Consolidated Financial Statements of

ALTERNATE HEALTH CORP.

December 31, 2016 and 2015

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Consolidated Financial Statements

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Index to Financial Statements

SCARROW YURMAN & CO.

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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 statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, 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 standards. 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 company'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 company'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.

INDEPENDENT AUDITOR'S REPORT (continued)

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, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Scarrow Yurman & Co, CPA Professional Corporation

Authorized to practise public accounting by
the Chartered Professional Accountants of Ontario

Markham, Ontario
May 1, 2017

ALTERNATE HEALTH CORP.

Consolidated Statements of Financial Position

As at December 31, 2016 and 2015

		2016		2015
ASSETS				
Current assets				
Cash	$	570,003	$	429,836
Due from related party (note 6)		248,540		4,727
HST receivable		24,471		15,498
Prepaid expenses and deposits (note 16)		44,666		23,739
Share subscription receivable (note 16)		-		32,458
		887,680		506,258
Other assets				
Equipment (note 7)		7,204		9,669
Intangible assets (note 13)		1,001,928		658,971
Deferred income taxes (note 10)		431,220		-
	$	2,328,032	$	1,174,898
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	$	265,088	$	96,503
Current portion of deferred revenue (notes 9 and 16)		167,195		179,296
		432,283		275,799
Long-term liabilities				
Development fees payable to related party (notes 8 and 16)		538,200		470,925
Deferred revenue (notes 9 and 16)		-		171,297
		970,483		918,021
Shareholders' equity				
Share capital (note 11)		3,035,219		1,028,400
Warrants (note 11)		29,000		-
Share-based reserve (note 11)		818,100		-
Deficit		(2,524,770)		(771,523)
		1,357,549		256,877
	$	2,328,032	$	1,174,898

See accompanying notes to financial statements

Approved on behalf of the board of directors

"Dr Michael Murphy ", Dr Michael Murphy, Director

"Dr. Jamison Feramisco", Dr. Jamison Feramisco, Director

ALTERNATE HEALTH CORP.

Consolidated Statements of Loss and Comprehensive Loss

For the years ended December 31, 2016 and 2015

		2016		2015
Revenue				
License revenue (notes 9 and 16)	$	183,398	$	167,496
Miscellaneous income		148		59
		183,546		167,555
Operating expenses				
Advertising and promotion		13,428		-
Amortization (note7)		2,465		2,426
Amortization of intangible assets (note 13)		93,635		73,219
Bank charges and interest		3,129		3,483
Business development		106,539		-
Consulting fees (recovery)		173,057		(8,083)
Interest on long-term liabilities (note 16)		67,275		22,548
License fee expense		1,248		5,583
Office and general		45,764		26,838
Professional fees		160,233		108,796
Rent		115,757		121,848
Salaries and related benefits		40,170		40,170
Share-based compensation (note 11)		818,100		-
Travel		24,394		4,017
		1,665,194		400,845
Loss before undernoted items and income taxes		(1,481,648)		(233,290)
Other expenses				
Reverse acquisition transaction cost (note 2)		107,919		-
Listing expense (note 2)		594,900		-
		702,819		-
Loss before income taxes		(2,184,467)		(233,290)
Income taxes (note 10)		431,220		-
Net and comprehensive loss	$	(1,753,247)	$	(233,290)
Loss and comprehensive loss (basic and diluted) per share		(0.0564)		(0.0079)
Average weighted number of common shares outstanding (basic and diluted)		31,069,949		29,476,096

See accompanying notes to financial statements

ALTERNATE HEALTH CORP.

Consolidated Statements of Changes in Equity (note 11)

For the years ended December 31, 2016 and 2015

	Number of shares #	Share capital $	Number of warrants #	Warrants $	Share-based reserve $	Deficit $	Total Shareholders' equity $
Balance at December 31, 2014	29,420,000	576,600	-			(538,233)	38,367
Issuance of common shares with warrants	525,000	451,800	525,000	-			451,800
Net and comprehensive loss						(233,290)	(233,290)
Balance at December 31, 2015	29,945,000	1,028,400	525,000	-	-	(771,523)	256,877
Issuance of common shares with warrants	31,250	20,000	31,250	5,000			25,000
Issuance of common shares with warrants	150,000	96,000	150,000	24,000			120,000
Issuance of shares - VIP intangibles	437,500	350,000	-				350,000
Issuance of common shares	1,055,886	1,055,886	-				1,055,886
Repurchase of shares and warrants	(100,000)	(80,000)	(100,000)				(80,000)
Share-based payment	1,000,000	20,000					20,000
AHI - balance prior to Share Exchange Agreement	32,519,636	2,490,286	606,250	29,000	-	(771,523)	1,747,763
Opening Balance of AHC share capital and deficit	396,600	7,932				(57,899)	(49,967)
Eliminate capital stock of AHI	(32,519,636)		(606,250)				-
Eliminate AHC deficit		(57,899)				57,899	-
	396,600	2,440,319	-	29,000	-	(771,523)	1,697,796
Issuance of shares to former AHI shareholders	32,519,636	594,900	606,250				594,900
Share-based compensation					818,100		818,100
Net and comprehensive loss						(1,753,247)	(1,753,247)
Balance at December 31, 2016	32,916,236	$ 3,035,219	606,250	$ 29,000	$ 818,100	$ (2,524,770)	$ 1,357,549

See accompanying notes to financial statements

ALTERNATE HEALTH CORP.

