

Management Discussion and Analysis of

**Alternate Health Corp.**

For the three month period ended March 31, 2017

Dated: May 30, 2017

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## 1. FINANCIAL HIGHLIGHTS

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

(Canadian dollars except where indicated)	First Quarter		
	2017	2016	\$ Change
<b>Financial Performance Metrics</b>			
Operating revenues	3,870,882	43,720	3,827,162
Operating income (loss)	(1,166,989)	(73,966)	(1,093,023)
Non-operating income (expense)	518,711	-	518,711
Net income (loss)	(648,278)	(73,966)	(574,312)
Adjusted net income (loss) <sup>(1)</sup>	1,141,588	(73,966)	1,215,554
Adjusted EBITDA <sup>(1)</sup>	1,365,700	(38,226)	1,403,926
Adjusted EBITDA margin % <sup>(1)</sup>	35.3%	(87.4%)	122.7%
Net cash flows from operating activities	224,715	(42,371)	267,086
Basic earnings (loss) per share	\$ (0.02)	\$ (0.00)	\$ (0.02)
Adjusted earnings (loss) per share - diluted <sup>(1)</sup>	\$ 0.03	\$ (0.00)	\$ 0.03

(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 11 of this MD&A for descriptions of Alternate Health's non - IFRS financial measures.

## 2. INTRODUCTION AND KEY ASSUMPTIONS

This management discussion and analysis of financial position and results of operations (“**MD&A**”) is prepared as at May 29, 2017. This MD&A should be read in conjunction with Alternate Health Corp’s. (“**AHC**” or the “**Company**”) interim unaudited condensed consolidated financial statements and notes for the first quarter of 2017, AHC’s 2016 annual audited consolidated financial statements and notes and AHC’s 2016 MD&A dated May 1, 2017. All financial information has been prepared in accordance with the 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 condensed 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, environmental risks and obligations, 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 is being 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 condensed 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 file on [sedar.com](http://sedar.com).

## DESCRIPTION OF BUSINESS

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

### *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").

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<sup>1</sup> and resulting functionality of the patient records management system that became VIP-Patient.

AHC also 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. The Company anticipates that it will begin installing the CanaCard system with a group of Canadian based clinics in the third quarter of this year.

### *Alternate Health Laboratories*

The Company is in the Toxicology Laboratory business. A toxicology 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 the spring of 2016 a predecessor to the Company (which was acquired by the Company subsequent to year end) contracted with an experienced laboratory operator to establish and operate a Toxicology lab in San Antonio, Texas. In January 2017, AHC acquired 100% of the toxicology lab. Refer to *OPERATIONS 2017 Overview in this Q1 2017 MD&A and OPERATIONS 2016 Overview and Subsequent events in the Company's 2016 MD&A dated May 1, 2017 for additional detail.*

### *Alternate Health Life Sciences*

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<sup>1</sup> 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.

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 holders in medical cannabis/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 formulations and mechanisms to support the delivery of medical cannabis/CBDs.
- Ownership of the first AMA-approved Continuing Medical Education series on medical cannabis/CBDs for purchase by all types of medical practitioners.
- The Company expects to generate revenue in its CBD delivery products by the third quarter of 2017.

#### 4. RESULTS OF OPERATIONS

The following table and discussion compares results of Alternate Health Corp. for the first quarter 2017 versus the first quarter of 2016.

