



Management Discussion and Analysis of

Alternate Health Corp.

For the three and nine-month periods ended September 30, 2017

Dated: November 29, 2017

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1. FINANCIAL HIGHLIGHTS

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

(Canadian dollars except where indicated)	Third Quarter			First Nine Months		
	2017	2016	\$ Change	2017	2016	\$ Change
Financial Performance Metrics						
Operating revenues	1,709,388	54,912	1,654,476	12,822,468	143,480	12,678,988
Operating income (loss)	(2,454,106)	(210,508)	(2,243,598)	(7,293,747)	(426,211)	(6,867,536)
Other income (expense) and Income Taxes	101,157	-	101,157	668,017	-	668,017
Net income (loss)	(2,352,949)	(210,508)	(2,142,441)	(6,625,730)	(426,211)	(6,199,519)
Adjusted net income (loss) ⁽¹⁾	(1,573,282)	(210,508)	(1,362,774)	(414,887)	(426,211)	11,324
Adjusted EBITDA ⁽¹⁾	(1,548,354)	(166,018)	(1,382,336)	(173,136)	(310,241)	137,105
Adjusted EBITDA margin % ⁽¹⁾	-90.6%	(302.3%)	211.8%	-1.4%	(216.2%)	214.9%
Net cash used in operating activities	(1,446,349)	(336,806)	(1,109,543)	(3,808,622)	(635,560)	(3,173,062)
Basic earnings (loss) per share	\$ (0.0453)	\$ (0.0048)	\$ (0.0405)	\$ (0.1403)	\$ (0.0141)	\$ (0.1262)
Adjusted earnings (loss) per share - diluted	\$ (0.0284)	\$ (0.0069)	\$ (0.0215)	\$ (0.0083)	\$ (0.0141)	\$ 0.0059

(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 November 29, 2017. This MD&A should be read in conjunction with Alternate Health Corp’s (“**AHC**” or the “**Company**”) interim unaudited condensed consolidated financial statements and notes for the third 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 value chain through the innovative integration of proprietary technology and know-how, acquisitions and partnerships, deep direct knowledge of and experience with improving patient outcomes, and management expertise.

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

Software Technology Platform

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

AHC licensed VIP-Patient complete with a unique billing interface for the Canadian market (plus options for other foreign territories), and successfully completed its active beta testing stage. VIP-Patient is the result of assistance from both legal experts and physicians with previous Electronic Medical Records ("EMR") experience providing valuable input as to the development, inter-operability¹ and resulting functionality of the patient records management system that became VIP-Patient.

AHC owns the rights to "CanaCard" or the "CanaCard Patient Management System", based on patent pending licensed technology. By adapting an actual medical process to examine all patients, the CanaCard

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.

system is a legal and effective method to provide safe and secure access to controlled substances for qualified patients, and will provide third party monitoring and reporting for all parties involved, including government regulators. AHC has modified this technology for application with medical cannabis in the Canadian market, and has recently modified CanaCard for the US market where it is called CanaPass. The Company began installing the CanaCard system In National Access Cannabis clinics in the third quarter of this year and is currently installing CanaPass in Florida clinics where it is also called FlorPass. Effective November 1, 2017 its software platform was significantly enhanced with the acquisition of a Blockchain Mobile Payment application (See 9.-Subsequent Events and 6.5 - Outlook).

Alternate Health Labs Inc. ("AHL")

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 January 2017, AHC acquired 100% of Alternate Health Labs, Inc., a company that owned and operated a reference toxicology laboratory in San Antonio Texas. The lab was owned by Dr. Michael Murphy an experienced operator who agreed to manage the lab on a profit sharing basis following the sale of AHL to the Company. Dr. Murphy subsequently became a director and then CEO of the Company. Refer to 4. *OPERATIONS 2017 Overview*, 5. *Summary of Quarterly Results* and 8 *Related Party Transactions* in *this Q3 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 transition AHL from being a Reference Laboratory servicing hospital clients to a full-service Clinical Laboratory providing toxicology, blood, and pharmacogenetics testing for physicians.