Consolidated Statements of Cash Flows

For the years ended December 31, 2016 and 2015

	2016	2015
Operating activities		
Net and comprehensive loss	$ (1,753,247)	$ (233,290)
Amortization	2,465	2,426
Amortization of intangible assets	93,635	73,219
Deferred income taxes (note 10)	(431,220)	-
Reduction to revenue for share based settlement	-	11,800
Listing expense (note 2)	594,900	-
Shared-based compensation (note 11)	818,100	-
Changes in non-cash working capital accounts (note 12)	(44,712)	(141,321)
Cash provided by (used in) operating activities	(720,079)	(287,166)
Financing activities		
Advances to related party	(243,813)	(4,727)
Development fees payable to related party (note 8 and 16)	67,275	22,425
Receipt of share subscription receivable	32,458	283,342
Opening equity adjustment on reverse takeover	(49,967)	-
Redemption of share capital (note 11)	(80,000)	-
Issuance of share capital (note 11)	1,541,886	420,000
Warrants (note 11)	29,000	-
Cash provided by (used in) financing activities	1,296,839	721,040
Investing activity		
Additions to intangible assets	(436,593)	-
Cash provided by (used in) investing activities	(436,593)	-
Increase in cash (bank indebtedness)	140,167	433,874
Cash (bank indebtedness), beginning of year	429,836	(4,038)
Cash, end of year	$ 570,003	$ 429,836

See accompanying notes to financial statements

1. Nature of operations

Alternate Health Corp. (“AHC” and “Company”) (formerly 1017344 BC Ltd) was incorporated on October 29, 2014 under the Company Act of British Columbia (“the Act”), and on April 15, 2015 became a public company reporting issuer in Alberta and BC by a Plan of Arrangement granted under the Act. It subsequently changed its name to Alternate Health Corp. On November 23, 2015 the company entered into a Share Exchange Agreement with Alternate Health Inc. (“AHI”) which was completed on December 22, 2016 and is being accounted for as a reverse takeover of AHC by AHI. (See Note 2 Reverse Take-Over of Alternate Health Corp.)

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 2745 N. Dallas Parkway, Suite 460, Plano, Texas, 75093.

Alternate Health Corp is a diversified healthcare company that uses its expertise in technology to transform patient care and service delivery in both traditional and complementary medical fields. With investments in research, education and cutting edge technology, the Company has leading software applications and processing systems for the medical industry using proprietary technology platforms. Through its subsidiaries, the Company offers services ranging from medical practice and controlled substance management software to blood analysis and toxicology labs, to clinical research and continuing education programs. The Company's goal is to lead the medical industry with data-driven results in patient care and product development.

The Company has invested in key technologies and has secured capabilities, primarily through licensing agreements and strategic partnerships, to form its current portfolio of healthcare services and solutions. It will continue to make strategic investments to expand its capabilities and secure its key technologies and services in order to expand capabilities and grow the business.

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 the Company, Alternate Health Inc. (“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.

2. Reverse Take-Over of Alternate Health Corp. (continued)

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 this reverse take-over transaction does not constitute a business combination. 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 were nominal and were determined to be nil. The difference between the fair value of the consideration paid and the fair value of net assets of AHC of $594,900 has been recognized as a listing expense in the consolidated statement of loss and comprehensive loss for year ended December 31, 2016. In addition, the transaction cost of the RTO was $107,919 and was expensed in 2016.

These consolidated financial statements for the year ended December 31, 2016 and the comparative amounts reflect the assets, liabilities and results of operations of AHI and of the Company from the date of the RTO.

3. Basis of Preparation

Statement of Compliance
These consolidated financial statements, including comparatives, have been consistently prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The policies applied in these consolidated financial statements are based on IFRS and IFRIC policies issued and effective as of May 1, 2017. The consolidated financial statements were authorized for issue by the Board of Directors on May 1, 2017.

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. Historical cost is the fair value of the consideration given in exchange for goods and services generally based upon the fair value at the time of the transaction of the consideration given in exchange for assets.

Functional and Presentation Currency
These consolidated financial statements are presented in Canadian dollars, which is the Company's and its subsidiaries' functional currency.

Basis of Consolidation
These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, CanaCard Inc, Active Health Inc. and Alternative Health USA Inc.

Subsidiaries are entities that are controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated financial statements of loss and comprehensive loss from the effective date of acquisition and up to the effective date of disposal, as appropriate.

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 so as to obtain benefits from its activities, and continue to be consolidated until the date such control ceases.

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)

Intangible assets
The Company has capitalized certain costs of internally generated intangible assets related to intellectual property development and the the cost of obtaining distribution 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.

