ALTERNATE HEALTH CORP.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016

General

This management discussion and analysis of financial position and results of operations ("**MD&A**") is prepared as at April 27, 2017 and should be read in conjunction with the consolidated December 31, 2016 audited financial statements and related notes of Alternate Health Corp. ("**AHC**" or the "**Company**"). These audited consolidated financial statements, including comparatives, have 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 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 Management Discussion and Analysis ("**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.

Cautionary Statement on 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.

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. These and other uncertainties are discussed in greater detail under the heading "Risk Factors" in the Company's Prospectus dated November 29, 2016 filed with securities regulators and available on www.sedar.com, which risk factors are incorporated by reference into this document, and should be reviewed in detail by all readers.

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.

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.

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 its VIP Patient EMR system and CanaCard, toxicology testing and continuing medical education ("CME") courses. 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.

Economic Dependence

Alternate Health Labs ("AHL"), while it earned revenue from processing samples, earned that revenue from two customers. 100% of its outstanding trade accounts receivable are from these two customers. While it is not expected that such contracts will be terminated, should such customers terminate their arrangements with AHL and AHL is unable to negotiate similar arrangements with alternative customers, it could have a material impact on the operations of the Company.

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 VIP Patient and CanaCard Practice Management Software ("CPMS"), or the CME courses on medical marijuana. 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 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.

DATE OF MD&A

This MD&A was prepared on April 27, 2017.

History

Alternate Health Corp. ("AHC" and "Company") (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 acquiring company the historical financial disclosure and related information in this MD&A is AHI information. Additional historical information on AHI is included in the Company's November 29, 2016 Prospectus filed in its issuer file on sedar.com.

Description of Business

The goal of Alternate Health is to become a leader in the traditional medical field as well as medical cannabis industry by combining new business execution methods (toxicology lab), innovation (medical research & patents), technology (proprietary software) and integration (software platform) within the company's network of companies, patients, doctors and healthcare services to capture and control a larger portion of the patient-provider value chain.

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[1] 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.

Alternate Health Laboratories

The Company is in the Toxicology Laboratory business. A toxicology laboratory receives and

[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.

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 innovate 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 as more fully described in *OPERATIONS 2016 Overview* and *Subsequent Events.*

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 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 include 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.

SELECTED ANNUAL INFORMATION

The following is a summary of financial results for the Company's three most recently completed financial years:

Year Ended Dec. 31 (Note)	**2016**	**2015**	**2014**
Total revenues	183,546	$167,555	$8,208
Net income (loss)	($1,753,247)	($233,290)	(538,233)
Earnings (loss) per share	($0.06)	($0.01)	($0.02)
Total assets	$2,328,032	$1,174,898	$1,107,782
Short term liabilities	$432,283	$275,799	$270,674
Long term liabilities	$538,200	$642,222	$798,741
Shareholder's Equity	$1,357,549	$256,877	$38,367
Cash dividends declared per share	$Nil	$Nil	$Nil

Note: Financial data in all tables in this MD&A have been prepared in accordance with IFRS and are reported in Canadian dollars.

OPERATIONS

2016 Overview

2016 activities set the stage for the Company to fully activate its operations in 2017. Major accomplishments in 2016 include:

- Approval of the Company's Non-Offering Prospectus by the Ontario Securities Commission and approval to list AHC's shares on the Canadian Securities Exchange with trading commencing on January 24, 2017.

- Closing the Share Exchange Agreement with Alternate Health Inc. on December 22, 2016.

- The execution of a Lab Development Agreement with Dr. Michael Murphy ("Murphy") to establish a toxicology laboratory in San Antonio, Texas. The agreement provided that Murphy would incorporate Alternate Health Labs Inc ("AHL") to own and operate the lab with ownership of AHL to be transferred to AHC after the successful development and startup of the lab by Murphy. He opened the lab in June 2016 and AHL took ownership effective January 1, 2017. AHC is very pleased with the successful pre-ownership start up and will consolidate its operations in its financial statements commencing in the first quarter of 2017. (See *Subsequent Events- Acquisition of Alternate Health Labs, Inc*.)

