

Condensed Interim Consolidated Financial Statements of

ALTERNATE HEALTH CORP.

Unaudited - Expressed in Canadian Dollars

For the three and six month period ended June 30, 2017

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee of the Board of Directors. The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim consolidated financial statements by an entity's auditors.

ALTERNATE HEALTH CORP.

Condensed Interim Consolidated Statement of Financial Position

As at June 30, 2017 with comparative figures as at December 31, 2016

Unaudited - Expressed in Canadian Dollars

	June 30 2017	December 31 2016
ASSETS		
Current assets		
Cash	\$ 5,732,234	\$ 570,003
Accounts receivable	4,528,889	-
Due from Alternate Health Labs Inc (Note 12)	-	248,540
HST receivable	61,163	24,471
Prepaid expenses and deposits	808,852	44,666
	11,131,138	887,680
Other assets		
Convertible note receivable from related party (Note 4)	665,200	-
Investments (Note 5)	9,373,220	-
Equipment (Note 6)	3,125,604	7,204
Equipment in process	65,942	-
Intangible assets (Note 7)	4,754,100	1,001,928
Deferred income taxes	1,420,665	431,220
	\$ 30,535,869	\$ 2,328,032
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 2,541,395	\$ 265,088
Income taxes payable	781,608	-
Current portion of leases payable	212,175	-
Deferred revenue	63,527	167,195
	3,598,705	432,283
Long-term liabilities		
Development fees payable to related party (Note 8)	521,472	538,200
	4,120,177	970,483
Shareholders' equity (note 9)		
Share capital (Note 9)	27,289,895	3,035,219
Warrants (Note 9)	2,257,373	29,000
Share-based reserve (Note 9)	2,135,103	818,100
Deficit	(5,266,679)	(2,524,770)
	26,415,692	1,357,549
	\$ 30,535,869	\$ 2,328,032

See accompanying notes to interim condensed financial statements

ALTERNATE HEALTH CORP.

Condensed Interim Consolidated Statement of Operations and Comprehensive Loss

For the three and six month periods ended June 30, 2017 and 2016

Unaudited - Expressed in Canadian Dollars

	Three month period ended June 30 2017	Three month period ended June 30 2016	Six month period ended June 30 2017	Six month period ended June 30 2016
Revenue (Note 12)	7,242,198	44,701	11,113,080	88,421
Operating expenses				
Amortization of equipment	89,670	616	163,774	1,233
Amortization of intangibles	48,884	18,305	97,769	36,610
Consulting Fees	708,157	76,540	1,724,606	86,304
Interest	25,542	16,819	63,753	33,638
Lab Supplies	1,739,678	-	2,321,812	-
Insurance	20,344	-	20,344	-
Loss on foreign exchange	213,147	9,110	37,715	14,263
Office and general	454,392	14,444	587,566	22,224
Professional fees	557,743	10,219	949,131	22,069
Management fees (Note 11)	2,129,731	-	2,939,494	-
Rent and occupancy	251,606	30,462	478,953	60,924
Research and development	145,525	-	358,507	-
Sales and marketing	53,222	(1,550)	1,073,467	1,875
Salaries and related	4,411,590	9,896	5,067,799	19,938
Telephone and utilities	7,522	-	9,182	-
Travel	41,221	5,047	58,848	5,047
	10,897,974	189,908	15,952,720	304,125
Loss before undernoted items and income taxes	(3,655,776)	(145,207)	(4,839,640)	(215,704)
Other comprehensive income (loss)				
Income from equity accounted for investment	(124,624)	-	458,385	-
	(3,780,400)	(145,207)	(4,381,255)	(215,704)
Income taxes				
Current	(172,771)	-	47,527	-
Deferred	-	-	(156,000)	-
	(172,771)	-	(108,473)	-
Net and comprehensive loss	(3,607,629)	(145,207)	(4,272,782)	(215,704)
Basic and diluted loss per share	(0.0695)	(0.0048)	(0.0905)	(0.0072)

See accompanying notes to interim condensed financial statements

ALTERNATE HEALTH CORP.