Impairment of assets
When there are indications that an 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. The Company reviews impairment on intangible assets and equipment at least annualy or whenever there are indicators of impairement.

Useful life of intangible assets
Intangible assets are amortized over the estimated useful life of the assets. Changes in the estimated useful lives could significantly increase or decrease the amount of amortization recorded during the year

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 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 impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based reserve. When options are exercised, the proceeds together with the amount originally credited to share-based reserve are credited to share capital.

The use of the Black-Scholes model requires inputting a number of assumptions, including expected dividend yield, expected share price volatility, forfeiture rate, 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 compensation could be significantly impacted.

3. Basis of Preparation (continued)

Deferred income tax assets and liabilities

Deferred tax assets are recognized for all unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary differences can be utilized. 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 financial statements.

4. Summary of significant accounting policies

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards. The significant policies are detailed as follows:

(a) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The acquisition cost is measured on the acquisition date at the fair value of the consideration transferred, including all contingent consideration. Subsequent changes in contingent consideration are accounted for through the statement of loss and comprehensive loss.

Goodwill arising on acquisition is initially measured at cost, being the difference between the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree 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 amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Acquisition-related costs, other than those that are associated with the issuance of debt or equity securities that the Company incurs in connection with a business combination, are expensed as incurred.

4. Summary of significant accounting policies (continued)

(b) Revenue recognition and deferred revenue

Rendering of services
When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
(i) the amount of revenue can be measured reliably;
(ii) it is probable that the economic benefits associated with the transaction will flow to the entity;
(iii) the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
(iv) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

The Company records the revenue from license fees on a straight line basis over the term of the particular license, net of the share settled component, if any, of the sale. This revenue is not expected to be recurring.

Recurring revenue is expected to come from subscription sales and services related to the VIP Patient and CanaCard software systems.

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

(c) Equipment

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 its estimated useful life. The annual amortization rate and is as follows:

Asset	**Rate**
Office equipment	20% Declining balance

One half of the normal amortization is taken in the year of acquisition and in the year of disposal. 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 depreciation, 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 asseets 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:

Finite life items	**Rate**
Internally generated software development	10 Years Straight-line
Internally generated Educational Video Development Costs - not yet available for use	5 Years Straight-line
Other - Acquired Software distribution rights	10 years Straight-line

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.

<u>Internally Generated Intangible Assets</u>
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 future 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 profit or loss in the period in which they are incurred.

4. Summary of significant accounting policies (continued)

(d) **Intangible assets (continued)**

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Further, the intangible asset is evaluated to determine if it has a finite or indefinite life. If the asset has a finite life, the estimated useful life is determined when the asset is available for use. Intangible assets that have an indefinite life are not subject to amortization. Where no internally-generated intangible asset can be recognized, a development expenditure is recognized in profit or loss in the period in which it is incurred.

The internally-generated intangible asset consists of CanaCard Development costs and Educational Video Development costs. These costs are considered to be of a finite useful life of ten and five years respectively from the date they became available for use. CanaCard Development costs became available for use on January 1, 2015. Educational Video Development costs was not available for use until January 1, 2017.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(e) **Impairment of non-financial assets**

The Company reviews its tangible and intangible assets 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 profit or loss.

No impairment of non-financial assets have been recorded for the year ended December 31, 2016 and 2015.

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 profit or 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 translation

Transactions in foreign currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the period end exchange rate with the resulting gains and losses being recognized in the consolidated statements of operations and comprehensive loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated.

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 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 unless they are unlisted with no active market. In that case, they are measured at cost. Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in the statement of comprehensive income (loss).

The Company classifies financial instruments recognized at fair value in accordance with a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1: valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
Level 3: valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

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

The Company had made the following classifications for its financial instruments: (i) Cash is classified as a financial asset at fair value through profit or loss; (ii) Amounts receivable and other financial assets are classified as loans and receivables and are recorded at amortized cost; and, (iii) Accounts payable and accrued liabilities, are classified as other liabilities and measured at amortized cost using the effective interest method.

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4. Summary of significant accounting policies (continued)

(h) Financial instruments (continued)

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.

(i) Non-derivative Financial Instruments

Non-derivative financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

At initial recognition, all financial instruments are classified in one of the following categories depending on the purpose for which the instruments were acquired:

(i) Loans Receivable - Loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment losses, with interest expense recognized on an effective yield basis. Assets in this category include trade and other receivables.

(ii) Available-for-Sale Financial Assets - Available-for-sale financial assets are financial assets that are designated as available-for-sale and that are not classified in any of the other categories. Subsequent to initial recognition, they are measured at fair value and changes therein, are recognized in other comprehensive income. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

(iii) Other Financial Liabilities - Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost. Liabilities in this category include accounts payable and accrued liabilities.

(iv) Equity Instruments - An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

4. Summary of significant accounting policies (continued)

(j) **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.

(k) **Earnings (loss) 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.

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, 2017 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 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IFRS 15 – "Revenue from Contracts with Customers" ("IFRS 15") was issued in May 2014 and clarifies the principles for recognizing revenue from contracts with customers. IFRS 15 will result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (i.e. service revenue and contract modifications) and improved guidance for multiple-element arrangements. IFRS 15 is effective for periods beginning on or after January 1, 2017 and is to be applied retrospectively. Earlier adoption is permitted.

