

**FORM 2A**  
**LISTING STATEMENT**

**ALTERNATE HEALTH CORP.**  
**(the “Company” or “AHC”)**

**January 12, 2017**

#### **NOTE TO READER**

This Listing Statement contains a copy of the non-offering prospectus of Alternate Health Corp. (the “**Company**”) dated November 29, 2016 (the “**Prospectus**”). Certain sections of the Canadian Securities Exchange (the “**Exchange**”) form of Listing Statement have been included following the Prospectus to provide additional disclosure on the Company required by the Exchange, as well as updating certain information contained in the Prospectus.

## TABLE OF CONTENTS

1. Table of Concordance
2. Schedule A -- Prospectus of the Company dated November 29, 2016
3. Schedule B --Listing Statement Disclosure -- Additional Information regarding Item 3 and Item 14 of Form 2A
4. Certificate of the Company

## TABLE OF CONCORDANCE

Information Required by Form 2A Listing Statement	Corresponding Item(s) in the Prospectus	Prospectus Page #
Corporate Structure	Name and Incorporation	10
General Development of the Business	Business Combination with AHI	10
Narrative Description of the Business	Describe the Business	12
Selected Consolidated Financial Information	Revenue for the years ended December 31, 2014 and December 31, 2015	20
Management's Discussion and Analysis	Management's Discussion and Analysis	33 and related schedules
Market for Securities	N/A	N/A
Consolidated Capitalization	Consolidated Capitalization	34
Options to Purchase Securities	Options to Purchase Securities	34
Description of the Securities	N/A	N/A
Escrowed Securities	Escrowed Securities and Securities Subject to Contractual Restriction on Transfer	36
Principal Shareholders	Principal Shareholders	38
Directors and Officers	Directors and Executive Officers	38
Capitalization	N/A	N/A
Executive Compensation	Executive Compensation	41
Indebtedness of Directors and Executive Officers	Indebtedness of Directors and Executive Officers	43
Risk Factors	Risk Factors	47
Promoters	Promoters	53
Legal Proceedings	Legal Proceedings and Regulatory Actions	54
Interest of Management and Others in Material Transactions	Interest of Management and Others in Material Transactions	54
Auditors, Transfer Agents and Registrars	Auditors, Transfer Agents and Registrars	54
Material Contracts	Material Contracts	54
Interest of Experts	Experts	55
Other Material Facts	Other Material Facts	55
Financial Statements	Financial Statements	55 and schedules



**SCHEDULE A**

**ALTERNATE HEALTH CORP.**

**Long Form Prospectus dated November 29, 2016**

See attached.

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.*

*This prospectus does not constitute a public offering of securities.*

## PROSPECTUS

### NON-OFFERING PROSPECTUS

DATED November 29, 2016

#### ALTERNATE HEALTH CORP.

309 – 1485 West 6<sup>th</sup> Avenue  
Vancouver, BC V6H 4G1

This prospectus is being filed with the Ontario Securities Commission for the purpose of allowing Alternate Health Corp. (the “**Issuer**”) to comply with Notice 2015-003 Regulatory Guidance on Plans of Arrangement and Capital Structure, published by the Canadian Securities Exchange. The Issuer is a reporting issuer in British Columbia and Alberta.

Since no securities are being offered pursuant to this Prospectus, no proceeds will be raised and all expenses incurred in connection with the preparation and filing of this Prospectus will be paid by the Issuer.

**There is no market through which these securities may be sold and purchasers may not be able to resell securities purchased under this Prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See “Risk Factors”.**

As at the date of this Prospectus, the Issuer does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, a U.S. marketplace, or a marketplace outside Canada and the United States of America other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc.

Concurrently with the filing of this Prospectus, the Issuer has applied to list its common shares on the Canadian Securities Exchange (the “**CSE**”). Listing is subject to the Resulting Issuer fulfilling all of the listing requirements of the CSE, including meeting all minimum listing requirements.

An investment in securities of the Resulting Issuer is speculative and involves a high degree of risk. **The Issuer does not have an active business. The Issuer must close the Share Exchange with Alternate Health Inc., such that the shareholders of AHI will become shareholders of the Issuer and the business of AHI and its subsidiaries becomes the business of the Issuer. The closing of the Share Exchange is subject to the Issuer receiving conditional listing approval of the CSE.** In reviewing this Prospectus, you should carefully consider the matters described under the heading “Risk Factors”.

