



Unaudited Condensed Interim Consolidated Financial Statements of

**Alternate Health Corp.**

Expressed in Canadian Dollars

For the three months period ended March 31, 2018 and March 31, 2017  
(Unaudited)

## **NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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

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

# Alternate Health Corp.

Unaudited Condensed Interim Consolidated Statement of Financial Position (in Canadian Dollars)

As at	March 31, 2018	December 31, 2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 502,530	\$ 1,443,862
Accounts receivable, net (Note 10)	2,677,799	2,748,567
HST receivable	82,024	79,615
Income taxes receivable	139,182	135,491
Due from related parties (Note 10)	208,142	208,142
Supplies on hand	460,183	475,183
Prepaid expenses and deposits	635,888	575,748
	<u>4,705,748</u>	<u>5,666,608</u>
<b>Non-current assets</b>		
Convertible note receivable from related party (Notes 3 & 10)	665,200	665,200
Long term investments (Note 4)	4,929,057	5,082,277
Property and equipment (Note 5)	6,182,111	6,148,090
Intangible assets (Note 6)	2,403,537	2,367,722
	<u>14,179,905</u>	<u>14,263,289</u>
<b>Total non-currents assets</b>	<u>14,179,905</u>	<u>14,263,289</u>
	<u>\$ 18,885,653</u>	<u>\$ 19,929,897</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 10)	\$ 2,548,176	\$ 3,272,100
Current portion of development fees payable (Note 10)	75,000	75,000
	<u>2,623,176</u>	<u>3,347,100</u>
<b>Non-current liabilities</b>		
Development fees payable to related party (Note 10)	491,303	476,359
	<u>3,114,479</u>	<u>3,823,459</u>
<b>Total liabilities</b>	<u>3,114,479</u>	<u>3,823,459</u>
<b>Shareholders' equity</b>		
Share capital (Note 13)	36,985,911	36,670,560
Warrants (Note 13)	3,032,300	3,032,300
Share-based reserve (Note 13)	3,711,908	3,320,101
Deficit	(32,029,219)	(28,959,547)
Accumulated other comprehensive income	4,070,274	2,043,024
	<u>15,771,174</u>	<u>16,106,438</u>
<b>Total shareholders' equity</b>	<u>15,771,174</u>	<u>16,106,438</u>
	<u>\$ 18,885,653</u>	<u>\$ 19,929,897</u>

See accompanying notes to the unaudited condensed interim consolidated financial statements

# Alternate Health Corp.

Unaudited Condensed Interim Consolidated Statement of Loss and Comprehensive Loss  
(in Canadian Dollars)

For the three-month period ended	<b>March 31, 2018</b>	<b>March 31, 2017</b> (restated – note 13)
<b>Revenue</b>	\$ 172,495	\$ 4,305,448
<b>Operating expenses</b>		
Advertising and promotion	45,206	18,520
Depreciation and amortization of equipment and intangible assets	288,623	394,567
Bad debts	19,778	434,566
Consulting fees (Notes 10 & 12)	756,229	4,151,149
Interest on long term liabilities	14,944	36,827
Lab supplies	391,100	534,342
Management fees (Note 10)	(810,138)	809,763
Office and general	250,389	162,203
Professional fees	400,704	1,812,906
Rent and occupancy	260,132	205,876
Repairs and maintenance	83,309	22,360
Research and development	6,415	251,508
Salaries and other benefits	1,401,072	656,209
Share-based compensation (Note 12)	471,345	151,810
Utilities	122,502	39,651
<b>Operating expenses</b>	<b>3,701,610</b>	<b>9,682,247</b>
<b>Loss before undernoted items and income taxes</b>	<b>(3,529,115)</b>	<b>(5,376,799)</b>
<b>Other expenses/(income)</b>		
Bargain purchase on Alternate Health, Labs Inc. acquisition (Note 11)	-	(2,246,396)
(Gain) Loss on foreign exchange	(1,195)	(111,624)
Investment income	(458,280)	-
Income from equity accounted for investment (Note 4)	-	(583,009)
	<b>(459,475)</b>	<b>(2,941,029)</b>
<b>Loss before income taxes</b>	<b>(3,069,640)</b>	<b>(2,435,770)</b>
<b>Income taxes (recovery)</b>		
Current	32	220,882
Deferred	-	(156,000)
	<b>32</b>	<b>64,882</b>
<b>Net loss</b>	<b>(3,069,672)</b>	<b>(2,500,652)</b>
<b>Other comprehensive income</b>		
Foreign currency translation differences for foreign operations	220,097	(330,583)
Net unrealized gain on investments available for sale	1,807,153	-
<b>Other comprehensive income (loss)</b>	<b>2,027,250</b>	<b>(330,583)</b>
<b>Total comprehensive loss</b>	<b>\$ (1,042,422)</b>	<b>\$ (2,831,235)</b>
Basic and diluted loss per share (Note 8)	\$ (0.06)	\$ (0.05)
Average weighted number of shares	52,681,141	49,392,585

