Management Discussion and Analysis of

Alternate Health Corp.

For the year ended December 31, 2017

Dated: April 30, 2018

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1. ALTERNATE HEALTH 2017 HIGHLIGHTS

2017 was a foundational first year for tech-based Alternate Health Corp. It was a year of investing for future growth in our industry leading CanaCard/CanaPass technology and the acquisition and conversion of Alternate Health Labs, Inc. from a Reference lab to a Clinical lab.

Canacard/CanaPass

- Made significant advances in launching CanaCard Patient Management System rebranded as CanaPass including launching with first adopters who assisted with enhancement recommendations
  - Launched in all National Access Cannabis' clinics across Canada
  - Endorsed by the American Marijuana Physicians Association
  - Launched in Florida branded as FlorPass and in New York as StatePass
- Acquisition of a point -of -sale Mobile Payment Processing software to integrate with CanaPass for both medical and recreational cannabis users
- Invested in CanaPass to upgrade to a full end-to-end software suite
  - Doctor-Patient-Dispensary with on line store front options
  - Broad analytics and reporting capabilities
  - Government compliance and tax reporting
- CanaPass' Electronic Medical Records ("EMR") system and as its unique payment engine were blockchain enhanced providing state-of-art security

Alternate Health Labs, Inc.

- Acquired Alternate Health Labs, Inc. ("AHL") effective January 1, 2017
  - A Reference Lab processing blood and toxicology samples
  - 70,000 monthly sample processing capacity
  - 2017 revenues of over $13,000,000
  - Typical reference fee $120/sample
- Transitioned from a Reference Lab to a Clinical lab model during the last half of 2017 (see Note)
- Medicare an Medicaid licenses issued to AHL in December
- Has significant potential to use CanaPass' cloud based EMR to link lab test results among hospital and clinic groups to provide group cost efficiencies and an incentive to deliver samples to AHL.

Financial

- Approved to list on the Canadian Securities Exchange with trading commencing on January 24, 2017
- Completed Private Placements of common shares with net proceeds of $10,865,951
- Year ended with strong working capital and tradable securities balance of over $7,000,000
- Management believes that 2017 investment activities have positioned the Company for staged and sustainable long-term growth.
- Financial net loss of $26M due to lab restructuring and other asset impairments. The majority of the loss is related to non-cash items; see Adjusted EBITDA and Adjusted Net Loss in section 13.

Note : During the year changes to reimbursement policies of major healthcare insurance companies significantly impacted the sample volumes being referred by labs. As a result, Management took immediate action and in July announced that AHL was applying for Medicare and Medicaid licenses and would convert from a Reference lab to a full Clinical lab able to receive samples directly from physicians and hospitals. The delay in the receipt of these licenses in December, months later than expected, resulted in a dramatic drop in lab revenue and a loss on lab operations in the last half of 2017 and a much-delayed program to acquire coveted Medicare/Medicaid samples for the restructured Clinical lab. Under the new model it is expected that AHL's revenue will be back on track in the second quarter of 2018 and grow over the balance of the year. Changing reimbursement policies also caused the write down of the Company's $9.2 million investment in Clover Trail Capital LLC a non-cash investment acquired by the issuance of AHC common shares in January 2017 (See 2017 Transaction Progress Summary- Clover Trail Capital LLC).

2. INTRODUCTION AND KEY ASSUMPTIONS

This management discussion and analysis of financial position and results of operations ("**MD&A**") is prepared as at April 30, 2018. This MD&A should be read in conjunction with Alternate Health Corp's. ("**AHC**" or the "**Company**") consolidated financial statements and notes for the year ended December 31, 2017. All financial information has been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("**IFRIC**").

Management is responsible for the preparation and integrity of the consolidated financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including the consolidated financial statements and ("**MD&A**"), is complete and reliable.

All dollar amounts included herein and in the following MD&A are expressed in Canadian dollars except where noted.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained in this document constitute "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements. Such factors include, among others, the following: fluctuation in the prices for services provided to the Company, foreign operations and foreign government regulations, competition, uninsured risks, capitalization requirements, commercial viability, changes in the laws impacting the Company's business and obligations, including in respect of its indirect exposure to cannabis-based operations and the requirement for obtaining permits and licenses for the Company's operations in the jurisdictions in which it operates.

3. OVERVIEW

AHC (formerly 1017344 BC Ltd) was incorporated on October 29, 2014 under the Business Corporations Act of British Columbia ("Act"), and on April 15, 2015 became a public company reporting issuer initially in Alberta and British Columbia by a Plan of Arrangement granted under the Act. Prior to November 23, 2015, the Company had no material assets nor operating business. It subsequently changed its name to Alternate Health Corp. On November 23, 2015, AHC entered into a Share Exchange Agreement ("SEA") with Alternate Health Inc. ("AHI") which was completed on December 22, 2016 and was accounted for as a reverse takeover of AHC by AHI. After closing the SEA, AHI became a wholly owned subsidiary of AHC and the former shareholders of AHI owned 98.8% of Alternate Health Corp.

Alternate Health Inc was incorporated on July 6, 2010 under the Business Corporations Act of Ontario, Canada as 1828720 Ontario Ltd and was inactive until June 19, 2014 when it changed its name to Alternate Health Inc. It was then established as a medical services company with interest in promoting both traditional (i.e. physicians) and non-traditional (i.e. chiropractors, Naturopaths) solutions to modern healthcare. It initially focused on the licensing and development of medical records and patient management software as more fully described below and has subsequently expanded its services.

Because AHI is deemed to be the accounting acquirer, the consolidated financial statements of AHC (the legal parent) are presented as a continuation of the financial statements of AHI (the operating company which is considered the accounting acquirer). Additional historical information on AHI is included in the Company's November 29, 2016 Prospectus filed in its issuer profile on sedar.com.

DESCRIPTION OF BUSINESS

Alternate Health Corp. (CSE: AHG, OTCQB: AHGIF) is an international medical cannabis/hemp CBD company that uses best in class technology, research, education, production and laboratories to increase the awareness, regulatory compliance, and appropriate usage of cannabinoids in modern medical practices. The Company is strategically positioned in all facets of the medical cannabis value chain through the innovative integration of proprietary technology and know-how, acquisitions and partnerships, deep direct knowledge of and experience with improving patient outcomes, and management expertise.

Alternate Health is well positioned to reinvest internal operating cash flow in its platform over the long term, creating an attractive investment profile for its shareholders. The Company's executive headquarters is San Antonio with operations in Los Angeles, and Toronto.

Software Technology Platform

AHC holds an exclusive license in Canada and non-exclusive license in the United States for the VIP-Patient Electronic Medical Records & Practice Management System ("VIP-Patient") and owns the CanaCard Controlled Substance and Patient Management System ("CanaCard" or "CPMS" "CannaPass" in the United States).

AHC licensed VIP-Patient complete with a unique billing interface for the Canadian market (plus options for other foreign territories), and successfully completed its active beta testing stage. VIP-Patient is the result of assistance from both legal experts and physicians with previous Electronic Medical Records ("EMR") experience providing valuable input as to the development, inter-operability[1] and resulting functionality of the patient records management system that became VIP-Patient.