Interim Condensed Statement of Changes in Equity

For the six month period ended June 30, 2017 with comparative figures for the six month period ended June 30, 2016

Unaudited - Expressed in Canadian Dollars

	Number of shares #	Share capital \$	Number of Warrants warrants #	Warrants \$	Share- based reserve \$	Deficit \$	Total Shareholders' equity \$
Balance at December 31, 2015	29,945,000	1,028,400	525,000	-	-	(771,523)	256,877
Issuance of common shares with warrants, January 1 to March 31, 2016	31,250	20,000	31,250	5,000	-	-	5,000
Issuance of common shares with warrants, April 1 to June, 2016	150,000	96,000	150,000	24,000	-	-	120,000
Issuance of common shares, April 1 to June 30, 2016	405,886	405,886	-	-	-	-	405,886
Issuance of common shares - distribution rights	437,500	350,000	-	-	-	-	350,000
Net and comprehensive loss	-	-	-	-	-	(215,704)	(215,704)
Balance at June 30, 2016	30,969,636	1,900,286	706,250	29,000	-	(987,227)	942,059
Balance at December 31, 2016	32,916,236	3,035,219	606,250	29,000	818,100	(2,524,770)	1,357,549
Issuance of common shares Jan 11, 2017 (note 9a)	1,920,000	-	-	-	-	-	-
Issuance of common shares for debt settlement, Jan 11, 2017 (note 9b)	350,355	350,355	-	-	-	-	350,355
Issuance of common shares for intangible assets, Jan 11, 2017 (note 9c)	350,000	350,000	-	-	-	-	350,000
Issuance of common shares for intangible assets, Mar 2, 2017 (note 9d)	2,968,506	2,968,506	-	-	-	-	2,968,506
Issuance of common shares for consulting services, Jan 31, 2107 (note 9e)	612,600	612,600	-	-	-	-	612,600
Issuance of common shares re 20% purchase of equity interest, Mar 3, 2017 (note 9f)	4,557,150	4,557,150	-	-	-	-	4,557,150
Issuance of common shares for debt settlement, Apr 13, 2017 (note 9g)	800,387	2,653,283	-	-	-	-	2,653,283
Issuance of common shares for consulting services, Jan 11, 2017 (note 9h)	1,000,000	1,000,000	-	-	-	-	1,000,000
Issuance of common shares for future services, Jan 11, 2017, held in escrow (note 9i)	500,000	-	-	-	-	-	-
Issuance of common shares for future services, Jan 31, 2017, held in escrow (note 9j)	250,000	-	-	-	-	-	-
Issuance of warrants for consulting services, Jan 8, 2017 (note 9k)	-	-	180,000	81,810	-	-	81,810
Exercise of warrants for shares, one for one, March 23, 2017 (note 9l)	400,000	600,000	(400,000)	-	-	-	600,000
Issuance of common shares, Jan 20, 2017 (note 9m)	2,914,354	3,992,810	-	-	-	-	3,992,810
Issuance of common shares, Mar 6, 2017 (note 9n)	2,328,940	7,132,472	-	-	-	-	7,132,472
Expired warrants (note 9o)	-	-	(25,000)	-	-	-	-
Exercise of warrant for shares, one for one, Apr 4, 2017 (note 9p)	18,334	27,501	(18,334)	(2,934)	2,934	-	27,501
Exercise of warrant for shares, one for one, May 19, 2017 (note 9q)	6,666	9,999	(6,666)	(1,066)	1,066	-	9,999
Issuance of stock options for consulting services, Apr 14, 2017 (note 9r)	-	-	-	-	1,313,003	-	1,313,003
Issuance of warrants for consulting services, Apr 14, 2017 (note 9s)	-	-	867,544	1,919,756	-	-	1,919,756
Issuance of warrants for consulting services, Jun 14, 2017 (note 9t)	-	-	200,000	230,807	-	-	230,807
Retained earnings pick up on business acquisition (note 9a)	-	-	-	-	-	1,530,873	1,530,873
Net and comprehensive loss	-	-	-	-	-	(4,272,782)	(4,272,782)
Balance at June 30, 2017	51,893,528	27,289,895	1,403,794	2,257,373	2,135,103	(5,266,679)	26,415,692