(Canadian dollars except where indicated)	First Quarter		
	2017	2016	\$ Change
<b>Results of operations</b>			
<b>Total revenues</b>	<b>3,870,882</b>	<b>43,720</b>	<b>3,827,162</b>
<b>Operating expenses</b>			
Sales and marketing	1,021,804	-	1,021,804
Consulting fees	999,448	9,764	989,684
Lab supplies	582,134	-	582,134
Professional fees	391,388	15,229	376,159
Management fees	809,763	-	809,763
Research and development	212,982	-	212,982
Salaries and related	656,210	10,043	646,167
Office and general administration	150,627	11,295	139,332
Rent and occupancy	229,007	30,462	198,545
Other	(15,492)	40,893	(56,385)
<b>Total operating expenses</b>	<b>5,037,871</b>	<b>117,686</b>	<b>4,920,185</b>
<b>Operating income (loss)</b>	<b>(1,166,989)</b>	<b>(73,966)</b>	<b>(1,093,023)</b>
<b>Non-operating income (expense)</b>			
Income from equity accounted for investment	583,009	-	583,009
<b>Net income (loss) before income taxes</b>	<b>(583,980)</b>	<b>(73,966)</b>	<b>(510,014)</b>
Income taxes	64,298	-	64,298
<b>Net income (loss) for the period</b>	<b>(648,278)</b>	<b>(73,966)</b>	<b>(574,312)</b>
<b>Basic earnings (loss) per share</b>	<b>\$ (0.02)</b>	<b>\$ (0.00)</b>	<b>\$ (0.02)</b>
<b>Adjusted EBITDA <sup>(1)</sup></b>	<b>\$ 1,365,700</b>	<b>\$ (38,226)</b>	<b>\$ 1,403,926</b>
<b>Adjusted net income (loss) <sup>(1)</sup></b>	<b>\$ 1,141,588</b>	<b>\$ (73,966)</b>	<b>\$ 1,215,554</b>
<b>Adjusted earnings (loss) per share - diluted <sup>(1)</sup></b>	<b>\$ 0.03</b>	<b>\$ (0.00)</b>	<b>\$ 0.03</b>

(1) Adjusted net income (loss), EBITDA (earnings before interest, taxes, depreciation and amortization) and adjusted earnings (loss) per share - diluted are each non-IFRS financial measures. Refer to section 11 of this MD&A for descriptions of Alternate Health's non-IFRS financial measures.

#### OVERVIEW

Alternate Health Corp. began operations in the first quarter of 2017. The primary source of revenue and a significant part of the expense during this first quarter of operations was derived from Alternate Health Labs ("AHL") acquired January 1, 2017. Additionally, the Company raised approximately \$11 million of capital, hired a corporate staff, and executed several key sales and business development agreements in all three of its business units in the first quarter of 2017. As explained below, a significant portion of the first quarter expense was non-cash and non-recurring in nature.

### *Revenue*

Revenue for the first quarter ended March 31, 2017 and 2016 was \$3,870,882 and \$43,720 respectively. Additionally, as explained in more detail below, the Company earned \$583,009 from equity investments during the first quarter 2017. The large year-over-year increase in revenue resulted primarily from revenue generated by the Company's newly acquired lab business, Alternate Health Labs. AHL revenue in the first quarter of 2017 was approximately \$3.7 million. The remainder of the revenue in the first quarter 2017 resulted from amortization of non-recurring deferred revenue recorded in 2014. At that time, the Company received payments totaling \$590,000 for rights to sell its software and it is this revenue that is being amortized over the 3-year term of the agreements. The Q1 2016 revenue resulted from the amortization of deferred revenue associated with these right to sell agreements.

### *Operating Costs*

Operating costs for the quarter ended March 31, 2017 and 2016 were \$5,037,871 and \$117,686, respectively. The large year-over-year increase results primarily from the commencement of operations of Alternate Health Labs, early stage investments in Alternate Health Life Science, as well as costs associated with the public listing of the Company's shares on the US OTC exchange and establishment of the management team. Included in the first quarter 2017 operating costs were non-cash expenses totaling approximately \$1.9 million of which \$1.7 million were non-recurring expenses resulting from share compensation earned by lab sales partners and business development consultants.

For the first quarter 2017, we incurred \$1,021,804 Sales and marketing expense. There were no similar expenses recorded in the first quarter last year. Sales and marketing expenses consist primarily of commissions paid to our lab sales partner resulting from their successful completion of contractual incentives earned during the first quarter of 2017. These commission payments were non-cash stock compensation incentives. Our lab sales partner can earn additional stock compensation of \$500,000 based on achieving additional sales targets this year.