AHC owns the rights to "CanaCard" or the "CanaCard Patient Management System", based on patent pending licensed technology. By adapting an actual medical process to examine all patients, the CanaCard system is a legal and effective method to provide safe and secure access to controlled substances for qualified patients and will provide third party monitoring and reporting for all parties involved, including government regulators. AHC has modified this technology for application with medical cannabis in the Canadian market and has recently modified CanaCard for the US market where it is called CannaPass. The Company began installing the CanaCard system in National Access Cannabis clinics in the third quarter of this year and is currently beta testing CannaPass in Florida where it is also called Florpass. Effective November 1, 2017 its software platform was significantly enhanced with the acquisition of a Blockchain Mobile Payment application (See Subsequent Events).

Alternate Health Labs Inc. ("AHL")

The Company is in the Clinical Laboratory business. A clinical laboratory receives and independently analyzes samples of biological material for various toxins, primarily drugs. A toxicology screen refers to the various tests that determine the type and approximate amount of legal and illegal drugs a person has taken. Typical services include blood testing, saliva testing and urine testing. AHC believes the laboratory service industry offers the Company an exceptional opportunity to use technology, data and patient volume to explore and implement innovative solutions that will improve patient care and laboratory integrity while building long term and sustainable value for AHC. In January 2017, AHC acquired 100% of Alternate Health

[1] Interoperability refers to a healthcare system's ability to connect with other systems and devices in order to exchange data and interpret that shared data. This is a key requirement for any EMR and a feature of the AHC software offerings.

Labs, Inc., a company that owned and operated a reference laboratory in San Antonio Texas. The lab was owned by Dr Michael Murphy an experienced operator who agreed to manage the lab for a management fee following the sale of AHL to the Company. Dr. Murphy subsequently became a director and then CEO of the Company. (Refer to 2017 Transaction Progress Summary-Alternate Health Labs)

Alternate Health Life Sciences

The Company's Alternate Health Life Sciences operations entail the discovery, research, education and development, delivery, extraction, and processing of medical cannabis/CBDs and include:

- License holder of medical cannabis/Cannabidiol ("CBD") medication delivery systems, including transdermal patches and dissolvable sublingual tablets for nutraceutical application.
- Research & Development activities demonstrating health benefits and expanding additional uses for medical cannabis/CBDs.
- Development of patent rights including medical cannabis/CBD efficiency testing, data research and future method patents around treatment protocols of various illnesses and conditions.
- Development of proprietary nutraceutical formulations and mechanisms to support the delivery of medical cannabis/CBDs.

4. FINANCIAL HIGHLIGHTS

The financial highlights for Alternate Health for the periods indicated are as follows:

	Year Ended Dec 31		
(Canadian dollars except where indicated)	2017	2016	$ Change
Financial Performance Metrics			
Operating revenues	13,254,790	183,546	13,071,244
Operating income (loss)	(18,524,271)	(1,714,352)	(16,809,919)
Other income (expense) and Income Taxes	(7,610,539)	(338,862)	(7,271,677)
Net income (loss)	(26,134,810)	(2,053,214)	(24,081,596)
Adjusted net income (loss) (1)	(4,232,860)	(1,408,347)	(2,824,513)
Adjusted EBITDA (1)	(6,054,057)	(1,676,192)	(4,377,865)
Adjusted EBITDA margin % (1)	-45.7%	(913.2%)	867.6%
Basic earnings (loss) per share	$ (0.5300)	$ (0.0700)	$ (0.4600)
Adjusted earnings (loss) per share - diluted (1)	$ (0.1006)	$ (0.0453)	$ (0.0553)

(1) Adjusted net income (loss), EBITDA (earnings before interest, taxes, depreciation and amortization), EBITDA margin and adjusted earnings (loss) per share - diluted are each non-IFRS financial measures. Refer to section 13 of this MD&A for descriptions of Alternate Health's non - IFRS financial measures.

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5. RESULTS OF OPERATIONS AND TRANSACTIONS SUMMARY

The following table and discussion compares results of Alternate Health Corp. for the periods presented.

	Year Ended Dec 31		
(Canadian dollars except where indicated)	2017	2016	$ Change
Results of operations			
Total revenues	**13,254,790**	**183,546**	**13,071,244**
Operating expenses			
Advertising and promotion	284,902	119,967	164,935
Depreciation & Amortization of equipment & Intangibles	1,367,939	96,100	1,271,839
Bad debt expense	426,555	-	426,555
Consulting fees	7,895,733	423,057	7,472,676
Interest on long-term liabilities	92,897	67,275	25,622
Lab Supplies	2,454,714	-	2,454,714
Management fees	3,525,328	-	3,525,328
Office and general administration	1,084,330	57,239	1,027,091
Professional fees	2,353,372	160,233	2,193,139
Rent and occupancy	1,085,335	115,757	969,578
Repairs and maintenance	283,717	-	283,717
Research and development	506,879	-	506,879
Salaries, consulting & personnel	4,308,217	40,170	4,268,047
Share-based expenses	5,797,991	818,100	4,979,891
Utilities	311,152	-	311,152
Total operating expenses	**31,779,061**	**1,897,898**	**29,881,163**
Operating income (loss)	**(18,524,271)**	**(1,714,352)**	**(16,809,919)**
Non-operating income (expense)			
Bargain purchase on acquistion	(2,246,396)		(2,246,396)
Loss of foreign exchange	33,197	17,296	15,901
Investment income	(79,337)	-	(79,337)
Allowance for the recoverability of assets	12,219,785	-	12,219,785
Loss on settlement of promissory note	459,039	-	459,039
Income from equity accounted investment	(300,343)	-	(300,343)
Listing expense	-	644,867	(644,867)
Transaction cost	34,060	107,919	(73,859)
Net income (loss) before income taxes	**(28,644,276)**	**(2,484,434)**	**(26,159,842)**
Income taxes	(2,509,466)	(431,220)	(2,078,246)
Net income (loss) for the period	**(26,134,810)**	**(2,053,214)**	**(24,081,596)**
Basic earnings (loss) per share	**$ (0.53)**	**$ (0.07)**	**$ (0.46)**

OVERVIEW

Alternate Health Corp. began operations in the first quarter of 2017. Revenue and a significant part of the expense during the year was derived from Alternate Health Labs acquired effective January 1, 2017. In the second quarter the AHL business model hit its stride and posted $7.2M in revenues, far surpassing the

$3.9M in the first quarter. Because of the operational restructuring of the AHL business, revenue fell in the third quarter to $1.7M driven by a planned drop in samples volume as the business was being converted from a reference laboratory to a full clinical laboratory. Fourth quarter revenues of $0.4M were minimal because of delays in obtaining a Medicare license (received in December) and setbacks in finalizing the needed relationships to attract significant laboratory sample volume. The Clinical laboratory model is expected to provide a more secure long-term revenue stream than a Reference Laboratory model with higher per sample revenue. As a Clinical lab, AHL can now bill third-party insurances which are typically three times Reference lab rates. Management responded to the reduction in sample volumes by implementing a prudent cost cutting program focusing on insuring realization of variable cost savings while continuing to invest in key strategic programs that will drive our long-term growth.

