	1,084,330	57,239
Professional fees	2,353,372	160,233
Rent and occupancy	1,085,335	115,757
Repairs and maintenance	283,717	-
Research and development	506,879	-
Salaries and other benefits	4,308,217	40,170
Share-based compensation (Note 19)	5,797,991	818,100
Utilities	311,152	-
Operating expenses	31,779,061	1,897,898
Loss before undernoted items and income taxes	(18,524,271)	(1,714,352)
Other expenses/(income)		
Bargain purchase on Alternate Health, Labs Inc. acquisition (Note 18)	(2,246,396)	-
Loss on foreign exchange	33,197	17,296
Investment income	(79,337)	-
Allowance for recoverability of assets (Note 11)	12,219,785	-
Loss on equity settlement on promissory note (Note 13(f))	459,039	-
Income from equity accounted for investment (Note 7)	(300,343)	-
Listing expense (Note 2)	-	644,867
Transaction costs (Note 2)	34,060	107,919
	10,120,005	770,082
Loss before income taxes	(28,644,276)	(2,484,434)
Income taxes (recovery) (Note 12)		
Current	(41,881)	-
Deferred	(2,467,585)	(431,220)
	(2,509,466)	(431,220)
Net loss	(26,134,810)	(2,053,214)
Other comprehensive income		
Foreign currency translation differences for foreign operations	(685,697)	-
Net unrealized gain on investments available for sale	3,145,500	-
Deferred tax expense (Note 12)	(416,779)	-
Other comprehensive income	2,043,024	-
Total comprehensive loss	$ (24,091,786)	$ (2,053,214)
Basic and diluted loss per share (Note 13)	$ (0.53)	$ (0.07)
Average weighted number of shares	49,754,515	31,069,949

The accompanying notes are integral to these consolidated financial statements

Alternate Health Corp.

Consolidated Statement of Changes in Equity (in Canadian dollars)

For the years ended December 31, 2017 and 2016

	Number of shares #	Share capital $ (Note 13)	Number of warrants #	Warrants $ (Note 13)	Share- based reserve $ (Note 13)	Accumulated other comprehensive income	Deficit $	Total Shareholders' equity $
For the year ended December 31, 2016								
Balance at December 31, 2015	29,945,000	$ 1,028,400	525,000	$ -	$ -	$ -	$ (771,523)	$ 256,877
Issuance of common shares with warrants	181,250	116,000	181,250	29,000	-	-	-	145,000
Issuance of common shares - VIP Intangibles	437,500	350,000	-	-	-	-	-	350,000
Issuance of common shares	1,055,886	1,055,886	-	-	-	-	-	1,055,886
Cancellation of common shares with warrants	(100,000)	(80,000)	(100,000)	-	-	-	-	(80,000)
Share-based payment	1,000,000	20,000	-	-	-	-	-	20,000
RTO entry (see note 2)	396,600	-	-	-	-	-	-	-
Eliminate capital stock of AHI	(32,519,636)	-	(606,250)	-	-	-	-	-
Issuance of shares to former AHI shareholders	32,519,636	594,900	606,250	-	-	-	-	594,900
Share-based expenses	-	-	-	-	1,018,100	-	-	1,018,100
Net and comprehensive loss	-	-	-	-	-	-	(2,053,214)	(2,053,214)
Balance at December 31, 2016, restated	32,916,236	3,085,186	606,250	29,000	1,018,100	-	(2,824,737)	1,307,549
For the year ended December 31, 2017								
Balance at December 31, 2016, previously stated	32,916,236	3,035,219	606,250	29,000	818,100	-	(2,524,770)	1,357,549
Comparative figures adjustment (Note 21)	-	49,967	-	-	200,000	-	(299,967)	50,000
Balance at December 31, 2016, restated	32,916,236	3,085,186	606,250	29,000	1,018,100	-	(2,824,737)	1,307,549
Issuance of common shares and warrants	18,181,292	32,449,045	-	196,736	-	-	-	32,645,781
Shares held in escrow	935,000	-	-	-	-	-	-	-
Exercise of warrants for common shares	581,250	900,875	(581,250)	(29,000)	-	-	-	871,875
Expiration of warrants	-	-	(25,000)	-	-	-	-	-
Stock based compensation	-	-	1,297,544	2,835,564	2,519,955	-	-	5,355,519
Exercise of stock options	17,500	235,454	-	-	(217,954)	-	-	17,500
Net and comprehensive loss	-	-	-	-	-	2,043,024	(26,134,810)	(24,091,786)
Balance at December 31, 2017	52,631,278	$ 36,670,560	$ 1,297,544	$ 3,032,300	$ 3,320,101	$ 2,043,024	$ (28,959,547)	$ 16,106,438

The accompanying notes are integral to these consolidated financial statements

Alternate Health Corp.

Consolidated Statement of Cash Flows (in Canadian dollars)

For the year ended December 31	2017	2016
Cash provided from (used in)		
Operating activities		
Net loss	$ (26,134,810)	$ (2,053,214)
Depreciation and amortization of equipment and intangible assets	1,367,939	96,100
Share-based payments	11,938,174	1,018,100
Gain on sale of long term investment	(56,694)	-
Allowance for recoverability of assets (Note 11)	12,219,785	-
Bargain purchase on acquisition (Note 18)	(2,246,396)	-
Income from equity accounted for investment (Note 7)	(300,343)	-
Finance expense	63,159	-
Deferred tax	(2,467,585)	(431,220)
Listing expense (Note 2)	-	644,867
Change in non-cash working capital items (Note 14)	(909,159)	5,288
Cash used in operating activities	(6,525,930)	(720,079)
Investing activities		
Proceeds from sale of long term investments	90,905	-
Purchase of long term investments	(1,969,902)	-
Receipts from due from related parties	40,398	
Cash on acquisition of AHL (Note 18)	8,295	-
Purchase of property and equipment	(785,528)	-
Additions to intangible assets	(592,574)	(86,593)
Income distribution from equity accounted investment (Note 7)	266,436	-
Purchase of convertible note receivable (Note 6)	(665,200)	-
Cash used in investing activities	(3,607,170)	(86,593)
Financing activities		
Advances to related party	-	(243,813)
Development fees payable to related party	(50,000)	67,275
Receipt of share subscription receivable	-	32,458
Redemption of share capital	-	(80,000)
Issuance of share capital, net of share issuance costs	12,189,876	1,141,919
Issuance of warrants	-	29,000
Equipment lease payments	(962,434)	-
Cash from financing activities	11,177,442	946,839
Effect of movement of exchange rates	(170,483)	-
Increase in cash	1,044,342	140,167
Cash, beginning of year	570,003	429,836
Cash, end of year	$ 1,443,862	$ 570,003

The accompanying notes are integral to these consolidated financial statements

1. Nature of operations

Alternate Health Corp. ("AHC") (formerly 1017344 BC Ltd) was incorporated on October 29, 2014 under the Business Corporations Act of British Columbia ("the Act"), and on April 15, 2015 became a public company reporting issuer in Alberta and British Columbia by a Plan of Arrangement granted under the Act. It subsequently changed its name to Alternate Health Corp. On November 23, 2015, the AHC entered into a Share Exchange Agreement with Alternate Health Inc. ("AHI") which was completed on December 22, 2016 and was accounted for as a reverse takeover of AHC by AHI. (See Note 2 Reverse Take Over of Alternate Health Corp.). On January 1, 2017, AHC acquired 100% of the outstanding shares of Alternate Health Labs, Inc. ("AHL") (Note 18).

The Company's registered office is located at 309-1485 6th Avenue, Vancouver, British Columbia, Canada, V6H 4G1 and its executive offices are located at 7373 Broadway Street, Suite 307, San Antonio, TX 78209.

Alternate Health Corp. and its subsidiaries (collectively "Alternate Health" or the "Company") are a diverse healthcare provider that uses its expertise in technology and data analytics to revolutionize patient care and research in the emerging medical cannabis industry. With American Medical Association-approved educational programs, software and patented delivery medical systems, Alternate Health is a leader in software applications and processing systems for the medical industry using proprietary technology platforms. Through its subsidiaries, Alternate Health offers services ranging from medical practice and controlled substance management software, blood analysis and toxicology labs, clinical research and continuing education programs. In leveraging the Company's assets in exclusive patents and partnerships, Alternate Health's goal is to be the global authority on the science, manufacturing and delivery methods for cannabidiol (CBD) and other cannabinoids derived from hemp and marijuana.