IFRS 16 – Leases ("IFRS 16") brings most leases on-balance sheet for lessees under a single model, and specifies how leases will be recognized, measured, presented and disclosed. Lessees will be required to recognize assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Under the new standard, a lessee recognizes a right-of-use asset and a lease liability. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted, but only if the entity is also applying IFRS 15.

IAS 12 – Income Taxes ("IAS 12") was amended in January 2016 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2017. Earlier adoption is permitted.

6. Due from related party

		2016		2015
Alternate Health Corp. prior to RTO (note 2)	$	-	$	4,727
Alternate Health Labs, Inc. ("AHL")		248,540		-
	$	248,540	$	4,727

The amounts due from AHL have no fixed terms of repayment, are unsecured and carry no interest. The Company is related to AHL by virtue of the Company exerting signficant influence over AHL. See Subsequent Events note 18(c).

7. Equipment

		2016				2015		
		Cost		Accumulated amortization		Cost		Accumulated amortization
Office equipment	$	13,438	$	6,234	$	13,438	$	3,769
Net book value		$	7,204			$	9,669	

Amortization has been recorded in an amount of $2,465 (2015 - $2,425) for the year.

8. Development fees payable to related party

Fees payable to corporate shareholder, DC NetCast Media Group Inc., (a related party by virtue of common controlling shareholders) are interest bearing and have specified terms of repayment. The Company agreed to pay $523,500 to modify the intellectual property to conform to certain territorial regulatory and market requirements. Of this amount, $448,500 remained payable on December 31, 2015 with specified terms of payment as follow: Repayments of $75,000 annually commencing January 31, 2018 with a balloon payment of the outstanding balance of principal and 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 total amount and accrued interest has been repaid. The amount of interest accrued to Dec 31, 2016 is $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.

9. Revenue and deferred revenue

The Company's sole source of revenue was from the sale to a related party of a license of its proprietary software, in December 2014, for a three year term for $537,888 (note 17), which is not expected to be a recurring source of revenue. As part of the agreement, the Company issued 590,000 common shares with a fair value of $0.02 each. The Company determined the fair value of the common shares element of the transaction to be $11,800, and the residual amount of the transaction ($526,088) was allocated to the revenue component. The revenue component is being recognized on a straight line basis over the term of the agreement. All funds in connection with these reseller contracts were collected and settled on or before December 31, 2014. The Company's obligations to these resellers were fully satisfied at the time of the execution of the agreements, and the software was fully functioning with no obligation to refund any monies to these resellers.

Recurring revenue is expected to come from product sales and services related to the Company's software technology platforms including the VIP Patient and CanaCard software systems. The Company's future sources of recuring revenue are also expected to include toxicology laboratory testing revenue (see Subsequent Events note 18(c)) and revenue from the Nutraceuticals business (see Subsequent Events note 18(e)).

Deferred revenue represents that portion of the total revenue to be recognized in a future fiscal period.

10. Income Taxes

The company computes an income tax provision, however, actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant authorities, which occur subsequent to the issuance of the financial statements.

Additionally, estimation of incomes taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions before they expire against future taxable income.

The assessment is based upon existing tax laws and estimates of future taxable income. To the extent estimates differ from the final tax return, earnings would be affected in a subsequent period. The operations are subject to income tax rates of 26.5% (2015 - 15%).

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 Company has non-capital losses for tax purposes and accordingly there is no provision for current taxes. The calculation of deferred taxes is as illustrated below:

10. Income Taxes (continued)

	2016	2015
Net loss before tax	$ (2,184,467)	$ (233,290)
Combined statutory income tax rate	26.5%	15%
Expected income tax expenses at current rate	(578,884)	(34,993)
Permanent differences	374,450	-
Temporary differences	38,392	5,581
Changes in deferred tax assets not previously recognized	(265,178)	-
Allowance for deferred taxes not recognized	-	29,412
	147,664	34,993
Deferred tax expense (recovery)	$ (431,220)	$ -

The potential benefit of the carry-forward non-capital losses of $1,419,400 (2015 - $757,219) is recognized in these financial statements, as it is probable that sufficient future taxable profit will be generated to allow the deferred tax assets to be realized.

Deferred Tax Balances
The balance in the statement of financial position comprises:

	2016	2015
Non capital losses carried forward	$ 376,154	$ 113,583
Equipment and other	55,066	(5,201)
	431,220	108,382
Deferred tax assets not recognized	-	(108,382)
	$ 431,220	$ -

10. Income Taxes (continued)

As at December 31, 2016, the losses carried forward for tax purposes expire as follows:

	Loss Amount
Year of expiry	
2034	$ 536,800
2035	220,400
2036	662,200
	$ 1,419,400

11. Shareholders' equity

Share Capital:

	2016	2015
Authorized		
Unlimited number of common shares without par value		
Issued share capital		
32,915,636 common shares (2015 - 29,945,000)	$ 3,035,219	$ 1,028,400

(i) On November 23, 2015 the Company completed a private placement of 525,000 units at $0.80 per unit for gross proceeds of $420,000. Each unit consisted of one common share of the Company and one share purchase warrant exercisable into a common share at a price of $1.50 for a period of 18 months from closing. The Company also recognized $21,800 of additional share equity related to share settled services provided to the company in 2014, but not previously accounted for.