- Execution of an agreement with Dr. Michelle Reillo for rights to her AMA-approved Continuing Medical Education series on medical cannabis/CBD and completing a related mixed media video expected to be marketed and accessed on the internet by medical practitioners in the second quarter of 2017. (See *Subsequent Events-Exclusive Rights to Medical Cannabis Education, Patents and Research)*

- Significant relationship building in our Life Sciences Business which led to agreements in early 2017 on CBD delivery systems and a relationship with the Alturas Native American Indian Band with an existing grow operation with product to be used in the Company's Life Sciences research programs. (See *Subsequent Events – Alturas Ventures Agreement*).

Revenue

Revenue for the years ended December 31, 2016 and 2015 was $183,546 and $167,555 respectively. On December 15, 2014, the Company received payments of $590,000 for rights to sell its software and this revenue is being amortized over the initial 3-year term of the agreements which are described below.

Reseller Agreements

Effective December 15, 2014, the Company executed two software Authorized Reseller Agreements, one for each of the provinces of Alberta and Nova Scotia. The Agreements required Rights Fee payments to the Company totaling $590,000 and the issuance of 590,000 AHI common shares. A former director and officer of AHI had a minority interest in the Reseller companies. The Resellers earn success based compensation for marketing/selling AHI software as follows: for licensees introduced by the Reseller, 25% of software customization fees paid to AHI by software licensees and 3.5% of related backend net revenue received by AHI. To date no compensation has been earned by the Reseller companies.

Operating Costs

Operating costs for the years ended December 31, 2016 and 2015 were $1,665,194 and $400,845 respectively. The $1,264,449 increase included $838,557 of non-cash items. $818,100 was related to share based compensation calculated on stock options granted to the Company's officers, directors and consultants using the Black Sholes valuation method. The remaining $20,417 increase was amortization of VIP Patient software intangibles recorded in 2016.

The remaining increase of $424,932 consists primarily of Consulting Fees ($181,478), Business Development ($106,539), Professional ($51,437), Interest ($45,027), and Travel ($20,377). The Consulting Fee increase is largely related to research on the effectiveness of CBD medicinals to cure or remediate certain medical conditions. Business development expense was related to AHC's Continuing Medical Education business and increased Professional fees were principally related to audit and transaction legal services. There was only 4 months of Interest expense on Development fees payable in 2015 and 12 months in 2016. Increased travel expense related to the Alternate Health Lab business and due diligence on Life Sciences business opportunities.

Other Expenses and Reverse Take-Over ("RTO")

Other expenses totaling $702,819 are related to the RTO and related listing expense as described below.

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

As a result of the SEA, the former shareholders of AHI controlled 98.80% voting shares of the Company.

Although the SEA transaction resulted in the legal acquisition of AHI by the Company, the transaction constituted an RTO of AHC and has been accounted for as a reverse take-over transaction for accounting purposes. The operating activities of the Company prior to the SEA did not meet the definition of a business according to the definition in IFRS 3, and accordingly this reverse take-over transaction does not constitute a business combination. The transaction was accounted for as the purchase of AHC's net assets by AHI. The net asset purchase price was classified as an equity settled share-based payment, under IFRS 2.

The fair value of the consideration paid was determined based on a private placement that was announced on December 23, 2016. The treasury order for this private placement of 2,914,354 common shares was authorized for issue as of January 20, 2017 at a price of $1.50 per share. Prior to the SEA, the total fair value of AHC's common shares outstanding was calculated to be $594,900 and the fair value of AHC's net assets prior to the SEA were nominal and were determined to be nil. The difference between the fair value of the consideration paid and the fair value of net assets of AHC of $594,900 has been recognized as a listing expense in the consolidated statement of loss and comprehensive loss for year ended December 31, 2016. In addition, the transaction cost of the RTO was $107,919 and was expensed in 2016.

