Management Discussion and Analysis of

Alternate Health Corp.

For the six-month period ended June 30, 2019

Dated: July 29, 2019

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1. FINANCIAL HIGHLIGHTS

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

	Second Quarter			First Half		
(Canadian dollars except where indicated)	2019	2018	$ Change	2019	2018	$ Change
Financial Performance Metrics						
Operating revenues	1,931,112	507,664	1,423,448	1,944,847	680,159	1,264,688
Cost of Goods Sold	613,170	-	613,170	613,170	-	613,170
Gross Margin	1,317,942	507,664	810,278	1,331,677	680,159	651,518
Operating expenses	2,692,664	6,891,148	(4,198,484)	5,302,101	10,654,255	(5,352,154)
Operating income (loss)	(1,374,722)	(6,383,484)	5,008,762	(3,970,424)	(9,974,096)	6,003,672
Other income (expense) and Income Taxes	(672,989)	2,305,301	(2,978,290)	(344,724)	2,764,776	(3,109,500)
Net income (loss)	(2,074,711)	(4,078,183)	2,003,472	(4,315,148)	(7,209,320)	2,894,172
EBITDA [(1)]	(1,507,336)	(3,730,278)	2,222,942	(3,326,261)	(6,496,351)	3,170,090
Basic earnings (loss) per share	$ (0.03)	$ (0.08)	$ 0.05	$ (0.06)	$ (0.14)	$ 0.08

(1) EBITDA (earnings before interest, taxes, depreciation and amortization) is a 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 July 25, 2019. This MD&A should be read in conjunction with Alternate Health Corp's. ("**AHC**" or the "**Company**") consolidated financial statements and notes for the six-months period ended June 30, 2019. 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 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, changes in the laws impacting the Company's business and obligations, including in respect of its indirect exposure to cannabis-based operations 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 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 profile on sedar.com.

DESCRIPTION OF BUSINESS

Alternate Health (CSE: AHG, OTCQB: AHGIF) is an international hemp-derived CBD company, focused on extraction, product development and distribution. Through Alternate Health's subsidiary, Blaine Labs, the Company has 23 years of experience in FDA-registered and cGMP pharmaceutical manufacturing and distribution, with over 50 product SKUs available from major retailers, including Walmart, Amazon, CVS and Walgreens.

Blaine Labs' product line includes topical creams, tinctures and gels used both for cosmetic purposes and to manage pain and eliminate fungus. Blaine Labs also manufactures and distributes Hempnesic, a leading hemp-based pain management cream. The Company is currently developing an extensive line of hemp-based CBD products.

Alternate Health's innovative software systems provide the platform for the company's diverse operations, including CBD product distribution, hemp-derived extract manufacturing, blockchain tax collection systems, education modules and electronic medical records (EMR) platforms. Alternate Health's corporate office is located in Toronto, Canada, with additional offices in Venice, California, and San Antonio, Texas

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). VIP-Patient is the result of assistance from both legal experts and physicians with previous Electronic Medical Records ("EMR") experience providing valuable input as to the development, inter-operability[1] and resulting functionality of the patient records management system that became VIP-Patient.

AHC owns the rights to "CanaCard" or the "CanaCard Patient Management System", based on patent pending licensed technology. By adapting an actual medical process to examine all patients, the CanaCard system is a legal and effective method to provide safe and secure access to controlled substances for qualified patients and will provide third party monitoring and reporting for all parties involved, including government regulators. AHC has modified this technology for application with medical cannabis in the Canadian market and has 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 beta testing CanaPass in Florida 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.

Alternate Health Life Sciences

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

- License holder of 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.

Blaine Labs

The Company's Blaine Labs division was acquired on May 2, 2019. Blaine Labs produces over 50 product SKUs available online, at major retailers, and in doctors' offices. All products are FDA-approved and cGMP-certified. By combining Blaine Labs expertise and networks across retail, distribution and manufacturing with Alternate Health's CBD extraction capabilities and distribution software, the company has a strong foundation to be a market leader.

[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.

