



Management Discussion and Analysis of

Alternate Health Corp.

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

Dated: August 7, 2017

TABLE OF CONTENTS

1.	Financial Highlights	3
2.	Introduction and Key Assumptions	4
3.	Overview	4
4.	Results of Operations	7
5.	Summary of Quarterly Results	9
6.	Liquidity and Capital Resources	9
	6.1. Financial Position	10
	6.2. Working Capital	11
	6.3. Consolidated Cash Flow	12
	6.4. Share Information	13
7.	Off Balance Sheet Arrangements	13
8.	Related Party Transactions	13
9.	Subsequent Events	14
10.	Accounting Policies	15
11.	Financial Instruments and Risk Management	15
12.	Risk Factors	15
	12.1. Contingencies	15
13.	Non-IFRS Financial Measures	15

1. FINANCIAL HIGHLIGHTS

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

(Canadian dollars except where indicated)	Second Quarter			First Half		
	2017	2016	\$ Change	2017	2016	\$ Change
Financial Performance Metrics						
Operating revenues	7,242,198	44,701	7,197,497	11,113,080	88,421	11,024,659
Operating income (loss)	(3,655,776)	(145,207)	(3,510,569)	(4,839,640)	(215,704)	(4,623,936)
Other income (expense) and Income Taxes	48,147	-	48,147	566,858	-	566,858
Net income (loss)	(3,607,629)	(145,207)	(3,462,422)	(4,272,782)	(215,704)	(4,057,078)
Adjusted net income (loss) ⁽¹⁾	33,681	(145,207)	178,888	1,158,394	(215,704)	1,374,098
Adjusted EBITDA ⁽¹⁾	25,006	(109,467)	134,473	1,375,217	(144,223)	1,519,440
Adjusted EBITDA margin % ⁽¹⁾	0.3%	(244.9%)	245.2%	12.4%	(163.1%)	175.5%
Net cash used in operating activities	(2,636,988)	(237,138)	(2,399,850)	(2,362,273)	(279,666)	(2,082,607)
Basic earnings (loss) per share	\$ (0.0695)	\$ (0.0048)	\$ (0.0647)	\$ (0.0905)	\$ (0.0072)	\$ (0.0833)
Adjusted earnings (loss) per share - diluted ⁽¹⁾	\$ 0.0006	\$ (0.0048)	\$ 0.0054	\$ 0.0231	\$ (0.0072)	\$ 0.0302

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

2. INTRODUCTION AND KEY ASSUMPTIONS

This management discussion and analysis of financial position and results of operations (“**MD&A**”) is prepared as at August 7, 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 second 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 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 was accounted for as a reverse takeover of AHC by AHI. After closing the SEA, AHI became a wholly owned subsidiary of AHC and the former shareholders of AHI owned 98.8% of Alternate Health Corp.

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

Because AHI is deemed to be the accounting acquirer, the 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.

DESCRIPTION OF BUSINESS

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

Alternate Health is well positioned to reinvest internal operating cash flow in its platform over the long term, creating an attractive investment profile for its shareholders. The company is headquartered in the Dallas-Fort Worth Metroplex with operations in Los Angeles, San Antonio and Toronto.

Software Technology Platform

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

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-operability¹ 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/CBD 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 (Alternate Health Labs, "AHL"). Refer to *OPERATIONS 2017 Overview in this Q2 2017 MD&A and OPERATIONS 2016 Overview and Subsequent events in the Company's 2016 MD&A dated May 1, 2017 for additional detail.*

On July 3, 2017, the Company announced strategic changes in the operational structure of AHL. These changes will maximize profitability while also positioning AHL to service a potentially larger base than

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.

currently available.

AHL will be transitioning from a reference laboratory servicing hospital clients to a full-service clinical laboratory providing toxicology, blood, and pharmacogenetics testing on samples sent directly to AHL by physicians and other healthcare providers. We believe this change in our business model will better position AHL for sustainable growth in a rapidly changing healthcare environment.

AHL has applied to become a participating provider with Medicare and will apply to other federal insurance carriers and commercial carriers to provide services to beneficiaries covered under their insurance plans. By positioning our laboratory to bill directly from the payers, we eliminate massive third-party expenses and increase our revenue per sample. We are actively developing our physician referral base for federal and commercial samples.

We anticipate the transition to a full-service laboratory will take several months and may cause a decrease in AHL revenue during the third quarter, but we are embracing this change and making the necessary adjustments to move us forward in a more efficient and profitable manner. We believe revenue will increase during the fourth quarter and continue as a larger, more secure source of revenue in the future.