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
March 2015	42,833	67,015	(24,182)	($0.00)
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)

The $1,106,759 Operating expense in the fourth quarter is an increase of $838,186 over the prior quarter. It included an $818,100 non-cash, share based compensation expense related to options granted in the quarter. Net of that charge operating expense for the quarter was $288,659 which is comparable to the third quarter. The $1,324,062 net loss for the quarter 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 and $107,909 RTO transactions costs less a deferred tax credit of $431,220. The Company had not previously recorded a deferred tax recovery but with the completion of the SEA and expectation of future taxable income it recorded the recovery in the fourth quarter.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2016, the Company had working capital of $455,397 and in the first quarter of 2017 closed two private placements for net proceeds of $11,302,535. Additionally, share purchase warrants exercised in the first quarter generated proceeds of $627,501. (*See Subsequent Events*). Together these issues put the Company in a strong working capital position. The funds will be used to accelerate marketing and growth of the Company's Laboratory, Technology and Life Sciences businesses as well as investment opportunities in those business sectors.

OFF BALANCE SHEET ARRANGEMENTS

The Company had no off balance sheet arrangements

RELATED PARTY TRANSACTIONS

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

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

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

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

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

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

SUBSEQUENT EVENTS

The following events occurred subsequent to the balance sheet date, December 31, 2016, but prior to the issuance of the financial statements.

(a) **Canadian Securities Exchange Listing**

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

(b) **Private Placements, Warrants and Options**

(i) On January 19, 2017, the Company completed a private placement of 2,914,354 common shares at $1.50 per share for gross proceeds of $4,371,530. Issue costs totaled $378,720.

(ii) On March 10, 2017, the Company completed a non-brokered private placement of 2,328,940 common shares at $3.25 per share for gross proceeds of $7,569,055 less issue costs of $259,330.

(iii) On March 23, 2017, the Company issued 418,334 common shares on the exercise of 418,334 common share purchase warrants at $1.50 per share for proceeds of $627,501.

(iv) On January 8, 2017, the Company issued 180,000 eighteen-month common share purchase warrants exercisable at $1.00 per share to a consultant who subsequently became a Company officer.

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

On April 27, 2016, the Company entered a Lab Business Development Agreement ("LDA" agreement) with Dr. Michael Murphy ("Murphy") of San Antonio Texas to establish and equip a licensed toxicology lab to be owned by a subsidiary of the Company and to be managed by LMK Management LLC ("LMK"), an affiliate of

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

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

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

Agreements with Dr. Michelle Reillo (“Reillo Agreements”)

i) Testing Process Commercialization Rights:

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

ii) Cannabidiol, CBD, THC Certification Programs:

On February 10, 2016, the Company entered an exclusive 50:50 net profit sharing Letter of Intent with Dr. Reillo. The letter of Intent grants the Company the exclusive rights to commercialize educational programs developed by Dr. Reillo through the creation of multimedia credit courses available for purchase over the internet. The term for the rights is 10 years with one 10-year automatic renewal. Dr. Reillo will update the courses every two years.

The first course, which is now released, is accredited through the University of Louisville in accordance with the American Medical Association (AMA) and the American Board of Medical Specialties (ABMS) educational requirements, and provides a comprehensive overview of the endocannabinoid system (ECS), and the vital role it plays in various physiological functions of the human body. The Company has formed a wholly owned subsidiary called, Alternate Medical Media, LLC ("AMM") and this course will be an important asset in creating the means for attracting and effectively communicating with the Company's targeted audience. AMM's services are distinctive in utilizing advanced media techniques to effectively communicate complex information and introduce new, innovative and emerging diagnostics, treatments and non-traditional solutions.

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

(e) **License Agreements with Sentar Pharmaceuticals and Medipatch, Inc.**

In March of 2017, the Company closed license agreements with Medipatch, Inc. and Sentar Pharmaceuticals that give the Company exclusive rights to transdermal patch and non-pharmaceutical sublingual dissolvable tablet delivery systems. These delivery systems represent a safe and controlled method for delivering measured doses of pharmaceutical grade CBD and THC based medicines. These agreements provide for long-term product development and commercialization and an immediate opportunity to manufacture and distribute proprietary products in the US, Canada and the United Kingdom.