4. RESULTS OF OPERATIONS AND TRANSACTIONS SUMMARY

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

	Second Quarter			First Half		
(Canadian dollars except where indicated)	2019	2018	$ Change	2019	2018	$ Change
Results of operations						
Total revenues	**1,931,112**	**507,664**	**1,423,448**	**1,944,847**	**680,159**	**1,264,688**
Cost of Goods Sold	**613,170**	**-**	613,170	**613,170**	**-**	613,170
Gross Margin	**1,317,942**	**-**	**1,317,942**	**1,331,677**	**-**	**1,331,677**
Operating expenses						
Advertising and promotion	17,372	60,971	(43,599)	41,221	106,177	(64,956)
Depreciation and Amortization expense	133,675	264,327	(130,652)	213,419	552,950	(339,531)
Accretion - convertible note	133,833	-	133,833	254,283		
Amortization - capital leases	107,830	-	107,830	215,513		
Bad debts	-	1,708,655	(1,708,655)	-	1,728,433	(1,728,433)
Consulting fees	263,567	585,710	(322,143)	725,746	1,341,939	(616,193)
Interest on long term liabilities	192,037	83,578	108,459	305,672	98,522	207,150
Lab supplies	-	292,420	(292,420)	-	683,520	(683,520)
Management fees	-	810,138	(810,138)	-	-	-
Office and general	116,083	192,722	(76,639)	282,231	449,523	(167,292)
Professional fees	642,480	1,323,593	(681,113)	1,242,369	1,724,298	(481,929)
Rent and occupancy	126,721	248,709	(121,988)	444,055	508,841	(64,786)
Repairs and maintenance	-	69,622	(69,622)	-	152,930	(152,930)
Salaries and other benefits	879,932	1,133,787	(253,855)	1,489,751	2,534,859	(1,045,108)
Share-based compensation	-	-	-	-	471,345	(471,345)
Travel	49,696	-	49,696	53,442		
Utilities	29,348	116,916	(87,568)	34,399	239,418	(205,019)
Total operating expenses	**2,692,664**	**6,891,148**	**(4,198,574)**	**5,302,101**	**10,592,755**	**(5,813,892)**
Operating income (loss)	**(1,374,722)**	**(6,383,484)**	**5,008,762**	**(3,970,424)**	**(9,912,596)**	**5,942,172**
Non-operating income (expense)						
Write-down of property and equipment	164,850	-	164,850	527,629		
Gain/(loss) on foreign exchange	449	(19,132)	19,581	14,530	(17,937)	32,467
Fair value change on long-term investments	507,690	-	507,690	(197,435)	-	
Investment income	-	2,324,433	(2,324,433)	-	2,782,713	(2,782,713)
Net income (loss) before income taxes	**(2,047,711)**	**(4,078,183)**	**2,030,472**	**(4,315,148)**	**(7,147,820)**	**2,832,672**
Income taxes	-	-	-	53	32	21
Net income (loss) for the period	**(2,047,711)**	**(4,078,183)**	**2,030,472**	**(4,315,201)**	**(7,147,852)**	**2,832,651**
Basic earnings (loss) per share	**$ (0.03)**	**$ (0.08)**	**$ 0.05**	**$ (0.06)**	**$ (0.14)**	**$ 0.08**

OVERVIEW

Revenue

Revenue for the first quarter ended June 30, 2019 and 2018 was $1,931,112 and $507,664 respectively. The large year-over-year increase in revenue is due to the acquisition of Blaine Labs in May 2019.

Operating Costs

Operating costs for the second quarter ended June 30, 2019 and 2018 were $2.7 million and $6.9 million respectively. The year-over-year decrease is due to several factors:

- The decrease of $1.7 million in Bad Debt is due to writing off medical lab receivables once it became clear that amounts due from insurance companies were most likely uncollectable.
- The decrease of $322 thousand in Consulting fees is due to cost cutting efforts.
- The decrease of $681 thousand in Professional Fees is due to a reduction in legal fees.
- The decrease of $253 thousand in Salaries and benefits is due to cost cutting efforts and staff reductions due to changes in the business model.
- The decrease of $292 thousand in Laboratory supplies is directly related to the shutdown of the laboratory business which had significant variable cost.

4.1 SUMMARY OF QUARTERLY RESULTS

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

For the quarter ended	Revenue $	Operating Expense $	Net Income (Loss) $	Basic Earnings (loss) per Share
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)
December 2017	432,322	11,633,597	-19,431,682	($0.34)
March 2018	172,495	4,043,099	-3,570,501	($0.05)
June 2018	125,990	7,232,637	-4,579,012	($0.08)
September 2018	134,392	4,943,148	-4,573,977	($0.08)
December 2018	144,293	4,282,953	-11,264,679	($0.44)
March 2019	13,735	2,609,436	-2,267,490	($0.03)
June 2019	1,931,112	2,692,664	-2,074,711	($0.03)

Management made the decision to cease operations in the laboratory business in Q4 2018 and focus on entering the CBD product sales. In the second quarter 2019, the acquisition of Blaine Labs began to produce revenue and absorb fixed cost. Management expects these projects to begin producing significant revenues in Q3 of 2019.