AHI is a pre-revenue company and has not sold its EMR products (VIP Patient and CanaCard Patient Management System) to end customers. The electronic medical records business in Canada is dominated by a few large players with existing customer bases and significantly greater resources than the Resulting Issuer. The Resulting Issuer, whose EMR products may be used as an electronic medical records system, will face competition from companies with well-established customer bases, which may impact the Resulting Issuer's ability to make sales of its software. Further, these companies with greater resources may be able to develop EMR platforms with similar connectivity and functionality among doctors, patients, pharmacies and licensed producers, such as the CPMS. The Resulting Issuer may not be able to compete in this competitive landscape, which may materially adversely affect its prospects and future results. See “Describe the Business – Competitive Conditions” and “Risk Factors”.

AHL's toxicology lab business operates in a competitive market. AHL, while it earned revenue from processing samples, earned that revenue from two customers, one of whom is a related party. 100% of its outstanding trade accounts receivable are from these two customers. While it is not expected that such contracts will be terminated, should such customers terminate their arrangements with AHL and AHL is unable to negotiate similar arrangements with alternative customers, it could have a material adverse impact on the operations of the Resulting Issuer. See "Describe the Business – Anticipated Changes in the Current Financial Year" and "Risk Factors".

No underwriters or selling agents have been involved in the preparation of this Prospectus or performed any review or independent due diligence of the contents of this Prospectus.

## TABLE OF CONTENTS

PROSPECTUS SUMMARY .....	1
FORWARD LOOKING STATEMENTS .....	4
GLOSSARY OF TERMS .....	6
CURRENCY .....	9
CORPORATE STRUCTURE .....	10
Name and Incorporation .....	10
Business Combination with AHI .....	10
Intercorporate Relationships .....	11
DESCRIBE THE BUSINESS .....	12
Summary .....	12
Products and Principal Markets .....	12
Distribution methods .....	20
Revenue for the years ended December 31, 2014 and December 31, 2015 .....	20
Competitive Conditions .....	21
Intangible Properties .....	22
Cycles .....	24
Economic Dependence .....	24
Changes to Contracts .....	24
Employees .....	24
Foreign Operations .....	24
Three Year History .....	24
Anticipated Changes in the Current Financial Year .....	26
USE OF AVAILABLE FUNDS .....	31
Proceeds .....	31
Funds Available .....	31
Business Objectives and Milestones .....	32
DIVIDEND POLICY .....	33
MANAGEMENT DISCUSSION AND ANALYSIS .....	33
DESCRIPTION OF THE SECURITIES DISTRIBUTED .....	34
CONSOLIDATED CAPITALIZATION .....	34
OPTIONS TO PURCHASE SECURITIES .....	35
Stock Option Plan .....	35
PRIOR SALES .....	36
Trading Price and Volume .....	36
ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER .....	37
Escrow under NP 46-201 .....	37
PRINCIPAL SHAREHOLDERS .....	38
DIRECTORS AND EXECUTIVE OFFICERS .....	39
Name, Occupation and Securityholding .....	39
Aggregate Ownership of Securities .....	40
Cease trade orders, bankruptcies, penalties or sanctions .....	40
Conflicts of Interest .....	40
Management of Junior Issuers .....	41
EXECUTIVE COMPENSATION .....	42
Compensation Discussion and Analysis .....	42
Option Based Awards .....	42
Compensation of Named Executive Officers of the Issuer and AHI .....	43
Incentive Plan Awards .....	43
Pension Plans Benefits .....	43
Termination and Change of Control Benefits .....	43
Compensation of Directors .....	44
Intended Changes to Compensation .....	44
INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS .....	44
AUDIT COMMITTEE AND CORPORATE GOVERNANCE .....	44
Audit Committee .....	44
Corporate Governance .....	45