The Company's common shares are listed on the Canadian Securities Exchange (Stock Symbol: AHG and OTC in the United States (Stock Symbol: AHGIF).

2. Reverse Take Over of Alternate Health Corp.

On December 22, 2016, the Company completed a Share Exchange Agreement (“SEA”) between AHC, AHI, and the shareholders of the AHI. The SEA was conditional upon obtaining approval from the Canadian Securities Exchange (‘CSE”) for listing the shares of the Company on or before December 15, 2016. The Company obtained the conditional listing from the CSE on December 1, 2016. Pursuant to the agreement, the Company acquired all the issued and outstanding shares of AHI. The former shareholders of AHI, exchanged their common shares held for common shares of the Company on a one for one basis and exchanged all of the outstanding warrants on a one for one basis. In total, the Company issued 32,519,636 common shares and 606,250 replacement warrants. These replacement warrants all have an exercise price of $1.50 with varying expiry dates.

Final approval for listing from CSE was received on January 19, 2017 and the Company’s stock commenced trading on January 24, 2017.

As a result of the SEA, the former shareholders of AHI controlled 98.80% voting shares of the Company. Although the SEA transaction resulted in the legal acquisition of AHI by the Company, the transaction constituted a reverse take over (“RTO”) of AHC and has been accounted for as a reverse take over transaction for accounting purposes. The operating activities of the Company prior to the SEA did not meet the definition of a business according to the definition in IFRS 3, and accordingly the transaction was accounted for as the purchase of AHC’s net assets by AHI. The net asset purchase price was classified as an equity settled share based payment, under IFRS 2.

The fair value of the consideration paid was determined based on a private placement that was announced on December 23, 2016. The treasury order for this private placement of 2,914,354 common shares were authorized for issue as of January 20, 2017 at a price of $1.50 per share. Prior to the SEA, the total fair value of AHC's common shares outstanding was calculated to be $594,900 and the fair value of AHC's net assets prior to the SEA was a deficit of $49,967 (see Note 21). The difference between the fair value of the consideration paid and the fair value of net assets of AHC of $644,867 has been recognized as a listing expense in the consolidated statement of loss for year ended December 31, 2016. In addition, transaction costs of the RTO was $107,919 and was expensed in 2016. The consolidated financial statements as at and for the year ended December 31, 2016 reflect the assets, liabilities and results of operations of AHI and of AHC from the date of the RTO.

3. Basis of Preparation

Statement of Compliance
These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements were authorized for issue by the Board of Directors on April 30, 2018.

Basis of Measurement
These consolidated financial statements have been prepared on the basis of historical costs except for financial instruments that are measured at fair value.

Basis of Consolidation
The consolidated financial statements are comprised of AHC and its wholly owned subsidiaries, which include:

(a) Alternate Health Inc.;
(b) Canacard Inc.;
(c) Alternate Health USA Inc.; and
(d) Alternate Health Labs Inc.

All intercompany balances and transactions have been eliminated. Subsidiaries are consolidated from the date of acquisition, being the date on which the Company has power to govern the financial and operating policies of an entity to obtain benefits from its activities, and continue to be consolidated until the date such control ceases.

Functional and Presentation Currency
Items included in the consolidated financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates. The functional currency of the Company's lab business is the US dollar. The functional currency of the Company's medical education, software and technology business is the Canadian dollar. The consolidated financial statements are presented in Canadian dollars, which is the parent Company's presentation and functional currency.

Use of Estimates and Judgments
The preparation of these consolidated financial statements requires management to make certain judgments, estimates and assumptions about the carrying amounts of assets and liabilities, revenue and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

3. Basis of Preparation, continued

Revenue recognition and allowance for doubtful accounts
Revenue from laboratory billings are recognized when the services are performed, net of estimated discounts or other deductions including uncollectible amounts. An initial allowance is recorded based on historical patterns and allowances and specific risk that may increase or decrease the net recoverable amount. Allowances are recorded as a reduction of revenue at the time the revenues are recognized.

The Company carries trade accounts receivable at cost net of an allowance for doubtful accounts which provides for any uncertainty of collection. Judgment is required on the evaluation of future probable events that might impact a customer's ability or intention to make full payment of these accounts.

Acquisition accounting
Management uses judgment to determine whether an acquisition qualifies as an asset acquisition or a business combination by reviewing inputs, processes and outputs within a transaction. All identifiable assets, liabilities and contingent liabilities acquired are recognized at fair value on the date of acquisition. Various estimates are used to calculate the fair value of these assets and liabilities as at the date of the acquisition.

Intangible assets
The Company has capitalized certain costs of internally-generated intangible assets related to intellectual property development and the cost of obtaining distribution rights and licensing rights. Judgment is required in identifying whether a particular project can be properly classified as being in the development phase or not. In addition, judgment is required in order to identify and reliably measure the expenditures attributable to these development initiatives.

Certain intangibles assets were acquired through business combination. Purchase price allocation involved significant estimates and assumptions regarding cash flow projections, growth predictions and economic risk.

Useful life of equipment and intangible assets
The amortization method and useful lives reflect the pattern in which management expects the asset's future economic benefits to be consumed by the Company. Judgements are required in determining these expected useful lives.

3. Basis of Preparation, continued

Impairment of non-financial assets
Where there are indications that a non-financial asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value. Management undertook an assessment for the CanaPass cash generating unit ("CGU"), this includes estimating expected patient use and factoring a discount rate that includes the uncertainty of the forecasts in order to calculate its present value. The Company reviews impairment on intangible assets with an indefinite life on an annual basis and intangible assets with a finite life and equipment whenever there are indicators of impairment.

Share-based payments
The Company measures equity-settled share-based payments to directors, employees and others providing similar services at the fair value of the equity instruments at the grant date. The Company also measures equity-settled share-based payments to other parties providing goods or services, including consultants, at the fair value of the equity instruments where the fair value of the goods or services received is not otherwise reliably measurable. The fair value determined at the grant date of the equity-settled share-based payments is calculated using the Black-Scholes option valuation model and is expensed according to the vesting term, based on the Company's estimate of equity instruments that will eventually vest, and credited to share-based reserve. These estimates affect the amount recognized as share-based compensation in the Company's statements of loss and comprehensive loss. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest.

The use of the Black-Scholes model requires inputting a number of assumptions, including expected dividend yield, expected share price volatility, expected time until exercise and risk free interest rate. Although the assumptions used reflect management's best estimates, they involve inherent uncertainties based on conditions outside of the Company's control. If other assumptions were used, share-based expenses could be significantly impacted.

Deferred income tax assets and liabilities
Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements.

Fair value of financial instruments
Determining the fair value requires judgment and is based on market prices or management's best estimate if there is no active market, or if the market is illiquid. When the fair value of a financial instrument cannot be derived from an active market, it is determined using other valuation techniques including internally generated adjustments to quoted prices in observable markets and discounted cash flows. The inputs to these models are taken from observable markets where possible, however, when not feasible, a degree of judgment is required in establishing fair values. The estimate includes consideration of inputs such as liquidity risk and credit risk. Changes in assumptions about these factors may affect the reported fair value of financial instruments.

4. Summary of significant accounting policies

These consolidated financial statements are prepared in accordance with IFRS. The significant policies are detailed as follows:

(a) Business combinations

The Company accounts for business combinations using the acquisition method when control is transferred to the Company. The consideration transferred is measured at fair value, along with any identifiable net assets acquired. Subsequent changes in contingent consideration are accounted for through the consolidated statement of loss. Acquisition related costs are expensed as incurred.

Goodwill arising on acquisition is initially measured at cost, being the difference between the fair value of the consideration transferred and the net recognized amount (generally fair value) of the identifiable assets and liabilities assumed at the acquisition date. If the net of the amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the excess is recognized immediately in profit or loss as a bargain purchase gain.

(b) Revenue recognition and deferred revenue

The Company recognizes revenue for laboratory and toxicology testing at the time test results are reported, which approximates when the services are provided. Services are provided to patients covered by various third party payor programs, including managed care organizations, as well as the Medicare and Medicaid programs. Billings for services are included in revenue net of allowances for any contractual discounts and allowances for differences between the amounts billed and estimated program payment amounts.

The Company records the revenue from license fees on a straight line basis over the term of the particular license.