See accompanying notes to the unaudited condensed interim consolidated financial statements

# Alternate Health Corp.

Unaudited Condensed Interim Consolidated Statement of Changes in Equity (in Canadian Dollars)

	Number of shares #	Share capital \$ (Note 13)	Number of warrants #	Warrants \$ (Note 13)	Share-based reserve \$ (Note 13)	Accumulated other comprehensive income	Deficit \$	Total Shareholders' equity \$
<b>Balance at December 31, 2016, previously stated</b>	32,916,236	3,035,219	606,250	29,000	818,100	-	(2,524,770)	1,357,549
Comparative figures adjustment (Note 13)	-	49,967	-	-	200,000	-	(299,967)	50,000
<b>Balance at December 31, 2016, restated</b>	32,916,236	3,085,186	606,250	29,000	1,018,100	-	(2,824,737)	1,307,549
Issuance of common shares and warrants	17,802,292	32,550,495	-	-	(210,000)	-	-	31,340,495
Shares held in escrow	750,000	-	-	-	-	-	-	-
Stock-based compensation	-	-	180,000	151,810	-	-	-	151,810
Exercise of warrants for common shares	400,000	600,000	(400,000)	-	-	-	-	600,000
Expiration of warrants	-	-	(25,000)	-	-	-	-	-
Net and other comprehensive loss	-	-	-	-	-	(742,454)	(2,573,873)	(3,316,423)
<b>Balance at March 31, 2017, restated</b>	51,868,528	35,235,681	361,250	180,810	808,100	(742,454)	(5,398,610)	30,083,527
<b>Balance at December 31, 2017</b>	52,631,278	36,670,560	1,297,544	3,032,300	3,320,101,	2,043,024	(28,959,547)	16,106,438
Issuance of common shares	50,000	122,500	-	-	-	-	-	122,500
Issuance of shares held in escrow	-	113,313	-	-	-	-	-	113,313
Expiry of stock options	-	79,538	-	-	(79,538)	-	-	-
Stock-based compensation	-	-	-	-	471,345	-	-	471,345
Net and other comprehensive income (loss)	-	-	-	-	-	2,027,250	(3,069,672)	(1,042,422)
<b>Balance at March 31, 2018</b>	52,681,278	\$ 36,985,911	1,297,544	\$ 3,032,300	\$ 3,711,908	\$ 4,070,274	\$ (32,029,219)	\$ 15,771,174

See accompanying notes to the unaudited condensed interim consolidated financial statements

# Alternate Health Corp.

Unaudited Condensed Interim Consolidated Statement of Cash Flows (in Canadian dollars)

For the three months ended	March 31 2018	March 31, 2017 (restated – note 13)
<b>Cash provided from (used in)</b>		
<b>Operating activities</b>		
Net loss	\$ (3,069,672)	\$ (2,500,652)
Depreciation and amortization of equipment and intangible assets	288,623	394,567
Share-based payments	471,345	5,192,169
Gain on sale of long term investment	(458,280)	-
Bargain purchase on acquisition (Note 11)	-	(2,246,396)
Income from equity accounted for investment (Note 4)	-	(583,009)
Finance expense	14,944	-
Deferred tax	-	(156,000)
Change in non-cash working capital items (Note 9)	(591,083)	36,375
Cash provided by (used in) operating activities	(3,344,123)	137,054
<b>Investing activities</b>		
Proceeds from sale of long term investments	2,419,465	-
Cash on acquisition of AHL (Note 11)	-	8,295
Purchase of property and equipment	(25,908)	-
Additions to intangible assets	-	(86,592)
Purchase of Hightimes Holdings Corp shares	-	(332,982)
Purchase of convertible note receivable (Note 6)	-	(665,200)
Cash provided by (used in) investing activities	2,393,557	(1,076,479)
<b>Financing activities</b>		
Advances to related party	-	(243,813)
Development fees payable to related party	-	67,275
Issuance of share capital, net of share issuance costs	-	11,892,547
Equipment lease payments	-	(379,062)
Cash provided by financing activities	-	11,336,947
Effect of movement of exchange rates	9,234	59,021
Increase (decrease) in cash	(941,332)	10,456,543
Cash, beginning of period	1,443,862	570,003
Cash, end of period	\$ 502,530	\$ 11,026,546

See accompanying notes to the unaudited condensed interim consolidated financial statements

# Alternate Health Corp.

Notes to Unaudited Condensed Interim Consolidated Financial Statements (in Canadian dollars)

For the three months ended March 31, 2018 and 2017

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## 1. Nature of operations

Alternate Health Corp. (“AHC”) (formerly 1017344 BC Ltd) was incorporated on October 29, 2014 under the Business Corporations Act of British Columbia (“the Act”), and on April 15, 2015 became a public company reporting issuer in Alberta and British Columbia by a Plan of Arrangement granted under the Act. It subsequently changed its name to Alternate Health Corp. On November 23, 2015, AHC entered into a Share Exchange Agreement with Alternate Health Inc. (“AHI”) which was completed on December 22, 2016 and was accounted for as a reverse takeover of AHC by AHI. On January 1, 2017, AHC acquired 100% of the outstanding shares of Alternate Health Labs, Inc. (“AHL”) (Note 11).