See accompanying notes to interim condensed financial statements

ALTERNATE HEALTH CORP.

Condensed Interim Consolidated Statement of Cash Flows

For the three and six month periods ended June 30, 2017 and 2016

Unaudited - Expressed in Canadian Dollars

	Three month period ended June 30 2017	Three month period ended June 30 2016	Six month period ended June 30 2017	Six month period ended June 30 2016
Operating activities				
Net and comprehensive loss	\$ (3,607,629)	\$ (145,207)	\$ (4,272,782)	\$ (215,704)
Amortization of equipment	89,670	616	163,774	1,233
Amortization of intangibles	48,884	18,305	97,769	36,610
Equity earnings, not generating cash	124,624	-	(458,385)	-
Deferred tax recognition not providing cash	(833,445)	-	(989,445)	-
Share based compensation not requiring cash	3,463,566	-	5,157,976	-
Accrued interest on development fee	14,944	-	33,272	-
Change in non-cash working capital items (Note 10)	(1,937,602)	(110,852)	(2,094,452)	(101,805)
Cash used in operating activities	(2,636,988)	(237,138)	(2,362,273)	(279,666)
Investing activities				
Convertible note receivable from related party	-	-	(665,200)	-
Purchase of National Access Corp securities	(1,636,920)	-	(1,636,920)	-
Purchase of equipment	(438,401)	-	(459,438)	-
Equipment in process	(36,979)	-	(65,942)	-
Purchase of Hightimes Holdings Corp shares	-	-	(332,982)	-
Intangible assets	(506,683)	(350,000)	(531,435)	(350,000)
Cash on acquisition of subsidiary	-	-	8,226	-
Income distribution from investment	265,500	-	265,500	-
Cash used in investing activities	(2,353,483)	(350,000)	(3,418,191)	(350,000)
Financing activities				
Issuance of share capital	37,500	875,906	11,162,770	900,906
Warrants exercised	-	-	600,000	-
Long-term liability	-	16,819	-	33,638
Share subscription receivable	-	13,458	-	32,458
Equipment lease payments	(341,341)	-	(770,075)	-
Development fee payments	-	-	(50,000)	-
Cash used in financing activities	(303,841)	906,183	10,942,695	967,002
Increase (decrease) in cash	(5,294,312)	319,045	5,162,231	337,336
Cash, beginning of period	11,026,546	448,127	570,003	429,836
Cash (bank indebtedness), end of period	\$ 5,732,234	\$ 767,172	\$ 5,732,234	\$ 767,172

See accompanying notes to interim condensed financial statements

ALTERNATE HEALTH CORP.

Notes to Condensed Interim Consolidated Statements

June 30, 2017 with comparative figures for the twelve month period ending Dec 31, 2016
Unaudited - Expressed in Canadian Dollars

1. Nature of operations

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

The Company's registered office is located at 309 1485 6th Avenue, Vancouver, British Columbia, Canada, V6H 4G1 and its executive offices are located at 2745 N. Dallas Parkway, Suite 460, Plano, Texas, 75093.

Alternate Health Corp. is a 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.

The Company's common shares are listed on the Canadian Securities Exchange (Stock Symbol: AHG and OTC in the United States (Stock Symbol: AHGIF). These condensed unaudited interim financial statements were approved by the Board of Directors on August 7, 2017.