This transition is progressing according to plan and is expected to be fully implemented before the end of 2017. As a clinical laboratory AHL has been approved to become a participating provider for Medicare and expects its formal license number to be issued imminently. Management is actively developing a physician referral base for federal and commercial samples. This includes an on-going effort to apply for other federal insurance carriers as well as commercial carriers to provide services to beneficiaries covered under their insurance plans. Management continues to believe that these changes in the business model will better position AHL for sustainable growth in a rapidly changing healthcare environment.

As discussed in our Q2 MD&A, the transition has taken several months and is the cause of the decrease in revenue in the third quarter compared to the second quarter. With the receipt of its Medicare license, AHL expects December lab revenues to return to normal levels.

Alternate Health Life Sciences

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

- License holder of medical cannabis/Cannabidiol ("CBD") medication delivery systems, including transdermal patches and dissolvable sublingual tablets for nutraceutical application.
- Research & Development activities demonstrating health benefits and expanding additional uses for medical cannabis/CBDs.

- Development of patent rights including medical cannabis/CBD efficiency testing, data research and future method patents around treatment protocols of various illnesses and conditions.
- Development of proprietary nutraceutical formulations and mechanisms to support the delivery of medical cannabis/CBDs.
- ACBD patch division with a leased facility in California and which began production in late November 2017 with deliveries expected by early 2018

4. RESULTS OF OPERATIONS

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

(Canadian dollars except where indicated)	Third Quarter			Three Quarters		
	2017	2016	\$ Change	2017	2016	\$ Change
Results of operations						
Total revenues	1,709,388	54,912	1,654,476	12,822,468	143,480	12,678,988
Operating expenses						
Sales and marketing	77,224	-	77,224	1,155,247	1,875	1,153,372
Consulting fees	1,571,892	64,826	1,507,066	6,488,408	151,130	6,337,278
Lab supplies	(259,483)	-	(259,483)	2,062,329	-	2,062,329
Professional fees	245,306	56,712	188,594	1,194,436	78,781	1,115,655
Management fees	380,833	-	380,833	3,320,327	-	3,320,327
Research and development	160,895	-	160,895	519,403	-	519,403
Salaries and related	1,070,988	10,043	1,060,945	2,946,877	30,128	2,916,749
Office and general administration	404,042	7,379	396,663	991,609	29,604	962,005
Rent and occupancy	247,851	30,462	217,389	726,804	91,386	635,418
Loss on foreign exchange	20,836	(3,154)	23,990	58,551	11,109	47,442
Other	243,110	99,152	143,958	652,224	175,678	476,546
Total operating expenses	4,163,494	265,420	3,898,074	20,116,215	569,691	19,546,524
Operating income (loss)	(2,454,106)	(210,508)	(2,243,598)	(7,293,747)	(426,211)	(6,867,536)
Non-operating income (expense)						
Income from equity accounted for investment (other)	(35,883)	-	(35,883)	422,503	-	422,503
Net income (loss) before income taxes	(2,489,989)	(210,508)	(2,279,481)	(6,871,244)	(426,211)	(6,445,033)
Income taxes	(137,040)	-	(137,040)	(245,514)	-	(245,514)
Net income (loss) for the period	(2,352,949)	(210,508)	(2,142,441)	(6,625,730)	(426,211)	(6,199,519)
Basic earnings (loss) per share	\$ (0.0453)	\$ (0.0069)	\$ (0.0384)	\$ (0.1403)	\$ (0.0141)	\$ (0.1262)
Adjusted EBITDA ⁽¹⁾	\$ (1,548,354)	\$ (166,017)	\$ (1,382,337)	\$ (173,136)	\$ (310,241)	\$ 137,105
Adjusted net income (loss) ⁽¹⁾	\$ (1,573,282)	\$ (210,508)	\$ (1,362,774)	\$ (414,887)	\$ (426,211)	\$ 11,324
Adjusted earnings (loss) per share - diluted ⁽¹⁾	\$ (0.0303)	\$ (0.0069)	\$ (0.0234)	\$ (0.0083)	\$ (0.0141)	\$ 0.0059