RISK FACTORS.....	47
PROMOTERS.....	54
LEGAL PROCEEDINGS AND REGULATORY ACTIONS.....	55
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS .....	55
AUDITORS, TRANSFER AGENTS AND REGISTRARS.....	55
MATERIAL CONTRACTS.....	55
EXPERTS .....	56
OTHER MATERIAL FACTS.....	56
FINANCIAL STATEMENTS .....	56

Schedule "A" Audited financial statements of the Issuer for the period from incorporation (October 26, 2014) to December 31, 2014, and for the year ended December 31, 2015 and interim (unaudited) financial statements of the Issuer for the interim period ended September 30, 2016

Schedule "B" Management's Discussion and Analysis for the Issuer for the financial year ended December 31, 2015 and the interim period ended September 30, 2016

Schedule "C" Audited financial statements for AHI for the financial years ended December 31, 2015 and 2014 and the interim (unaudited) financial statements of AHI for the period ended September 30, 2016

Schedule "D" Management's Discussion and Analysis for AHI for the financial year ended December 31, 2015 and the interim period ended September 30, 2016

Schedule "E" Audited financial statements for AHL for the period from incorporation (May 9, 2016) to August 31, 2016

Schedule "F" Management's Discussion and Analysis for AHL for the period from incorporation (May 9, 2016) to August 31, 2016

Schedule "G" Pro Forma financial statements for the Issuer giving effect to the acquisition of AHI (and AHL) as at December 31, 2015 and as at September 30, 2016

Certificate Page of the Issuer

Certificate Page of Alternate Health Inc.

Schedule "H" Audit Committee Charter

## PROSPECTUS SUMMARY

*The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this Prospectus.*

<b>The Issuer</b>	<p>The Issuer was incorporated pursuant to the BCBCA under the name "1017344 B.C. Ltd." on October 26, 2014 under incorporation number BC1017344.</p> <p>On October 29, 2014, the Issuer entered into the Arrangement with Riske. On December 1, 2014, the (then) sole shareholder of the Issuer approved the Arrangement by unanimous shareholder resolution.</p> <p>On December 3, 2014, the Court granted the Final Order approving the Arrangement in accordance with Part 9 of the BCBCA. Under the terms of the Arrangement: (i) Riske would transfer to the Issuer all of its interest in a letter of intent with Fusion Business Group and \$1,000 cash; and (ii) the Issuer would issue 396,600 common shares of the Issuer to the shareholders of Riske in accordance with the terms of the Arrangement.</p> <p>On April 15, 2015, the Issuer closed the Arrangement and became a reporting issuer in Alberta and British Columbia.</p> <p>On April 15, 2015, the Issuer, Riske and Fusion Business Group cancelled the letter of intent between Riske and Fusion Business Group.</p> <p>On April 16, 2015, the Issuer changed its name to "Alternate Health Corp."</p>
<b>Business of the Issuer</b>	<p>Prior to the acquisition of AHI and AHL, the Issuer has no active business. Accordingly, the business discussion set forth below relates to the business of AHI and AHL.</p> <p>AHI is a privately held, Ontario company formed as a medical services company in the Canadian market with interest in promoting both traditional (i.e. physicians) and non-traditional (i.e. chiropractors, Naturopaths) solutions to modern healthcare. AHI has also been exploring complimentary opportunities in the US market. AHI has two wholly-owned subsidiaries, CanaCard Inc., a company incorporated under the OBCA and Alternate Health USA Inc., a company incorporated under the laws of Delaware. AHI holds 100% of the common shares of CanaCard Inc. and 100% of the shares of Alternate Health USA Inc. See "Describe the Business".</p> <p>AHL is a privately held Delaware company, operating a single toxicology lab in Texas, which will be acquired by AHI on closing of the LDA.</p>
<b>Principal Products</b>	<p>The Resulting Issuer's principal products (through AHI) are the VIP Patient and CPMS. It will also operate a single toxicology lab in Texas through AHL, once the LDA closes. See "Describe the Business – Products and Principal Markets" and "Describe the Business – Anticipated Changes in the Current Financial Year".</p>
<b>Listing</b>	<p>The Issuer has applied to have its common shares listed on the CSE. Listing is subject to the Issuer fulfilling all of the requirements of the CSE. See page 1 of this Prospectus.</p>
<b>Use of Available Funds</b>	<p>As at September 30, 2016, the most recent quarter end for which the Issuer has included financial statements in this Prospectus, the Issuer had total assets of \$2,402. As at October 31, 2016, the most recent month-end before the date of this Prospectus, the Issuer had a working capital deficiency of \$41,856, AHI had working capital of \$957,945 and AHL had a working capital deficiency of \$573 net of 12 monthly capital lease payments (\$1,002,654) which are expected to be paid from AHL's positive operating cash flows which have not been included in Available Funds as defined herein.</p> <p>For a more detailed discussion on the Resulting Issuer's available funds, see "Use of Available Funds" on page 31 of this Prospectus and "Describe the Business" on page 12 of this Prospectus.</p>