Consulting fees were \$999,448 in the first quarter 2017 compared to \$9,764 in the same period last year. In the first quarter of this year, the Company deployed consulting resources across key functional and professional disciplines. During the first quarter, we spent approximately \$750,000 on consulting resources in establishing and supporting the Company's strategy and on-going operations, business development and compliance requirements and approximately \$250,000 on medical and product specialty research and development expert consulting resources. We anticipate continuing to invest in these resources for the foreseeable future.

Lab supplies relate exclusively to Alternate Health Labs. The \$582,134 expense incurred in the first quarter reflects the cost of supplies used to support the lab sales volume. There were no similar such costs in the first quarter last year. The lab supplies expense is largely variable relative to the volume of laboratory samples tested. We expect lab supplies expense, therefore, to grow in relation to growth in samples processed by the lab.

First quarter 2017 professional fees of \$391,388 include legal fees of approximately \$300,000 primarily relating to negotiating and drafting of new business agreements for Alternate Health Labs and Alternate Life Sciences plus the cost of outside corporate securities counsel. The remaining first quarter 2017 professional fees were primarily costs associated with investor relations, public relations and accounting and tax services.

We incurred \$809,763 in management fees during the first quarter of 2017 representing the cost of running and managing Alternate Health Labs. See note 9 in the Alternate Health Corp March 31, 2017 Condensed Interim Consolidated Financial Statements for further information relating to the management fees paid to a related party.



Research and development expense in Q1 2017 was primarily incurred to support on-going work in our Life Sciences group relating to the study of medicinal cannabis therapeutic effectiveness and commercial applications plus the cost of researching and filing patents. First quarter 2017 Rent and occupancy expense relates primarily to Alternate Health Labs facilities. Salaries and related expense in the first quarter 2017 include salaries and wages, payroll taxes and benefits of the Alternate Health Labs staff and Alternate Health corporate staff.

## 5. SUMMARY OF QUARTERLY RESULTS

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

For the quarter ended	Revenue \$	Operating Expense \$	Net Income (Loss) \$	Earnings (loss) per Share
June 2015	44,638	68,976	(24,608)	(\$0.00)
September 2015	42,833	157,529	(115,192)	(\$0.00)
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)

The first quarter 2017 increase in revenue and expense compared to the preceding quarter results from the addition of AHL revenue and expense and AHC corporate expenses (see "Operating Costs" in item 4 of this MD&A for detail). The \$1,106,759 Operating expense in the fourth quarter 2016 included an \$818,100 non-cash, share based compensation expense related to options granted in the quarter. The net loss in the first quarter 2017 includes approximately \$1.7 million of non-cash and non-recurring expenses (see "Operating Costs" included in Item 4 of this MD&A). The \$1,324,062 net loss for the fourth quarter 2016, is an increase of \$1,110,401 over the 3rd quarter. This amount is made up of \$838,186 in operating expense, and non-recurring expenses which include non-cash listing expense of \$594,900 (Canadian Securities Exchange) and \$107,909 reverse take-over transactions costs less a deferred tax credit of \$431,220.

## 6. LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2017, the Company had working capital of \$10,514,697. In the first quarter of 2017, the Company closed two private placements for net proceeds of \$11,125,270. Additionally, share purchase warrants exercised in the first quarter generated proceeds of \$600,000. During the first quarter 2017, we generated \$224,715 cash from operations and used \$1,064,708 to fund investments and purchase equipment.

## 6.1 FINANCIAL POSITION

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

(Canadian dollars)	March 31, 2017	December 31, 2016	\$ Change
<b>Assets</b>			
Cash	\$ 11,026,546	\$ 570,003	\$ 10,456,543
Other current assets	3,383,360	317,677	3,065,683
<b>Current assets</b>	<b>14,409,906</b>	<b>887,680</b>	<b>13,522,226</b>
Convertible note receivable	665,200	-	665,200
Investments	8,126,423	-	8,126,423
Equipment	2,805,837	7,204	2,798,633
Intangible assets	4,296,301	1,001,928	3,294,373
Deferred income taxes	587,220	431,220	156,000
<b>Total assets</b>	<b>\$ 30,890,887</b>	<b>\$ 2,328,032</b>	<b>\$ 28,562,855</b>
<b>Liabilities</b>			
Current liabilities	\$ 3,895,209	\$ 432,283	\$ 3,462,926
Development fees payable to related party	506,528	538,200	(31,672)
<b>Total liabilities</b>	<b>4,401,737</b>	<b>970,483</b>	<b>3,431,254</b>
<b>Total shareholders' equity</b>	<b>26,489,150</b>	<b>1,357,549</b>	<b>25,131,601</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 30,890,887</b>	<b>\$ 2,328,032</b>	<b>\$ 28,562,855</b>