5. LIQUIDITY, CAPITAL RESOURCES AND OUTLOOK

At June 30, 2019, the Company had net working capital deficit of ($11,861,404). Current assets totaled $4,766,902 compared to current liabilities of $18,320,606. Although this negative working capital situation seems dire, $10,312,566 of the deficit is due to amounts due purchase Blaine Labs for which much of the short-term funding is to be satisfied through the issuance of stock. The remainder is due in 6 months and 12 months. Management feels confident these amounts can be paid out of expected Blaine Labs cash flow. To further mitigate this circumstance, $3,960,542 of the current liabilities are owed to Board members and directors of Alternate Health, which have shown a willingness to defer these debts until the company begins making positive cash flow.

5.1 FINANCIAL POSITION

The following table provides a condensed consolidated statement of financial position of Alternate Health as at June 30, 2019 and 2018.

(Canadian dollars)	June 30, 2019	December 31, 2018	$ Change
Assets			
Cash	$ 2,010,835	$ 3,902,769	$ (1,891,934)
Other current assets	2,756,067	966,222	1,789,845
Current assets	4,766,902	4,868,991	(102,089)
Right to use - capital leases	813,033	-	813,033
Investments	2,769,478	2,572,043	197,435
Equipment	770,291	650,507	119,784
Intangible assets	21,352,026	1,520,863	19,831,163
Total assets	**$ 30,471,730**	**$ 9,612,404**	**$ 20,859,326**
Liabilities			
Current liabilities	$ 18,320,606	$ 5,482,360	$ 12,838,246
Convertible Debenture	1,674,360	$ 2,519,083	$ (844,723)
Lease liability	838,527	$ -	$ 838,527
Consideration due for acquisition	12,108,755		
Development fees payable to related party	566,022	536,134	29,888
Total liabilities	**$ 33,508,270**	**$ 8,537,577**	**$ 24,970,693**
Total shareholders' equity	(3,036,573)	1,074,827	(4,111,400)
Total liabilities and shareholders' equity	**$ 30,471,730**	**$ 9,612,404**	**$ 20,859,326**

Movements in current assets and current liabilities are described in section 5.2 "Working Capital" of this MD&A.

There were few substantial moves related to the balance sheet in Q2 2019:

- The decrease in cash of $1.9 million was a result of funding the $1.8 million in other current assets such as accounts receivable and inventory.
- The increase of $813 thousand was due to a change in accounting standards that require companies to capitalize leases effective 1/1/2019; see IFRS 16.
- The increase of $19.8 million in Intangible assets was due to adding $19.9 million in Goodwill related to the acquisition of Blaine Labs.
- An increase in $12.8 million in current liabilities due to the acquisition of Blaine Labs.
- A decrease of $844 thousand in Convertible Debentures was due to a reclassification of long-term liabilities to short term liabilities due to the Q4 2019 maturity of one of the Convertible Debentures.
- An increase of $838 thousand was also due to the change in accounting standard mentioned above; see IFRS 16.

5.2 WORKING CAPITAL AND OTHER LIQUID SECURITIES

The following table provides information on Alternate Health's working capital balances as at June 30, 2019 and 2018.

(Canadian dollars)	June 30, 2019	December 31, 2018	$ Change
Cash, cash equivalents and short-term investments	$ 2,010,835	$ 3,902,769	$ (1,891,934)
Accounts receivable	839,395	62,988	776,407
Other current assets	1,916,672	903,234	1,013,438
Total current assets	**4,766,902**	**4,868,991**	**(102,089)**
Accounts payable and accrued liabilities	6,837,736	5,407,360	1,430,376
Convertible note	1,095,314	-	1,095,314
Other current liabilities	10,387,556	75,000	10,312,556
Total current liabilities	**18,320,606**	**5,482,360**	**12,838,246**
Net working capital	**$ (13,553,704)**	**$ (613,369)**	**$ (12,940,335)**
Marketable Securities	1,692,300	1,494,865	197,435
Net working capital & Marketable securities	**$ (11,861,404)**	**$ 881,496**	**$ (12,742,900)**

The net working capital & Marketable securities of negative $11,861,404 at June 30, 2019, decreased $12,742,900 from December 31, 2018 due primarily to the purchase of Blaine Labs ($10.3 million). Half of this amounts will be satisfied in Q3 2019 through the issuance of Alternate Health Corp stock. The remainder is due in 6 months and 12 months. Management feels confident these amounts can be paid out of Blaine Labs operating cash flow.