⁽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 effective January 1, 2017. In the second quarter the AHL business model hit its stride and posted \$7.2M in revenues, far surpassing the \$3.9M in the first quarter. Because of the operational restructuring of the AHL business, revenue fell in the third quarter to \$1.7M driven by a planned drop in samples volume as the business was being converted from a reference laboratory to a full clinical

laboratory. The Clinical Laboratory model is expected to provide a more secure long-term revenue stream than a Reference Laboratory model. Management responded to the expected drop in volume by implementing a prudent cost cutting program focusing on ensuring realization of variable cost savings while continuing to invest in key strategic programs that will drive our long-term growth.

Revenue

Revenue for the three months ended September 30, 2017 and 2016 was \$1,709,388 and \$54,912 respectively. On a year to date basis, revenue in the first nine months of 2017 grew more than \$12.5 million dollars to \$12,822,468 compared to \$143,480 for the first nine months 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 laboratory business. The remainder of third quarter revenue resulted from the Company's lab marketing consultant revenue sharing arrangement and amortization of non-recurring deferred revenue recorded in 2014.

Operating Costs

Operating costs for the quarter ended September 30, 2017 and 2016 were \$4,163,494 and \$265,420, 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.

For the third quarter 2017, the Company incurred \$1,571,892 in consulting fees compared to \$64,826 in the third quarter of 2016. The increase of \$1,507,066 in the third quarter of 2017 compared to the same quarter last year, included non-cash share compensation awards totaling approximately \$780,000. During the third quarter, the Company spent approximately \$792,000 on consulting resources in establishing and supporting the Company's strategy and on-going operations. We anticipate continuing to invest in these resources for the foreseeable future.

The laboratory expenses are 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. The reduction in the third quarter was due to a recognition of \$593,000 in lab supplies initially expensed when purchased but not utilized in the quarter because of reduced activity and therefore recorded as lab supplies inventory.

Research and development expense of \$160,895 in the third quarter 2017 included \$148,000 related to a hemp farming transaction which was terminated with the balance incurred to support on-going work in our Life Sciences group relating to the study of medicinal Cannabidiol ("CBD") therapeutic effectiveness and related commercial applications. The hemp plant can be used to extract CBD which is an active ingredient found in both the marijuana and hemp plants. The Company intends to use legal hemp-based CBD in products it develops and concluded that it would acquire hemp or hemp based CBD in the open market rather than grow or finance its own hemp farming business. Third quarter 2017 rent and occupancy expense increase over prior year relates primarily to Alternate Health Labs facilities. Salaries and related expense in the third quarter 2017 include salaries and wages, payroll taxes and benefits of the Alternate Health Lab's 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
December 2015	37,096	107,235	(69,308)	(\$0.00)
March 2016	43,720	109,064	(70,497)	(\$0.00)
June 2016	44,701	180,798	(145,027)	(\$0.00)
September 2016	54,912	268,573	(213,661)	(\$0.01)
December 2016	40,213	1,106,759	(1,324,062)	(\$0.06)
March 2017	3,870,882	5,037,871	(648,278)	(\$0.02)
June 2017	7,242,198	10,944,099	(3,701,901)	(\$0.07)
September 2017	1,709,388	4,163,494	(2,352,949)	(\$0.05)

As expected from the restructuring activities, AHL revenues fell from \$7,242,198 in the second quarter to \$1,709,388 in the third quarter, or 76% due to a fall in sample volume while transitioning to the reference lab to a clinical lab. We expect the drop in sample volume to continue into the fourth quarter with normal lab volumes expected to begin in December 2017 as the restructuring plan should be fully executed before year end.