	The Resulting Issuer will require funding from other sources to continue operations beyond the next year. Such additional funds would likely be raised through a private placement of securities. There is no assurance that such funding will be available.	
<b>The Offering</b>	No securities are being offered pursuant to this Prospectus. This prospectus is being filed with the Ontario Securities Commission for the purpose of allowing the Resulting Issuer to apply for listing on the CSE and to enable the Resulting Issuer to develop an organized market for its shares. Since no securities are being offered pursuant to this Prospectus, no proceeds will be raised and all expenses incurred in connection with the preparation and filing of this Prospectus will be paid by the Resulting Issuer.	
<b>Directors and Executive Officers</b>	Marjorie Sanderson – CEO and Director James (Jim) Griffiths – CFO and Director James E. Tykoliz – Director Rick Macartney – Director Marcelin O'Neill – Corporate Secretary and Director  See "Directors and Executive Officers" for more information	
<b>Risk Factors</b>	The Resulting Issuer's business is subject to certain risks, including but not restricted to risks related to: limited operating history and expected continued operating losses, inherent risks of the medical records industry, regulatory risks, uninsurable risks, permits and licenses, competitive risks, dependence on key management, additional funding requirements, conflicts of interest, dilution, volatility of publicly traded securities, discretion in the use of funds, influence of third party shareholders and no history of dividends. See "Risk Factors".	
<b>Summary Financial Information of the Issuer and AHI:</b>	The following selected financial information has been derived from and is qualified in its entirety by the audited financial statements of the Issuer, AHI and AHL included in this Prospectus, and should be read in conjunction with such financial statements and the related notes thereto, along with the Management Discussion and Analysis included in this Prospectus. All financial statements of the Issuer and AHI are prepared in accordance with International Financial Reporting Standards ("IFRS").	
	<b>Statements of Operations</b> Total Revenues Total Expenses Net Income (Loss) Net Income (Loss) per Share – basic and fully diluted  <b>Balance Sheet</b> Total Assets Total Liabilities Shareholder's Equity	<b>Issuer -For the year ended December 31, 2015 (\$)</b>  0 21,748 (21,748) (0.05)  872 14,688 (13,816)  <b>AHI – For the year ended December 31, 2015 (\$)</b>  <b>Statements of Operations</b> Total Revenues Total Expenses

Net Income (Loss)	(233,290)
Net Income (Loss) per Share – basic and fully diluted	(0.007)
<b>Balance Sheet</b>	
Total Assets	1,174,898
Total Liabilities	918,021
Shareholder's Equity	256,877
<b>AHL – For the period from May 9, 2016 (incorporation) to August 31, 2016 (\$)</b>	
<b>Statements of Operations</b>	
Total Revenues	2,258,852
Total Expenses	1,683,778
Net Income (Loss)	386,807
Net Income (Loss) per Share – basic and fully diluted	386,807
<b>Balance Sheet</b>	
Total Assets	3,679,977
Total Liabilities	3,293,169
Shareholder's Equity	386,808

**Note:** The revenue disclosed for AHL as included in AHL's financial statements contained in this prospectus was earned under the reseller agreements and are not reflective of sales of VIP Patient or CanaCard to end customers. The revenue was derived from a related party transaction involving a person who, at the relevant time was a director of AHL and a director of the other corporate party to the reseller agreement. See "Describe the Business – Three Year History" for additional information about the reseller agreements.