The change in other current assets (increase $1 million) is due to increases in Accounts receivable and Inventory. These increases were paid for by the increase in Accounts Payable and accrued liabilities of $1.4 million. Management feels confident that the Blaine Labs division will continue to provide positive cash flow and the working capital/Liquidity position will continue to improve.

5.3 Consolidated cash flow movements

The following table provides information on Alternate Health's consolidated cash flow for the second quarter ended June 30, 2019 and the same period last year.

	First Half		
(Canadian dollars)	2019	2018	$ Change
Net loss	(4,315,148)	(7,147,821)	2,832,673
Accretion of convertible note	254,283	-	254,283
Amortization of capital leases	215,513	-	215,513
Depreciation and amortization expense	213,419	552,950	(339,531)
Interest accrued on development fees payable and convertible note	29,888	-	29,888
Share-based payments	123,041	839,361	(716,320)
Fair value change on long-term investment	197,435	-	197,435
Write-down of property and equipment	527,629	-	527,629
Gain on sale of long-term investment	-	(2,709,352)	2,709,352
Change in non-cash working capital items	1,072,132	2,499,063	(1,426,931)
Net cash flows used by operating activities	**$ (1,681,808)**	**$ (5,965,799)**	**$ 4,283,991**
Proceeds from sale of long term investments	-	3,865,931	(3,865,931)
Purchase of property and equipment	(214,773)	(64,304)	(150,469)
Proceeds from sale of medical equipment	33,408	-	33,408
Net cash provided by (used in) investing activities	**$ (181,365)**	**3,801,627**	**$ (3,982,992)**
Net cash provided by (used in) financing activities	-	882,334	(882,334)
Effect of movement of exchange rates	(28,760)	138,496	(167,256)
Increases in cash	**$ (1,891,933)**	**$ (1,143,342)**	**$ (748,591)**

For the first half of the year ended June 30, 2019, net cash used in operating activities of $1.6 million decreased compared to $5.9 million used in the same period in 2018. The major difference in the cash flow from the two periods is the smaller net loss ($2.8 million). Another large contributor to the 2018's increase in operating cash flow was the sale of marketable securities which provided $2.7 million in cash flow.

5.4 SHARE INFORMATION

The Company's share capital consists of the following:

Authorized: Unlimited common shares

Issued: 67,752,095 common shares

1,210,000 stock options outstanding convertible into common shares. 60,000 have an exercise price of $0.74; 120,000 have an exercise price of $2.00; 300,000 have an exercise price of $2.20; 270,000 have an exercise price of $2.90; 460,000 have an exercise price of $4.00. 10,000 options expire July 17, 2019; 460,000 options expire April 14, 2022; 260,000 options expire August 5, 2022; 120,000 expire December 2, 2022; 300,000 options expire January 22, 2020 and 60,000 options expire September 1, 2023.

3,605,855 outstanding common share purchase warrants convertible into common shares. Of the total outstanding, 50,000 at an exercise price of $2.45 expire December 6, 2019; 867,544 at an exercise price of $3.91 expire on April 14, 2022; 1,688,311 at an exercise price of $0.77 expire on June 23, 2021; 250,000 at an exercise price of $0.42 expire on October 30,2021; 250,000 at an exercise price of $0.42 expire on November 30,2021; 250,000 at an exercise price of $0.42 expire on December 30,2021; 250,000 at an exercise price of $0.42 expire on January 30, 2022.

5.5 OUTLOOK

The Company's near-term focus for the last half of 2019:

Blaine Labs product sales
On May 2, 2019, Alternate Health acquired Blaine Labs. On May 16, 2019, Alternate Health announced that it was restructuring operations to focus exclusively on hemp-derived cannabinoid extraction, manufacturing, and distribution of medical grade products. By focusing the Company's expertise in extraction on hemp-derived cannabinoids, Alternate Health expects to turn Blaine Labs into a leader in CBD products as well. Blaine Labs' existing experience with FDA-approved and cGMP-certified manufacturing is a considerable advantage to Alternate Health's expansion into the CBD industry, staying ahead of tightening regulations and standards. Blaine Labs also has distribution relationships with major retailers, including Walmart, CVS, Amazon and Walgreens, with the potential for significant growth using Alternate Health's inventory management and point-of-sale systems.