The Company’s registered office is located at 309-1485 6th Avenue, Vancouver, British Columbia, Canada, V6H 4G1 and its executive offices are located at 7373 Broadway Street, Suite 307, San Antonio, TX 78209.

Alternate Health Corp. and its subsidiaries (collectively “Alternate Health” or the “Company”) are a diverse healthcare provider that uses its expertise in technology and data analytics to revolutionize patient care and research in the emerging medical cannabis industry. With cannabis educational programs, software and patented delivery medical systems, Alternate Health is a leader in software applications and processing systems for the medical industry using proprietary technology platforms. Through its subsidiaries, Alternate Health offers services ranging from medical practice and controlled substance management software, blood analysis and toxicology labs, clinical research and continuing education programs. In leveraging the Company’s assets in exclusive patents and partnerships, Alternate Health’s goal is to be the global authority on the science, manufacturing and delivery methods for cannabidiol (CBD) and other cannabinoids derived from hemp and marijuana.

The Company’s common shares are listed on the Canadian Securities Exchange (Stock Symbol: AHG and OTC in the United States (Stock Symbol: AHGIF).

# Alternate Health Corp.

Notes to Unaudited Condensed Interim Consolidated Financial Statements (in Canadian dollars)

For the three months ended March 31, 2018 and 2017

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## 2. Basis of Preparation

These unaudited condensed interim consolidated financial statements for the three months ended March 31, 2018 and 2017 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”).

These unaudited condensed interim consolidated financial statements do not include all the disclosures required by International Financial Reporting Standards (“IFRS”) for the annual consolidated financial statements and accordingly should be read in conjunction with the Company’s audited consolidated financial statements for the years ended December 31, 2017 and 2016 which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies and methods adopted are consistent with those disclosed in Note 4 to the Company’s consolidated financial statements for the years ended December 31, 2017 and 2016.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the condensed interim consolidated financial statements are disclosed in Note 3 of the Company’s consolidated financial statements as at and for the years ended December 31, 2017 and 2016.

## 3. Convertible note receivable

On March 18, 2017, the Company purchased a USD\$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 has a five-year maturity and bears interest at 4.5% interest per annum. The Apri Note is convertible into Apri Health common stock or other Apri Health securities under the following conditions:

- If Apri Health notifies the Company of its intent to repay the Apri Note prior to the maturity date;
- If the Apri Note is outstanding at the maturity date; or
- If there is a significant capital raise or liquidation event. If the capital financing is in excess of USD\$10,000,000, the Company’s conversion feature is at the capital financing price times eighty percent.

At the time of issuance, Apri Health was considered a related party of the Company; the companies had a common Director that had significant influence over the operations of the Company. The Director resigned in July 2017.

The fair value of the conversion feature at the date of purchase and period end is considered immaterial.



# Alternate Health Corp.

Notes to Unaudited Condensed Interim Consolidated Financial Statements (in Canadian dollars)

For the three months ended March 31, 2018 and 2017

## 4. Long term Investments

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
(i) National Access Cannabis Corp.	\$ 4,596,075	\$ 4,749,295
(ii) High Times Holding Corp	332,982	332,982
(iii) Clover Trail Capital LLC	-	-
<b>Total long-term investments</b>	<b>\$ 4,929,057</b>	<b>\$ 5,082,277</b>