ALTERNATE HEALTH CORP.

Notes to Condensed Interim Consolidated Statements

June 30, 2017 with comparative figures for the twelve month period ending Dec 31, 2016
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2. Reverse Take Over of Alternate Health Corp.

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

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

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

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

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Notes to Condensed Interim Consolidated Statements

June 30, 2017 with comparative figures for the twelve month period ending Dec 31, 2016

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3. Basis of Preparation

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”) and under the historical cost method, except for certain financial instruments measured at fair value. These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company’s annual consolidated financial statements for the years ended December 31, 2016 and 2015 which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies and methods adopted are consistent with those disclosed in Note 4 to the Company’s consolidated financial statements for the years ended December 31, 2016 and 2015.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the interim consolidated financial statements are disclosed in note 4 of the Company’s consolidated financial statements as at and for the years ended December 31, 2016 and 2015.

4. Convertible note receivable

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 and its customers.

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

ALTERNATE HEALTH CORP.

Notes to Condensed Interim Consolidated Statements

June 30, 2017 with comparative figures for the twelve month period ending Dec 31, 2016

Unaudited - Expressed in Canadian Dollars

5. Investments

	June 30 2017	December 31 2016
Clover Trail Capital LLC - carried at equity		
Purchase of 20% equity in Clover Trail Capital LLC	\$ 7,210,433	\$ -
Equity earnings pick up, 6 months ended June 30, 2017	458,385	-
Income distribution	(265,500)	-
Total Clover Trail Capital LLC	7,403,318	-
Hightimes Holding Corp – carried at cost		
55,525 Class A common shares	332,982	-
National Access Cannabis Corp - carried at cost		
Convertible debenture - 2,000,000 shares	400,000	-
Purchase of 2,833,000 shares	639,920	-
Subscription receipts - 2,388,000 shares	597,000	-
Total National Access Cannabis Corp	1,636,920	-
Total investment	\$ 9,373,220	\$ -

ALTERNATE HEALTH CORP.

Notes to Condensed Interim Consolidated Statements

June 30, 2017 with comparative figures for the twelve month period ending Dec 31, 2016

Unaudited - Expressed in Canadian Dollars

6. Equipment

Cost

	Office Equipment	Computer Software	Leasehold Improvements	Lab Testing Equipment	Total
Balance December 31, 2015	\$ 13,438	\$ -	\$ -	\$ -	\$ 13,438
Additions in 2016	-	-	-	-	-
Balance December 31, 2016	\$ 13,438	\$ -	\$ -	\$ -	\$ 13,438
Additions in the 6 months ended June 30, 2017	\$ 98,135	\$ -	\$ 64,614	\$ 3,085,864	\$ 3,248,613
Balance June 30, 2017	\$ 111,573	\$ 175,468	\$ 64,614	\$ 3,085,864	\$ 3,437,519

Accumulated Amortization

	Office equipment	Computer software	Leasehold improvements	Lab Testing Equipment	Total
Balance December 31, 2015	\$ 3,769	\$ -	\$ -	\$ -	\$ 3,769
Amortization 2016	2,465	-	-	-	2,465
Balance December 31, 2016	\$ 6,234	\$ -	\$ -	\$ -	\$ 6,234
Amortization in the 6 months ended June 30, 2017	\$ 3,727	\$ 12,411	\$ 2,349	\$ 145,289	\$ 305,682
Brought forward on acquisition	-	-	-	141,906	-
Balance June 30, 2017	\$ 9,961	\$ 12,411	\$ 2,349	\$ 287,195	\$ 311,916

Net Book Value

	Office Equipment	Software	Leasehold Improvements	Lab Testing Equipment	Total
Dec 31, 2016	\$ 7,204	\$ -	\$ -	\$ -	\$ 7,204
June 30, 2017	\$ 101,611	\$ 163,058	\$ 62,265	\$ 2,798,670	\$ 3,125,604