Revenue from consulting services are recognized when services are rendered.

Amounts invoiced or received from customers in excess of the revenue as determined, are recorded on the consolidated statement of financial position as unearned revenue.

4. Summary of significant accounting policies, continued

(c) **Property and Equipment**

Property and equipment is recorded at cost. The Company provides for amortization using the following methods at rates designed to amortize the cost of the equipment over their estimated useful lives. The annual amortization rates and methods are as follows:

Lab testing equipment	Straight-line	10 years
Office furniture & equipment	Straight-line	10 years
Leasehold improvements	Straight-line	3 years
Computer equipment & software	Straight-line	3 years

The estimated useful lives and amortization methods are reviewed at the end of each annual reporting period, with the effect of any changes in estimates being accounted for on a prospective basis.

Equipment not available for use is not subject to amortization. In the year of disposal, the resulting gain or loss is included in the consolidated statements of loss and comprehensive loss and the cost of the equipment retired or otherwise disposed and the related accumulated amortization, are eliminated from these accounts.

4. Summary of significant accounting policies, continued

(d) Intangible assets

Intangible assets with an indefinite useful life are recorded at cost less any write-down for impairment. For intangible assets with a finite useful life, the Company provides for amortization using the following straight-line methods designed to amortize the cost of the intangible assets over their estimated useful lives. The annual amortization rates and methods are as follows:

Software development costs	Straight-line	10 years
Continuing medical education	Straight-line	5 years
Software distribution rights	Straight-line	10 years
Licensing rights	Straight-line	5-10 years
Customer relationships	Straight-line	5 years
CLIA Laboratory license	N/A	Indefinite Life

The estimated useful lives and amortization methods are reviewed at the end of each annual reporting period, with the effect of any changes in estimates being accounted for on a prospective basis.

Internally-generated intangible assets
The Company has capitalized development expenditures that constitute internally-generated intangible assets. An intangible asset may be recognized in future periods if the Company can demonstrate:

(i) the technical feasibility of completing the intangible asset so it will be available for use or sale;
(ii) its intention to complete the intangible assets and use or sell it;
(iii) its ability to use or sell the intangible asset;
(iv) how the asset will generate probable future economic benefits;
(v) the availability of adequate technical, financial and other resources to complete the development and to use or to sell the intangible asset; and
(vi) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development expenditures not satisfying the above criteria and expenditures on the research phase of internal projects are recognized in the consolidated statement of loss in the period in which they are incurred.

4. Summary of significant accounting policies, continued

(e) Impairment of non-financial assets

The Company reviews its tangible and intangible assets subject to amortization for indications of impairment at the end of each reporting period or when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any indication of impairment exists, the asset's recoverable amount is estimated. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the assets belong. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

An impairment loss is recognized when the carrying amount of an asset, or its CGU, exceeds its recoverable amount. The recoverable amount is the higher of fair value (less costs to sell) and value in use. In determining the value in use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in profit or loss. Where an impairment loss subsequently reverses the carrying amount of the asset or CGU is increased by the revised estimate of its recoverable amount but not beyond the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior periods. A reversal of such impairment loss is also recognized in the consolidated statement of loss.

4. Summary of significant accounting policies, continued

(f) Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in consolidated statement of loss except to the extent that they relate to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in profit or loss or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

(g) Foreign currency transactions and translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of operations.

Assets and liabilities of subsidiaries with applicable functional currencies other than the Canadian dollar are translated at period-end rates of exchange, and operating results are translated at average rates of exchange for the period. The resulting translation adjustments are included in other comprehensive income.

Fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated based on the functional currency of the foreign entity.

4. Summary of significant accounting policies, continued

(h) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. The Company classifies its financial instruments as either held-to-maturity, available-for-sale, fair value through profit or loss (“FVTPL”), loans and receivables, or other financial liabilities. Financial assets held to maturity, loans and receivables and other financial liabilities, are measured at amortized cost. Available-for-sale instruments are measured at fair value with changes in fair value recognized in other comprehensive income. Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in the consolidated statement of loss.

The Company’s financial assets and financial liabilities are classified and measured as follows:

Asset/Liability	Classification	Subsequent Measurement
Cash	FVTPL	Fair value
Accounts receivable	Loans and receivables	Amortized cost
HST receivable	Loans and receivables	Amortized cost
Due from related parties	Loans and receivables	Amortized cost
Convertible note receivable from related party	Loans and receivables	Amortized cost
Long term investments (excluding associates)	Available for sale	Fair value
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Development fees payable to related party	Other financial liabilities	Amortized cost

Financial assets and liabilities are initially recognized at fair value and their subsequent measurement is dependent on the purpose for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments.

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of that asset, that can be estimated reliably. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate.

4. Summary of significant accounting policies, continued

(i) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity. The Company currently has no other forms of equity authorized or issued other than common share ownership.

(j) Earnings per share

Basic earnings (loss) per share ("EPS") is calculated by dividing profit or loss attributable to common shares by the weighted average number of common shares outstanding during the period.

Diluted EPS is calculated by calculating the basic EPS and adjusting the earnings (loss) and number of shares for the effects of dilutive options, and other dilutive potential units. The effects of anti-dilutive potential units are ignored in calculating diluted EPS. All options are considered anti-dilutive when the Company is in a loss position.

(k) Investment in associates

The Company accounts for its investment subject to significant influence using the equity method of accounting. Once significant influence is determined, the investment is initially recorded at cost, which is determined by the consideration paid at the date of acquisition, including transaction costs. The carrying value of the investment is then adjusted to include the Company’s pro-rata share of post-acquisition earnings of the investee less any dividends or distributions received. The carrying amount of equity-accounted investments is tested for impairment in accordance with Note 4(h).

(l) Supplies on hand

Supplies on hand consist of lab supplies and are recorded at the lower of cost and replacement cost. Cost is determined using the weighted average method.

5. Future accounting changes

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2018 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted by the Company and are being evaluated to determine their impact on the Company:

IFRS 15, Revenue from Contracts with Customers: In May 2014, the IASB issued IFRS 15, which replaces IAS 11, Construction Contracts, IAS 18, Revenue and IFRIC 13, Customer Loyalty Programs. Amendments to IFRS 15 were issued in September 2015 and April 2016.

IFRS 15 introduces a single model for recognizing revenue from contracts with customers, with the exception of certain contracts under other IFRSs such as IAS 17, Leases. This Standard requires revenue to be recognized in a method that depicts that transfer of promised goods or services to a customer and at an amount that reflects the expected consideration receivable in exchange for transferring those goods or services. This is achieved by applying the following five steps:

i. Identify the contract with a customer;
ii. Identify the performance obligations in the contract;
iii. Determine the transaction price;
iv. Allocate the transaction price to the performance obligations in the contract; and
v. Recognize revenue when each performance obligation is satisfied.

The Standard is effective for annual periods beginning on or after January 1, 2018. The Company is required to retrospectively apply IFRS 15 to all contracts that are not complete on the date of initial application. Management intends to make a policy choice to retain prior period figures as reported under the previous standards, recognizing the cumulative effect of applying IFRS 15 as an adjustment to the opening balance of equity as at the date of initial application.

Management expects the application of this new Standard will have not have a significant impact on the financial results.

5. Future accounting changes, continued

IFRS 9, Financial Instruments: In July 2014, the IASB issued the final publication of the IFRS 9 Standard, replacing the current IAS 39, Financial Instruments Standard. This Standard establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of the entity's future cash flows. The new Standard also includes a new general accounting standard, which will align hedge accounting more closely with risk management. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

Management does not expect the adoption of this Standard to have a material impact on the Consolidated Financial Statements.

IFRS 16, Leases: In January 2016, the IASB issued the IFRS 16 Standard, which will supersede the current IAS 17, Leases Standard. IFRS 16 introduces a single accounting model for lessees and for all leases with a term of more than twelve months. A lessee will be required to recognize a right-of-use asset, which is its right to use that underlying asset and a lease liability, which represents the obligation to make the lease payments. The Standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15 has also been applied.

Management is expecting both assets and liabilities to increase due to the requirement to record a right-of-use asset and corresponding lease obligation using an initial present value of unavoidable future lease payments on the Consolidated Statement of Financial Position. It is also expected that there will be a decrease to rent and occupancy costs, an increase to finance costs, due to the accretion of the lease liability, and an increase to amortization of equipment on the Consolidated Statement of Operations and Comprehensive Income (Loss). Actual cash flows are expected to be unaffected, cash flows from operations are expected to increase and cash flows from financing activities are expected to decrease.