## FORWARD LOOKING STATEMENTS

This Prospectus contains certain forward-looking statements within the meaning of Canadian securities laws. These statements relate to future events or future performance and reflect management's expectations regarding the Resulting Issuer's growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", "target" or the negative of these terms or other comparable terminology.

Forward-looking statements in this Prospectus include, but are not limited to:

- volatility of stock price and market conditions
- education of medical professionals
- regulatory risks
- unfavourable publicity or consumer perception
- difficulty to forecast
- material impact of HIPPA/PIPEDA legislation on the Resulting Issuer's business
- key personnel
- limited operating history
- lengthy and variable sales cycles
- competition
- investment capital and market share
- changes in target market
- market uncertainty
- additional capital requirements
- management of growth and expectations of growth
- high degree of product concentration
- pricing policies
- patent infringement
- litigation
- no dividend history

The risk factors described in this Prospectus are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in the Resulting Issuer's forward-looking statements.

In addition, any forward-looking statements represent the Resulting Issuer's estimates only as of the date of this Prospectus and should not be relied upon as representing the Resulting Issuer's estimates as of any subsequent date. The material factors and assumptions that were applied in making the forward-looking statements in this Prospectus include: (a) execution of the Resulting Issuer's existing plans which may change due to changes in the views of the Resulting Issuer, or if new information arises which makes it prudent to change such plans; and (b) the accuracy of current interpretation of research results, since new information or new interpretation of existing information may result in changes in the Resulting Issuer's expectations. Forward looking statements are based on a number of assumptions that may prove to be incorrect including but not limited to assumptions about:

- ability to maintain existing customer contracts and relationships;
- the impact of competition;
- the ability to obtain and maintain existing financing on acceptable terms;
- the ability to retain skilled management and staff;
- the ability to acquire a significant market position in the provision of products and services in its target markets and to maintain AHL's growth plans;
- currency, exchange and interest rates;
- successful completion of the Share Exchange and the acquisition of AHL;
- the availability of financing opportunities, risks associated with economic conditions, dependence on management and conflicts of interest;

- the progress and success of the Resulting Issuer's product marketing;
- market competition and advances in the development of EMRs;
- the ability to successfully market, sell, and distribute the VIP Patient and CanaCard, and to expand the customer base for such products;
- operating in a regulatory environment (i.e. payments to physicians and licensing of medical cannabis is regulated by the government)

The preceding list is not exhaustive of all possible factors. All factors should be considered carefully when making decisions with respect to the Resulting Issuer.

Readers should not place undue reliance on the Resulting Issuer's forward-looking statements, as the Resulting Issuer's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Resulting Issuer's business, or if the Resulting Issuer's estimates or assumptions prove inaccurate. Therefore, the Resulting Issuer cannot provide any assurance that such forward-looking statements will materialize. The Resulting Issuer does not undertake to update any forward-looking information, except as, and to the extent required by, applicable securities laws. For a description of material factors that could cause the Resulting Issuer's actual results to differ materially from the forward-looking statements in this Prospectus, see "Risk Factors".

While the Resulting Issuer considers these assumptions may be reasonable based on information currently available to it, these assumptions may prove to be incorrect. Actual results may vary from such forward-looking information for a variety of reasons, including but not limited to risks and uncertainties disclosed in the section titled "Risk Factors."

#### Market and Industry Data

This Prospectus includes market and industry data that has been obtained from third party sources, including industry publications. We believe that this industry data is accurate and that its estimates and assumptions are reasonable, but there is no assurance as to the accuracy or completeness of this data. Third party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there is no assurance as to the accuracy or completeness of included information. Although the data is believed to be reliable, we have not independently verified any of the data from third party sources referred to in this Prospectus or ascertained the underlying economic assumptions relied upon by such sources.

## GLOSSARY OF TERMS

“ACMPR” means the *Access to Cannabis for Medical Purposes Regulations* which came into force on August 24, 2016.

“Affiliate” means a Company that is affiliated with another Company as described below. A Company is an Affiliate of another Company if (a) one of them is the subsidiary of the other, or (b) each of them is controlled by the same Person. A Company is “controlled” by a Person if (a) voting securities of the Issuer are held, other than by way of security only, by or for the benefit of that Person, and (b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the Issuer. A Person beneficially owns securities that are beneficially owned by (a) a Company controlled by that Person, or (b) an Affiliate of that Person or an Affiliate of any Company controlled by that Person.