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Notes to Condensed Interim Consolidated Statements

June 30, 2017 with comparative figures for the twelve month period ending Dec 31, 2016

Unaudited - Expressed in Canadian Dollars

7. Intangible assets

	Internally-generated		Other	Total
	Software Development Costs	Continuing Medical Education	Acquired Software/ CBD Distribution Rights	
Cost				
Balance December 31, 2015	\$ 732,190	\$ -	\$ -	\$ 732,190
Additions	-	86,592	350,000	436,592
Balance December 31, 2016	732,190	86,592	350,000	1,168,782
Additions	-	403,776	3,446,166	3,849,942
Balance June 30, 2017	\$ 732,190	\$ 490,368	\$ 3,796,166	\$ 5,018,724
Accumulated Amortization				
Balance December 31, 2015	\$ 73,219	\$ -	\$ -	\$ 73,219
Amortization	73,218	-	20,417	93,635
Balance December 31, 2016	146,437	-	20,417	166,854
Amortization	36,610	43,660	17,500	97,770
Balance June 30, 2017	\$ 183,047	\$ 43,660	\$ 37,917	\$ 264,624
Net Book Value				
Balance December 31, 2016	\$ 585,753	\$ 86,592	\$ 329,583	\$ 1,001,928
Balance June 30, 2017	549,143	446,708	3,758,249	4,754,100

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Notes to Condensed Interim Consolidated Statements

June 30, 2017 with comparative figures for the twelve month period ending Dec 31, 2016

Unaudited - Expressed in Canadian Dollars

8. Development fees payable to related party

Fees payable to corporate shareholder, DC NetCast Media Group Inc., (a related party by virtue of common controlling shareholders) are interest bearing and have specified terms of repayment. The Company agreed to pay \$523,500 to modify the intellectual property to conform to certain territorial regulatory and market requirements. Terms of repayments are \$75,000 annually commencing January 31, 2018 with a balloon payment of the outstanding balance of principal and interest on August 31, 2020. Interest on any unpaid amounts will accrue effective September 1, 2015 at an annual rate of fifteen percent (15%) until the total amount and accrued interest has been repaid. The amount of interest accrued to June 30, 2017 is \$122,972 (accrued to Dec 31, 2016 - \$89,700). The balance owing may be prepaid in whole or in part at any time and from time to time with no prepayment penalty.

9. Shareholders' equity

Share Capital:

	June 30 2017	December 31 2016
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Authorized

Unlimited number of common shares without par value

Issued share capital

51,893,528 common shares (2016 – 32,916,236)	\$ 27,289,895	\$ 3,035,219
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Changes in share capital:

	Number	Price
Balance December 31, 2015	29,945,000	\$ 1,028,400
(i) Issuance of common shares with warrants	31,250	20,000
(ii) Issuance of common shares with warrants	150,000	96,000
(iii) Issuance of shares acquisition of distribution rights	437,500	350,000
(iv) Issuance of common shares	1,055,886	1,055,886
(v) Redemption of shares and warrants	(100,000)	(80,000)
(vi) Issuance in exchange for service	1,000,000	20,000
Net issuance (net redemption) of shares on RTO (note 2)	396,600	544,933
Balance December 31, 2016	32,916,236	\$ 3,035,219

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Notes to Condensed Interim Consolidated Statements

June 30, 2017 with comparative figures for the twelve month period ending Dec 31, 2016