ZiApp Payment System
ZiApp is a payment processing engine specifically designed to handle the high-risk transactions that characterize the cannabis industry. Using a network of blockchain smart contracts and a fixed-exchange token, ZiApp offers a comprehensive solution to cannabis merchants who have struggled with traditional payment providers. ZiApp's eWallet functionality is easily integrated with any retail Point of Sale system or online shopping cart, providing a comprehensive payment solution. This will be paramount in our Distribution Business as we work with farmers and dispensaries to streamline the cannabis supply chain and the movement of money going from raw materials to finished goods.

CanaPass/StatePass
CanaPass and its adaptations in the United States continue to gain traction in the medical-use cannabis market. In Florida, the recent approval from the state Department of Health and our agreement with Liberty Health Sciences has generated strong momentum. We have been actively growing our physician and patient base and have successfully processed online orders for medical cannabis through the FlorPass online shopping portal. While conversion to revenue has been slower than anticipated, we continue to enhance the system and do expect positive results in the future. The shopping portal and inventory management aspects of the system will transition nicely as we customize the software for California's adult-use market.

Point of Sale
Our Point of Sale (POS) software was built as an extension of the CanaPass system to provide dispensaries and licensed providers with the ability to handle transactions and process payments in a brick-and-mortar retail environment. As we roll out our Distribution services in California, the POS system will be the competitive advantage for Alternate Health, giving us the ability to offer partner dispensaries a turn-key payment solution while seamlessly tracking inventory and consignment sales.

MLM Software
Our IT team has done a tremendous job in creating a Multi-Level Marketing software solution and we are now in the final stages of development. We are also in the process of evaluating several exciting CBD products to include in our offering. With the conclusion of our software development and selection of products, we will be ready to roll this program out in 2019. Our plans are to enter the CBD market when the time is right with the same level of enthusiasm that characterized our movement into the cannabis market.

6. OFF BALANCE SHEET ARRANGEMENTS

The Company had no off-balance sheet arrangements.

7. RELATED PARTY TRANSACTIONS

(a) The Company incurred the following transactions with companies having directors and officers in common:

		2019		2018
Interest expense	$	118,154	$	14,944
Key management personnel and board of director's cash-based compensation included in consulting fees		554,492		224,160
Key management personnel and board of director's cash-based compensation included in salaries and benefits		112,290		82,264
Key management personnel and board of director's share-based compensation (non-cash)	$	-	$	471,345

The Company incurred the following consulting fees:

(i) Consulting services of $81,780 for the first quarter ended paid to Cannabinoid SCI, a company related by way of common directors and common significant shareholders.

(ii) Consulting services of $36,234 for the first quarter ended paid to KLC Holdings, a company related by way of common directors and common significant shareholders.

(iii) Consulting services of $171,135 for the first quarter ended paid to Support Your Buds, a company related by way of common directors and common significant shareholders.

(iv) Consulting services of $145,913 for the first quarter ended paid to various directors, officers or shareholders of the Company.

8. SUBSEQUENT EVENTS

On June 14, 2019, Alternate Health issued a press release announcing that the Company had reached an agreement with Alpha Blue Ocean for a $5 million financing facility. In July, two tranches of financing were completed. The details are as follows:

On July 5, 2019, Alternate Health closed the first tranche of the Financing, the Company issued to European High Growth Opportunities Securitization Fund ("EHGO") a convertible debenture (the "Debenture") in the principal amount of $200,000 and share purchase warrants (the "Warrants") exercisable to acquire up to 3,121,212 common shares of the Company (the "Shares") for a period of three years at a price of $0.33 per Share. The Debentures and Warrants are subject to a hold period of four months and one day from issuance.

On July 17, 2019, Alternate Health closed the second tranche of the Financing, the Company issued to European High Growth Opportunities Securitization Fund ("EHGO") a convertible debenture (the "Debenture") in the principal amount of $500,000 and share purchase warrants (the "Warrants") exercisable to acquire up to 227,272 common shares of the Company (the "Shares") for a period of three years at a price of $0.33 per Share. The Debentures and Warrants are subject to a hold period of four months and one day from issuance.

9. ACCOUNTING POLICIES

Alternate Health's accounting policies are as disclosed in Note 4 to the 2018 annual consolidated financial statements. There have been no material changes to Alternate Health's accounting policies from what was disclosed at that time.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments are exposed to certain financial risks, including liquidity risk, interest rate risk, currency risk and credit risk. The Company's exposure to these risks and its methods of managing the risks remain consistent.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to financing capital is hindered, whether because of a downturn in market conditions, generally, or related to matters specific to the Company. The Company is exposed to this risk mainly with respect to its accounts payable and accrued liabilities, development fees payable and commitments.