Revenue

Revenue for the year ended December 31, 2017 and 2016 was $13,254 thousand and $183 thousand respectively. The large year-over-year increase in revenue is primary due to the Company's laboratory business generated in the first and second quarters of 2017. Although revenues dropped in the third and fourth quarters due to issues involved in restructuring the Laboratory business from a reference lab model to a full-service lab, management is confident that Laboratory business revenues will return in Q2 along with profitable lab operations.

Operating Costs

Operating costs for the year ended December 31, 2017 and 2016 were $31,779 thousand and $1,897 thousand respectively. The large year-over-year increase is result of a number of factors related to one-time expenses and on-going operation of Alternate Health Labs. We will discuss these issues in order:

- The increase of $1,271 thousand in Amortization and Depreciation is primarily due to the large number of fixed assets acquired in the purchase of the Laboratory business in early 2017. There were also intangible assets purchased related to Alternate Health's development of a nutraceuticals business that are amortize.
- The increase of $2,454 thousand in Lab supplies is directly related to the Laboratory business and are largely variable relative to sales volume.
- The increase of $7,473 thousand in Consulting fees is driven by a large $3,178 thousand of expense from stock issued, 2,158,506 shares, for consulting fees from Sentar. Alternate Health is currently in arbitration seeking the return of these shares, see note 22 of the Consolidated Financial Statements.
- Salaries increased $4,268 thousand due to expanded operations. Of this increase, $1,926 thousand was due to Laboratory salaries related to the business acquisition.
- Share-based expenses increased $4,979 thousand. These expenses were related to stock-based compensation paid to employees, officers, directors, and contractors. As suggested by the name, these expenses had no cash impact but have values based on the value of stock issued on the grant date.

Non-operating income (expenses)

Bargain purchase on Alternate Health Labs acquisition

As a result of the finalized purchase accounting, it was determined that Alternate Health Corp. experienced a gain from a Bargain purchase arising on acquisition of $2,246,396 (see note 18 of the Consolidated Financial Statements for full details).

The Loss on Impairment was related to the following assets:

		2017	2016
(a)	Investment in equity investment - Clover Trail Capital LLC (Note 17)	$ 9,174,779	$ -
(b)	Intangible – Pet formulations licensing rights (Note 9)	383,972	-
(c)	Intangible – Customer relationships (Note 9)	1,386,034	-
(d)	Intangible – non-pharmaceutical sublingual technology system for the delivery of CBD and THC (Note 9)	1,275,000	
		$ 12,219,785	$ -

2017 Transaction Progress Summary:

Alternate Health is a tech based, early stage company in the cannabis and healthcare industries. It is subject to typical execution delays caused by changing competitive and regulatory factors and unforeseen opportunities as highlighted in this summary.

CanaCard and CanaPass Medical Health Records ("EMR") Software

During the year the company made significant inroads enhancing its EMR software and installing it in clinics and doctor's offices. It entered into a software-as-a service ("SAS") agreement with National Access Cannabis Inc. ("NAC"), a TSX Venture listed company that is Canada's best practices leader in delivering secure, safe, and responsible access to legal cannabis for its over 12,000 patients. Through its Canada-wide network of care centers, NAC enables patients and the public to gain knowledge and access to Canada's network of authorized Licensed Producers of Cannabis. In September CanaPass was endorsed by the American Medical Marijuana Physicians Association and in December it had its first installation as FlorPass in Florida.

In November the Company announced the acquisition of a mobile payment processing application from Trident Payments, LLC. It's a turnkey point-of-sale technology that fully integrates with Alternate's CanaCard -CanaPass EMR system and completes an end-to end software suite from doctor to patient to dispensary with broad data analytics and reporting capabilities including state tax reporting.

In March 2018 it signed a SAS agreement with Med Men Enterprises, one of the largest cannabis companies in the United States for expected use in its New York dispensaries.

Entrance into each of these jurisdictions with large customer bases and revenue potential came with their own set of start-up delays, from software installation for customers requesting modifications to suit special needs, to gaining approvals from various regulatory authorities. None were insurmountable, but each delay the path to anticipated revenues. We have made major progress on all fronts. The final step of putting full implementation of our payment engine into effect with each of our customers will take place on a staged basis in 2018.

Alternate Health Labs Inc. ("AHL") and Clover Trail Capital LLC ("Clover")

In April 2016 the Company executed an agreement to acquire AHL subject to certain closing conditions. This was an "arm's length", third party agreement with Dr. Michael Murphy and included an operating management agreement with an affiliate of Dr. Murphy. Subsequently Dr. Murphy joined the Company's board of directors and was appointed CEO in August 2017. In accordance with International Reporting Standards (" IFRS") 3 the acquisition of AHL is accounted for using the purchase method and required purchase price valuation as at the January 1, 2017 acquisition date. The valuation was recently completed by an independent valuator that resulted in a bargain purchase gain of $2,246,396 as reported in note 18 of the Company's 2017 audited consolidated financial statements. It included an allocation related to AHL's customer relationships which was subsequently written down by $1,386,034 because of the restructuring of the lab's business model as discussed below. The acquisition was completed in January 2017 and as a Reference lab it generated over $11 million of revenue of in the first 6 months of 2017. However, changes to the reimbursement procedures of major health insurance companies significantly impacted the sample volumes referred to the lab. As a result, in July the Company announced that AHL was applying for Medicare and Medicaid licenses and would convert from a Reference lab to a full Clinical lab able to receive samples directly from physicians and hospitals. The delay in the receipt of these licenses in December, months later than expected, resulted in a dramatic drop in lab revenue and a loss on lab operations in the last half of 2017 and a much-delayed program to acquire coveted Medicare/Medicaid samples for the restructured Clinical lab. It is expected that AHL's revenue engine will be back on track in the second quarter of 2018.

In April 2016 the Company executed an "arm's length" agreement to acquire a 20% interest in Clover Trail Capital LLC, a company whose only asset was a 40% interest in Sun Clinical Laboratory, LLC ("Sun") a referring lab to AHL and an entity indirectly controlled by Dr. Murphy. The acquisition was closed in January 2017 with the issue of 4,557,150 common shares of the Company and an 18-month term loan of US $ 1,993,750. The debt was extinguished in April 2017 by the issue of 800,387 common shares of the Company at a price of $3.315. It was determined that in accordance with IFRS accounting principles the 4,557,150 acquisition shares were required to be valued at $1.50, the share price of a private placement just prior to closing in January. The investment in Clover is accounted for on the equity basis requiring the carrying value of the investment to be adjusted for the Company's pro-rata share of earnings. It is also subject a regular impairment test to determine if the carrying value is recoverable from expected cash flows. During the first quarter of 2017 the Company's pro-rata share of earnings was $583,009. However, with the unforeseen above-referenced changes by health insurer's reimbursement procedures Sun was forced to discontinue operations causing the full impairment write-downs of Alternate's $9,174,179 investment in Clover and its intangible customer relationship. Significantly, the Company had no cash outlays for its Clover investment.