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

At March 31, 2017 notes receivable consisted of a convertible note with Apri Health, Inc. (see note 4). Investments included Hightimes Holding Corp (\$332,982 see note 5) and Clover Trail Capital LLC (\$7,793,442 see note 5). The equipment primarily consists of lab testing equipment used by Alternate Health Labs. 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 (see note 7). Notes referenced above can be found in the Notes to the March 31, 2017 Alternate Health Corp. Condensed Consolidated Financial Statements.

## 6.2 WORKING CAPITAL

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

(Canadian dollars)	March 31, 2017	December 31, 2016	\$ Change
Cash	\$ 11,026,546	\$ 570,003	\$ 10,456,543
Accounts receivable	2,648,541	273,011	2,375,530
Other current assets	734,819	44,666	690,153
<b>Total current assets</b>	<b>14,409,906</b>	<b>887,680</b>	<b>13,522,226</b>
Accounts payable and accrued liabilities	2,784,509	265,088	2,519,421
Other current liabilities	1,110,700	167,195	943,505
<b>Total current liabilities</b>	<b>3,895,209</b>	<b>432,283</b>	<b>3,462,926</b>
<b>Net working capital</b>	<b>\$ 10,514,697</b>	<b>\$ 455,397</b>	<b>\$ 10,059,300</b>

The net working capital of \$10,514,697 at March 3, 2017 increased \$10,059,300 during the first quarter of 2017 due primarily to the issuance of share capital (see below in Item 6.3 of this MD&A). Accounts receivable of \$2,648,541 consists primarily of approximately \$2.5 million due from Alternate Health Labs' customers and approximately \$120,000 due from Alternate Health Labs selling partner. Other current assets primarily consist of prepaid consulting, prepaid maintenance and insurance and security deposits for facilities and utilities.

Accounts payable and accrued items include trade payables of approximately \$0.8 million and accrued expenses, primarily accrued consulting expenses of approximately \$0.5 million. The remaining approximately \$1.5 million is accrued management fees owed to lab manager, LMK Management LLC a related party (see note 11 Related Party Transactions included in Alternate Health Corp.'s Condensed Interim Consolidated Financial Statements at March 31, 2017). Other liabilities at March 31, 2017 consisted of \$586,620 of the current portion of AHL equipment leases, \$408,719 income taxes payable and \$115,361 current portion of non-recurring deferred revenue.

### 6.3 Consolidated cash flow movements

(Canadian dollars)	First Quarter		
	2017	2016	\$ Change
<b>Net cash flows (used by) operating activities</b>	<b>\$ 224,715</b>	<b>\$ (42,371)</b>	<b>\$ 267,086</b>
Convertible note receivable	(665,200)	-	(665,200)
Purchase of equipment	(50,000)	-	(50,000)
Purchase of Hightimes Holdings Corp shares	(332,982)	-	(332,982)
Internally generated intangible assets	(24,752)	-	(24,752)
Cash on acquisition of subsidiary	8,226	-	8,226
<b>Net cash provided by (used in) investing activities</b>	<b>(1,064,708)</b>	<b>-</b>	<b>(739,952)</b>
Issuance of share capital	11,125,270	25,000	11,100,270
Long-term liability	-	16,819	(16,819)
Share subscription receivable	-	19,000	(19,000)
Warrants exercised	600,000	-	600,000
Lease payments	(397,062)	-	(397,062)
Development fee payments	(31,672)	-	(31,672)
<b>Net cash provided by (used in) financing activities</b>	<b>11,296,536</b>	<b>60,819</b>	<b>11,235,717</b>
<b>Increases in cash</b>	<b>\$ 10,456,543</b>	<b>\$ 18,448</b>	<b>\$ 10,438,095</b>