“Associate” when used to indicate a relationship with a person or company, means (a) an issuer of which the person or company beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer, (b) any partner of the person or company, (c) any trust or estate in which the person or company has a substantial beneficial interest or in respect of which a person or company serves as trustee or in a similar capacity, and (d) in the case of a person, a relative of that person, including (i) that person’s spouse or child, or (ii) any relative of the person or of his spouse who has the same residence as that person.

“AHI” means Alternate Health Inc., a private company incorporated under the OBCA.

“AHI Shares” means common shares without par value in AHI.

“AHI Shareholders” means shareholders of AHI, and if the context requires, includes holders of AHI Warrants.

“AHI Software” means any point of sale software developed by or on behalf of AHI or other third party software programs sold by AHI.

“AHI Warrant” means the transferable share purchase warrants of AHI which comprise part of the Units offered for sale under the Financing which are exercisable to acquire an AHI Share for a period of 18 months from the date of issuance at a price of \$1.50 per AHI Share.

“AHL” means Alternate Health Labs Inc., a private company incorporated under the laws of Delaware.

“Arrangement” means the plan of arrangement among Riske, the Issuer (formerly 1017344 B.C. Ltd.), 1017343 B.C. Ltd., 1017345 B.C. Ltd. and 1017346 B.C. Ltd.

“ASP” means Application Service Provider.

“Auditors” means Scarrow, Yurman & Co. CPA Professional Corporation.

“BCBCA” means the *Business Corporations Act* (British Columbia).

“Board” means the board of directors of the Issuer.

“CanaCard Inc.” means CanaCard Inc., a wholly owned subsidiary of AHI incorporated under the OBCA.

“CBD” means cannabidiol, an active cannabinoid identified in cannabis that is considered to have a wide scope of potential medical applications.

“CEO” means chief executive officer.

“CFO” means chief financial officer.

“Common Shares” means the common shares without par value in the capital of the Issuer.

“CME” means continuing medical education.

“CPMS” or **CanaCard** means the CanaCard patient management system which is 100% owned by CanaCard.

“CSE” means the Canadian Stock Exchange.

“**CSE Approval**” means the final approval of the CSE in respect of the listing of the Issuer’s common shares on the CSE following completion of the Share Exchange and fulfillment of the CSE’s listing requirements, as evidenced by the issuance of the final approval bulletin of the CSE in respect thereof.

“**CSE Policies**” means the rules and policies of the CSE in effect as of the date hereof.

“DCN” means DC NetCast Media Group Inc.

“**Effective Date**” means the date on which the OSC issues a final receipt for this Prospectus.

“**EHR**” means electronic health record, the aggregate electronic record of health related information on an individual that is gathered across more than one health care organization and managed by licensed clinicians. It is commonly used interchangeably with “EMR”.

“**EMR**” means electronic medical records, which is a digital version of a paper chart that contains all of a patient’s medical history from one practice. It is commonly used interchangeably with “EHR”.

“**Escrow Agent**” and “**Transfer Agent**” means Computershare Investor Services Inc., at its Vancouver office located at 510 Burrard Street, 3rd Floor, Vancouver, BC, V6C 3B9.

“**Escrow Agreement**” means the escrow agreement (to be dated the date of closing of the Share Exchange) among the Issuer, Computershare Investor Services Inc., as escrow agent, and the holders of the Escrowed Securities.

“**Escrowed Securities**” means the 15,296,375 Common Shares held by the Principals that will be deposited in escrow pursuant to the Escrow Agreement.

“**ICD**” means International Classification of Diseases, a standard diagnostic tool prescribed by the World Health Organization, which is a set of codes used by physicians, hospitals and allied health workers to indicate diagnosis for all patient encounters, **ICD-10** being the 10<sup>th</sup> revision.

“**Insider**” has the meaning ascribed to that term in the *Securities Act* (British Columbia), which includes the directors and senior officers of the Issuer or any subsidiaries of the Issuer and any person that has direct or indirect beneficial ownership of, or control or direction over, securities of the Issuer carrying more than 10% of the voting rights attached to the Issuer’s outstanding voting securities.