Sentar Pharmaceuticals ("Sentar"): non-pharmaceutical sublingual technology system for the delivery of CBD and THC and Pet Formulations licensing rights

During the year the Company licensed rights to a non- pharmaceutical sublingual technology system from Sentar Pharmaceuticals for the delivery of CBD and THC ("Technology") for consideration of 850,000 AHC common shares. It also entered into a consulting agreement with a related party to Sentar for services related to the development and refinement of the Technology for consideration of 2,118,506 AHC common shares. The total shares issued of 2,968,506 were initially recorded in the Company's accounting records as an intangible asset- "license rights". It was determined that in accordance with IFRS accounting principles the shares should be valued at $1.50, the share price of a private placement closed just prior to the execution of the Sentar and related part agreements. It was also determined that the shares issued for consulting services should be expensed and not capitalized as an intangible asset. In the fourth quarter the Company recorded an impairment reserve for its intangible license right of $1,275,000 to be reserved until it can demonstrate it will be recoverable from future related cash flows. Both agreements are the subject of arbitration/legal disputes by parties to the agreements including a claim for, among other things, the return of the shares previously issued for consulting services (See Litigation). In the fourth quarter the Company also recorded a $383,972 impairment reserve for an intangible non- pharmaceutical CBD pet formula licensed from a company related to Sentar.

Alturas Indian Rancheria ("Rancheria") Agreement

In the first quarter of 2017 the Company executed an agreement to form a joint venture company with Alturas Indian Rancheria to be owned 55% Rancheria and 45% AHC. The intent was to use Rancheria's land with its existing facilities and growing operations to grow hemp, extract CBD, and make CBD products for distribution and sale. The agreement which was subject to legal due diligence was put on hold and the Company now intends to review and reactivate the agreement with an intent to close.

Neubauer Hyperbaric Neurological Center

The previously announced agreement to buy the Neubauer Hyperbaric Neurological Center was terminated by the Company in the fourth quarter. The center was to be used for clinical trials for CBD studies which is not a strategic priority for the Company as it focuses on its lab and software businesses.

5.1 SUMMARY OF QUARTERLY RESULTS

Following is a summary of the Company's financial results for the nine most recently completed quarters.

For the quarter ended	Revenue $	Operating Expense $	Net Income (Loss) $	Earnings (loss) per Share
December 2015	37,096	107,235	-69,308	$0.00
March 2016	43,720	109,064	-70,497	$0.00
June 2016	44,701	180,798	-145,027	$0.00
September 2016	54,912	268,573	-213,661	($0.01)
December 2016	40,213	1,106,759	-1,324,062	($0.06)
March 2017	3,870,882	5,037,871	-648,278	($0.02)
June 2017	7,242,198	10,944,099	-3,701,901	($0.07)
September 2017	1,709,388	4,163,494	-2,352,949	($0.05)
December 2017	432,322	11,633,597	-19,431,682	($0.34)

The Laboratory business continued to lag in Q4 because of the unforeseen delays in obtaining a Medicare license, received in December and setbacks establishing the necessary partnerships to quickly obtain sample volumes. Management remains confident in the long-term profitability of the Laboratory business and the efficacy of our restructuring efforts.

The large increase ($7,578,739) in operating expense in the fourth quarter of 2017 is a result of the following factors:

Depreciation & Amortization of equipment & Intangibles	$	819,176
Bad debt expense		426,555
Lab Supplies		651,868
Professional Fees		1,203,305
Reclassification of Sentar shares as Consulting		3,177,759
Increase share based compensation based on revised volitility estimate for Black-Scholes calculation		1,349,000
Other factors		(48,924)
	$	7,578,739

The increase in depreciation expense is related to the assets assigned to the Laboratory equipment. The bad debt expense is new to Alternate Health Labs and a result of the transition from a reference lab to a full-service lab. The Lab Supplies increase is due to the adjustment of supplies on hand for the fourth quarter. Professional fees were increased for an adjustment to the original recording of shares issued to Paradigm ($378,788) and shares subject to disputed services deemed unrealizable in the fourth quarter ($502,500). A review of our calculation methodology for calculating the cost of options and share based compensation using the Black Scholes method concluded that our estimate of the volatility component of the Black Scholes function was too low based on the trading history. As a result, we recalculated these items and determined that the expense had increased $1,349,000.

The $19M net loss in the fourth quarter 2017 is a result of lower revenues ($1,277,066) and higher operating expenses ($7,578,739). The balance of the loss (approximately $10M) is due to $12,219,785 in non-cash asset impairments net of a gain from the AHL Bargain purchase of $2,246,396.

6. LIQUIDITY, CAPITAL RESOURCES AND OUTLOOK

At December 31, 2017, the Company had net positive working capital of $2,319,508. Current assets totaled $5,666,608 compared to current liabilities of $3,347,100. In addition, Alternate Health holds marketable securities available for sale with a fair market value of $4,749,295 at year end.

In regard to the $25.7M net loss for 2017; it is important to consider that the operating cash flow shows a cash usage of $6.5M for the year ended December 31, 2017. The year to date operating cash usage for the first half of 2017 was $2.4M. Because of the reduction in sales volume from the Laboratory business during the restructuring process, Alternate Health has used cash at the rate of $1.8M in Q3 2017 and $2.3M in Q4 of 2017. This underlies the fact that the loss of $25.7M is due to non-cash asset impairments and the cost of services paid with common shares and options.

6.1 FINANCIAL POSITION

The following table provides a condensed consolidated statement of financial position of Alternate Health as at December 31, 2017 and as at December 31, 2016.

(Canadian dollars)	December 31, 2017	December 31, 2016	$ Change
Assets			
Cash	$ 1,443,862	$ 570,003	$ 873,859
Other current assets	4,222,746	317,677	3,905,069
Current assets	5,666,608	887,680	4,778,928
Convertible note receivable	665,200	-	665,200
Investments	5,082,277	-	5,082,277
Equipment	6,148,090	7,204	6,140,886
Intangible assets	2,367,722	1,001,928	1,365,794
Deferred income taxes	-	431,220	(431,220)
Total assets	**$ 19,929,897**	**$ 2,328,032**	**$ 17,601,865**
Liabilities			
Current liabilities	$ 3,272,100	$ 482,283	$ 2,789,817
Development fees payable to related party	476,359	538,200	(61,841)
Total liabilities	3,748,459	1,020,483	2,727,976
Total shareholders' equity	16,506,438	1,307,549	15,198,889
Total liabilities and shareholders' equity	**$ 20,254,897**	**$ 2,328,032**	**$ 17,926,865**

Movements in current assets and current liabilities are described in section 6.2 "Working Capital" of this MD&A.

Notes receivable consisted of a convertible note with Apri Health, Inc. On March 18, 2017, the Company purchased a US $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 4.5% 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.

Apri is considered a related party of the Company because the companies had a common Director that had significant influence over the operations of both entities.

As indicated in the following table, Investments included Clover Trail Capital LLC ($0), Hightimes Holding Corp ($332,982), and National Access Cannabis Corp ($4,749,295).