The third quarter operating expenses of \$4,143,050 was a 62% decrease compared to the second quarter's \$10,897,974 expense. This \$6.7M reduction in cost was driven by a \$2.4M reduction in consulting fees, \$2M decrease in lab supplies expense, \$1.7M less in management fees, and a savings in salaries of \$0.2M. The foreign exchange rate fluctuations that resulted in a \$213,147 loss in the second quarter stabilized in the third quarter resulting in a much smaller loss of \$4,287.

6. LIQUIDITY, CAPITAL RESOURCES AND OUTLOOK

At September 30, 2017, the Company had net positive working capital of \$6,001,372. Current assets totaled \$9,129,217 compared to current liabilities of \$3,127,845. With significantly reduced revenue from its lab business as it transitioned to its new Clinical Model the Company utilized cash of \$1,446,000 in operating activities during the 3rd quarter. Its third quarter investing activities totaled approximately \$270,000 and Management does not expect to exceed that amount quarterly over the first half of 2018. Net cash flow from the Clinical lab is expected to fully cover cash required for other operating activities by the end of Q1 2018.

6.1 FINANCIAL POSITION

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

(Canadian dollars)	September 30, 2017	December 31, 2016	\$ Change
Assets			
Cash	\$ 3,891,494	\$ 570,003	\$ 3,321,491
Other current assets	5,237,723	317,677	4,920,046
Current assets	9,129,217	887,680	8,241,537
Convertible note receivable	665,200	-	665,200
Investments	9,337,337	-	9,337,337
Equipment	3,312,428	7,204	3,305,224
Intangible assets	4,766,132	1,001,928	3,764,204
Deferred income taxes	1,388,231	431,220	957,011
Total assets	\$ 28,598,545	\$ 2,328,032	\$ 26,270,513
Liabilities			
Current liabilities	\$ 3,127,845	\$ 432,283	\$ 2,695,562
Development fees payable to related party	536,416	538,200	(1,784)
Total liabilities	3,664,261	970,483	2,693,778
Total shareholders' equity	24,934,284	1,357,549	23,576,735
Total liabilities and shareholders' equity	\$ 28,598,545	\$ 2,328,032	\$ 26,270,513

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

At September 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 at the time of the investment the companies had a common Director that had significant influence over the operations of both entities. That director is no longer involved with the Company.

As indicated in the following table, Investments included Clover Trail Capital LLC (\$7,373,085), Hightimes Holding Corp (\$332,982), and National Access Cannabis Corp (\$1,636,920).

	September 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, 9 months ended September 30, 2017	428,152	-
Income distribution	(265,500)	-
Total Clover Trail Capital LLC	7,373,085	-
Hightimes Holding Corp – carried at cost		
55,525 Class A commons shares	332,982	-
National Access Cannabis Corp - carried at cost		
7,226,000 common shares	1,636,920	-
Total investment	\$ 9,342,987	-

The Company has a 20% ownership interest in Clover Trail Capital LLC ("Clover") which in turn has a 40% interest in Sun Clinical Laboratory LLC ("Sun"). Sun refers toxicology and blood samples to AHL for analysis. The Company's investment in Clover is carried on the equity basis of accounting with its carrying value recorded at original cost plus its proportionate share of earning less cash distributions from the date of acquisition. Both Clover and Sun are related parties to the Company (see 8 Related Party Transactions).

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

The Company owns 7,226,000 common shares of National Access Cannabis ("NAC") with a cost base of 22.7 cents per share. NAC operates eleven clinics across Canada, with a specific focus on connecting patients with clear information on legal cannabis treatment options available, and assist in connecting to licensed producers/dispensaries. In recognition of NAC's leadership in Canadian medical cannabis, Alternate Health initially made a strategic investment in the NAC with the expectation that the investment would be a base for further expansion in the Canadian market, including the Company's cannabinoid research and delivery systems. Subsequently NAC agreed to utilize Alternate Health's CanaCard Patient Management System in its clinics and expects to have it installed in all eleven clinics by 2017 or early 2018.