(ii) 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 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.

(iii) 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 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 18 months from closing.

(iv) 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 distribution rights (notes 13 and 16 (b)).

(v) 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.

(vi) 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 warrant and were repurchased at their original issue price of $0.80 per unit or a total $80,000.

(vii) 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.

11. Shareholders' equity (continued)

Changes in share capital:

	Number		Amount
Balance December 31, 2014	29,420,000	$	576,600
(i) Issuance of common shares with warrants	525,000		451,800
Balance December 31, 2015	29,945,000		1,028,400
(ii) Issuance of common shares with warrants	31,250		20,000
(iii) Issuance of common shares with warrants	150,000		96,000
(iv) Issuance of shares - acquisition of distribution rights	437,500		350,000
(v) Issuance of common shares	1,055,886		1,055,886
(vi) Redemption of shares and warrants	(100,000)		(80,000)
(vii) Issuance in exchange for service	1,000,000		20,000
Net issuance (net redemption) of shares on RTO (note 2)	396,000		544,933
Balance December 31, 2016	32,915,636	$	3,035,219

Share-based Reserve:

During the year the Company issued 1,800,000 (2015 - $nil) share purchase options which were determined to have a value of $818,100 (2015 - $nil), and the amount was expensed during the year.

Warrants:

	Warrants outstanding		2016 Exercise price	Warrants outstanding		2015 Exercise price
Nov 23, 2015	425,000	$	1.50	525,000	$	1.50
Mar 21, 2016	31,250		1.50	-		-
Apr 11, 2016	150,000		1.50	-		-
Total warrants outstanding	606,250	$	1.50	525,000	$	1.50

11. Shareholders' equity (continued)

Changes in warrants:

	Number	Amount
Balance December 31, 2014	-	$ -
Issuance in a private placement	525,000	-
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

Warrants outstanding	Exercise price	Warrants exercisable at December 31, 2016	Expiry date
425,000	$ 1.50	425,000	March 23, 2017
31,250	1.50	31,250	September 21, 2017
150,000	1.50	150,000	October 11, 2017

The warrants issued in the 2015 fiscal year were determined to have no material fair value, and accordingly there is no reserve in the statement of changes in equity for these warrants.

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

11. Shareholders' equity (continued)

Stock Options and share-based compensation:

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 to acquire 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.

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.

On December 22, 2016, the Company granted 1,800,000 stock options to directors, employee and consultants to purchase shares of the Company at an exercise price of $1.00 per share. These options remain outstanding and exercisable as at December 31, 2016 with an expected remaining option life of 17.5 months. The unit price of these options is $0.4545 (2015 - $nil) as at December 31, 2016.

The fair value of these options 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% (2015 – $nil); expected dividend yield of $nil (2015 - $nil); estimated volatility of 97.98% (2015 – $nil). The fair value of these options at time of issue were $818,100 and the Company recognized the full amount of $818,100 as stock-based compensation expense to directors, employee and consultants (2015 - $nil).

11. Shareholders' equity (continued)

Earnings (loss) per share:

Basic loss per share is calculated on the basis of the weighted average number of common shares outstanding for the period, which, for the year ended December 31, 2016, was 31,069,949 shares (2015 – 29,746,096 shares). For the periods presented, all stock options and warrants are anti-dilutive, therefore diluted loss per share is equal to the basic loss per share.

12. Changes in non-cash working capital accounts

	2016	2015
HST	$ (8,973)	$ 29,251
Prepaid expenses and deposits	(20,927)	(27,791)
Accounts payable and accrued liabilities	168,585	36,515
Deferred revenue	(183,397)	(179,296)
	$ (44,712)	$ (141,321)

13. Intangible assets

	Software Development Costs	Internally-generated CBD Continuing Medical Other	Other Acquired Software Distribution Rights	Total
Cost				
Balance December 31, 2014	$ 712,190	$ -	$ -	$ 712,190
Additions	20,000	-	-	20,000
Balance December 31, 2015	732,190	-	-	732,190
Additions	-	86,592	350,000	436,592
Balance December 31, 2016	$ 732,190	$ 86,592	$ 350,000	$ 1,168,782
Accumulated Amortization				
Balance December 31, 2014	$ -	$ -	$ -	$ -
Amortization	73,219	-	-	73,219
Balance December 31, 2015	73,219	-	-	73,219
Amortization	73,218	-	20,417	93,635
Balance December 31, 2016	$ 146,437	$ -	$ 20,417	$ 166,854
Net Book Value				
Balance December 31, 2015	$ 658,971	$ -	$ -	$ 658,971
Balance December 31, 2016	585,753	86,592	329,583	1,001,928

14. Segmented information

The Company's reporting falls into one business segment as the Company is in the early stages of establishing and developing its operations and was only generating one form of revenue during the year. In the future, the Company expects to provide segmented information for its business units which may include Toxicology Laboratories, Technology Services, and Life Sciences. However, the nature of future segmented reporting will ultimately be determined based on actual results.