- (i) During 2017, the Company acquired 7,221,000 common shares of National Access Cannabis Corp, a health care service provider that specializes in prescribing medical cannabis and provides members with ongoing education and care. During the first quarter of 2018, the Company sold 2,446,000 common shares for proceeds of \$2,419,465. As of March 31, 2018, the Company has assessed the fair value of its investment at \$4,596,075 (December 31, 2017 - \$4,749,295) and recognized an unrealized gain of \$1,807,153 (March 31, 2016 - \$nil) in other comprehensive income. The assessment is based on Level 1 inputs under the fair value hierarchy as the common shares are publicly traded.
- (ii) In March 2017, the Company subscribed for 59,525 Class A common shares of High Times Holding Corp., a publication and resource for cannabis culture, for a cost of \$332,982. As of March 31, 2018 and December 31, 2017, management has estimated the fair value to approximate the cost. This assessment is based on Level 2 inputs under the fair value hierarchy, as there were other financing transactions within a similar series completed in March 31, 2018 and December 2017. In 2018, there was a forward split of 1.93 per share, resulting in the Company holdings 114,935 Class A common shares.
- (iii) Effective January 13, 2017 the Company acquired a 20% interest in Clover Trail Capital LLC ("Clover"), a company that in turn owns a 40% equity interest in Sun Clinical Laboratories LLC, an entity located in the US, which refers toxicology and blood samples to AHL for screening, for consideration of 4,557,150 common shares. The purchase also included the issuance of a note payable for USD\$1,993,750, which was subsequently extinguished through the issuance of an additional 800,387 common shares. Subsequent to the Company's purchase of Clover, its controlling member, Dr. Michael Murphy, became a director and officer of the Company and as a result is a related party. The Company accounts for its investment in Clover, an investment subject to significant influence, on an equity basis and recorded equity earnings of nil for the three months ended March 31, 2018 (March 31, 2017 - \$583,009) and received a cash income distribution of \$nil for the three months ended March 31, 2018 and 2017. Clover has minimal assets and liabilities as at March 31, 2018. As at December 31, 2017, the investment has been written down.

# Alternate Health Corp.

Notes to Unaudited Condensed Interim Consolidated Financial Statements (in Canadian dollars)

For the three months ended March 31, 2018 and 2017

## 5. Property and equipment

	Office Furniture & Equipment	Computer Equipment & Software	Leasehold Improvements	Lab Testing Equipment	Total
<b>Cost</b>					
December 31, 2016	\$ 13,438	\$ -	\$ -	\$ -	\$ 13,438
Additions	12,793	64,307	112,505	608,740	798,345
Acquisition (Note 11)	95,977	122,285	25,443	6,322,315	6,566,020
Foreign currency translation	(6,787)	(10,284)	(5,512)	(479,204)	(501,787)
December 31, 2017	115,421	176,308	132,436	6,451,851	6,876,016
Additions	5,392	2,996	4,533	12,822	25,743
Foreign currency translation	2,777	4,522	3,699	203,599	214,597
March 31, 2018	\$ 123,590	\$ 183,826	\$ 140,668	\$ 6,668,272	\$ 7,116,356

### Accumulated Amortization

December 31, 2016	\$ 6,234	\$ -	\$ -	\$ -	\$ 6,234
Amortization	12,688	58,066	14,979	661,285	747,018
Foreign currency translation	(347)	(1,975)	(509)	(22,495)	(25,326)
December 31, 2017	18,575	56,091	14,470	638,790	727,926
Amortization	3,317	16,646	7,842	155,226	183,031
Foreign currency translation	323	1,862	551	20,552	23,288
March 31, 2018	\$ 22,215	\$ 74,599	\$ 22,863	\$ 814,568	\$ 934,245

### Net Book Value

December 31, 2017	\$ 96,846	\$ 120,217	\$ 117,966	\$ 5,813,061	\$ 6,149,090
March 31, 2018	\$ 101,375	\$ 109,227	\$ 117,805	\$ 5,853,704	\$ 6,182,111

# Alternate Health Corp.

Notes to Unaudited Condensed Interim Consolidated Financial Statements (in Canadian dollars)

For the three months ended March 31, 2018 and 2017

## 6. Intangible assets

	Software Development Costs	Continuing Medical Education	Software Distribution Rights	Licensing Rights	CLIA Lab License	Customer Relationships	Total
<b>Cost</b>							
December 31, 2016	\$ 732,190	\$ 86,592	\$ 350,000	\$ -	\$ -	\$ -	\$ 1,168,782
Additions	-	114,914	-	2,522,660	-	-	2,637,574
Acquisition (Note 11)	-	-	-	-	743,343	1,626,834	2,370,177
Translation	-	-	-	-	(49,213)	-	(49,213)
Impairment of asset	-	-	-	(1,658,972)	-	(1,386,034)	(3,045,006)
December 31, 2017	732,190	201,506	350,000	863,688	694,130	240,800	3,082,314
Additions	-	-	-	122,500	-	-	122,500
Translation	-	-	-	-	18,908	-	18,908
March 31, 2018	\$ 732,190	\$ 201,506	\$ 350,000	\$ 986,188	\$ 713,038	\$ 240,800	\$ 3,223,722
<b>Accumulated Amortization</b>							
December 31, 2016	\$ 146,437	\$ -	\$ 20,417	\$ -	\$ -	\$ -	\$ 166,854
Amortization	73,218	18,689	35,000	168,688	-	240,800	547,738
December 31, 2017	230,998	18,689	55,417	-	-	-	714,592
Amortization	21,604	27,113	8,750	48,126	-	-	105,593
March 31, 2018	\$ 252,602	\$ 45,802	\$ 64,167	\$ 216,814	\$ -	\$ 240,800	\$ 820,185
<b>Net Book Value</b>							
December 31, 2017	\$ 501,192	\$ 182,817	\$ 294,583	\$ 695,000	\$ 694,130	\$ -	\$ 2,367,722
March 31, 2018	\$ 479,588	\$ 155,704	\$ 285,833	\$ 769,374	\$ 713,038	\$ -	\$ 2,403,537