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 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.
- The Company refocused its CBD product strategy in the second quarter to a much more robust extract supply opportunity compared to initial considerations and now expects to generate revenue in its CBD related products by the fourth quarter of 2017.

4. RESULTS OF OPERATIONS

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

(Canadian dollars except where indicated)	Second Quarter			First Half		
	2017	2016	\$ Change	2017	2016	\$ Change
Results of operations						
Total revenues	7,242,198	44,701	7,197,497	11,113,080	88,421	11,024,659
Operating expenses						
Sales and marketing	53,222	(1,550)	54,772	1,073,467	1,875	1,071,592
Consulting fees	708,157	76,540	631,617	1,724,606	86,304	1,638,302
Lab supplies	1,739,678	-	1,739,678	2,321,812	-	2,321,812
Professional fees	557,743	10,219	547,524	949,131	22,069	927,062
Management fees	2,129,731	-	2,129,731	2,939,494	-	2,939,494
Research and development	145,525	-	145,525	358,507	-	358,507
Salaries and related	4,411,590	9,896	4,401,694	5,067,799	19,938	5,047,861
Office and general administration	454,392	14,444	439,948	587,566	22,224	565,342
Rent and occupancy	251,606	30,462	221,144	478,953	60,924	418,029
Loss on foreign exchange	213,147	9,110	204,037	37,715	14,263	23,452
Other	233,183	40,787	192,396	413,670	76,528	337,142
Total operating expenses	10,897,974	189,908	10,708,066	15,952,720	304,125	15,648,595
Operating income (loss)	(3,655,776)	(145,207)	(3,510,569)	(4,839,640)	(215,704)	(4,623,936)
Non-operating income (expense)						
Income from equity accounted for investment (other)	(124,624)	-	(124,624)	458,385	-	458,385
Net income (loss) before income taxes	(3,780,400)	(145,207)	(3,635,193)	(4,381,255)	(215,704)	(4,165,551)
Income taxes	(172,771)	-	(172,771)	(108,473)	-	(108,473)
Net income (loss) for the period	(3,607,629)	(145,207)	(3,462,422)	(4,272,782)	(215,704)	(4,057,078)
Basic earnings (loss) per share	\$ (0.0695)	\$ (0.0048)	\$ (0.0647)	\$ (0.0905)	\$ (0.0072)	\$ (0.0833)
Adjusted EBITDA ⁽¹⁾	\$ 25,006	\$ (109,467)	\$ 134,473	\$ 1,375,217	\$ (144,223)	\$ 1,519,440
Adjusted net income (loss) ⁽¹⁾	\$ 33,681	\$ (145,207)	\$ 178,888	\$ 1,158,394	\$ (215,704)	\$ 1,374,098
Adjusted earnings (loss) per share - diluted ⁽¹⁾	\$ 0.0006	\$ (0.0048)	\$ 0.0054	\$ 0.0231	\$ (0.0072)	\$ 0.0302

(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 13 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 the first and second quarters of operations was derived from Alternate Health Labs acquired January 1, 2017. Additionally, as explained below, in the second quarter the Company continued investing in key hires and relationships and public relations resources. The increased costs in these areas, although negatively impacting short term earnings, is expected to benefit the business going forward as the Company realizes new revenue opportunities and further refines the AHL business model.

Revenue

Revenue for the second quarters ended June 30, 2017 and 2016 was \$7,242,198 and \$44,701 respectively. On a year to date basis, revenue in the first half of 2017 grew more than \$11 million dollars to \$11,113,080 compared to \$88,421 in the first half of 2016. The large year-over-year increase in revenue for both the quarter and year to date periods resulted primarily from revenue generated by the Company's newly acquired lab business, Alternate Health Labs. AHL revenue in the second quarter of 2017 was approximately \$6.9 million, up 87% from the first quarter of 2017 and representing approximately 96% of total Company revenue in the second quarter. The remainder of second quarter revenue resulted from the

Company's lab marketing consultant revenue sharing arrangement and amortization of non-recurring deferred revenue recorded in 2014.

Similarly, 97% of first half revenue of \$11,113,080 was derived from AHL and the remaining 3% from the revenue sharing arrangement with the Company's lab partner and the right to sell agreement amortization, both described above.

Operating Costs

Operating costs for the quarter ended June 30, 2017 and 2016 were \$10,897,974 and \$189,908, respectively. The large year-over-year increase results primarily from expenses directly associated with the commencement of operations and on-going operation of Alternate Health Labs plus non-cash stock compensation expense relating primarily to equity based awards to key employees and directors. Additionally, the Company continued to make key investments in new hires and consultants. Included in the second quarter 2017 operating costs were non-cash expenses totaling approximately \$3.5 million from the previously mentioned share compensation expenses. Share based compensation expense is calculated using the Black-Scholes option pricing model.