15. Financial Instruments and risk management

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

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 as a result of a downturn in market conditions, generally, or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at December 31, 2016, the Company had a bank balance of $570,003 (2015 - $429,836) to settle the liabilities of $970,483 (2015 - $918,021). The liquidity risk remains unchanged during the year. Subsequent to year-end, the Company completed new equity financings - see Subsequent Events note 18(b).

The tables below represent non-derivate financial liabilities by maturity based on the remaining period from December 31 to the contractural 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	$ 265,088	$ 265,088	$ -	$ -
Development fees payable	538,200	-	150,000	388,200
	$ 803,288	$ 265,088	$ 150,000	$ 388,200

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.

Due to the short-term nature of the Company's financial instruments, fluctuations in market rates do not have a significant impact on the estimated fair values.

15. Financial Instruments and risk management (continued)

Foreign currency risk
The Company is not currently exposed to any significant foreign currency risk, as to date it has conducted its business primarily in Canadian dollars. However revenue and expense from future expected US and other foreign operations will be subject to foreign currency translation risk.

Fair value
Fair value represents management's estimates at a given point in time. The fair value of the Company's financial assets and liabilities, with the exception of development fees payable, approximate their carrying values due to their short-term nature.

The Company uses the following methods and assumptions to estimate the fair value of each class of financial instruments:

(i) The carrying amounts of cash, due from related party, HST receivable and accounts payable and accrued liabilities approximate fair value due to the short-term maturity of these financial instruments. Cash has been valued using Level 1 in the fair value hierarchy and the financial instruments are Level 2 in the fair value hierarchy.

(ii) Development fees payable has a carrying value of $538,200 (2015 - 470,925) and have been valued using Level 2 in the fair value hierarchy. The Company classified this financial instrument carried at amortized cost and determined the fair value will not be materially different from the carrying value.

16. Related party transactions

During the year ended December 31, 2016 and 2015, the Company incurred the following transactions with companies having directors and officers in common:

	2016	2015
Consulting fees (recovery)	$ -	$ (26,647)
Interest expense	67,275	22,548
Key management personnel and board of directors - share-based compensation (non-cash)	477,225	-

(a) Effective December 15, 2014, the Company executed two software Authorized Reseller Agreements, one for each of the provinces of Alberta and Nova Scotia. The agreements earn Rights Fee payments to the Company totaling $537,888 and provided for the issuance of 590,000 common shares to these resellers. The estate of a former director and shareholder of the Company has a minority interest in each of the Reseller companies, and management considered it prudent to disclose this relationship as a possible related party transaction. Under the terms of the Authorized Reseller Agreements, the Company is required to pay to the resellers certain success based compensation as follows: 25% of software customization fees paid to the Company by software licensees and 3.5% of back-end net revenue paid to the Company. The agreements have a three year term with one year annual renewals thereafter, subject to the mutual agreement of the parties. To date no compensation has been earned by or paid to the reseller companies.

(b) On December 15, 2014, the Company issued 1,000,000 common shares valued at $20,000 to VIP – Patient, LLC ("Licensor"), in trust, a company controlled by a director of AHI, as partial consideration under the terms of the Intellectual Property Distribution Agreement. No cash consideration was received. In addition, the Company is to pay the Licensor $350,000 after the Company has raised a total of $1,500,000 in share equity. In addition, the Company will pay Licensor a license fee of 45% of net monthly usage revenue collected by the Company and 12.5% of future customization fees collected by the Company. In June 2016 this amount was settled in full by the issuance of 437,500 common shares.

(c) On December 31, 2014, the Company issued as a subscription 15,790,000 common shares at $0.02 per share for a total value of $315,800 to DC NetCast Media Group Inc. ("DCN"). A director of the Company exerts significant influence over both the the operations of DCN and over the operations of the Company. The issuance was granted under an Intellectual Property Development Agreement. As at December 31, 2016, the share subscription was paid in full (2015 - receivable amount of $32,458). The agreement also provides that DCN will earn a royalty of 3.5% of net revenues collected from the sale or use of the intellectual property. In addition the Company agreed in fiscal 2014 to pay $523,500 to modify the intellectual property to conform to certain territorial regulatory and market requirements. DCN is considered to be an insider of the Company due to undiluted ownership in excess of 10% of the common shares of the Company.

(d) Included in the prepaids expenses and deposits is an advance of $20,926 (2015 - nil) to DCN.

17. Commitments

The company has entered in to a lease agreement for a office facility at 56 Temperance Street, Toronto, Ontario for 50 months effective July 1, 2014. Future minimum lease payments for the annual rent are as follows:

2017	$	132,800
2018		88,500
	$	221,300

18. Subsequent events

(a) Canadian Securities Exchange Listing

On January 19, 2017 the Canadian Securities Exchange ("CSE") approved the listing of its common shares of the Company and trading commenced on January 24, 2017.