# Alternate Health Corp.

Notes to Unaudited Condensed Interim Consolidated Financial Statements (in Canadian dollars)

For the three months ended March 31, 2018 and 2017

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## 7. Development fees payable

The development fees payable are payable to a party related by virtue of the controlling shareholder of the party being a Director and significant shareholder of the Company. Terms of repayments are \$75,000 annually commencing January 31, 2018 with a balloon payment of the outstanding balance of principal and all accrued interest on August 31, 2020. Interest on any unpaid amounts will accrue effective September 1, 2015 at an annual rate of fifteen percent (15%) until the principal and accrued interest has been repaid. Accrued interest as at March 31, 2018 is \$167,803 (December 31, 2017 - \$152,859). The balance owing may be prepaid in whole or in part at any time and from time to time with no prepayment penalty.

## 8. Shareholders' equity

### Share Capital:

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	March 31, 2018	December 31, 2017
<b>Authorized</b>		
Unlimited number of common shares without par value		
<b>Issued share capital</b>		
52,681,278 common shares (2017 – 52,631,78)	\$ 37,325,848	\$ 35,235,681

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The following shares and warrants were issued in 2017:

- (a) In January 2017, a total of 2,270,355 common shares were issued in consideration for the purchase of 100% of the issued and outstanding shares of Alternate Health Labs Inc. (“AHL”) and to settle debts owed by AHL to Dr. Michael Murphy (Note 18)..
- (b) In January 2017, a total of 350,000 common shares were issued in consideration for certain testing process commercialization licensing rights and cannabidiol, CBD, THC certification programs.
- (c) In January 2017, a total of 2,914,354 common shares were issued in a private placement providing proceeds of \$4,371,531 less share issuance costs of \$378,721.
- (d) In March 2017, a total of 2,968,506 common shares were issued in consideration for the purchase of a worldwide renewable license agreement for a non-pharmaceutical sublingual technology system for the delivery of CBD and THC and related consulting services.
- (e) In March 2017, a total of 2,328,940 common shares were issued in a private placement providing proceeds of \$7,132,472 less share issuance costs of \$259,331.
- (f) During 2017 a total of 4,557,150 common shares were issued in consideration for a 20% equity interest in Clover Trail Capital LLC, a company that in turn owns a 40% equity interest in Sun Clinical Laboratories LLC, which refers toxicology and blood samples to AHL for screening. The purchase also included the issuance of a note payable for USD\$1,993,750 which was subsequently extinguished through the issuance of an additional 800,387 common shares.
- (g) In November 2017, a total of 100,000 common shares were issued in consideration for certain software licensing rights.
- (h) During 2017, a total of 2,641,600 common shares were issued in consideration for various consulting and other services rendered to the Company. Of these common shares, a total of 935,000 common shares were held in escrow pending the provision of the agreed services.
- (i) During 2017, a total of 1,297,544 common share purchase warrants were issued in consideration for various consulting and other services rendered to the Company. The warrants were valued using the Black Scholes pricing model.

# Alternate Health Corp.

Notes to Unaudited Condensed Interim Consolidated Financial Statements (in Canadian dollars)

For the three months ended March 31, 2018 and 2017

## 8. Shareholders' equity, continued

- (j) During 2017, a total of 581,250 common share purchase warrants were exercised, resulting in the issuance of 581,250 common shares, providing proceeds of \$871,875.
- (k) During 2017, a total of 17,500 stock options were exercised, resulting in the issuance of 17,500 common shares, providing proceeds of \$17,500.
- (l) During 2017, a total of 1,030,000 stock options were issued in consideration for various consulting and other services rendered to the Company. The options were valued using the Black Scholes pricing model.

The following shares and warrants were issued in the three months ended March 31, 2018 and are summarized on the Statement of Changes in Equity, and are described more fully as follows:

- (a) In January 2018, 46,250 of the total of 935,000 common shares held in escrow were released in consideration for \$113,312.
- (b) On January 2, 2018, 50,000 common shares were issued in consideration for the purchase of software licencing intangibles.
- (c) In February 2018, 300,000 stock options were issued in consideration for consulting services rendered to the Company. The options were valued using the Black Scholes pricing model.