Long Term Investments	December 2016	September 2017	December 2017	
Clover Trail Capital LLC - carried at equity	$ -	$ 7,373,085	$ -	*
Hightimes Holding Corp - carried at cost 55,525 class A common shares	$ -	$ 332,982	$ 332,982	
National Access Cannabis Corp	$ -	$ 1,636,920	$ 4,749,295	**
Total Long Term Investments	$ -	$ 9,342,987	$ 5,082,277	

* *Asset impaired regarding Clover's valuation after laboratory business restructuring*

** *Asset revaluation regarding marketable securities classified as Available for Sale*

The Company has a 20% ownership interest in Clover Trail Capital LLC ("Clover") which in turn has a 40% interest in Sun Clinical Laboratory LLC ('Sun"). Sun referred toxicology and blood samples to Alternate Health Labs Inc for analysis (See 2017 Transactions Progress Summary- Clover Trail LLC). Because of the change in the Laboratory business which converted Alternate Health Labs from a clinical lab to a full-service lab, Clover trail no longer operates a referring lab. As a result, Alternate Health Labs now can charge full commercial rates which are typically three times Reference lab rates. In time, we expect that this larger revenue stream will more than offset the Clover impairment.

The Company owns $332,982 of Hightimes Holdings Corp. ("HHC") common stock through a private placement of HHC securities. HHC is the owner of the High Times publishing and event management company, one of the most recognized and iconic brands in the international cannabis market. The Company believes that its investment in High Times will strategically align the Company's Life Sciences business unit with HHC and potentially leverage HHC's significant publishing and event footprint, its brand, and its significant subscriber base of potential domestic and international medical cannabis consumers and advocates.

The Company owns 7,088,500 common shares of National Access Cannabis ("NAC") with a cost base of 22.7 cents per share. NAC operates eleven clinics across Canada, with a specific focus on connecting patients with clear information on legal cannabis treatment options available and assist in connecting to licensed producers/dispensaries. In recognition of NAC's leadership in Canadian medical cannabis, Alternate Health initially made a strategic investment in the company with the expectation that the investment would be a base for further expansion in the Canadian market, including the Company's cannabinoid research and delivery systems. Subsequently NAC agreed to utilize Alternate Health's CannaCard Patient Management System in its clinics and it has been installed in all eleven clinics. NAC trades on the TSXV. Its share price closed at 67 cents on December 29, 2017. IFRS requires marketable securities be recorded at fair market value and an unrealized gain in investment of $3,145,500 recognized in Other Comprehensive Income in 2017 and with a corresponding write-up of the Investment in the Long-Term Investments section of the Statement of Financial Position.

Equipment primarily consists of lab testing equipment used by Alternate Health Labs which is initially measured at the fair value as at the date of its acquisition as part of the laboratory. The difference is a net effect of some smaller equipment purchases and additional accumulated depreciation booked as part of the Laboratory business.

Intangible assets	December 2016	September 2017	December 2017	
Canacard	$ 700,000	$ 757,190	$ 845,610	
VIP Patient	$ 350,000	$ 350,000	$ 350,000	
Pet Formulations	$ -	$ 477,660	$ 93,688	*
Continuing Education	$ -	$ 551,507	$ 726,507	
Sentar - THC delivery system	$ -	$ 2,968,506	$ -	**
CLIA Lab license	$ -	$ -	$ 694,130	***
Accumulated Amortization	$ (48,072)	$ (338,731)	$ (341,822)	
Total Intangible assets	$ 1,001,928	$ 4,766,132	$ 2,368,113	

* *Asset impaired regarding existing market in impairment analysis*

** *Asset was incorrectly recorded by including consulting contract. Remaining asset of $1,275,000 was impaired based on existing market.*

*** *Asset CLIA license recorded as part of the bargain purchase price calculation related to the Laboratory business acquistion.*

Intangible assets include software systems, CanaCard and VIP Patient, continuing medical education videos and non-pharmaceutical sublingual dissolvable tablet delivery systems licensed under an agreement with Sentar Pharmaceuticals. The Intangible asset decrease in net book value from $4,766,132 in September 2017 to $2,367,722 in December 2017 was due in large part to an impairment of the Sentar Pharmaceuticals intangible asset (See 2017 Transactions Progress Summary- Sentar)

6.2 WORKING CAPITAL AND OTHER LIQUID SECURITIES

The following table provides information on Alternate Health's working capital balances as at December 31, 2017 and as at December 31, 2016.

(Canadian dollars)	December 31, 2017	December 31, 2016	$ Change
Cash, cash equivalents and short-term investments	$ 1,443,862	$ 570,003	$ 873,859
Accounts receivable	2,748,567	-	2,748,567
Other current assets	1,474,179	317,677	1,156,502
Total current assets	**5,666,608**	**887,680**	**4,778,928**
Accounts payable and accrued liabilities	3,272,100	315,088	2,957,012
Other current liabilities	75,000	167,195	(92,195)
Total current liabilities	**3,347,100**	**482,283**	**2,864,817**
Net working capital	**$ 2,319,508**	**$ 405,397**	**$ 1,914,111**
Marketable securities	4,749,295	-	**4,749,295**
Net working capital & Marketable securities	**$ 7,068,803**	**$ 482,283**	**$ 6,586,520**

The net working capital of $2,319,508 at December 31, 2017, decreased from $5,971,372 at September 30, 2017 due primarily to the use of cash to fund operations (approximately $2M) and a reclassification of marketable securities reclassified as long-term assets (approximately $1.6M). Accounts receivable of $2,543,092 consists primarily from Alternate Health Labs' customers. Other current assets primarily consist of prepaid consulting, prepaid maintenance and insurance and security deposits for facilities and utilities.

Accounts payable and accrued items consists primarily of trade accounts payable of approximately $0.5 million and approximately $1.5 million due to lab partners, LMK Management LLC a related Party. (See Related Party Transactions- 8).

6.3 Consolidated cash flow movements

The following table provides information on Alternate Health's consolidated cash flow for the year ended December 310, 2017 and the same period last year.

	Year Ended Dec 31		
(Canadian dollars)	2017	2016	$ Change
Net and comprehensive loss	(26,134,810)	(2,053,214)	(24,081,596)
Depreciation and amortization expense	1,367,939	96,100	1,271,839
Share-based payments	11,938,174	1,018,100	10,920,074
Gain on sale of investment	(56,694)	-	(56,694)
Allowance for the recoverability of assets	12,219,785	-	12,219,785
Bargain purchase on acquistion	(2,246,396)	-	(2,246,396)
Income from equity accounted for investment	(300,343)	-	(300,343)
Finance expenses	63,159	-	63,159
Deferred tax	(2,467,585)	(431,220)	(2,036,365)
Listing expense	-	644,867	(644,867)
Change in non-cash working capital items	(909,159)	5,288	(914,447)
Net cash flows used by operating activities	**$ (6,525,930)**	**$ (720,079)**	**$ (5,805,851)**
Proceeds from sale of listed equitys	90,905	-	90,905
Purchase of long term investments	(1,969,902)	-	(1,969,902)
Payments from related parties	40,398	-	40,398
Cash on acquisition of subsidiary	8,295	-	8,295
Purchase of property and equipment	(785,528)	-	(785,528)
Additions to intangible assets	(592,574)	(86,593)	(505,981)
Income distribution from Clover	266,436	-	266,436
Issuance of Convertible note receivable	(665,200)	-	(665,200)
Net cash provided by (used in) investing activities	**$ (3,607,170)**	**(86,593)**	**$ (3,520,577)**
Advances to related party	-	(243,813)	243,813
Development fees payable to related party	(50,000)	67,275	(117,275)
Receipt of share subscription receivable	-	32,458	(32,458)
Redemption of share captial	-	(80,000)	80,000
Issuance of share capital	12,189,876	1,141,919	11,047,957
Issuarnce of Warrants	-	29,000	(29,000)
Equipment lease payments	(962,434)	-	(962,434)
Net cash provided by (used in) financing activities	11,177,442	946,839	10,230,603
Increases in cash	**$ 1,044,341**	**$ 140,167**	**$ 904,174**

In the year ended December 31, 2017, net cash used in operating activities of $6,525,930 increased compared to $720,079 used in 2016. The increase in net cash used in operating activities was mainly due to the impact of the increase in AHL accounts receivable and inventory (working capital) by $651,953 and operating losses driven by reduced volume in the Laboratory business.