(f) **Mutual Cooperation and Consulting Agreement**

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

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

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

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

(h) **Other Consulting Agreements With Share Consideration**

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

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

On March 17, 2017, the Company entered into a subscription agreement with Hightimes Holding Corp., a Delaware Corporation, to purchase 59,525 shares of Class A Common Stock from Hightimes Holding Corp. at a purchase price of $250,005 USD. Hightimes Holding Corp is the parent company of High Times, the oldest media publication in the US, serving the cannabis market since 1974. In recent years, High Times expanded into digital publishing, licensing, and event sponsorship and management in addition to its traditional print media. High Times management believes it has one of the largest US and international print and digital subscriber bases of any similar media product. The Company invested in High Times to further the Company's strategy to develop and disseminate educational and awareness content for the responsible use of medical marijuana and cross promote products and services that the Company may offer in legal jurisdictions.

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

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

NAC provides educational material regarding safe and legal access to the Canadian cannabis market per Health Canada regulations and guidelines, physician introductions, a medical marijuana card and other services related to patient access of medical marijuana. The Company believes NAC will be well positioned to expand its business model as medical marijuana regulations liberalize beginning in 2018 and potentially represents a customer for Company technology, products and services.

(k) **Alturas Ventures Agreement**

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

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

On March 18, 2017, the Company purchased a $500,000 convertible debenture issued by Apri Health, Inc. ("Apri Note"). Apri Health develops and implements data analytics and related data mining solutions for healthcare providers and other customers serving the healthcare market. The Apri Note is convertible into Apri Health common stock or other Apri Health securities, as the case may be, at a conversion rate that is 80% of the common stock price of Apri Health, or equivalent securities, as determined at the time of a sale of a majority of Apri Health's common stock to a third party or an initial public offering. In the event that Apri Health does not sell a majority of its common stock or complete an initial public offering during the term of the Apri Note, the Company may convert the Apri Note at its option at a conversion price that is equivalent to the common share price realized by Apri Health at the most recent capital financing immediately prior to the conversion date.

The Apri Note has a five year maturity and bears interest at 0.1% interest per annum. In connection with the purchase of the Apri Note, the Company entered into a technology development agreement with Apri Health on February 1, 2017, whereby Apri will license its data analytics engine to the Company and assist with the development and implementation of customized data analytic solutions for the Company and its customers.

Disclosure of Outstanding Share Data

The Company's share capital consists of the following:
Authorized:
Unlimited common shares

Issued:
51,886,862 common shares

1,800,000 stock options outstanding convertible into common shares at exercise price of $1.00. The options expire June 22, 2018.

367,916 outstanding common share purchase warrants convertible into common shares at an exercise price of $1.00. The warrants expire between May 23, 2017 and July 8, 2018.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Areas requiring a significant degree of estimation and judgment relate to the fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets and liabilities and ability to continue as a going concern. Actual results may differ from those estimates and judgments.

Financial Instruments and Risk Management

Fair Values

The fair values of cash and equivalents, receivables and trade payables approximate their book values because of the short-term nature of these instruments.

(a) ***Financial Risk Management***

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company considers the fluctuations of financial markets and seeks to minimize potential adverse effects on financial performance.

(b) ***Financial Instrument Risk Exposure***

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management process.

Credit Risk

Credit risk is the risk of a financial loss to the Company if counter-party to a financial instrument fails to meet its contractual obligation. The Company's exposure to credit risk includes cash and receivables. The Company reduces its credit risk by maintaining its bank accounts at large international financial institutions. Currently the Company's receivables consist primarily of tax receivables due from federal government agencies. The maximum exposure to credit risk is equal to the fair value or carrying value of the financial assets.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. Such fluctuations may be significant.

Interest rate risk

The Company has cash balances and no variable rate interest-bearing debt [The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Foreign currency risk

The Company is not currently exposed to any significant foreign currency risk as historically it conducted its business in Canadian dollars. However, revenue and expense and capital transactions expected in the United States and other foreign jurisdictions will be subject to foreign currency translation risk.

Contingencies

The Company is not aware of any contingencies or pending legal proceedings as of December 31, 2016 and the date of this MD&A.

NEW ACCOUNTING STANDARDS

<u>International Financial Reporting Standards ("IFRS")</u>

The Company's audited financial statements as at December 31, 2016 have been prepared in accordance with IFRS as issued by the IASB.