### Warrants:

	Number	Amount
<b>Balance December 31, 2016</b>	606,250	\$ 29,000
Issuance for services rendered	1,297,544	3,032,300
Exercised	(581,250)	(29,000)
Expired	(25,000)	-
<b>Balance December 31, 2017</b>	1,297,544	3,032,300
Issuance for services rendered	-	-
Exercised	-	-
Expired	-	-
<b>Balance, March 31, 2018</b>	1,297,544	\$ 3,032,300

### Warrants outstanding and exercisable at March 31, 2018

	Remaining life (months)	Weighted average exercise price	Expiry date
180,000	4	\$ 1.00	July 8, 2018
200,000	15	3.05	June 15, 2019
50,000	21	2.45	December 6, 2019
867,544	49	3.91	April 14, 2022
<b>1,297,544</b>		<b>\$ 3.32</b>	

The fair value of the warrants issued in 2017 has been estimated at the date of grant using the Black Scholes option pricing model with the following assumptions: risk free interest rate 0.83% - 2.49%; no expectation of any dividend yield; and estimated volatility of 98%. The fair value of these warrants at time of issue were \$3,032,300.

# Alternate Health Corp.

Notes to Unaudited Condensed Interim Consolidated Financial Statements (in Canadian dollars)

For the three months ended March 31, 2018 and 2017

## 8. Shareholders' equity, continued

### Loss per share:

Basic loss per share is calculated based on the weighted average number of common shares outstanding which for the period ended March 31, 2018 were 52,681,141 (March 31, 2017 - 49,392,585).

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

The following instruments have been excluded from the diluted earnings per share as these instruments are anti-dilutive:

	March 31, 2018	March 31, 2017
Issued stock options	2,937,500	1,800,000
Issued warrants	1,297,544	180,810
Total	4,435,044	1,980,810

### Stock options and share based reserve:

A summary of the stock options outstanding and exercisable under the plan as of March 31, 2018 and December 31, 2017 and changes during the periods are as follows:

	Options	Weighted Price
Options outstanding and exercisable at December 31, 2016	1,800,000	\$ 1.00
Granted	1,030,000	3.41
Exercised	(17,500)	1.00
Options Outstanding and exercisable at December 31, 2017	2,812,500	1.00
Granted	300,000	2.20
Expired	(175,000)	1.00
Options outstanding and exercisable at March 31, 2018	2,937,500	\$ 1.97

# Alternate Health Corp.

Notes to Unaudited Condensed Interim Consolidated Financial Statements (in Canadian dollars)

For the three months ended March 31, 2018 and 2017

## 8. Shareholders' equity, continued

The following table summarizes additional disclosures on the stock options outstanding at March 31, 2018:

Exercise price	Number outstanding & exercisable	Remaining average life (months)	Fair value at time of issue
\$ 1.00	1,125,000	2.5	\$ 501,312
1.00	482,500	4.5	219,296
4.00	460,000	48.5	1,307,037
4.00	120,000	4.5	340,966
2.90	330,000	52.5	698,667
2.00	120,000	56.0	173,285
2.20	300,000	58.0	471,345
	<b>2,937,500</b>		<b>\$ 3,711,908</b>

The fair value of the options granted during the three months ended March 31, 2018 has been estimated at the date of grant using the Black Scholes option pricing model with the following assumptions: risk free interest rate of 2.56% (2017 - 0.83% to 2.49%); expected dividend yield of nil% (2017 - nil%); estimated volatility of 98.0% (2017 - 57.7% to 98.0%).

Included in share-based reserve:

	March 31, 2018	December 31, 2017
Balance at beginning of period	\$ 3,320,101	\$ 1,018,100
Fair value of options granted during the period	471,345	2,519,955
Exercise of stock options	-	(217,954)
Expiry of stock options	(79,538)	-
Balance at end of period	<b>\$ 3,711,908</b>	<b>\$ 3,320,101</b>

# Alternate Health Corp.

Notes to Unaudited Condensed Interim Consolidated Financial Statements (in Canadian dollars)

For the three months ended March 31, 2018 and 2017

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## 9. Supplemental cash flow information

	<b>March 31, 2018</b>	<b>March 31, 2017</b>
<hr/>		
<u>Change in non-cash working capital items</u>		
Accounts receivable	\$ 70,768	\$ (632,275)
HST receivable	(2,409)	(3,055)
Income taxes receivable	(3,691)	306,004
Supplies on hand	15,000	-
Prepaid expenses and deposits	53,173	(422,400)
Accounts payable and accrued liabilities	(723,924)	788,101
	<hr/>	<hr/>
	\$ (591,083)	\$ 36,375
	<b>March 31, 2018</b>	<b>March 31, 2017</b>
<hr/>		
<u>Other significant non-cash transactions</u>		
Issuance of common shares for goods and services	\$ 575,750	\$ 20,257,948
	<hr/>	<hr/>