The Company invested $3,607,170 during the year ended 2017 in three primary investments: Apri Health Inc ($665,200), Hightimes Holdings Corp. ($332,982), and National Access Cannabis Corp. ($1,636,920). Please note that the unrealized gain on the National Access Cannabis Corp. investment is $3,145,500 at 12/31/2017. In January 2018, we received word from Hightimes Holdings Corp. that our shares had split and the company is working on a strategy to list as a public company in the United States.

6.4 SHARE INFORMATION

The Company's share capital consists of the following:

Authorized: Unlimited common shares

Issued: 52,631,278 common shares

2,812,500 stock options outstanding convertible into common shares. 1,782,500 have an exercise price of $1.00; 120,000 have an exercise price of $2.00; 330,000 have an exercise price of $2.90; the balance of 580,000 have an exercise price of $4.00. 175,000 options expire on February 1, 2018; 1,125,000 options expire on June 22, 2018; 602,500 options expire August 9, 2018: 460,000 options expire April 14, 2022; 330,000 options expire August 5, 2022; and 120,000 expire December 2, 2022.

1,297,544 outstanding common share purchase warrants convertible into 1,297,544 common shares. Of the total outstanding, 180,000 at an exercise price of $1.00 expire on July 8, 2018; 200,000 at an exercise price of $3.05 expire June 15, 2019; 50,000 at an exercise price of $2.40 expire December 6, 2019; and 867,544 at an exercise price of $3.91 expire on April 14, 2022.

6.5 OUTLOOK

The Company's primary near term focus for the 1st half of 2018 is (1) the roll out of its CanaCard/CannaPass software platform in Canada and the United States including its recently acquired Blockchain Mobile Payment Application and (2) the growth of its Clinical Toxicology laboratory business. Both activities are expected to contribute positive cash flow; processing and licensing fees from its software platform and net revenue after costs from processing toxicology samples. CannaPass, Alternate's cannabis -specific electronic medical record system, coupled with its Blockchain Mobile Payment application provide a much-needed payment solution and point of sale technology to the Cannabis industry with full transparency for government transaction tracking and reporting. Alternate's platform can also accept crypto currencies in its electronic wallet. Later in 2018 the Company intends to focus on the utilization and further development of its intellectual property for delivering CBD into patient's bodies for its medical benefits including the development and sale of hemp-based CBD products.

7. OFF BALANCE SHEET ARRANGEMENTS

The Company had no off-balance sheet arrangements.

8. 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		1,690,945		-
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:

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

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

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

A director was paid $63,288 for services as an employee during the year.

(b) The Company is related to Sun Clinical Laboratory, LLC and LMK Management LLC by virtue of the controlling shareholder of these companies being a director and shareholder of the Company. The Company is also related to Sun Clinical Laboratory through its indirect ownership via Clover (Note 11). 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 amount owning by Sun Clinical Laboratory LLC for $948,707 (2016 - $Nil).

Management fees to LMK Management LLC are included in the management fees on the Consolidated Statement of Loss and Comprehensive Loss. As at December 31, 2017, 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 49% of the Laboratory screen fee profits. Laboratory fee profits are calculated by multiplying the number of monthly screens processed times a mutually agreed screen fee less all monthly fixed and variable expenses.

These transactions are in the normal course of operations and have been valued in these consolidated financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties and are at rates typical of arm's length market rates3

(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. have no fixed terms of repayment, are unsecured and carry no interest.

Support Yours Buds LLC is a company controlled by a Director and 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 prior to acquisition as at December 31, 2016 have no fixed terms of repayment, are unsecured and carry no interest. The Company was 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 is related to Apri Health, Inc. by virtue of having a director and officer in common. During the first quarter of 2017, the Company entered purchased a USD$500,000 convertible debenture issued by Apri Health, Inc. (Note 6).

(e) Effective January 13, 2017 the Company acquired a 20% interest in Clover Trail Capital LLC ("Clover") in an arm's length transaction for an aggregate purchase price of US$5,500,000. Consideration for the purchase was the issue of 4,557,150 AHC common shares ("Consideration Shares") and a USD$1,993,750 promissory note payable to MLM Heritage Trust, bearing annual interest at 5% for a term of 18 months from closing. MLM Heritage Trust received 2,769,650 of the Consideration Shares. On March 17, 2017, the Company issued 800,387 common shares at a deemed price of $3.15 per common shares to MIM Heritage Trust in consideration of extinguishment of the debt.

Clover's investment include a 40% interest in Sun Clinical Laboratories LLC referred toxicology and blood samples to the Company's subsidiary, AHL Subsequent to AHC's purchase of Clover, its controlling member became a director and officer of the Company and as a result is a related party. AHC carries its investment in Clover on an equity basis and in the year ending December 31, 2017, it recorded equity earnings of $300,343 and received a cash income distribution of $265,436 (Note 11). The Company provided for the full investment as at December 31, 2017 (Note 11).

9. SUBSEQUENT EVENTS

As of April 30, 2018, management is not aware of any subsequent event(s) that would materially change the 2017 financial reporting results.

10. ACCOUNTING POLICIES

Alternate Health's accounting policies are as disclosed in Note 4 to the 2017 annual consolidated financial statements. There have been no material changes to Alternate Health's accounting policies from what was disclosed at that time.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments are exposed to certain financial risks, including liquidity risk, interest rate risk, currency risk and credit 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 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

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.

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.

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.

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).

12. RISK FACTORS

The following is a cautionary discussion of risks, uncertainties and assumptions that we believe are significant to our business, financial condition and financial results. In addition to the factors discussed elsewhere in the Company's filings, the following are some of the important factors that, individually or in the aggregate, we believe could make our results differ materially from those described in any forward-looking statements. It is impossible to predict or identify all such factors and, as a result, you should not consider the following factors to be a complete discussion of risks, uncertainties and assumptions

U.S. Cannabis Activities

On October 16, 2017, the Canadian Securities Administrators published Staff Notice 51-352 Issuers with U.S. Marijuana Related Activities (the ''Staff Notice'') which provides specific disclosure expectations for issuers that currently have, or are in the process of developing, cannabis-related activities in the U.S. as permitted within a particular state's regulatory framework. All issuers with U.S. cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in prospectus filings and other required disclosure documents. The Company's involvement in U.S. marijuana-related activities is ancillary and the Company is not involved in cultivation or distribution although it may do so in the future. The Company's U.S. marijuana-related activities include continuing education programs involving the endocannabinoid system and cannabidiol and expansion of its patient management software CanaPass into the United States, including FlorPass (Florida) and StatePass in New York, to manage end-to-end transactions involved with providing safe access to medical and recreational cannabis which includes a payment application.