In June 2016, the IASB issued Classification and Measurement of Share Based Payment Transactions, which amends IFRS2 Share-based Payment. The amendments clarify how to account types of share-based payment transactions, such as the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments. These amendments are effective for annual periods beginning on or after January 1, 2018, and are applicable to awards granted on or after that date and to unvested and vested but unexercised awards outstanding at that date.

Management does not expect the adoption of these amendments to have a material impact on the Consolidated Financial Statements.

6. Convertible note receivable

On March 18, 2017, the Company purchased a USD$500,000 convertible debenture issued by Apri Health, Inc. (“Apri Note”). Apri Health develops and implements data analytics and related data mining solutions for healthcare providers and other customers serving the healthcare market. The Apri Note has a five-year maturity and bears interest at 4.5% interest per annum. The Apri Note is convertible into Apri Health common stock or other Apri Health securities under the following conditions:

- If Apri Health notifies the Company of its intent to repay the Apri Note prior to the maturity date;
- If the Apri Note is outstanding at the maturity date; or
- If there is a significant capital raise or liquidation event. If the capital financing is in excess of USD$10,000,000, the Company’s conversion feature is at the capital financing price times eighty percent.

At the time of issuance, Apri Health was considered a related party of the Company; the companies had a common Director that had significant influence over the operations of the Company. The Director resigned in July 2017.

The fair value of the conversion feature at the date of purchase and year-end is considered immaterial.

Notes to Consolidated Financial Statements (in Canadian dollars)

7. Long term Investments

		2017	2016
National Access Cannabis Corp. (i)	$	4,749,295	$ -
High Times Holding Corp (ii)		332,982	-
Clover Trail Capital LLC (iii)		-	-
Total long-term investments	$	5,082,277	$ -

(i) During 2017, the Company acquired 7,221,000 common shares of National Access Cannabis Corp, a health care service provider that specializes in prescribing medical cannabis and provides members with ongoing education and care. During 2017, the Company also sold 132,500 common shares for proceeds of $57,780. As of December 31, 2017, the Company has assessed the fair value of its investment at $4,749,295 and recognized an unrealized gain of $3,145,500 in other comprehensive income. The assessment is based on Level 1 inputs under the fair value hierarchy as the common shares are publicly traded.

(ii) In March 2017, the Company subscribed for 59,525 Class A common shares of High Times Holding Corp., a publication and resource for cannabis culture, for a cost of $332,982. As of December 31, 2017, management has estimated the fair value to approximate the cost. This assessment is based on Level 2 inputs under the fair value hierarchy, as there were other financing transactions within a similar series completed in December 2017. Subsequent to year-end, there was a forward split of 1.93 per share, resulting in the Company holdings 114,935 Class A common shares.

(iii) Effective January 13, 2017 the Company acquired a 20% interest in Clover Trail Capital LLC ("Clover"), a company that in turn owns a 40% equity interest in Sun Clinical Laboratories LLC, an entity located in the US, which refers toxicology and blood samples to AHL for screening, for consideration of 4,557,150 common shares. The purchase also included the issuance of a note payable for USD$1,993,750, which was subsequently extinguished through the issuance of an additional 800,387 common shares. Subsequent to the Company's purchase of Clover, its controlling member, Dr. Michael Murphy, became a director and officer of the Company and as a result is a related party. The Company accounts for its investment in Clover, an investment subject to significant influence, on an equity basis and recorded equity earnings of $300,343 and received a cash income distribution of $266,436 for the year ended December 31, 2017. As at December 31, 2017, Clover has minimal assets and liabilities. As at December 31, 2017, the investment has been written down (Note 11).

Notes to Consolidated Financial Statements (in Canadian dollars)

8. Property and equipment

	Office Furniture & Equipment	Computer Equipment & Software	Leasehold Improvements	Lab Testing Equipment	Total
Cost					
December 31, 2015	$ 13,438	$ -	$ -	$ -	$ 13,438
Additions	-	-	-	-	-
December 31,2016	$ 13,438	$ -	$ -	$ -	$ 13,438
Additions	$ 12,793	$ 64,307	$ 112,505	$ 608,740	$ 798,345
Acquisition (Note 18)	95,977	122,285	25,443	6,322,315	6,566,020
Foreign currency translation	(6,787)	(10,284)	(5,512)	(479,204)	(501,787)
December 31, 2017	$ 115,421	$ 176,308	$ 132,436	$ 6,451,851	$6,8276,016
Accumulated Amortization					
December 31, 2015	$ 3,769	$ -	$ -	$ -	$ 3,769
Amortization	2,465	-	-	-	2,465
December 31,2016	$ 6,234	$ -	$ -	$ -	$ 6,234
Amortization	$ 12,688	$ 58,066	$ 14,979	$ 661,285	$ 747,018
Foreign currency translation	(347)	(1,975)	(509)	(22,495)	(25,326)
December 31, 2017	$ 18,575	$ 56,091	$ 14,470	$ 638,790	$ 727,926
Net Book Value					
December 31, 2016	$ 7,204	$ -	$ -	$ -	$ 7,204
December 31, 2017	$ 96,846	$ 120,217	$ 117,966	$ 5,813,061	$ 6,148,090

Notes to Consolidated Financial Statements (in Canadian dollars)

9. Intangible assets

	Software Development Costs	Continuing Medical Education	Software Distribution Rights	Licensing Rights	CLIA Lab License	Customer Relationships	Total
Cost							
December 31, 2015	$ 732,190	$ -	$ -	$ -	$ -	$ -	$ 732,190
Additions	-	86,592	350,000	-	-	-	436,592
December 31, 2016	732,190	86,592	350,000	-	-	-	1,168,782
Additions	-	114,914	-	2,522,660	-	-	2,637,574
Acquisition (Note 18)	-	-	-	-	743,343	1,626,834	2,370,177
Translation	-	-	-	-	(49,213)		(49,213)
Impairment of asset	-	-	-	(1,658,972)	-	(1,386,034)	(3,045,006)
December 31, 2017	$ 732,190	$ 201,506	$ 350,000	$ 863,688	$ 694,130	$ 240,800	$ 3,082,314
Accumulated Amortization							
December 31, 2015	$ 73,219	$ -	$ -	$ -	$ -	$ -	$ 73,219
Amortization	73,218	-	20,417	-	-	-	93,635
December 31, 2016	146,437	-	20,417	-	-	-	166,854
Amortization	84,561	18,689	35,000	168,688	-	240,800	547,738
December 31, 2017	$ 230,998	$ 18,689	$ 55,417	$ 168,688	$ -	$ 240,800	$ 714,592
Net Book Value							
December 31, 2016	$ 585,753	$ 86,592	$ 329,583	$ -	$ -	$ -	$ 1,001,928
December 31, 2017	$ 501,192	$ 182,817	$ 294,583	$ 695,000	$ 694,130	$ -	$ 2,367,722

Notes to Consolidated Financial Statements (in Canadian dollars)

10. Development fees payable

The development fees payable are payable to a party related by virtue of the controlling shareholder of the party being a Director and significant shareholder of the Company. Terms of repayments are $75,000 annually commencing January 31, 2018 with a balloon payment of the outstanding balance of principal and all accrued interest on August 31, 2020. Interest on any unpaid amounts will accrue effective September 1, 2015 at an annual rate of fifteen percent (15%) until the principal and accrued interest has been repaid. Accrued interest as at December 31, 2017 is $152,859 (December 31, 2016 - $89,700). The balance owing may be prepaid in whole or in part at any time and from time to time with no prepayment penalty.

11. Allowance for recoverability of assets

Allowance for recoverability of assets includes impairment losses relate to the write-down of the carrying value of certain assets. These assets may be written back up at a future date if there is a change in circumstances supported by an increase in the estimated recoverable amount. During the year, the Company recognized an impairment loss on the following assets:

	2017	**2016**
(a) Investment in equity investee (Notes 7 & 17)	$ 9,174,779	$ -
(b) Intangible asset – Pet formulations licensing rights	383,972	-
(b) Intangible – CBD sublingual licensing rights	1,275,000	
(c) Intangible asset – Customer relationships	1,386,034	-
	$ 12,219,785	$ -

(a) The investment in equity investee was written down to a nominal amount as the investee's equity interest in Sun Clinical Laboratory, LLC is not expected to generate income in the foreseeable future due to changes in reimbursement policies of major health insurance companies purchasing their services.