# Alternate Health Corp.

Notes to Unaudited Condensed Interim Consolidated Financial Statements (in Canadian dollars)

For the three months ended March 31, 2018 and 2017

## 10. Related party transactions

- (a) The Company incurred the following transactions with companies having directors and officers in common for the three months ended March 31, 2018 and 2017:

	<b>March 31, 2018</b>	<b>March 31, 2017</b>
Interest expense	\$ 14,944	\$ 18,328
Key management personnel and board of directors cash based compensation included in consulting fees	224,160	16,548
Key management personnel and board of directors cash based compensation included in salaries and benefits	82,264	206,292
Key management personnel and board of directors share-based compensation (non cash)	\$ 471,345	-

The Company incurred the following consulting fees with related parties included in the table above:

- (i) Consulting services of \$75,840 (March 31, 2017 - \$nil) paid to a company related by way of common directors and common significant shareholders.
- (ii) Consulting services of \$40,680 (March 31, 2017 - \$nil) paid to a company related by way of common directors and common significant shareholders
- (iii) Consulting services of \$90,000 (March 31, 2017 - \$nil) paid to a company related by way of common directors and common significant shareholders.
- (iv) Consulting services of \$17,640 (March 31, 2017 - \$ 16,548) to various directors, officers or shareholders of the Company.

- (b) The Company is related to Sun Clinical Laboratory, LLC and LMK Management LLC through Dr. Michael Murphy, the controlling shareholder of these companies who is also a director and significant shareholder of the Company. The Company is also related to Sun Clinical Laboratory, LLC through the significant influence of its equity investee (Note 4). Transactions and balances with these related parties are as follows:

	<b>March 31, 2018</b>	<b>March 31, 2017</b>
Revenue from Sun Clinical Laboratory, LLC	\$ -	\$ 1,181,227
Management fees paid to (recovered from) LMK Management LLC	(810,138)	571,001

Included in accounts receivable are amounts owing by Sun Clinical Laboratory LLC for \$941,409 as at March 31, 2018 (December 31, 2017 - \$948,707).

Included in accounts payable and accrued liabilities are amounts owing to LMK Management LLC for \$1,184,507 (December 31, 2017 - \$2,026,514). The management fee paid to LMK Management LLC, is comprised of 49% of the profits generated by particular lab tests, which are calculated by multiplying the number of monthly tests times a mutually agreed fee less all monthly fixed and variable expenses.

These transactions are in the normal course of operations and have been recognized in these consolidated financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

# Alternate Health Corp.

Notes to Unaudited Condensed Interim Consolidated Financial Statements (in Canadian dollars)

For the three months ended March 31, 2018 and 2017

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## 10. Related party transactions, continued

### (c) Due from related parties

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
D.C. Netcast Media Group Inc.	\$ 48,142	\$ 48,142
Support Your Buds LLC	160,000	160,000
	<b>\$ 208,142</b>	<b>\$ 269,466</b>

DC Netcast Media Group Inc. is a company controlled by a Director and a significant shareholder of the Company. The amount due from DC Netcast Group Inc. has no fixed terms of repayment, is unsecured and carries no interest.

Support Yours Buds LLC is a company controlled by a significant shareholder of the Company. The amounts due from Support Your Buds LLC have no fixed terms of repayment, are unsecured and carry no interest.

- (d) The Company has a convertible note receivable from Apri Health, Inc., which is related by virtue of having a director and officer in common at the time of purchase (Note 4). The director of Apri Health is no longer related to the Company as at December 31, 2017.
- (e) Effective January 13, 2017 the Company acquired a 20% interest in Clover Trail Capital LLC ("Clover"), a company that in turn owns a 40% equity interest in Sun Clinical Laboratories LLC, an entity located in the US which refers toxicology and blood samples to AHL for screening, for consideration of 4,557,150 common shares. The purchase also included the issuance of a note payable for US\$1,993,750 which was subsequently extinguished through the issuance of an additional 800,387 common shares.

Subsequent to the Company's purchase of Clover, its controlling member, Dr. Michael Murphy, became a director and officer of the Company and as a result is a related party. The Company accounts for its investment in Clover on an equity basis and recorded equity earnings of nil for the three months ended March 31, 2018 (March 31, 2017 - \$583,009) and received a cash income distribution of \$nil for the three months ended March 31, 2018 and 2017. As at December 31, 2017, the investment has been written down.

# Alternate Health Corp.

Notes to Unaudited Condensed Interim Consolidated Financial Statements (in Canadian dollars)

For the three months ended March 31, 2018 and 2017

## 11. Acquisition of Alternate Health Labs, Inc.

In 2016, the Company entered a Lab Business Development Agreement ("LDA" agreement) with Dr. Michael Murphy ("Murphy") of San Antonio, Texas to establish and equip a licensed toxicology laboratory to be owned by a subsidiary of the Company. On January 1, 2017, the Company closed the transaction and acquired 100% of Alternate Health Labs Inc. ("AHL") from Murphy for total consideration of 2,270,355 common shares valued at \$3,481,326.