NAC recently completed a reverse takeover of a public company and now trades on the TSXV. Its share price on the TSXV closed at 60 cents on November 29, 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 September 30, 2017 and as at December 31, 2016.

(Canadian dollars)	September 30, 2017	December 31, 2016	\$ Change
Cash, cash equivalents and short-term investments	\$ 3,891,494	\$ 570,003	\$ 3,321,491
Accounts receivable	3,859,604	273,011	3,586,593
Other current assets	1,378,119	44,666	1,333,453
Total current assets	9,129,217	887,680	8,241,537
Accounts payable and accrued liabilities	2,478,200	265,088	2,213,112
Other current liabilities	649,645	167,195	482,450
Total current liabilities	3,127,845	432,283	2,695,562
Net working capital	\$ 6,001,372	\$ 455,397	\$ 5,545,975

The net working capital of \$6,001,372 at September 30, 2017, decreased from \$7,532,433 at June 30, 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 \$3,859,604 consists primarily of approximately \$3 million due from Alternate Health Labs' customers. Other current assets primarily consist of prepaid consulting, prepaid maintenance and insurance and security deposits for facilities and utilities.

Accounts payable and accrued items consists primarily of trade accounts payable of approximately \$0.5 million and approximately \$1.7 million due to lab partners, LMK Management LLC a related Party. (See Related Party Transactions- 8).

6.3 Consolidated cash flow movements

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

(Canadian dollars)	Three Quarters		
	2017	2016	\$ Change
Net cash flows used by operating activities	\$ (3,808,622)	\$ (635,560)	\$ (3,173,062)
Convertible note receivable	(665,200)	-	(665,200)
Purchase of National Access Cannabis securities	(1,636,920)	-	(1,636,920)
Investment in AHUSA, Inc.	-	-	-
Purchase of equipment	(737,248)	-	(737,248)
Purchase of Hightimes Holdings Corp shares	(332,982)	-	(332,982)
Intangible assets	(593,036)	-	(593,036)
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	(3,691,660)	-	(3,965,386)
Issuance of share capital	11,247,145	1,200,886	10,046,259
Long-term liability	-	-	-
Due to/from related party	-	(21,643)	21,643
Due to/from shareholders	-	(18,585)	18,585
Share subscription receivable	-	32,458	(32,458)
Warrants exercised	600,000	(80,000)	680,000
Lease payments	(975,372)	-	(975,372)
Development fee payments	(50,000)	-	(50,000)
Net cash provided by (used in) financing activities	10,821,773	1,113,116	9,708,657
Increases in cash	\$ 3,321,491	\$ 477,556	\$ 2,843,935

In the first nine months of 2017, net cash used in operating activities of \$3,808,622 increased \$3,173,062 when compared to net cash used in operating activities of \$635,560 in the same quarter in 2016. The increase in net cash used in operating activities was mainly due to the impact of the increase in AHL accounts receivable and inventory.

The Company invested \$2,635,102 during the first nine months 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 industry. The Company invested \$665,200 in a convertible debenture which provides the Company with the opportunity to convert the debenture into common shares of Apri 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.

6.4 SHARE INFORMATION

The Company's share capital consists of the following:

Authorized: Unlimited common shares

Issued: 52,007,278 common shares

2,702,500 stock options outstanding convertible into common shares. 1,792,500 have an exercise price of \$1.00; 330,000 have an exercise price of \$2.90; the balance of 580,000 have an exercise price of \$4.00. 175,000 options expire on February 1, 2018; 1,125,000 options expire on June 22, 2018; and 612,500 options expire August 9, 2018.

1,347,544 outstanding common share purchase warrants convertible into 1,347,544 common shares. Of the total outstanding, 180,000 at an exercise price of \$1.00 expire on July 8, 2018; 100,000 at an exercise price of \$1.50 expire 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.