In the first quarter of 2017, net cash flows from operating activities of \$224,715 improved \$267,086 when compared to the same quarter in 2016. The increase in net cash flows from operating activities was mainly due to the impact of higher cash inflows from improved adjusted net earnings (see item 14 in this MD&A for details of non-cash expenses in the first quarter of 2017).

The Company invested \$1,064,708 during the first quarter of 2017 in two primary investments: Apri Health Inc. and Hightimes Holdings Corp.

Apri Health is a leading provider of data analytics solutions to the healthcare industry. The Company invested \$665,200 in a convertible debenture which provides the Company with the opportunity to convert the debenture into common shares of April at a stated discount to the market value of Apri common stock as determined at the time of a capital event. Concurrently, the Company entered into a licensing agreement with Apri to utilize its data analytics application with Company customers and for its own product development and analytical purposes across its business lines.

The Company also purchased approximately \$330,000 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.

## 6.4 SHARE INFORMATION

The Company's share capital consists of the following:

Authorized: Unlimited common shares

Issued: 51,068,141 common shares

1,800,000 stock options outstanding convertible into common shares at exercise price of \$1.00. 175,000 options expire on February 1, 2018 and 1,625,000 options expire on June 22, 2018.

386,250 outstanding common share purchase warrants convertible into common shares at an exercise price of \$1.50. The warrants expire between May 23, 2017 and July 8, 2018.

## 7. OFF BALANCE SHEET ARRANGEMENTS

The Company had no off balance sheet arrangements.

## 8. RELATED PARTY TRANSACTIONS

Alternate Health's related party transactions are as disclosed in note 16 to the 2016 annual consolidated financial statements and note 11 to the March 31, 2017 Condensed Interim Consolidated Financial Statements.

## 9. SUBSEQUENT EVENTS

The following events occurred subsequent to the balance sheet date, March 31, 2017, but prior to the issuance of the financial statements.

### Stock Options and Warrants

- a.) Effective April 14, 2017 the Company granted 580,000 stock options to directors, officers and consultants to acquire common shares of the Company at \$4.00 per share. The options have a five-year term from the date of issue.
- b.) Effective April 14, 2017 the Company granted warrants in conjunction with various officer employment agreements to purchase 867,544 common shares of the Company at a price of \$3.91 per share for a period of five years from the date of issue.
- c.) 18,334 warrants to purchase the Company's shares at \$1.50 per share were exercised and closed on April 12, 2017 for proceeds of \$27,501.

### National Access Cannabis Corp

On April 7, 2017, the Company entered into a Convertible Debenture Purchase agreement with National Access Cannabis Corp. ("NAC"), a British Columbia company that operates medical Cannabis clinics across Canada and is in the process of going public via a reverse takeover of a capital pool company. The Company purchased convertible debentures in the principle amount of \$400,000. 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.

On May 8, 2017, the Company also completed a private purchase of 2,000,000 common shares of NAC at \$.22 per share for total consideration of \$440,000.

### **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, and manufacture CBD products, ("Alturas Ventures"). These discussions continue as both parties consider and work through the detail deliverables of the agreement.

## **10. ACCOUNTING POLICIES**

Alternate Health's accounting policies are as disclosed in Note 4 to the 2016 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**

Alternate Health's financial instruments and risk management practices are summarized in the section titled, "Financial Instruments and Risk Management" of Alternate Health's 2016 MD&A. There have been no material changes to Alternate Health's financial instruments and risk management practices from what was disclosed at that time.

## **12. RISK FACTORS**

For a description of risk factors associated with Alternate Health, please refer to "Risk Factors" in Alternate Health's 2016 MD&A. There have been no material changes to Alternate Health's risk factors from what was disclosed at that time.