The Company has sustained losses since incorporation and has financed these losses through the issuance of equity offerings. Management believes that it has sufficient cash and access to a marketable security in the upcoming year to meet all its contractual obligations and fund any potential operating losses, which may occur.

The table below represents non-derivate financial liabilities by maturity based on the remaining period from March 31, 2019 to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows:

	Total	**Under 1 year**	**1-3 years**	**After 3 years**
Accounts payable and accrued liabilities	$ 5,669,977	$ 5,669,977	$ -	$ -
Development fee payable	626,078	75,000	551,078	-
Commitments	2,782,314	961,208	1,558,305	262,800
	$ 9,078,369	$ 6,706,185	$ 2,109,383	$ 262,800

Interest rate risk

Interest rate risk consists of:

(i) the extent to which payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, and
(ii) the extent to which changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities.

Interest rate risk is a risk that the future cash flows of a financial instrument may fluctuate due to changes in market conditions. The Company's interest rate risk is related its convertible note receivable, which bears interest at 4.5% per annum and the deferred development fee payable, which bears interest at 15% per annum. The Company does not have any assets or liabilities with a variable interest rate, which minimizes the Company's exposure to fluctuations in interest rates. There have been no changes to the risk exposure from the prior year.

Foreign currency risk

Foreign currency risk is created by fluctuations in the fair value or cash flows of financial instruments due to changes in foreign exchange rates and exposure because of the Company's US operations.

Although the Company is headquartered in Canada, the majority of the Company's revenues are in the U.S. As a result of the Company's acquisition of AHL, the Company expects to have a greater exposure to US dollar fluctuation than in prior years.

Although management has deemed it not appropriate to utilize currency hedges, currency risk is managed by maintaining operations in the local currency, therefore avoiding foreign currency translations at the entity level. This decentralization acts as a natural hedge. Management continues to monitor this risk and may mitigate this risk with derivatives should the impact become material or effect the Company's business plan.

Foreign exchange sensitivity analysis:
An appreciation (depreciation) of the Canadian dollar against the U.S. dollar would have resulted in an increase (decrease) of $99,906 in the Company's net loss because of the Company's net exposure to currency risk through its current assets and liabilities denominated in U.S. dollars. This analysis is based on a foreign currency exchange rate variance of 5%, which the Company considered to be reasonably possible at December 31, 2018.

Fair value

IFRS 7 Financial Instruments: Disclosures requires disclosure of a three-level hierarchy ("FV hierarchy") that reflects the significance of the inputs used in making fair value assessments, measurements and disclosures. Fair values of assets and liabilities included in Level 1 are determined by referring to quoted price in an active market for identical assets or liabilities. Assets and liabilities included in Level 2 are those whose valuations are determined using inputs other than quoted prices for which all direct or indirect significant outputs are observable. Level 3 valuations are those based on inputs that are unobservable and significant to the overall fair value measurement.

As at December 31, 2017 and December 31, 2016, the carrying amount of cash, accounts receivable, HST receivable, due from related parties and accounts payable and accrued liabilities approximately their fair value due to their short-term nature. The carrying value of the development fees payable to related party approximates its fair value as its interest payable on outstanding amounts approximates the Company's current cost of debt.

During the year ended December 31, 2018, there were no transfer between any levels.

Credit risk

Credit risk is the risk that one party to a financial asset will cause a financial loss for the Company by failing to discharge an obligation. The Company's credit risk arises primarily from the Company's cash, accounts receivable, convertible note receivable and investments. The Company provides credit to its customers in the normal course of its operations.

Credit risk with cash if minimized by ensuring this financial asset is place with financial institutions with high credit ratings.

HST receivable is comprised of refundable taxes receivable from the Canada Revenue Agency ("CRA"). Refundable taxes are subject to review by CRA, which may delay receipt. Management believes that the risk of the CRA failing to deliver payment to the Company is minimal.

11. RISK FACTORS

The following is a cautionary discussion of risks, uncertainties and assumptions that we believe are significant to our business, financial condition and financial results. In addition to the factors discussed elsewhere in the Company's filings, the following are some of the important factors that, individually or in the aggregate, we believe could make our results differ materially from those described in any forward-looking statements. It is impossible to predict or identify all such factors and, as a result, you should not consider the following factors to be a complete discussion of risks, uncertainties and assumptions.