6.5 OUTLOOK

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

7. OFF BALANCE SHEET ARRANGEMENTS

The Company had no off-balance sheet arrangements.

8. RELATED PARTY TRANSACTIONS

- a) During the three and nine-month periods ended September 30, 2017, the Company incurred the following transactions with companies having directors and officers in common:

	3 months ended September 30, 2017	9 months ended September 30, 2017
Interest expense	\$18,358	\$82,112
Key management personnel and board of directors share based compensation (non-cash)	\$779,667	\$4,243,233

- b) Included in the prepaid expenses and deposits is an advance of \$183,572 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:

	September 30, 2017
Accounts receivable from Sun Clinical Laboratory, LLC	\$1,085,930
Management fee payable owing to LMK Management, LLC	\$1,722,585

	3 months ended September 30, 2017	9 months ended September 30, 2017
Revenue from Sun Clinical Laboratory, LLC	\$356,441	\$3,268,979
Management fee payable owing to LMK Management, LLC	\$433,446	\$2,961,758

These transactions are in the normal course of operations and have been valued in the Company's 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 \$1,722,585 (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. During the period, the director in common with Apri Health ceased to be a director of the Company.

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

9. SUBSEQUENT EVENTS

Exercise of Warrants

On October 6, 2016 shareholders exercised 75,000 warrants for the issue of 75,000 common shares at an exercise price of \$1.50 per share and proceeds of \$112,500.

On October 10, 2016 shareholders exercised 25,000 warrants for the issue of 25,000 common shares at an exercise price of \$1.50 per share and proceeds of \$37,500

Purchase of Blockchain Mobile Payment Processing Application

Effective November 1, 2017 the Company acquired all of the intellectual property rights to a Blockchain Mobile Payment Processing Application from Trident Payments LLC (Trident"). Under the Agreement Trident will receive a total of 300,000 common shares of the Company at a deemed price of CAD\$2.45 per share. 100,000 shares vested immediately and the remaining 200,000 shares vest as to 50,000 shares on the first trading day on each of the next four fiscal quarters in 2018. In addition, Trident Solutions LLC an affiliate of Trident will receive 24,000 common shares of the Company at a deemed price of CAD\$2.45 under a Marketing and Management Agreement to integrate the technology into CanaPass. All common shares will be issued in accordance with the Policies of the CSE and regulatory authorities and be subject to a 4 month hold period under Canadian securities laws.

Consulting Agreements – Issuance of Common Shares and Warrants

On October 1, 2017 the Company entered a Management Consulting Agreement Effective November 9, 2017 the Company confirmed three consulting agreements for the issue of its securities as follows:

- (1) For past services rendered, the Company agreed to grant 50,000 warrants to purchase its common shares at a price of CAD\$2.45 for a period of twenty-four (24) months from the date of issue.
- (2) For past services rendered, the Company agreed to issue 5,000 common shares at a deemed price of CAD\$2.45.
- (3) For technology consulting services to be rendered the Company agreed to issue 185,000 common shares at a deemed price of CAD\$2.45. The shares vest as to 46,250 on the first trading day of the four fiscal quarters of 2018

The common shares and warrants will be granted/issued in accordance with the Policies of the CSE and regulatory authorities and be subject to a 4 month hold period under Canadian Securities laws.

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. Since the second quarter MD&A, the Canadian Securities Administrators (CSA) have issued guidance related to Public Canadian companies with U.S. marijuana-related activities. This guidance was issued under CSA Staff Notice 51+-352 Issuers with U.S. Marijuana-Related Activities, and the Company is providing additional disclosure as recommended by the guidance. The Company's involvement in U.S. marijuana-related activities is ancillary and the Company is not involved in cultivation or distribution. The Company's U.S. marijuana-related activities include continuing education programs involving the endocannabinoid system and cannabidiol and expansion of its patient management software CanaPass into the United States, including FlorPass (Florida), to manage end-to-end transactions involved with providing safe access to medical and recreational cannabis.