For the second quarter 2017, we incurred \$4,411,590 in Salaries and related expense compared to \$9,986 in the second quarter of 2016. The increase of \$4,401,694 in the second quarter of 2017 compared to the same quarter last year, resulted primarily from non-cash share compensation awards to the Company's directors and officers totaling approximately \$3.5 million and salaries of approximately \$0.9 million. During the second quarter, we spent approximately \$340,000 on consulting resources in establishing and supporting the Company's strategy and on-going operations, business development and compliance requirements and approximately \$140,000 on medical and product specialty research and development expert consulting resources. We expect to continue to access the level of research and development investment to ensure consistency with resource availability and opportunities, especially relating to medical CBD.

Lab supplies relate exclusively to Alternate Health Labs. The \$1,739,678 expense incurred in the second quarter reflects the cost of supplies used to support laboratory sales volume. There were no similar such costs in the second quarter last year. The laboratory 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.

We incurred \$2,129,731 in management fees during the second quarter of 2017 representing the cost of running and managing Alternate Health Labs. AHL is managed through LMK Management LLC, which has directors and officers in common with Alternate Health Corp. See Item 8, Related Party Transactions, in this MD&A for further detail.

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

Research and development expense in Q2 2017 was primarily incurred to support on-going work in our Life Sciences group relating to the study of medicinal cannabis/CBD therapeutic effectiveness and commercial applications. Second quarter 2017 Rent and occupancy expense relates primarily to Alternate Health Labs facilities. Salaries and related expense in the second 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
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)
June 2017	7,242,198	10,897,974	(3,607,629)	(\$0.07)

The second quarter 2017 increase in revenue and expense compared to the preceding quarter results from the growth of AHL revenue and expense and AHC corporate expenses, primarily share based compensation expense in the second quarter of 2017 (see "Operating Costs" in item 4 of this MD&A for detail). Additionally, the Company recognized a loss on foreign exchange in the second quarter 2017 of \$213,147 compared to a gain in of \$175,306 in the first quarter of 2017 resulting primarily from fluctuations in the US dollar relative to the Canadian dollar.

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 resulting from share issuances to the Company's lab marketing consultant and other key consultant resources. 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 June 30, 2017, the Company had net positive working capital of \$7,532,433. Current assets totaled \$11,131,138 compared to current liabilities of \$3,598,705. During the first half of 2017, we used \$2,362,273 cash in operations resulting primarily from an increase in AHL Accounts Receivable and used \$3,418,191 to fund investments and purchase equipment and intangible assets.

6.1 FINANCIAL POSITION

The following table provides a condensed consolidated statement of financial position of Alternate Health as at June 30, 2017 and as at December 31, 2016.

(Canadian dollars)	June 30, 2017	December 31, 2016	\$ Change
Assets			
Cash	\$ 5,732,234	\$ 570,003	\$ 5,162,231
Other current assets	5,398,904	317,677	5,081,227
Current assets	11,131,138	887,680	10,243,458
Convertible note receivable	665,200	-	665,200
Investments	9,373,220	-	9,373,220
Equipment	3,191,546	7,204	3,184,342
Intangible assets	4,754,100	1,001,928	3,752,172
Deferred income taxes	1,420,665	431,220	989,445
Total assets	\$ 30,535,869	\$ 2,328,032	\$ 28,207,837
Liabilities			
Current liabilities	\$ 3,598,705	\$ 432,283	\$ 3,166,422
Development fees payable to related party	521,472	538,200	(16,728)
Total liabilities	4,120,177	970,483	3,149,694
Total shareholders' equity	26,415,692	1,357,549	25,058,143
Total liabilities and shareholders' equity	\$ 30,535,869	\$ 2,328,032	\$ 28,207,837

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

At June 30, 2017 notes receivable consisted of a convertible note with Apri Health, Inc. On March 18, 2017, the Company purchased a US \$500,000 convertible debenture issued by Apri Health, Inc. ("Apri Note"). Apri Health develops and implements data analytics and related data mining solutions for healthcare providers and other customers serving the healthcare market. The Apri Note is convertible into Apri Health common stock or other Apri Health securities, as the case may be, at a conversion rate that is 80% of the common stock price of Apri Health, or equivalent securities, as determined at the time of a sale of a majority of Apri Health's common stock to a third party or an initial public offering. In the event that Apri Health does not sell a majority of its common stock or complete an initial public offering during the term of the Apri Note, the Company may convert the Apri Note at its option at a conversion price that is equivalent to the common share price realized by Apri Health at the most recent capital financing immediately prior to the conversion date. The Apri Note has a five year maturity and bears interest at 4.5% interest per annum. In connection with the purchase of the Apri Note, the Company entered into a technology development agreement with Apri Health on February 1, 2017, whereby Apri will license its data analytics engine to the Company and assist with the development and implementation of customized data analytic solutions for the Company.