U.S. Cannabis Activities

On October 16, 2017, the Canadian Securities Administrators published Staff Notice 51-352 Issuers with U.S. Marijuana Related Activities (the ''Staff Notice'') which provides specific disclosure expectations for issuers that currently have, or are in the process of developing, cannabis-related activities in the U.S. as permitted within a particular state's regulatory framework. All issuers with U.S. cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in prospectus filings and other required disclosure documents. The Company's involvement in U.S. marijuana-related activities is ancillary and the Company is not involved in cultivation or distribution although it may do so in the future. 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) and StatePass in New York, to manage end-to-end transactions involved with providing safe access to medical and recreational cannabis which includes a payment application.

Unlike in Canada which has federal legislation uniformly governing the cultivation, distribution, sale, and possession of medical cannabis under the Access to Cannabis for Medical Purposes Regulations, 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.

Also, under U.S. federal law it may potentially be a violation of federal money laundering statutes for financial institutions to take any proceeds from marijuana sales or any other Schedule I substance. Canadian banks are also hesitant to deal with cannabis companies, due to the uncertain legal and regulatory framework of the industry. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses. Under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering or conspiracy.

The United States Congress has passed appropriation bills each of the last four 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.

Additional Requirements for Capital

Substantial additional financing may be required and no assurances can be given that the Company will be able to raise the additional capital that it may require for its anticipated future development. Any additional equity financing may be dilutive to investors and debt financing, if available, may involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company, if at all. If we are unable to obtain additional financing as needed, the Company may be required to reduce the scope of its operations or anticipated expansion.

Volatility of Stock Price and Market Conditions

The market price of the Common Shares may be subject to wide fluctuations in response to factors such as actual or anticipated variations in its results of operations, changes in financial estimates by securities analysts, general market conditions and other factors. Market fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may adversely affect the market price of our stock even if we are successful in maintaining revenues, cash flows or earnings.

Competition

The healthcare information systems and the continuing education and consumer products markets are highly competitive on both a local and a national level. The Company believes that the primary competitive factors in this market are:

• quality service and support;
• price;
• product features, functionality and ease of use;
• ability to comply with new and changing regulations;
• ongoing product enhancements; and
• reputation and stability of the vendor.

The electronic medical records ("EMR") marketplace in Canada is currently dominated by Telus Health and the Company will face substantial competition from Telus and other established competitors, which have greater financial, technical, and marketing resources than it does. The Company's competitors may also have a larger installed base of users, longer operating histories or greater name recognition. There is also substantial competition in the US marketplace. There can be no assurance that the Company will successfully differentiate its current and proposed products from the products of its competitors, or that the marketplace will consider the products of the Company to be superior to competing products.

Risk of Safeguarding Against Security & Privacy Breaches

A security or privacy breach could:

• expose the Company to additional liability and to potentially costly litigation;
• increase expenses relating to the resolution of these breaches;
• deter potential customers from using our services; and
• decrease market acceptance of electronic commerce transactions.

The Company cannot assure that the use of applications designed for data security and integrity will address changing technologies or the security and privacy concerns of existing and potential customers. Although the Company requires that agreements with service providers who have access to sensitive data include confidentiality obligations that restrict these parties from using or disclosing any data except as necessary to perform their services under the applicable agreements, there can be no assurance that these contractual measures will prevent the unauthorized disclosure of sensitive data. If the Company is unable to protect the security and privacy of our electronic transactions and data, our business will be materially adversely affected.

High Degree of Product Concentration

Substantially all of the Company's currently anticipated revenues will be derived from a limited number of products and services, namely CanaCard /CanaPass EMR software and toxicology testing. Consequently, the Company's performance will depend on establishing and maintaining market acceptance of these products and services, as well as enhancing the performance of such products and services to meet the evolving needs of customers. The Company, like other entities involved in a rapidly evolving new industry, faces the risk that our products and services may not prove to be commercially successful or may be rendered obsolete by further scientific and technological developments. There can be no assurances that the Company will establish and maintain a position at the forefront of emerging technological trends. Any reduction in anticipated future demand or anticipated future sales of these products or any increase in competition could have a material adverse effect on our business prospects, operating results, or financial condition.

Difficulty to Forecast

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical marijuana industry in Canada and changing US environment. A failure in the demand for services to materialize as a result of competition, regulatory and technological change or other factors could have a material adverse effect on our business, results of operations and financial condition.

Material Impact of PIPEDA/HIPPA Legislation on the Issuer's Business

Regulations under PIPEDA/HIPAA governing the confidentiality and integrity of protected health information are complex and are evolving rapidly. As these regulations mature and become better defined, the Company anticipates that they will continue to directly impact our business. Achieving compliance with these regulations could be costly and distract management's attention from its operations. Any failure on the Company's part to comply with current or future regulations could subject it to significant legal and financial liability, including civil and criminal penalties. In addition, development of related federal and state regulations and policies regarding the confidentiality of health information or other matters could positively or negatively affect our business.