(b) The Company's Cannabidiol pet formulations licensing rights and CBD sublingual licensing rights were written down to a nominal amount until the Company can demonstrated they will be recoverable from future cash flows.

(c) On the acquisition of Alternate Health Labs Inc. ("AHL"), the Company acquired certain customer relationships (see Note 18). Subsequent to the acquisition, AHL converted from a reference laboratory to a full clinical laboratory, and as a result, it no longer anticipates generating revenues from the acquired reference lab customers, which resulted in the write-down of the related customer relationships intangible asset to a nominal amount.

Notes to Consolidated Financial Statements (in Canadian dollars)

12. Income taxes

The reported income tax expense (recovery) differs from amounts computed by applying the combined federal and provincial income tax rates to the reported income (loss) before income taxes. The calculation of current and deferred taxes is as illustrated below:

	2017	2016
Net loss before tax	$ (28,644,276)	$ (2,484,467)
Combined statutory income tax rate	26.5%	26.5%
Expected income tax expenses at current rate	(7,590,733)	(658,383)
Permanent differences	1,213,629	453,949
Change in deferred tax rates	144,060	
Difference between Canada and foreign tax rates	(1,025,957)	
Changes in deferred tax asset not recognized	4,749,535	(265,178)
Other	-	38,392
	$ (2,509,466)	$ (431,220)
Current income tax (recovery)	$ (41,881)	$ -
Deferred tax (recovery)	(2,467,585)	(431,220)
	$ (2,509,466)	$ (431,220)

Deferred Tax Balances

The balance in the consolidated statement of financial position comprises:

	2017	2016
Non capital losses carried forward	$ 2,494,388	$ 376,154
Unrealized loss on investment	1,547,721	-
Equipment and intangible assets	457,334	55,066
Deferred tax assets	4,499,443	431,220
Deferred tax assets not recognized	(4,499,443)	-
	$ -	$ 431,220

	Balance as at January 1, 2017	Acquired in business combination (Note 18)	Recognized in other comprehensive income or equity	Recognized in Loss	Balance as at December 31, 2017
Non capital losses carried forward	$ 376,154	$ -	$ -	$ 2,118,234	$ 2,494,388
Unrealized loss on investment	-	-	(416,779)	1,964,500	1,547,721
Equipment and intangible assets	55,066	(2,482,026)	216,059	2,668,235	457,334
Deferred tax asset (liability)	431,220	(2,482,026)	(200,720)	6,750,969	4,499,443
Deferred tax assets not recognized	-	-	(216,059)	(4,283,384)	(4,499,443)
	$ 431,220	$ (2,482,026)	$ (416,779)	$ 2,467,585	$ -

Notes to Consolidated Financial Statements (in Canadian dollars)

12. Income taxes, continued

As at December 31, 2017, the non-capital losses carried forward for tax purposes expire as follows:

		Loss amount
Year of expiry		
2034	$	536,806
2035		217,725
2036		663,201
2037		8,433,387
	$	9,851,119

13. Shareholders' equity

Share Capital:

		2017		2016
Authorized				
Unlimited number of common shares without par value				
Issued share capital				
52,631,278 common shares (2016 – 32,916,236)	$	36,670,560	$	3,085,186

The following shares and warrants were issued in 2016 and are summarized on the Statement of Changes in Equity, and are described more fully as follows:

(a) On March 21, 2016, the Company completed various private placements for 31,250 units. Each unit consisted of one common share of the Company and one common share purchase warrant, at a price of $0.80 per unit, for proceeds of $25,000 (common share fair value of $20,000 and warrant fair value of $5,000). Each warrant has an exercise price at $1.50 into a common share for a period 18 months from closing.

(b) On April 11, 2016, the Company completed a private placement for 150,000 units. Each unit consisted of one common share of the Company and one common share purchase warrant, at a price of $0.80 per unit, for proceeds of $120,000 (common share fair value of $96,000 and warrant fair value of $24,000). Each warrant has an exercise price at $1.50 into a common share for a period of 18 months from closing.

(c) On June 10, 2016, the Company issued 437,500 shares at a price of $0.80 per share to VIP Patient LLC in consideration for the payment of $350,000 for certain software distribution rights (Note 9).

(d) In April, May and July 2016 the Company completed various private placements for 1,055,886 common shares at a price of $1 for proceeds of $1,055,886.

(e) On July 18, 2016, the Company repurchased for cancelation 100,000 units of the original 525,000 units issued on November 23, 2015. The units consisted of 1 common share and 1 common share purchase warrant and were repurchased at their original issue price of $0.80 per unit or a total $80,000.

(f) On October 1, 2016, the Company issues 1,000,000 shares at a price of $0.02 per share to three consultants for the consideration for their consulting services.

13. Shareholders' equity, continued

The following shares and warrants were issued in 2017 and are summarized on the Statement of Changes in Equity, and are described more fully as follows:

(a) In January 2017, a total of 2,270,355 common shares were issued in consideration for the purchase of 100% of the issued and outstanding shares of Alternate Health Labs Inc. ("AHL") and to settle debts owed by AHL to Dr. Michael Murphy (Note 18).
(b) In January 2017, a total of 350,000 common shares were issued in consideration for certain testing process commercialization licensing rights and cannabidiol, CBD, THC certification programs.
(c) In January 2017, a total of 2,914,354 common shares were issued in a private placement providing proceeds of $4,371,531 less share issuance costs of $378,721.
(d) In March 2017, a total of 2,968,506 common shares were issued in consideration for the purchase of a worldwide renewable license agreement for a non-pharmaceutical sublingual technology system for the delivery of CBD and THC and related consulting services.
(e) In March 2017, a total of 2,328,940 common shares were issued in a private placement providing proceeds of $7,132,472 less share issuance costs of $259,331.
(f) During 2017 a total of 4,557,150 common shares were issued in consideration for a 20% equity interest in Clover Trail Capital LLC, a company that in turn owns a 40% equity interest in Sun Clinical Laboratories LLC, which refers toxicology and blood samples to AHL for screening. The purchase also included the issuance of a note payable for USD$1,993,750 which was subsequently extinguished through the issuance of an additional 800,387 common shares.
(g) In November 2017, a total of 100,000 common shares were issued in consideration for certain software licensing rights.
(h) During 2017, a total of 2,641,600 common shares were issued in consideration for various consulting and other services rendered to the Company. Of these commons shares, a total of 935,000 common shares were held in escrow pending the provision of the agreed services.
(i) During 2017, a total of 1,297,544 common share purchase warrants were issued in consideration for various consulting and other services rendered to the Company. The warrants were valued using the Black Scholes pricing model.
(j) During 2017, a total of 581,250 common share purchase warrants were exercised, resulting in the issuance of 581,250 commons shares, providing proceeds of $871,875.
(k) During 2017, a total of 17,500 stock options were exercised, resulting in the issuance of 17,500 commons shares, providing proceeds of $17,500
(l) During 2017, a total of 1,030,000 stock options were issued in consideration for various consulting and other services rendered to the Company. The options were valued using the Black Scholes pricing model.

Notes to Consolidated Financial Statements (in Canadian dollars)

13. Shareholder's equity, continued

Warrants:

	Number	Amount
Balance December 31, 2015	525,000	$ -
Cancellation of warrants	(100,000)	-
Issuance in a private placement, March 31, 2016	31,250	5,000
Issuance in a private placement, April 11, 2016	150,000	24,000
Balance December 31, 2016	606,250	29,000
Issuance for services rendered	1,297,544	3,032,300
Exercised	(581,250)	(29,000)
Expired	(25,000)	-
Balance, December 31, 2017	1,297,544	$ 3,032,300

Warrants outstanding and exercisable at December 31, 2017	Remaining life (months)	Weighted average exercise price	Expiry date
180,000	7	$ 1.00	July 8, 2018
200,000	18	3.05	June 15, 2019
50,000	24	2.45	December 6, 2019
867,544	52	3.91	April 14, 2022
1,297,544		$ 3.32	

The warrants outstanding as at December 31, 2015 were determined to have no material fair value, and accordingly there is no reserve in the consolidated statement of changes in equity for these warrants.