## **13. CONTROLS AND PROCEDURES**

### **Disclosure Controls and Procedures and Internal Controls over Financial Reporting**

Disclosure controls and procedures within the Corporation have been designed to provide reasonable assurance that all material information is identified to its Chief Executive Officer ("CEO"), its Chief Financial Officer ("CFO"), and its Executive Committee to ensure appropriate and timely decisions are made regarding public disclosure.

Internal controls over financial reporting have been designed by management, under the supervision of, and with the participation of the Corporation's CEO and CFO, to provide reasonable assurance regarding the reliability of the Corporation's financial reporting and its preparation of financial statements for external purposes in accordance with IFRS.

In the Corporation's 2016 filings, the Corporation's CEO and CFO certified, as required by National instrument 52-109, the appropriateness of the financial disclosure, the design and effectiveness of internal control over financial reporting.

In the Corporation's first quarter 2017 filings, the Corporation's CEO and CFO certified, as required by National Instrument 52-109, the appropriateness of the financial disclosure, the design of the Corporation's disclosure controls and procedures and the design of internal control over financial reporting.

The Corporation's Audit Committee reviewed this MD&A and the interim unaudited condensed consolidated financial statements and notes, and the Corporation's Board of Directors approved these documents prior to their release.

### **Changes in Internal Controls over Financial Reporting**

There have been no changes to the Corporation's internal controls over financial reporting during the quarter ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### **11.1 CONTINGENCIES**

The Company is not aware of any material contingencies or pending material legal proceedings as of March 31, 2017 and the date of this MD&A. [Pending update re. BC/BS Sun Labs litigation]

### **14. NON-IFRS FINANCIAL MEASURES**

The Corporation occasionally utilizes financial measures not calculated in accordance with generally accepted accounting principles in Canada ("IFRS/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 a more informed 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.

#### **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. 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 associated with listing the Company's stock on the OTC 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.

<b>Adjusted EBITDA</b>	<b>First Quarter</b>		
	<b>2017</b>	<b>2016</b>	<b>\$ Change</b>
(Canadian dollars)			
<b>Net loss - IFRS</b>	<b>\$ (648,278)</b>	<b>\$ (73,966)</b>	<b>\$ (574,312)</b>
<b>Add back (as reflected on AHC consolidated statement of operations):</b>			
Depreciation and amortization	122,987	18,921	104,066
Interest expense	36,827	16,819	20,008
Income tax	64,298	-	64,298
<b>EBITDA</b>	<b>\$ (424,166)</b>	<b>\$ (38,226)</b>	<b>\$ (385,940)</b>
<b>Add back non-cash and non-recurring expenses:</b>			
Non-cash stock based compensation expense	119,758	-	119,758
Non-recurring public company listing expenses	57,508	-	57,508
Non-cash, non-recurring share compensation to partners	1,612,600	-	1,612,600
<b>Adjusted EBITDA</b>	<b>\$ 1,365,700</b>	<b>\$ (38,226)</b>	<b>\$ 1,403,926</b>

#### **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 OTC listing 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.

<b>Adjusted net income (loss)</b>	<b>First Quarter</b>		
	<b>2017</b>	<b>2016</b>	<b>\$ Change</b>
(Canadian dollars)			
<b>Net loss - IFRS</b>	<b>\$ (648,278)</b>	<b>\$ (73,966)</b>	<b>\$ (574,312)</b>
<b>Adjusted for:</b>			
Non-cash stock based compensation expense	119,758	-	119,758
Non-recurring public company listing expenses	57,508	-	57,508
Non-cash, non-recurring share compensation to partners	1,612,600	-	1,612,600
<b>Adjusted net income (loss)</b>	<b>\$ 1,141,588</b>	<b>\$ (73,966)</b>	<b>\$ 1,215,554</b>
Weighted average number of outstanding shares used in computing diluted income per share <sup>(1)</sup>	38,054,970	30,501,250	7,553,720
<b>Adjusted earnings (loss) per share - diluted</b>	<b>\$ 0.03</b>	<b>\$ (0.00)</b>	<b>\$ 0.03</b>