Key Personnel

Our future success will depend, in large part, upon our ability to retain key management personnel and to attract and retain additional qualified marketing, sales and operational personnel to form part of the Company's technical and customer services support center. The Company may not be able to enlist, train, retain, motivate and manage the required personnel. Competition for these types of personnel is intense. Failure to attract and retain personnel, particularly marketing, sales and operational personnel as well as consultants, could make it difficult for the Company to manage its business and meet its objectives.

Lengthy and Variable Sales Cycle

The Company will have difficulty in forecasting the timing of revenue from sales of its products because its customers may invest substantial time, money and other resources researching their needs and available competitive alternatives before deciding to purchase our products and services. Typically, the larger the potential sale, the more time, money and resources will be invested by customers. As a result, it may take many months after the first contact with a customer before a sale can actually be completed, which may delay the Company's ability to recognize revenue and generate cash.

During these long sales cycles, events may occur that affect the size or timing of the order or even cause it to be cancelled, including:

• purchasing decisions may be postponed, or large purchases reduced during periods of economic uncertainty;

• the Company, or its competitors, may announce or introduce new products or services;

• budget and purchasing priorities of customers may change.

If these events were to occur, sales of the Company's products or services may be cancelled or delayed, and the Company's revenue, business and operating cash flows would be adversely affected.

Market Uncertainty

The Company's success depends to a significant degree on its ability to develop the market and gain acceptance for its products and services. There is no assurance that a significant market will develop for CanaCard Practice Management Software ("CPMS"). There can be no assurances that the commercial applications and markets for the Company's products will develop. To manage such development, the Company must continue to expand its existing resources and management information systems and must attract, train, and motivate qualified marketing, management, technical and administrative personnel. There can be no assurance that the Company will be able to achieve these goals.

Management of Growth

The Company may be subject to growth-related risks including pressure on its internal systems and controls. Our ability to manage growth effectively will require us to continue to implement and improve operational and financial systems. The inability of the Company to deal with this growth could have a material adverse impact on its business, operations and prospects. The Company may experience growth in the number of its employees and the scope of its operating and financial systems, resulting in increased responsibilities for the Company's personnel, the hiring of additional personnel and, in general,

higher levels of operating expenses. In order to manage its current operations and any future growth effectively, the Company will also need to continue to implement and improve its operational, financial and
management information systems and to hire, train, motivate and manage its employees. There can be no assurance that the Company will be able to manage such growth effectively, that its management, personnel or systems will be adequate to support the Company's operations or that the Company will be able to achieve the increased levels of revenue commensurate with the increased levels of operating expenses associated with this growth.

Pricing policies

The competitive market in which the we operate could force the Company to reduce its prices. If its competitors offer large discounts on their EMR systems or processing fees and toxicology testing services. In order to gain market share, the Company may need to lower its prices and offer other favorable terms in order to compete successfully. Such changes could reduce profit margins and have an unfavorable impact on its operating results. Some of the Company's competitors could offer products and services that compete with ours as part of a long-term pricing strategy or offer price guarantees or product implementation. With time, these practices could limit the prices the Company may charge for its products and services. If the Company cannot offset these price reductions with a corresponding increase in sales volume or decreased expense, the decreased revenues from products and services could unfavorably affect its profit margins and its operating results.

The Company's Inability To Protect Its Proprietary Rights Could Adversely Affect Its Competitive Position

The Company licenses proprietary technology. The licensors may be required to modify the design of the product, modify their license arrangements with the Company, or litigate challenges to their technology, all of which may have an adverse business effect on the Company.

11.1 CONTINGENCIES

Litigation

On April 18, 2018 Alternate Health Labs, Inc was named in a multi-party lawsuit by a health insurance company that was not a customer of AHL but of Sun Clinical Laboratory, LLC a related party to AHL. The suit alleges various causes of action including fraud and fraudulent non-disclosure. The Company and its legal counsel are in the early stages of reviewing the claims, but management believes that they have no merit and intends to vigorously defend the action. The claims made are similar to claims made to Sun by another insurance company which were all dismissed including allegations of fraud

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 federal court in 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.

Arbitration

The Company and two wholly-owned subsidiaries, Alternate Health, Inc., and Alternate Health USA Inc., have been named by way of counterclaim, as counter-respondents, in a claim filed in an arbitration in California, by a third party with whom the Company had entered into licensing 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.

12. 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.