Unaudited - Expressed in Canadian Dollars

9. Shareholders' equity, continued

- (i) On March 21, 2016, the Company completed various private placements for 31,250 units. Each unit consisted of one common share of the Company and one share purchase warrant, at a price of \$0.80 per unit, for proceeds of \$25,000 (common share fair value of \$20,000 and warrant fair value of \$5,000). Each warrant has an exercise price at \$1.50 into a common share for a period 18 months from closing.
- (ii) On April 11, 2016, the Company completed a private placement for 150,000 units. Each unit consisted of one common share of the Company and one share purchase warrant, at a price of \$0.80 per unit, for proceeds of \$120,000 (common share fair value of \$96,000 and warrant fair value of \$24,000). Each warrant has an exercise price at \$1.50 into a common share for a period of 18 months from closing.
- (iii) On June 10, 2016, the Company issued 437,500 shares at a price of \$0.80 per share to VIP Patient LLC in consideration for the payment of \$350,000 for certain distribution rights (notes 13 and 16 (b)).
- (iv) In April, May and July 2016 the Company completed various private placements for 1,055,886 common shares at a price of \$1 for proceeds of \$1,055,886.
- (v) On July 18, 2016 the Company repurchased for cancelation 100,000 units of the original 525,000 units issued on November 23, 2015. The units consisted of 1 common share and 1 warrant and were repurchased at their original issue price of \$0.80 per unit or a total \$80,000.
- (vi) On October 1, 2016, the Company issues 1,000,000 shares at a price of \$0.02 per share to three consultants for the consideration for their consulting services.

The following shares and warrants were issued in the 6 months ended June 30, 2017 and are detailed on the Statement of Changes in Equity, and are described more fully as follows:

- (a) 1,920,000 shares on January 11, 2017 for the purchase of 100% of the issued and outstanding shares of Alternate Health Labs Inc. ("AHL"). See also note 11.
- (b) 350,355 shares on January 11, 2017 to settle debts owned by Alternate Health Labs Inc. to Dr. Michael Murphy.
- (c) 350,000 shares on January 11, 2017 to Dr. Michelle Riello for the purchase of testing process commercialization rights and cannabidiol, CBD, THC certification programs
- (d) 2,968,506 shares on March 2, 2017 for the purchase of a worldwide renewable license agreement for a non-pharmaceutical sublingual technology system for the delivery of CBD and THC.
- (e) 612,600 shares on January 31, 2017 for the provision of certain consulting services rendered to the company.
- (f) 4,557,150 shares on March 2, 2017 for a 20% interest in Clover Trail Capital LLC, a company that in turn owns a 40% interest in Sun Clinical Laboratories LLC which refers toxicology and blood samples to AHL for screening. The purchase also required the issuance of a note payable for US\$1,993,750.
- (g) 800,387 common shares on March 24, 2017 to settle a note payable on the purchase of the 20% equity interest in Clover Trail Capital LLC
- (h) 1,000,000 shares on January 11, 2017 for the provision of certain sales and marketing services rendered to the Company.
- (i) 500,000 shares on January 11, 2017 for the provision of certain sales and marketing services to be rendered to the Company at a future date – these shares held in escrow pending the provision of the agreed services.

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Notes to Condensed Interim Consolidated Statements

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9. Shareholders' equity, continued

- (j) 250,000 shares on January 31, 2017 for the provision of certain sales and marketing services to be rendered to the Company at a future date – these shares held in escrow pending the provision of the agreed services.
- (k) 180,000 purchase warrants on January 8, 2017 in exchange for services rendered. The warrants were valued at \$81,810 using a Black Scholes analysis.
- (l) 400,000 purchase warrants were exercised on March 23, 2017 to purchase 400,000 common shares at \$1.5 each for total proceeds of \$600,000.
- (m) 2,914,354 shares on January 20, 2017 in a private placement providing proceeds net of fees of \$2,914,354.
- (n) 2,328,940 shares on March 6, 2017 in a private placement providing proceeds net of fees of \$7,132,460.
- (o) 25,000 warrants expired on March 27, 2017.
- (p) 18,334 purchase warrants were exercised on April 4, 2017 to purchase 18,334 common shares at \$1.5 each for total proceeds of \$27,501.
- (q) 6,666 purchase warrants were exercised on May 19, 2017 to purchase 6,666 common shares at \$1.5 each for total proceeds of \$9,999.
- (r) 580,000 stock options on April 14, 2017 in exchange for services rendered. The stock options were valued at \$1,313,003 using a Black Scholes analysis.
- (s) 867,544 purchase warrants on April 14, 2017 in exchange for services rendered. The warrants were valued at \$1,919,756 using a Black Scholes analysis.
- (t) 200,000 purchase warrants on June 14, 2017 in exchange for services rendered. The warrants were valued at \$230,807 using a Black Scholes analysis.