The fair value of the warrants issued in 2017 has been estimated at the date of grant using the Black Scholes option pricing model with the following assumptions: risk free interest rate 0.83% - 2.49% (2016 - 0.56%); no expectation of any dividend yield (2016 - nil%); and estimated volatility of 98% (2016 - 101.01%). The fair value of these warrants at time of issue were $3,032,300 (2016 - $29,000).

Notes to Consolidated Financial Statements (in Canadian dollars)

13. Shareholders' equity, continued

Loss per share:

Basic loss per share is calculated based on the weighted average number of common shares outstanding which for the year ended December 31, 2017 were 49,754,515 (December 31, 2016 - 31,069,949).

For the periods presented, all stock options and warrants are considered anti-dilutive when the Company is in a loss position; therefore, diluted loss per share is equal to basic loss per share.

The following instruments have been excluded from the diluted earnings per share as these instruments are anti-dilutive:

	2017	2016
Issued stock options	2,812,500	1,800,000
Issued warrants	1,297,544	606,250
Total	4,110,044	2,406,250

Share-based reserve and stock options:

On November 24, 2015, the shareholders of the Company adopted a Stock Option Plan (the "Plan") which is administered by the directors of the Company. Under the Plan, the Company may grant to directors, officers, employees and consultants options to purchase shares of the Company. The Plan provides for the issuance of stock options up to 15% of the Company's issued and outstanding common shares. The Plan is a rolling plan such that the number of shares reserved for issuance will increase as the number of issued and outstanding common shares increases. Cancelled and expired Options are returned to the Plan. Options granted under the Plan are exercisable for a period as determined by the Board, from the date of the grant. The exercise price of the options shall be determined by the Board at the time of the grant, but shall not be less than the greater of the closing market price of the Shares on (a) the trading day prior to the date of grant of the Options; and (b) the date of grant of the Options. In any event, no Options shall be granted which are exercisable at an Exercise Price of less than permitted by Canadian Stock Exchange Policy. An Exercise Price cannot be established unless the Options are allocated to a particular Option Holder.

The granting of options is subject to the following conditions:

a) the aggregate number of shares which may be subject to issuance pursuant to Options granted under this Plan, inclusive of all other stock options outstanding shall not exceed 15% of the Shares issued and outstanding at the date of the grant of Options;

b) the number of Shares reserved for issuance under the Plan shall not exceed 5% of the issued shares of the Company to any one person (and companies wholly owned by that person) in any 12 month period, calculated on the date the Option is granted.

Notes to Consolidated Financial Statements (in Canadian dollars)

13. Shareholders' equity, continued

All options granted under the Stock Option Plan will expire not later than the date that is ten years from the date that such options are granted. Options terminate earlier as follows: (i) immediately in the event of dismissal with cause; (ii) 90 days from date of termination other than for cause; or (iii) one year from the date of death or disability. Options granted under the Stock Option Plan are not transferable or assignable other than by will or other testamentary instrument or pursuant to the laws of succession.

A summary of the stock options outstanding and exercisable under the plan as of December 31, 2017 and 2016 and changes during the periods are as follows:

	Options	Weighted Price
Options outstanding and exercisable at December 31, 2015	-	$ -
Granted	1,800,000	1.00
Exercised	-	-
Options Outstanding and exercisable at December 31, 2016	1,800,000	1.00
Granted	1,030,000	3.41
Exercised	(17,500)	1.00
Options outstanding and exercisable at December 31, 2017	2,812,500	$ 1.88

The following table summarizes additional disclosures on the stock options outstanding at December 31, 2017:

Exercise price	Number outstanding & exercisable	Remaining average life (months)	Fair value at time of issue
$ 1.00	1,125,000	5.5	$ 501,312
1.00	175,000	1.0	79,538
1.00	482,500	7.5	219,296
4.00	460,000	51.5	1,307,037
4.00	120,000	7.5	340,966
2.90	330,000	55.5	698,667
2.00	120,000	59.0	173,285
	2,812,500		$ 3,320,101

Notes to Consolidated Financial Statements (in Canadian dollars)

13. Shareholders' equity, continued

The fair value of the options granted during the year has been estimated at the date of grant using the Black Scholes option pricing model with the following assumptions: risk free interest rate 0.83% - 2.49% (2016 - 0.83%); expected dividend yield of nil% (2016 - nil%); estimated volatility of 57.70% - 98.0% (2016 - 97.98%).

Included in share-based reserve:

	2017	2016
Balance at beginning of year	$ 1,018,100	$ -
Fair value of options granted during the year	2,519,955	1,018,100
Exercise of stock options	(217,954)	-
Balance at end of year	$ 3,320,101	$ 1,018,100

14. Supplemental cash flow information

For the year ended December 31	2017	2016
Accounts receivable	$ (863,186)	$ -
HST receivable	(55,144)	(8,973)
Income taxes receivable	(322,883)	-
Supplies on hand	(491,913)	-
Prepaid expenses and deposits	(402,035)	(20,927)
Accounts payable and accrued liabilities	1,393,197	218,585
Deferred revenue	(167,195)	(183,397)
	$ (909,159)	$ 5,288

	2017	2016
Other significant non-cash transactions		
Issuance of common shares for goods and services	$ 21,395,498	$ 964,900

Notes to Consolidated Financial Statements (in Canadian dollars)

15. Financial instruments

The Company's financial instruments are exposed to certain financial risks, including liquidity risk, interest rate risk, foreign currency risk and credit risk. The Company's exposure to these risks and its methods of managing the risks remain consistent with the prior year.

(a) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company’s liquidity and operating results may be adversely affected if the Company’s access to financing capital is hindered, whether because of a downturn in market conditions, generally, or related to matters specific to the Company. The Company is exposed to this risk mainly with respect to its accounts payable and accrued liabilities, development fees payable and commitments.

The Company has sustained losses since incorporation and has financed these losses through the issuance of equity offerings. Management believes that it has sufficient cash and access to a marketable security in the upcoming year to meet all its contractual obligations and fund any potential operating losses, which may occur.

The table below represents non-derivate financial liabilities by maturity based on the remaining period from December 31, 2017 to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows:

	Total	Under 1 year	1-3 years	After 3 years
Accounts payable and accrued liabilities	$ 3,272,100	$ 3,272,100	$ -	$ -
Development fee payable	551,359	75,000	476,359	-
Commitments	1,793,000	768,000	699,000	326,000
	$ 5,616,459	$ 4,115,100	$ 1,175,359	$ 326,000

(b) Interest rate risk

Interest rate risk consists of:

(i) the extent to which payments made or received on the Company’s monetary assets and liabilities are affected by changes in the prevailing market interest rates, and
(ii) the extent to which changes in prevailing market rates differ from the interest rate in the Company’s monetary assets and liabilities.

Interest rate risk is a risk that the future cash flows of a financial instrument may fluctuate due to changes in market conditions. The Company’s interest rate risk is related its convertible note receivable, which bears interest at 4.5% per annum and the deferred development fee payable, which bears interest at 15% per annum. The Company does not have any assets or liabilities with a variable interest rate, which minimizes the Company’s exposure to fluctuations in interest rates. There have been no changes to the risk exposure from the prior year.

15. Financial instruments, continued

(c) Foreign currency risk

Foreign currency risk is created by fluctuations in the fair value or cash flows of financial instruments due to changes in foreign exchange rates and exposure because of the Company's US operations.

Although the Company is headquartered in Canada, the majority of the Company's revenues are in the U.S. As a result of the Company's acquisition of AHL, the Company expects to have a greater exposure to US dollar fluctuation than in prior years.

Although management has deemed it not appropriate to utilize currency hedges, currency risk is managed by maintaining operations in the local currency, therefore avoiding foreign currency translations at the entity level. This decentralization acts as a natural hedge. Management continues to monitor this risk and may mitigate this risk with derivatives should the impact become material or effect the Company's business plan.

Foreign exchange sensitivity analysis:
An appreciation (depreciation) of the Canadian dollar against the U.S. dollar would have resulted in an increase (decrease) of $99,906 in the Company's net loss because of the Company's net exposure to currency risk through its current assets and liabilities denominated in U.S. dollars. This analysis is based on a foreign currency exchange rate variance of 5%, which the Company considered to be reasonably possible at December 31, 2017.