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

As indicated in the following table, Investments included Hightimes Holding Corp (\$332,982), Clover Trail Capital LLC (\$7,397,669) and National Access Cannabis Corp (\$1,636,920).

	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 commons 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	-

See section 8(e) for further information relating to Clover.

The Company 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/CBD consumers and advocates.

The Company also purchased \$1,636,920 in securities of National Access Cannabis (“NAC”). NAC operates ten clinics across Canada, with a specific focus on connecting patients with clear information on the legal treatment options available. In recognition of NAC’s leadership in Canadian medical cannabis/CDB, Alternate Health has made a strategic investment in the company and believes that the investment creates a base for further expansion in the Canadian market, including the company’s cannabinoid research and delivery systems.

On June 14, 2017, the Company announced it had reached an agreement to launch its CanaCard Patient Management System in all of National Access Cannabis (NAC) clinics across Canada. Alternate Health uses best-in-class technology, research, education, production and laboratories to increase the awareness, regulatory compliance, and appropriate usage of cannabinoids in modern medical practices.

Although there can be no certainty, both Hightimes Holdings Corp. and National Access Cannabis expect to list their shares on a public exchange in 2017.

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.

6.2 WORKING CAPITAL

The following table provides information on Alternate Health's working capital balances as at June 30, 2017 and as at December 31, 2016.

(Canadian dollars)	June 30, 2017	December 31, 2016	\$ Change
Cash, cash equivalents and short-term investments	\$ 5,732,234	\$ 570,003	\$ 5,162,231
Accounts receivable	4,590,052	273,011	4,317,041
Other current assets	808,852	44,666	764,186
Total current assets	11,131,138	887,680	10,243,458
Accounts payable and accrued liabilities	2,541,395	265,088	2,276,307
Other current liabilities	1,057,310	167,195	890,115
Total current liabilities	3,598,705	432,283	3,166,422
Net working capital	\$ 7,532,433	\$ 455,397	\$ 7,077,036

The net working capital of \$7,532,433 at June 30, 2017, decreased from \$10,514,697 at March 3, 2017 due primarily to the use of cash to fund operations as the Company expanded the Life Sciences division and invested in key personnel and support resources. Accounts receivable of \$4,590,052 consists primarily of approximately \$4.4 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 consists primarily of trade accounts payable of approximately \$0.7 million and approximately \$1.8 million due to LMK Management LLC. Other liabilities at June 30, 2017 consisted of \$212,175 of the current portion of AHL equipment leases, \$781,608 income taxes payable and \$63,527 current portion of non-recurring deferred revenue.

6.3 Consolidated cash flow movements

The following table provides information on Alternate Health's consolidated cash flow for the first half ended June 30, 2017 and the same period last year.

(Canadian dollars)	First Half		
	2017	2016	\$ Change
Net cash flows used by operating activities	\$ (2,362,273)	\$ (279,666)	\$ (2,082,607)
Convertible note receivable	(665,200)	-	(665,200)
Purchase of National Access Cannabis securities	(1,636,920)	-	(1,636,920)
Purchase of equipment	(525,380)	-	(525,380)
Purchase of Hightimes Holdings Corp shares	(332,982)	-	(332,982)
Intangible assets	(531,435)	(350,000)	(181,435)
Cash on acquisition of subsidiary	8,226	-	8,226
Income distribution from Clover	265,500	-	265,500
Net cash provided by (used in) investing activities	(3,418,191)	(350,000)	(3,341,917)
Issuance of share capital	11,162,770	900,906	10,261,864
Long-term liability	-	33,638	(33,638)
Share subscription receivable	-	32,458	(32,458)
Warrants exercised	600,000	-	600,000
Lease payments	(770,075)	-	(770,075)
Development fee payments	(50,000)	-	(50,000)
Net cash provided by (used in) financing activities	10,942,695	967,002	9,975,693
Increases in cash	\$ 5,162,231	\$ 337,336	\$ 4,824,895

In the first half of 2017, net cash used in operating activities of \$2,362,273 increased \$2,082,607 when compared to net cash used in operating activities of \$279,666 in the same quarter in 2016. The increase in net cash used in operating activities was mainly due to the increase in AHL accounts receivable resulting from the growth in revenue compared to the same period last year.