Share based Reserve:

During the 2017 year the Company issued 580,000 (2016 - 1,800,000) share purchase options which were determined to have a value of \$1,313,003 (2016 - \$818,100), and the amount was expensed during the 2017 year.

Warrants:

	Number	Amount
Balance December 31, 2015	525,000	\$ -
Cancellation of warrants	(100,000)	-
Issuance in a private placement, March 31, 2016	31,250	5,000
Issuance in a private placement, April 11, 2016	150,000	24,000
Balance December 31, 2016	606,250	29,000
Issuance for services rendered, January 8, 2017	180,000	81,810
Exercised, March 23, 2017	(400,000)	-
Expired, March 23, 2017	(25,000)	-
Exercised, April 4, 2017	(18,334)	(2,934)
Issuance for services rendered, April 13, 2017	867,544	1,919,756
Exercised, May 19, 2017	(6,666)	(1,066)
Issuance for services rendered, June 14, 2017	200,000	230,807
Balance, June 30, 2017	1,403,794	\$ 2,257,373

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9. Shareholders' equity, continued

Warrants outstanding	Exercise price	Warrants exercisable at June 30, 2017	Expiry date
6,250	\$ 1.50	6,250	September 21, 2017
150,000	1.50	150,000	October 11, 2017
180,000	1.00	180,000	July 8, 2018
200,000	3.05	200,000	June 15, 2019
867,544	\$ 3.91	867,544	April 14, 2022

Stock Options and share based compensation:

On December 22, 2016, the Company granted 1,800,000 stock options to directors, employee and consultants to purchase shares of the Company at an exercise price of \$1.00 per share. These options remain outstanding and exercisable as at December 31, 2016 and June 30, 2017, and all have an expiry date of June 22, 2018.

On April 14, 2017, the Company granted 580,000 stock options to directors, employee and consultants to purchase shares of the Company at an exercise price of \$4.00 per share. The options remain outstanding and exercisable as at June 30, 2017 and all have an expiry date of April 14, 2022.

The fair value of these options has been estimated at the date of grant using the Black Scholes option pricing model with the following assumptions: risk free interest rate 0.83%; expected dividend yield of \$nil; estimated volatility of 97.98%. The fair value of these options at time of issue were \$818,100 and \$1,313,003 respectively. The Company recognized the full amount of \$818,100 and \$1,313,003 as stock based compensation expense to directors, employee and consultants in the applicable 2016 and 2017 fiscal year.

Earnings (loss) per share:

Basic loss per share is calculated based on the weighted average number of common shares outstanding for the period, which, for the 3 month and 6 month ended June 30, 2017 were 51,889,408 and 47,229,067 shares respectively (3 month and 6 month ended June 30, 2016 - 30,363,905 and 30,157,337 shares respectively).

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

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10. Change in non-cash working capital items

	Three month period ended June 30 2017	Three month period ended June 30 2016	Six month period ended June 30 2017	Six month period ended June 30 2016
Accounts receivable	\$ (1,880,348)	\$ -	\$ (2,492,692)	\$ -
Prepaid expenses and deposits	(98,208)	198	(624,842)	791
Loan receivable	-	(102,740)	-	(102,740)
Accounts payable and accrued liabilities	(243,113)	(11,405)	381,834	29,012
HST receivable	(36,988)	(253)	(36,692)	6,824
Income taxes payable	372,889	-	781,608	-
Current portion of deferred revenue	(51,834)	(44,701)	(103,668)	(88,420)
Due to/from shareholders	-	51,924	-	58,618
Due from related party	-	(3,875)	-	(5,890)
	\$ (1,937,602)	\$ (110,852)	\$ (2,094,452)	\$ (101,805)