(b) Private Placements, warrants and options

(i) On January 19, 2017 the Company completed a private placement of 2,914,354 common shares at $1.50 per share for gross proceeds of $4,371,530 less issue costs of $378,720.
(ii) On March 10, 2017 the Company completed a non brokered private placement of 2,328,940 common shares at $3.25 per share for gross proceeds of $7,569,055 less issue costs of $259,330.
(iii) On March 23, 2017, the Company issued 418,334 common shares on the exercise of 418,334 common share purchase warrants at $1.50 per share for proceeds of $627,501.
(iv) On January 8, 2017, the Company issued 180,000 eighteen-month common share purchase warrants exercisable at $1.00 per share to a consultant who subsequently became a Company officer.

18. Subsequent events (continued)

(c) Acquisition of Alternate Health Labs, Inc. (Texas toxicology laboratory)

On April 27, 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 lab to be owned by a subsidiary of the Company and to be managed by LMK Management LLC ("LMK"), an affiliate of Murphy. The agreement as amended provided Murphy consideration of 1,920,000 common shares. Under the LDA, LMK will manage the laboratory and earn a management fee equal to 49% of toxicology screening operating income. Toxicology screening operating income is calculated by multiplying the number of monthly screens processed times a mutually agreed screen fee, initially ranging from USD$100 to $120 depending on the screen test, less all monthly fixed and variable expenses. In May 2016 Murphy incorporated Alternate Health Labs, Inc. ("AHL") a Delaware company with share capital of $1.00 and AHL assumed a building lease of a shuttered 20,000 sq ft (approximately) toxicology laboratory and six lab testing equipment capital leases with an original equipment cost of approximately US $6,000,000. The leases had three year terms maturing between May 2016 and November 2017 and had future payments, when assumed by AHL, of approximately US$1,675,000 with an expected remaining useful life of 7 years for the leased equipment.

Effective January 1, 2017 AHC acquired 100% of AHL from Murphy for consideration of 1,920,000 common shares. The Company also completed a debt for shares transaction with Murphy settling his US$267,383 shareholders loan for 350,355 common shares.

The Company is evaluating the allocation of the purchase price. The detailed allocation requires the Company to undertake certain valuation work specifically as it relates to the lab equipment leases, and the details of this and other aspects of the purchase price allocation are not yet available.

18. Subsequent events (continued)

(d) Exclusive Rights to Medical Cannabis Education, Patents and Research

Agreements with Dr. Michelle Reillo ("Reillo Agreements")

i) Testing Process Commercialization Rights:
On February 10, 2016, the Company entered into a binding letter of intent with Dr. Michelle Reillo to acquire the exclusive rights to commercialize Dr. Reillo's process for Nitric Oxide testing which provides a quantitative means of positive effectiveness of CBD and Cannabis Medicinals pertaining to a patient's condition and recommended therapies. The term of the rights is 10 years with one 10-year automatic renewal. The Company is responsible for providing commercialization capital. The terms of the agreement also provided that when the Share Exchange Agreement was completed and Alternate Health Corp is publicly listed on a stock exchange, Dr. Reillo would be issued 350,000 common shares and receive a US$5,000 monthly retainer for 5 years. She would also earn 25% of adjusted net profits derived from sales generated by this testing process.

ii) Cannabidiol, CBD, THC Certification Programs:
On February 10, 2016, the Company entered an exclusive 50:50 net profit sharing Letter of Intent with Dr. Reillo. CBD and THC are the active medicinal ingredients derived from the marijuana plant. Dr. Reillo had developed the only Continuing Medical Education certification programs for doctors valid for the education and application of prescribing medical Cannabis to be approved by the American Medical Association. The letter of Intent grants the Company the exclusive rights to commercialize the programs by creating multimedia credit courses available for purchase over the internet. The term for the rights is 10 years with one 10-year automatic renewal. Dr. Reillo will update the courses every two years.

On January 11, 2017, pursuant to the Reillo Agreements and following the completion of the Share Exchange Agreement (Note 2), the Company issued 350,000 common shares to Dr. Reillo to settle these transactions.

(e) License and Consulting Agreement with Sentar Pharmaceuticals

On March 2, 2017, the Company closed a 10 year worldwide renewable license agreement for a non-pharmaceutical sublingual system for the delivery of CBD and THC ("the Technology"). At closing the Company issued a total of 2,986,506 common shares as consideration for the license rights, which includes 2,118,506 shares for consulting fees for services rendered for assistance with obtaining the license, regulatory approvals and permits for the commercialization of the Technology. The license also provided for a royalty to be paid by the Company on future sales or profits derived from the Technology.