The Company invested \$2,635,102 during the first half of 2017 in three primary investments: Apri Health Inc., Hightimes Holdings Corp., and National Access Cannabis Corp. Apri Health is a leading provider of data analytics solutions to the healthcare. 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. See investment table and accompanying narrative included in section 6.1 of this MD&A for further information relating to the investments in Hightimes Holdings Corp. and National Access Cannabis Corp.

6.4 SHARE INFORMATION

The Company's share capital consists of the following:

Authorized: Unlimited common shares

Issued: 51,893,528 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.

1,403,794 outstanding common share purchase warrants convertible into 1,403,794 common shares. Of the total outstanding, 180,000 at an exercise price of \$1.00 expire on July 8, 2018; 156,250 at an exercise price of \$1.50 expire between September 21, 2017 and October 11, 2017; 200,000 at an exercise price of \$3.05 expire June 15, 2019; and 867,544 at an exercise price of \$3.91 expire on April 14, 2022.

7. OFF BALANCE SHEET ARRANGEMENTS

The Company had no off balance sheet arrangements.

8. RELATED PARTY TRANSACTIONS

- a) During the three and six month periods 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 months 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 prepaid expenses and deposits is an advance of \$163,271 to DCNetcast Media Group Inc., a company that holds a significant shareholding in the Company and with which it has a common director.
- 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 months ended June 30, 2017	6 months 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. Amounts owing from Sun Clinical Laboratory, LLC are current (58% of total) or within 1 to 30 days (42% of total). 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 (December 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 2017, the Company purchased a US \$500,000 convertible debenture issued by Apri Health, Inc.
- 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.

Alternate Health's related party transactions are as disclosed in note 16 to the 2016 annual consolidated financial statements and note 11 to the June 30, 2017 Condensed Interim Consolidated Financial Statements.

9. 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 a price of \$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.

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.

12.1 CONTINGENCIES

The Company is not aware of any material contingencies or pending material legal proceedings as of June 30, 2017 and the date of this MD&A.

13. NON-IFRS FINANCIAL MEASURES

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

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

Adjusted Non-IFRS Measures

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

Adjusted EBITDA

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

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

(Canadian dollars)	Second Quarter			First Half		
	2017	2016	\$ Change	2017	2016	\$ Change
Net loss - IFRS	\$(3,607,629)	\$ (145,207)	\$(3,462,422)	\$(4,272,782)	\$ (215,704)	\$(4,057,078)
Add back (as reflected on AHC consolidated statement of operations):						
Depreciation and amortization	138,554	18,921	119,633	261,543	37,843	223,700
Interest expense	25,542	16,819	8,723	63,753	33,638	30,115
Income tax	(172,771)	-	(172,771)	(108,473)	-	(108,473)
EBITDA	\$(3,616,304)	\$ (109,467)	\$(3,506,837)	\$(4,055,959)	\$ (144,223)	\$(3,911,736)
Add back non-cash and non-recurring expenses:						
Non-cash stock based compensation expense	3,463,566	-	3,463,566	3,583,324	-	3,583,324
Non-recurring public company listing expenses	-	-	-	57,508	-	57,508
Non-recurring severance	177,744	-	177,744	177,744	-	177,744
Non-cash, non-recurring share compensation to partners	-	-	-	1,612,600	-	1,612,600
Adjusted EBITDA	\$ 25,006	\$ (109,467)	\$ 134,473	\$ 1,375,217	\$ (144,223)	\$ 1,519,440

Adjusted Net Income and Adjusted Earnings per Share – Diluted

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

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

(Canadian dollars)	Second Quarter			First Half		
	2017	2016	\$ Change	2017	2016	\$ Change
Net loss - IFRS	\$(3,607,629)	\$ (145,207)	\$(3,462,422)	\$(4,272,782)	\$ (215,704)	\$(4,057,078)
Adjusted for:						
Non-cash stock based compensation expense	3,463,566	-	3,463,566	3,583,324	-	3,583,324
Non-recurring public company listing expenses	-	-	-	57,508	-	57,508
Non-recurring severance expenses	177,744	-	177,744	177,744	-	177,744
Non-cash, non-recurring share compensation to partners	-	-	-	1,612,600	-	1,612,600
Adjusted net income (loss)	\$ 33,681	\$ (145,207)	\$ 178,888	\$ 1,158,394	\$ (215,704)	\$ 1,374,098
Weighted average number of outstanding shares used in computing diluted income per share	51,889,408	30,363,905	21,525,503	50,195,696	30,157,337	20,038,359
Adjusted earnings (loss) per share - diluted	\$ 0.0006	\$ (0.0048)	\$ 0.0054	\$ 0.0231	\$ (0.0072)	\$ 0.03