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Unaudited - Expressed in Canadian Dollars

11. Related party transactions

(a) During the 3 and 6 months ended June 30, 2017, the Company incurred the following transactions with companies having directors and officers in common:

	3 months ended June 30, 2017	6 month ended June 30 2017
Interest expense	\$ 14,944	\$ 33,272
Key management personnel and board of directors share based compensation (non cash)	\$ 2,755,791	\$ 2,805,791

(b) Included in the prepaids expenses and deposits is an advance of \$163,271 (Dec 31, 2016 - \$20,926) to DC Netcast Media Group Inc., a company that holds a significant shareholding in the Company.

(c) The company is related to Sun Clinical Laboratory, LLC and LMK Management LLC by virtue of the controlling shareholder of these companies having significant influence over the operations of the Company. Transactions and balances with these related parties are as follows:

	June 30 2017
Accounts receivable from Sun Clinical Laboratory, LLC	\$ 1,111,685
Management fee payable owing to LMK Management LLC	\$ 1,751,315

	3 month ended June 30, 2017	6 month ended June 30, 2017
Revenue from Sun Clinical Laboratory, LLC	\$ 1,604,843	\$ 2,786,070
Management fee expense to LMK Management LLC	\$ 2,001,923	\$ 2,580,924

These transactions are in the normal course of operations and have been valued in these 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 arms length market rates. The management fee paid to LMK Management LLC, is 49% of the toxicology screen reference fee profits. Toxicology screen reference 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.

Accounts payable and accrued liabilities include accrued management fees payable of \$1,751,315 (Dec 31, 2016 – nil).

(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 US \$500,000 convertible debenture issued by Apri Health, Inc. See note 4 for further details on this transaction.

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11. Related party transactions, continued

(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 Alternate Health Corp. common shares ("Consideration Shares") and a US \$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 investments include a 40% interest in Sun Clinical Laboratories LLC which currently refers toxicology and blood samples to the Company's subsidiary, Alternate Health Labs, Inc. 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 6 month period ending June 30, 2017 it recorded equity earnings of \$458,385 and received a cash income distribution of \$265,500.

12. Acquisition of Alternate Health Labs Inc. (AHL)

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. Murphy incorporated AHL and the agreement as amended set a purchase price of \$1,920,000 for 100% of the shares of AHL to be paid by the issuance of 1,920,000 common shares of the Company to Murphy. The purchase was closed effective January 1, 2017. Simultaneously the Company completed a debt for shares transaction with Murphy settling his US\$267,383 shareholder loan to AHL for the issuance of 350,355 common shares. Under the LDA, LMK manages the laboratory and earns 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.

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

Summary Financial Information for Alternate Health Labs Inc. at June 30, 2017:

Total assets	\$ 7,819,628
Total liabilities	4,518,121
Retained Earnings	3,301,507

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12. Acquisition of Alternate Health Labs Inc. (AHL), continued

	3 month ended June 30, 2017	6 month ended June 30, 2017
Revenue	\$ 6,932,409	\$ 10,629,621
Net operating costs	4,840,910	7,954,943
Income before tax	2,091,499	2,674,678

13. Subsequent events

Effective August 4, 2017 the Company entered into various management and consulting agreements (“Agreements”) with certain directors, officers and consultants that granted 270,000 options to acquire common shares of the Company at \$2.90 per share. The options have a five year term from the date of issue. Pursuant to the terms of one agreement, the Company will grant an aggregate of 100,000 common shares at a deemed price of \$2.90 per common share. The share issuance will be subject to the required four month hold period legend pursuant to regulatory authorities.