Unlike in Canada which has federal legislation uniformly governing the cultivation, distribution, sale, and possession of medical cannabis under the Access to Cannabis for Medical Purposes Regulations, investors are cautioned that in the United States, cannabis is largely regulated at the state level. But it should be noted that in spite of the permissive regulatory environment of medical cannabis in many states within the United States, cannabis continues to be categorized as a controlled substance under the US federal Controlled Substances Act and as such, violates federal law in the United States.

Also, under U.S. federal law it may potentially be a violation of federal money laundering statutes for financial institutions to take any proceeds from marijuana sales or any other Schedule I substance. Canadian banks are also hesitant to deal with cannabis companies, due to the uncertain legal and regulatory framework of the industry. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses. Under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering or conspiracy.

The United States Congress has passed appropriation bills each of the last four years that have not appropriated funds for prosecution of cannabis offenses of individuals who are in compliance with state medical cannabis laws. American courts have construed these appropriations bills to prevent the federal government from prosecuting individuals when those parties comply with state law. However, because this conduct continues to violate federal law, American courts have observed that should Congress, at any time, choose to appropriate funds to fully prosecute the Controlled Substances Act, any individual or business- even those who have fully complied with state law- could be prosecuted for violations of federal law.

Violations of federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities, or divestiture. The Company is not aware of any non-compliance with U.S. federal law; however, if the Company was found to be non-compliant, this could have a material adverse effect on the Company, including its reputation and ability to conduct business, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of such matters or its final resolution.

Additional Requirements for Capital

Substantial additional financing may be required and no assurances can be given that the Company will be able to raise the additional capital that it may require for its anticipated future development. Any additional equity financing may be dilutive to investors and debt financing, if available, may involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company, if at all. If we are unable to obtain additional financing as needed, the Company may be required to reduce the scope of its operations or anticipated expansion.

Volatility of Stock Price and Market Conditions

The market price of the Common Shares may be subject to wide fluctuations in response to factors such as actual or anticipated variations in its results of operations, changes in financial estimates by securities analysts, general market conditions and other factors. Market fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may adversely affect the market price of our stock even if we are successful in maintaining revenues, cash flows or earnings.

Competition

The healthcare information systems and the continuing education and consumer products markets are highly competitive on both a local and a national level. The Company believes that the primary competitive factors in this market are:

- quality service and support;
- price;
- product features, functionality and ease of use;
- ability to comply with new and changing regulations;
- ongoing product enhancements; and
- reputation and stability of the vendor.

The electronic medical records ("EMR") marketplace in Canada is currently dominated by Telus Health and the Company will face substantial competition from Telus and other established competitors, which have greater financial, technical, and marketing resources than it does. The Company's competitors may also have a larger installed base of users, longer operating histories or greater name recognition. There is also substantial competition in the US marketplace. There can be no assurance that the Company will successfully differentiate its current and proposed products from the products of its competitors, or that the marketplace will consider the products of the Company to be superior to competing products.

Risk of Safeguarding Against Security & Privacy Breaches

A security or privacy breach could:

- expose the Company to additional liability and to potentially costly litigation;
- increase expenses relating to the resolution of these breaches;
- deter potential customers from using our services; and
- decrease market acceptance of electronic commerce transactions.

The Company cannot assure that the use of applications designed for data security and integrity will address changing technologies or the security and privacy concerns of existing and potential customers. Although the Company requires that agreements with service providers who have access to sensitive data include confidentiality obligations that restrict these parties from using or disclosing any data except

as necessary to perform their services under the applicable agreements, there can be no assurance that these contractual measures will prevent the unauthorized disclosure of sensitive data. If the Company is unable to protect the security and privacy of our electronic transactions and data, our business will be materially
adversely affected.

High Degree of Product Concentration

Substantially all of the Company's currently anticipated revenues will be derived from a limited number of products and services, namely CanaCard /CanaPass EMR software and toxicology testing. Consequently, the Company's performance will depend on establishing and maintaining market acceptance of these products and services, as well as enhancing the performance of such products and services to meet the evolving needs of customers. The Company, like other entities involved in a rapidly evolving new industry, faces the risk that our products and services may not prove to be commercially successful or may be rendered obsolete by further scientific and technological developments. There can be no assurances that the Company will establish and maintain a position at the forefront of emerging technological trends. Any reduction in anticipated future demand or anticipated future sales of these products or any increase in competition could have a material adverse effect on our business prospects, operating results, or financial condition.

Difficulty to Forecast

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical marijuana industry in Canada and changing US environment. A failure in the demand for services to materialize as a result of competition, regulatory and technological change or other factors could have a material adverse effect on our business, results of operations and financial condition.

Material Impact of PIPEDA/HIPPA Legislation on the Issuer's Business

Regulations under PIPEDA/HIPAA governing the confidentiality and integrity of protected health information are complex and are evolving rapidly. As these regulations mature and become better defined, the Company anticipates that they will continue to directly impact our business. Achieving compliance with these regulations could be costly and distract management's attention from its operations. Any failure on the Company's part to comply with current or future regulations could subject it to significant legal and financial liability, including civil and criminal penalties. In addition, development of related federal and state regulations and policies regarding the confidentiality of health information or other matters could positively or negatively affect our business.

Key Personnel

Our future success will depend, in large part, upon our ability to retain key management personnel and to attract and retain additional qualified marketing, sales and operational personnel to form part of the Company's technical and customer services support center. The Company may not be able to enlist, train, retain, motivate and manage the required personnel. Competition for these types of personnel is intense. Failure to attract and retain personnel, particularly marketing, sales and operational personnel as well as consultants, could make it difficult for the Company to manage its business and meet its objectives.

Lengthy and Variable Sales Cycle

The Company will have difficulty in forecasting the timing of revenue from sales of its products because its customers may invest substantial time, money and other resources researching their needs and available competitive alternatives before deciding to purchase our products and services. Typically, the larger the potential sale, the more time, money and resources will be invested by customers. As a result, it may take many months after the first contact with a customer before a sale can actually be completed, which may delay the Company's ability to recognize revenue and generate cash.

During these long sales cycles, events may occur that affect the size or timing of the order or even cause it to be cancelled, including:

• purchasing decisions may be postponed, or large purchases reduced during periods of economic uncertainty;

• the Company, or its competitors, may announce or introduce new products or services;

• budget and purchasing priorities of customers may change.

If these events were to occur, sales of the Company's products or services may be cancelled or delayed, and the Company's revenue, business and operating cash flows would be adversely affected.