Notes to Consolidated Financial Statements (in Canadian dollars)

15. Financial instruments, continued

(d) Fair value

IFRS 7 Financial Instruments: Disclosures requires disclosure of a three-level hierarchy ("FV hierarchy") that reflects the significance of the inputs used in making fair value assessments, measurements and disclosures. Fair values of assets and liabilities included in Level 1 are determined by referring to quoted price in an active market for identical assets or liabilities. Assets and liabilities included in Level 2 are those whose valuations are determined using inputs other than quoted prices for which all direct or indirect significant outputs are observable. Level 3 valuations are those based on inputs that are unobservable and significant to the overall fair value measurement.

The following table illustrates the classification of financial assets (liabilities) in the FV hierarchy:

As at December 31, 2017	Level 1	Level 2	Level 3
Financial assets			
Cash	$ 1,443,862	$ -	$ -
Accounts receivable	-	2,748,567	-
HST receivable	-	79,615	-
Due from related parties	-	208,142	-
Convertible note receivable from related party	-	-	665,200
Long term investments	4,749,295	332,982	-
Financial liabilities			
Accounts payable and accrued liabilities	-	(3,272,100)	-
Development fees payable to related party	-	(551,359)	-
	$ 6,193,157	**$ (454,153)**	**$ 665,200**

As at December 31, 2016	Level 1	Level 2	Level 3
Financial assets			
Cash	$ 570,003	$ -	$ -
HST receivable	-	24,471	-
Due from related parties		248,540	
Financial liabilities			
Accounts payable and accrued liabilities	-	(315,088)	-
Development fees payable to related party	-	(538,200)	-
	$ 570,003	**$ (580,277)**	**$ -**

As at December 31, 2017 and December 31, 2016, the carrying amount of cash, accounts receivable, HST receivable, due from related parties and accounts payable and accrued liabilities approximately their fair value due to their short-term nature. The carrying value of the development fees payable to related party approximates its fair value as its interest payable on outstanding amounts approximates the Company's current cost of debt.

During the year ended December 31, 2017, there were no transfer between any levels.

Notes to Consolidated Financial Statements (in Canadian dollars)

15. Financial instruments, continued

(e) Credit risk

Credit risk is the risk that one party to a financial asset will cause a financial loss for the Company by failing to discharge an obligation. The Company's credit risk arises primarily from the Company's cash, accounts receivable, convertible note receivable and investments. The Company provides credit to its customers in the normal course of its operations.

Credit risk with cash if minimized by ensuring this financial asset is place with financial institutions with high credit ratings.

Currently, the clinical laboratory business operates as a stand-alone laboratory, which is subject to credit risk from insurance companies, clinics, and patients. The portion of the accounts receivable due from individual patients and insurance companies ("customer") comprises the largest portion of credit risk. At December 31, 2017, receivables due from patients represent approximately 100% (2016 – Nil%) of accounts receivable, net. As a result, Management has devised a methodology to determine credit risk and reserve against estimates of collectability based on the credit profile of the customers. Management assess the collectability of accounts receivable balances by considering factors such as historical collection experience, credit of the customer, the age of the account receivable balance, any regulatory and economic conditions and trends that may affect the customer's ability to pay. Actual results may differ from those estimates. As at December 31, 2017, the allowance for doubtful accounts was $328,272 (2016 - $nil).

The aging of trade receivables at the reporting date was:

	Total	Under 30 days	30-90 days	Over 90 days
Trade receivable	$ 2,630,860	$ 679,605	$ 9,634	$ 1,941,621

HST receivable is comprised of refundable taxes receivable from the Canada Revenue Agency ("CRA"). Refundable taxes are subject to review by CRA, which may delay receipt. Management believes that the risk of the CRA failing to deliver payment to the Company is minimal.

The credit risk on the convertible note receivable is limited to the carrying amount of $665,200 (2016 - $Nil).

Notes to Consolidated Financial Statements (in Canadian dollars)

16. Commitments

The Company entered into lease agreements for office facilities in Canada and USA. Minimum annual commitments for the next five years are as follows:

2018	$	768,000
2019		460,000
2020		239,000
2021		210,000
2022		116,000
	$	1,793,000

17. Related party transactions

(a) The Company incurred the following transactions with companies having directors and officers in common:

		2017		2016
Interest expense	$	63,159	$	67,275
Key management personnel and board of directors cash based compensation included in consulting fees		1,690,645		-
Key management personnel and board of directors cash based compensation included in salaries and benefits		63,288		-
Key management personnel and board of directors share-based compensation (non cash)	$	5,797,991	$	477,225

The Company incurred the following consulting fees with related parties included in the table above:

(i) Consulting services of $172,959 paid to a company related by way of common directors and common significant shareholders.

(ii) Consulting services of $149,346 paid to a company related by way of common directors and common significant shareholders.

(iii) Consulting services of $1,368,341 to various directors, officers or shareholders of the Company.

Notes to Consolidated Financial Statements (in Canadian dollars)

17. Related party transactions, continued

(b) The Company is related to Sun Clinical Laboratory, LLC and LMK Management LLC through Dr. Michael Murphy, the controlling shareholder of these companies who is also a director and significant shareholder of the Company. The Company is also related to Sun Clinical Laboratory, LLC through the significant influence of its equity investee (Note 7). Transactions and balances with these related parties are as follows:

	2017	2016
Revenue from Sun Clinical Laboratory, LLC	$ 3,067,042	$ -
Management fees to LMK Management LLC	3,176,139	-

Included in accounts receivable are amounts owing by Sun Clinical Laboratory LLC for $948,707 (2016 - $Nil).

Included in accounts payable and accrued liabilities are amounts owing to LMK Management LLC for $2,026,514 (2016 - $Nil). The management fee paid to LMK Management LLC, is comprised of 49% of the profits generated by particular lab tests, which are calculated by multiplying the number of monthly tests times a mutually agreed fee less all monthly fixed and variable expenses.

These transactions are in the normal course of operations and have been recognized in these consolidated financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

17. Related party transactions, continued

Notes to Consolidated Financial Statements (in Canadian dollars)

(c) Due from related parties

		2017		2016
D.C. Netcast Media Group Inc.	$	48,142	$	20,926
Support Your Buds LLC		160,000		-
Alternate Health Labs Inc., prior to acquisition		-		248,540
	$	208,142	$	269,466

DC Netcast Media Group Inc. is a company controlled by a Director and a significant shareholder of the Company. The amount due from DC Netcast Group Inc. has no fixed terms of repayment, is unsecured and carries no interest.

Support Yours Buds LLC is a company controlled by a significant shareholder of the Company. The amounts due from Support Your Buds LLC have no fixed terms of repayment, are unsecured and carry no interest.

The amount due from AHL as at December 31, 2016 (prior to acquisition) have no fixed terms of repayment, are unsecured and carry no interest. The Company was previously related to AHL by virtue of the Company exerting significant influence over AHL. Effective January 1, 2017, the Company acquired 100% of AHL (Note 18).

(d) The Company has a convertible note receivable from Apri Health, Inc., which is related by virtue of having a director and officer in common at the time of purchase (Note 6). The director of Apri Health is no longer related to the Company at year end.

(e) Effective January 13, 2017 the Company acquired a 20% interest in Clover Trail Capital LLC (“Clover”), a company that in turn owns a 40% equity interest in Sun Clinical Laboratories LLC, an entity located in the US which refers toxicology and blood samples to AHL for screening, for consideration of 4,557,150 common shares. The purchase also included the issuance of a note payable for US$1,993,750 which was subsequently extinguished through the issuance of an additional 800,387 common shares.

Subsequent to the Company’s purchase of Clover, its controlling member, Dr. Michael Murphy, became a director and officer of the Company and as a result is a related party. The Company accounts for its investment in Clover on an equity basis and recorded equity earnings of $300,343 and received a cash income distribution of $265,436 for the year ended December 31, 2017. As at December 31, 2017, the investment has been written down (Note 11).

Notes to Consolidated Financial Statements (in Canadian dollars)

18. Acquisition of Alternate Health Labs, Inc.

In 2016, the Company entered a Lab Business Development Agreement ("LDA" agreement) with Dr. Michael Murphy ("Murphy") of San Antonio, Texas to establish and equip a licensed toxicology laboratory to be owned by a subsidiary of the Company. On January 1, 2017, the Company closed the transaction and acquired 100% of Alternate Health Labs Inc. ("AHL") from Murphy for total consideration of 2,270,355 common shares valued at $3,481,326.