18. Subsequent events (continued)

(f) Mutual Co-operation and Consulting Agreement

In October 2016 AHI entered into a Mutual Co-operation and Consulting Agreement with Paradigm Healthcare Solutions, LLC ("Paradigm") a Florida based toxicology screen aggregator to exclusively refer certain toxicology and blood sample types for processing to AHL. The agreement provided that Paradigm will refer a minimum of 150,000 toxicology samples per month on a staged best efforts basis. As consideration for entering this exclusive agreement to refer samples, Paradigm was to receive in escrow 1,500,000 common shares to be released as follows: 250,000 shares will be released after it delivers 75,000 samples for each of two consecutive months and a further 250,000 shares when it delivers an additional 75,000 samples for a further two consecutive months. In addition, 250,000 shares will be released for each new hospital contract Paradigm secures for the benefit of Paradigm and the Company to a maximum of four hospitals. The toxicology reference fee per sample is to be at a fair market rate (currently USD $120). In addition, the agreement provides that Paradigm will pay the Company a monthly consulting fee of 15% of its net proceeds. Net proceeds are to be mutually agreed upon by the parties. The Company's consulting services will include marketing and administrative services and will include providing access to certain of its software platforms.

The Agreement was contingent on the completion of the Share Exchange Agreement and on January 11, 2017 the Company issued Paradigm 1,500,000 common shares in escrow. Subsequent to that date, Paradigm secured four hospital contracts and 1,000,000 shares were released from escrow.

(g) Acquisition of 20% of Clover Trail Capital LLC ("Clover Trail")

On March 2, 2017, the Company acquired 20% interest in Clover Trail, a Texas based investment company that currently has a 40% interest in Sun Clinical Laboratories LLC which refers toxicology and blood samples to AHL for screening. The acquisition was settled by the issuance of 4,557,150 common shares and an 18-month term note of US$ 1,993,750. Subsequently, on March 24th the note holder agreed to settle the debt for 800,387 common shares.

(h) Other Consulting Agreements With Share Consideration

During January 2017, the Company executed "third party" consulting agreements with 5 individuals which included aggregate share compensation of 812,600 Common shares. The consulting services include: general management services for the Company's Continuing Medical Education Business, legal services, consulting related to sourcing new customers for AHL and business acquisition opportunities. In addition 50,000 common shares were issued for consulting services to a company owned by an officer of the Company.

18. Subsequent events (continued)

(i) **Subscription Agreement with Hightimes Holding Corp.**

On March 17, 2017, the Company entered into a subscription agreement with Hightimes Holding Corp., a Delaware Corporation, to purchase 59,525 shares of Class A Common Stock of Hightimes Holding Corp. at a purchase price of $250,005 USD.

(j) **Convertible Debenture Purchase Agreement with National Access Cannabis Corp.**

On April 7, 2017, the Company entered into a Convertible Debenture Purchase agreement with National Access Cannabis Corp., a British Columbia company. The Company purchased convertible debentures in the principle amount of $400,000 CDN. The debentures bear an annual interest rate of 10% and require the issuer to pay the principle sum of $400,000 on or before the earlier of (a) August 30, 2017 in cash, or (b) conversion to common shares of National Access Cannabis, calculated at 20% below the share price on the closing of a proposed offering. Additionally, interest shall be forgiven upon the closing of the common share offering if it occurs.

(k) **Alturas Ventures Agreement**

On January 21, 2017, the Company entered into an agreement with the Alturas Indian Rancheria (“the Tribe”) to provide operational consulting services, product technology and information technology to a company to-be-formed by the Tribe to grow hemp. Process hemp into cannabidiol (“CBD”) powder and oil, manufacture CBD products, (“Alturas Ventures”). The Tribe will be contributing income from its existing hemp production, physical property for the extraction and related facilities, and the basic infrastructure to support operations on Tribal property. The Company will provide operating expertise; licensed, sublicensed and owned technology and product applications; and financial resources to Alturas Ventures. As consideration for entering into the operating agreements and related revenue sharing arrangements with Alturas Ventures, the Company will issue 1,500,000 common shares and future warrants to purchase 100,000 shares of common stock in each year the Alturas Ventures agreements remain in effect. As consideration for the Tribe contributing additional property in a second location for a Phase II expansion of the Alturas Ventures operation at some future date, the Tribe will receive additional 1,500,000 shares of common stock. The Company and the Tribe expect to commence Phase I operations of Alturas Ventures by June 2017.

18. Subsequent events (continued)

(l) Apri Health, Inc. Investment and Technology Development Agreement

On March 18, 2017, the Company purchased a $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 is convertible into Apri Health common stock or other Apri Health securities, as the case may be, at a conversion rate that is 80% of the common stock price of Apri Health, or equivalent securities, as determined at the time of a sale of a majority of Apri Health’s common stock to a third party or an initial public offering. In the event that Apri Health does not sell a majority of its common stock or complete an initial public offering during the term of the Apri Note, the Company may convert the Apri Note at its option at a conversion price that is equivalent to the common share price realized by Apri Health at the most recent capital financing immediately prior to the conversion date. The Apri Note has a five-year maturity and bears interest at 0.1% interest per annum. In connection with the purchase of the Apri Note, the Company entered into a technology development agreement with Apri Health on February 1, 2017, whereby Apri will license its data analytics engine to the Company and assist with the development and implementation of customized data analytic solutions for the Company and its customers.