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

The United States Congress has passed appropriation bills each of the last three years that have not appropriated funds for prosecution of cannabis offenses of individuals who are in compliance with state medical cannabis laws. American courts have construed these appropriations bills to prevent the federal

government from prosecuting individuals when those parties comply with state law. However, because this conduct continues to violate federal law, American courts have observed that should Congress, at any time, choose to appropriate funds to fully prosecute the Controlled Substances Act, any individual or business- even those who have fully complied with state law- could be prosecuted for violations of federal law.

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

12.1 CONTINGENCIES

Litigation

Subsequent to the end of the interim period, the Company and its wholly-owned US subsidiary, Alternate Health USA Inc. have been named by way of counterclaim, as counter defendants, in a claim filed in the courts of California, by a third party with whom the Company had entered into consulting arrangements. The counterclaimant is alleging various causes of action and is seeking, among other things, that the Company dismiss its original claim against the third party, special and general damages, costs and removal of any restrictions on transfer of shares of the Company held by the third party. The Company believes the counterclaim has no merit and intends to vigorously defend the action, as well as pursue its original claim against the third party for, among other things return of the shares previously issued to the third party.

13. NON-IFRS FINANCIAL MEASURES

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

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

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

Adjusted Non-IFRS Measures

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

Adjusted EBITDA

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

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

(Canadian dollars)	Third Quarter			Nine Months		
	2017	2016	\$ Change	2017	2016	\$ Change
Net loss - IFRS	\$ (2,352,949)	\$ (210,508)	\$(2,142,441)	\$(6,625,730)	\$ (426,211)	\$(6,199,519)
Add back (as reflected on AHC consolidated statement of operations):						
Depreciation and amortization	143,610	27,671	115,939	405,153	65,514	339,639
Interest expense	18,358	16,820	1,538	82,112	50,456	31,656
Income tax	(137,040)	-	(137,040)	(245,514)	-	(245,514)
EBITDA	\$ (2,328,021)	\$ (166,017)	\$(2,162,004)	\$(6,383,979)	\$ (310,241)	\$(6,073,738)
Add back non-cash and non-recurring expenses:						
Non-cash stock based compensation expense	779,667	-	779,667	4,362,991	-	4,362,991
Non-recurring public company listing expenses	-	-	-	57,508	-	57,508
Non-recurring severance	-	-	-	177,744	-	177,744
Non-cash, non-recurring share compensation to part	-	-	-	1,612,600	-	1,612,600
Adjusted EBITDA	\$ (1,548,354)	\$ (166,017)	\$(1,382,337)	\$ (173,136)	\$ (310,241)	\$ 137,105

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.

Third Quarter 2017 Management's Discussion and Analysis of
Results of Operations and Financial Condition

(Canadian dollars)	Third Quarter			Nine Months		
	2017	2016	\$ Change	2017	2016	\$ Change
Net loss - IFRS	\$ (2,352,949)	\$ (210,508)	\$ (2,142,441)	\$ (6,625,730)	\$ (426,211)	\$ (6,199,519)
Adjusted for:						
Non-cash stock based compensation expense	779,667	-	779,667	4,362,991	-	4,362,991
Non-recurring public company listing expenses	-	-	-	57,508	-	57,508
Non-recurring severance expenses	-	-	-	177,744	-	177,744
Non-cash, non-recurring share compensation to part	-	-	-	1,612,600	-	1,612,600
Adjusted net income (loss)	\$ (1,573,282)	\$ (210,508)	\$ (1,362,774)	\$ (414,887)	\$ (426,211)	\$ 11,324
Weighted average number of outstanding shares used in computing diluted income per share	55,307,893	30,527,023	24,780,870	50,195,696	30,241,073	19,954,623
Adjusted earnings (loss) per share - diluted	\$ (0.0284)	\$ (0.0069)	\$ (0.0216)	\$ (0.0083)	\$ (0.0141)	\$ 0.01