The acquisition of AHL was accounted for using the purchase method of accounting in accordance with IFRS 3 with the results of operations consolidated with those of the Company effective January 1, 2017 and has contributed incremental revenue of USD$9,414,086 and income of USD$486,266 for the year ended December 31, 2017. Transaction costs associated with the transaction were minimal, have been expensed, and are included in the consolidated statement of loss.

The Company allocated the purchase price to the net identifiable assets and liabilities acquired based on their fair values at the time of the acquisition as follows:

Fair value of assets and liabilities recognized on acquisition:	
Current assets	$ 2,185,275
Property and equipment	6,566,020
Intangible asset – customer relationships	1,626,834
Intangible asset – CLIA lab license	743,343
Current liabilities	(1,916,105)
Assumed lease liabilities	(995,619)
Deferred tax liability	(2,482,026)
	5,727,722
Bargain purchase arising on acquisition	(2,246,396)
	$ 3,481,326

Under the LDA, the Company entered into a management agreement with LMK Management ("LMK"). LMK manages the laboratory and earns a management fee equal to 49% of the profits generated by particular lab tests, which are calculated by multiplying the number of monthly tests times a mutually agreed fee less all monthly fixed and variable expenses.

The customer relationships intangible relates to the fair value of the customer base for the reference laboratory. Subsequent to the acquisition, AHL converted from a reference laboratory to a full clinical laboratory. The customer relationships were subsequently written off during the year (Note 11(c)). The CLIA lab license relate to the licences required for the operation of laboratories in the US. The deferred tax liability relates primarily to temporary timing differences related to property and equipment and intangible assets. The bargain purchase arose as a result of the number of shares negotiated as consideration being negotiated a number of months prior to the final closing of the acquisition, with no adjustment clause related to operating performance up to the close date, which was stronger than originally anticipated during the negotiations.

The purchase price allocation has been finalized.

Notes to Consolidated Financial Statements (in Canadian dollars)

19. Share-based compensation

Share-based compensation expenses comprises of:

		2017		2016
Fair value of stock options issued (Note 13)	$	2,519,955	$	818,100
Fair value of warrants issued for services (Note 13)		2,988,036		-
Shares issued in exchange for services (Note 13)		290,000		-
	$	5,797,991	$	818,100

Included in consulting fees are $5,180,259 of non-cash share-based payments.

20. Capital management

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern while maintaining dividends to its shareholders and the growth of the Company's business.

The capital structure is comprised of the following:

		2017		2016
Cash	$	1,443,862	$	570,003
Development fees payable		551,359		538,200
Shareholders' equity		16,106,438		1,307,549
	$	18,101,659	$	2,415,752

The Company manages its capital structure and adjusts it in light of general economic conditions and the risk characteristics of the underlying assets and the Company’s working capital requirements. In order to maintain or adjust the capital structure, the Company, upon approval from its Board of Directors, may issue long-term debt, convertible debentures, issue shares, repurchase shares through a normal course issuer bid and pay dividends. The Board of Directors reviews and approves any material transactions not in the ordinary course of business, which may include various acquisition proposals, as well as capital and operating budgets. The Company is not subject to any externally imposed capital requirements.

21. Comparative figures adjustments

During the year, the Company discovered the following items, which required adjustment to the comparative figures:

(a) For the year ended December 31, 2016, the Company recorded the opening deficit for $49,967 in the reverse take over of AHC (Note 2) as a reduction of share capital. The share capital as at December 31, 2016 and the listing expense for the year ended December 31, 2016 were understated by $49,967. As a result, net loss for year ended December 31, 2016 year is increased by $49,967 and the deficit balance and share capital as at December 31, 2016 has been increased by $49,967. The 2016 comparative figures on the consolidated financial statements have been restated.

(b) The Company issued 250,000 shares in 2017 to consultants for services rendered in 2016. The fair value of these shares should have been recorded at the value of the professional services rendered in the year ended December 31, 2016. Accounts payable and accrued liabilities were understated by $50,000, share-based reserve was understated by $200,000 and consulting fees were understated by $250,000. As a result, the net loss for year ended December 31, 2016 is increased by $250,000 and as at December 31, 2016, deficit has been increased by $250,000. The 2016 comparative figures on the consolidated financial statement have been restated.

In addition, certain comparative figures in the consolidated financial statements have been reclassified to conform to the current year presentation.

22. Contingencies

Litigation

The Company and its wholly-owned US subsidiary, Alternate Health USA Inc., have been named by way of counterclaim, as counter-defendants, in a claim filed in federal court in California, by a third party with whom the Company had entered into an agreement for consulting services as part of the issuance of 2,968,506 in common shares as consideration. The counterclaimant is alleging various causes of action and is seeking, among other things, that the Company dismiss its original claim against the third party, special and general damages, costs, and removal of any restrictions on transfer of shares of the Company held by the third party. The Company believes the counterclaim has no merit and intends to vigorously defend the action, as well as pursue its original claim against the third party for, among other things, return of the shares previously issued to the third party.

On April 18, 2018, Alternate Health Labs, Inc. was named in a multi party lawsuit by a health insurance company that was not a customer of AHL but of Sun Clinical Laboratory, LLC, a related party to AHL (Note 17). The suit alleges various causes of action including fraud and fraudulent non-disclosure. The Company is currently reviewing the allegations and claims by the health insurance company. The receipt and evaluation of the claims are recent and in the early stages and as a result, management has determined that it is not clear whether there is an obligation as a result of past events and a reliable estimate of a potential payment, if any, is not yet determinable. Management intends to vigorously defend against these claims.

22. Contingencies, continued

Arbitration

The Company and two wholly-owned subsidiaries, Alternate Health, Inc., and Alternate Health USA Inc., have been named by way of counterclaim, as counter-respondents, in a claim filed in an arbitration in California, by a third party with whom the Company had entered into a worldwide renewable license agreement as part of the issuance of 2,968,506 in common shares as consideration. The counterclaimant is alleging various causes of action and is seeking, among other things, that the Company dismiss its original claim against the third party, special and general damages, costs, and removal of any restrictions on transfer of shares of the Company held by the third party. The Company believes the counterclaim has no merit and intends to vigorously defend the action, as well as pursue its original claim against the third party for, among other things, return of the shares previously issued to the third party.

Notes to Consolidated Financial Statements (in Canadian dollars)

23. Segmented Information

For the year ended December 31, 2017, the Company reports operations in two reportable segments: Laboratory and toxicology services and licensing and medical software services. The Company has chosen to organize the entity around differences in products and service. Substantially all of the revenue for the year ended December 31, 2017 was derived from the Laboratory and toxicology services. The balance of revenue was derived from consulting and licensing services, which do not meet the quantitative thresholds to be disclosed as a separate reportable segment, which has been disclosed under Corporate and Other.

Management monitors the operating results of these segments separately to make decisions about resource allocation and performance. The Laboratory and toxicology service segment is located in the US. $428,416 of Licensing and medical software revenue is generated in the US. The remaining $167,195 of Licensing and medical software revenue is generated in Canada. All assets of Licensing and medical software service are held in Canada.

	Laboratory and Toxicology Services	Corporate and Other	Total
Revenue	$ 13,087,595	$ 167,195	$ 13,254,790
Depreciation and amortization	1,058,550	309,389	1,367,939
Other operating expenses	16,718,804	13,692,318	30,411,122
Other income (expenses)			
Bargain purchase	2,246,396	-	2,246,396
Loss on foreign exchange	-	(33,197)	(33,197)
Investment income	-	79,337	79,337
Allowance for recoverability of assets	(10,560,813)	(1,658,972)	(12,219,785)
Loss on equity settlement of promissory note	(459,039)	-	(459,039)
Income from equity accounted for investment	300,343	-	300,343
Tax expense (recovery)	(2,523,907)	14,441	(2,509,466)
Net income (loss)	(11,065,520)	(15,069,290)	(26,134,810)
Additions – Property and equipment	$ 7,364,291	$ -	$ 7,364,291
Additions – Intangible assets	2,140,177	2,637,574	4,777,751
Total assets	$ 11,461,693	$ 8,868,204	$ 20,329,897
Total liabilities	(3,005,145)	(818,314)	(3,823,459)

For the year ended December 31, 2017, approximately 90% of total revenues are generated from two customers. For the year ended December 31, 2016, all revenue was generated from one customer, through a licensing agreement and the Company had only one operating segment being corporate and other.