Market Uncertainty

The Company's success depends to a significant degree on its ability to develop the market and gain acceptance for its products and services. There is no assurance that a significant market will develop for CanaCard Practice Management Software ("CPMS"). There can be no assurances that the commercial applications and markets for the Company's products will develop. To manage such development, the Company must continue to expand its existing resources and management information systems and must attract, train, and motivate qualified marketing, management, technical and administrative personnel. There can be no assurance that the Company will be able to achieve these goals.

Management of Growth

The Company may be subject to growth-related risks including pressure on its internal systems and controls. Our ability to manage growth effectively will require us to continue to implement and improve operational and financial systems. The inability of the Company to deal with this growth could have a material adverse impact on its business, operations and prospects. The Company may experience growth in the number of its employees and the scope of its operating and financial systems, resulting in increased responsibilities for the Company's personnel, the hiring of additional personnel and, in general, higher levels of operating expenses. In order to manage its current operations and any future growth effectively, the Company will also need to continue to implement and improve its operational, financial and management information systems and to hire, train, motivate and manage its employees. There can be no assurance that the Company will be able to manage such growth effectively, that its management, personnel or systems will be adequate to support the Company's operations or that the Company will be able to achieve the increased levels of revenue commensurate with the increased levels of operating expenses associated with this growth.

Pricing policies

The competitive market in which the we operate could force the Company to reduce its prices. If its competitors offer large discounts on their EMR systems or processing fees and toxicology testing services. In order to gain market share, the Company may need to lower its prices and offer other favorable terms in order to compete successfully. Such changes could reduce profit margins and have an unfavorable impact on its operating results. Some of the Company's competitors could offer products and services that compete with ours as part of a long-term pricing strategy or offer price guarantees or product implementation. With time, these practices could limit the prices the Company may charge for its products and services. If the Company cannot offset these price reductions with a corresponding increase in sales volume or decreased expense, the decreased revenues from products and services could unfavorably affect its profit margins and its operating results.

The Company's Inability To Protect Its Proprietary Rights Could Adversely Affect Its Competitive Position

The Company licenses proprietary technology. The licensors may be required to modify the design of the product, modify their license arrangements with the Company, or litigate challenges to their technology, all of which may have an adverse business effect on the Company.

12.1 CONTINGENCIES

Litigation

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. The suit alleges various causes of action including fraud and fraudulent non-disclosure. The Company and its legal counsel are in the early stages of reviewing the claims, but management believes that they have no merit and intends to vigorously defend the action. The claims made are similar to claims made to Sun by another insurance company which were all dismissed including allegations of fraud

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 consulting arrangements. 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.

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 licensing arrangements. 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.

13. NON-IFRS FINANCIAL MEASURES

The Company occasionally utilizes financial measures not calculated in accordance with generally accepted accounting principles in Canada ("IFRS") in order to provide investors with an alternative method for assessing our operating results in a manner that enables investors to more thoroughly evaluate our financial performance. We also believe these Non-IFRS measures provide investors with an expanded baseline for modeling Alternate Health's future financial performance.

Management uses these Non-IFRS financial measures to make operational and investment decisions, to evaluate the Company's performance, to forecast and to determine compensation. Further, management utilizes these performance measures for purposes of comparison with its business plan and individual operating budgets and allocation of resources. We believe that our investors should have access to, and that we are obligated to provide, the same set of tools that we use in analyzing our results. These Non-IFRS measures should be considered in addition to results prepared in accordance with IFRS but should not be considered a substitute for or superior to IFRS results. We have provided definitions below for certain Non-IFRS financial measures, together with an explanation of why management uses these measures and why management believes that these Non-IFRS financial measures are useful to investors. In addition, we have provided tables to reconcile the Non-IFRS financial measures utilized to IFRS financial measures.

The Non-IFRS financial measures described below do not have any standardized meaning under the Company's generally accepted accounting principles (IFRS) and therefore may not be compatible to similar measures presented by other companies.

Adjusted Non-IFRS Measures

Our Non-IFRS measures adjust IFRS Net income, Net income per share - diluted, and EBITDA for non-cash stock-based compensation expense for employees and partners and fees incurred for listing the Company's shares on the Over the Counter ("OTC") market exchange in the United States and other non-recurring expenses. In the tables that follow, we provide a reconciliation of these adjusted Non-IFRS measures to IFRS Net income, Net income per share - diluted and EBITDA.

Adjusted EBITDA

Alternate Health uses adjusted EBITDA as a means to assess the overall financial performance of its business without the effects of interest, taxes, depreciation, amortization, non-cash share-based compensation and non-recurring expenses as these items may distort the analysis of certain business trends and hinder comparative analysis with other healthcare businesses competing in our markets.

The following table reconciles IFRS Net income (loss) to adjusted EBITDA for the comparative periods presented.

	Year Ended Dec 31		
(Canadian dollars)	2017	2016	$ Change
Net loss - IFRS	**$ (26,134,810)**	**$ (2,053,214)**	**$ (24,081,596)**
Add back (as reflected on AHC consolidated statement of operations):			
Depreciation and amortization	1,367,939	96,100	1,271,839
Interest expense	92,897	67,275	25,622
Income tax	(2,509,466)	(431,220)	(2,078,246)
EBITDA	**$ (27,183,440)**	**$ (2,321,059)**	**$ (24,862,381)**
Add back non-cash and non-recurring expenses:			
Non-cash stock based compensation	5,797,991	-	5,797,991
Non-cash stock based expenses	5,180,259	-	5,180,259
Non-recurring public company listing expenses	-	644,867	(644,867)
Non-recurring severance	177,744	-	177,744
Allowance for recoverability of assets	12,219,785	-	12,219,785
Gain from Bargain Purchase	(2,246,396)	-	(2,246,396)
Adjusted EBITDA	**$ (6,054,057)**	**$ (1,676,192)**	**$ (4,377,865)**

Adjusted Net Income and Adjusted Earnings per Share – Diluted

Alternate Health uses adjusted net income and adjusted earnings per share – diluted as an additional means to assess the overall financial performance of its business without the effects of non-cash share-based compensation and non-recurring expenses as these items may distort the analysis of certain business trends and make comparisons to other healthcare businesses less meaningful.

The following table reconciles IFRS net income and IFRS earnings per share to adjusted earnings and adjusted earnings per share – diluted for the comparative periods presented.

	Year Ended Dec 31		
(Canadian dollars)	2017	2016	$ Change
Net loss - IFRS	**$ (26,134,810)**	**$ (2,053,214)**	**$ (24,081,596)**
Adjusted for:			
Non-cash stock based compensation	5,797,991	-	5,797,991
Non-cash stock based expenses	5,180,259		5,180,259
Non-recurring public company listing expenses	-	644,867	(644,867)
Non-recurring severance	177,744	-	177,744
Allowance for recoverability of assets	12,219,785	-	12,219,785
Gain from Bargain Purchase	(2,246,396)	-	(2,246,396)
Adjusted net income (loss)	**$ (5,005,427)**	**$ (1,408,347)**	**$ (3,597,080)**
Weighted average number of outstanding shares used in computing diluted income per share	49,754,515	31,069,949	18,684,566
Adjusted earnings (loss) per share - diluted	**$ (0.1006)**	**$ (0.0453)**	**$ (0.06)**

14. COMPARATIVE FIGURES ADJUSTMENT

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 takeover 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.