The acquisition of AHL was accounted for using the purchase method of accounting in accordance with IFRS 3 with the results of operations consolidated with those of the Company effective January 1, 2017. Transaction costs associated with the transaction were minimal, have been expensed, and are included in the consolidated statement of loss.

The Company allocated the purchase price to the net identifiable assets and liabilities acquired based on their fair values at the time of the acquisition as follows:

Fair value of assets and liabilities recognized on acquisition:	
Current assets	\$ 2,185,275
Property and equipment	6,566,020
Intangible asset – customer relationships	1,626,834
Intangible asset – CLIA lab license	743,343
Current liabilities	(1,916,105)
Assumed lease liabilities	(995,619)
Deferred tax liability	(2,482,026)
	5,727,722
Bargain purchase arising on acquisition	(2,246,396)
	\$ 3,481,326

Under the LDA, the Company entered into a management agreement with LMK Management ("LMK"). LMK manages the laboratory and earns a management fee equal to 49% of the profits generated by particular lab tests, which are calculated by multiplying the number of monthly tests times a mutually agreed fee less all monthly fixed and variable expenses.

The customer relationships intangible relates to the fair value of the customer base for the reference laboratory. Subsequent to the acquisition, AHL converted from a reference laboratory to a full clinical laboratory. The customer relationships were subsequently written off July 1, 2017. The CLIA lab license relate to the licences required for the operation of laboratories in the US. The deferred tax liability relates primarily to temporary timing differences related to property and equipment and intangible assets. The bargain purchase arose as a result of the number of shares negotiated as consideration being negotiated a number of months prior to the final closing of the acquisition, with no adjustment clause related to operating performance up to the close date, which was stronger than originally anticipated during the negotiations.

The purchase price allocation has been finalized.

# Alternate Health Corp.

Notes to Unaudited Condensed Interim Consolidated Financial Statements (in Canadian dollars)

For the three months ended March 31, 2018 and 2017

## 12. Share-based compensation

Share-based compensation expenses comprises of:

	<b>March 31, 2018</b>	<b>March 31, 2017</b>
Fair value of stock options issued (Note 8)	\$ 471,345	\$ -
Shares issued in exchange for services (Note 8)	-	151,810
	<b>\$ 471,345</b>	<b>\$ 151,810</b>

## 13. Comparative figures adjustments

In 2017, the Company discovered the following items, which required adjustment to the opening deficit as at December 31, 2016:

- (a) For the year ended December 31, 2016, the Company recorded the opening deficit for \$49,967 in the reverse take over of AHC as a reduction of share capital. The share capital as at December 31, 2016 and the listing expense for the year ended December 31, 2016 were understated by \$49,967. As a result, net loss for year ended December 31, 2016 year is increased by \$49,967 and the deficit balance and share capital as at December 31, 2016 has been increased by \$49,967. The opening equity reported on the audited condensed interim consolidated financial statements for the three months ended March 31, 2018 and 2017 have been restated.
- (b) The Company issued 250,000 shares in 2017 to consultants for services rendered in 2016. The fair value of these shares should have been recorded at the value of the professional services rendered in the year ended December 31, 2016. Share-based reserve was understated by \$200,000 and consulting fees were understated by \$250,000. As a result, the net loss for year ended December 31, 2016 is increased by \$250,000 and as at December 31, 2016, deficit has been increased by \$250,000. The opening equity reported on the audited condensed interim consolidated financial statements for the three months ended March 31, 2018 and 2017 have been restated.

In addition, the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2017 have been restated for the finalization of the purchase price allocation of the acquisition of Alternate Health Labs, Inc. (note 11) and certain adjustments resulted from the December 31, 2017 audit of the Company. Certain comparative figures have been reclassified to conform to the current period presentation.

# Alternate Health Corp.

Notes to Unaudited Condensed Interim Consolidated Financial Statements (in Canadian dollars)

For the three months ended March 31, 2018 and 2017

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## 14. Contingencies

### Litigation

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 an agreement for consulting services as part of the issuance of 2,968,506 in common shares as consideration. 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.

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 (Note 17). The suit alleges various causes of action including fraud and fraudulent non-disclosure. The Company is currently reviewing the allegations and claims by the health insurance company. The receipt and evaluation of the claims are recent and in the early stages and as a result, management has determined that it is not clear whether there is an obligation as a result of past events and a reliable estimate of a potential payment, if any, is not yet determinable. Management intends to vigorously defend against these claims.

### 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 a worldwide renewable license agreement as part of the issuance of 2,968,506 in common shares as consideration. 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.