“**Issuer**” means Alternate Health Corp., a company incorporated under the BCBCA and a reporting issuer in British Columbia and Alberta.

“**Financing**” means AHL’s financing of up to 1,875,000 Units of AHL at a price of \$0.80 per Unit for gross proceeds of \$1,500,000 or such other equity financings as may be completed by AHL.

“**HIPAA**” means the *Health Insurance Portability and Accountability Act of 1996* (United States).

“**LDA**” means the lab development agreement dated April 27, 2016, as amended entered into between AHL and Michael Murphy, whereby AHL will be acquired by AHL.

“**Licensed Producer**” or “**LP**” means licensed producer who is approved by Health Canada to sell or provide marijuana for medical purposes to eligible persons.

“**Listing Date**” means the date on which the Common Shares of the Issuer are listed for trading on the CSE.

“**MMPR**” means the *Marihuana for Medical Purposes Regulations* under the *Controlled Drugs and Substances Act* (Canada).

**“Named Executive Officers”** means the following individuals:

- (a) the Issuer’s CEO;
- (b) the Issuer’s CFO;
- (c) each of the three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000, as determined in accordance with subsection 1.3(5) of 51-102F6V *Statement of Executive Compensation – Venture Issuers*, for that financial year; and
- (d) each individual who would be an Named Executive Officer under paragraph (c) but for the fact that the individual was not an executive officer of the Issuer, and not acting in a similar capacity, at the end of that financial year.

**“NI 51-102”** means National Instrument 51-102 *Continuous Disclosure Requirements*.

**“NI 52-110”** means National Instrument 52-110 *Audit Committees*.

**“NI 58-101”** means National Instrument 58-101 *Disclosure of Corporate Governance Practices*.

**“NI 58-201”** means National Policy 58-201 *Corporate Governance Guidelines*.

**“NP 46-201”** means National Policy 46-201 *Escrow for Initial Public Offerings* as published by the Canadian Securities Administrators.

**“NPS”** means National Physician Survey.

**“OBCA”** means *Business Corporations Act* (Ontario), including the regulations thereunder, as amended.

**“OHIP”** means the Ontario Health Insurance Plan.

**“OSC”** means Ontario Securities Commission.

**“Person”** means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual, or an individual.

**“PIPEDA”** means the *Personal Information Protection and Electronic Documents Act* (Canada).

**“Principals”** means, with respect to the Issuer:

- (a) the directors and senior officers of the Issuer;
- (b) promoters of the Issuer during the two years preceding the date the Issuer becoming a reporting issuer;
- (c) those who own or control more than 10% of the Issuer’s voting securities immediately before and immediately after the date the Issuer becoming a reporting issuer if they also have elected or appointed or have the right to elect or appoint a director or senior officer of the Issuer;
- (d) those who own or control more than 20% of the Issuer’s voting securities immediately before and immediately after the Issuer becoming a reporting issuer; and
- (e) associates and affiliates of any of the above.

**“Prospectus”** means this prospectus and any appendices, schedules or attachments hereto.

**“Related Person”** means an “Insider”, which has the meaning set forth in the *Securities Act* (British Columbia) being:

- (a) a director or senior officer of the company that is an insider or subsidiary of the issuer;
- (b) a director or senior officer of the issuer;
- (c) a person that beneficially owns or controls, directly or indirectly, voting share carrying more than 10% of the voting rights attached to all outstanding voting shares of the issuer; or
- (d) the issuer itself if it holds any of its own securities.

**"Resulting Issuer"** means the Issuer, following closing of the Share Exchange, which will have AHI as a wholly-owned subsidiary and will carry on the business of AHI and AHL, following AHI's completion of the LDA, expected immediately after closing the Share Exchange.

**"Riske"** means Riske Capital Corp., a British Columbia company and a reporting issuer in Alberta and British Columbia.

**"RRIF"** means a registered retirement income fund.

**"RRSP"** means a registered retirement savings plan.

**"SaaS"** means Software as a Service.

**"Securities Commission"** means the British Columbia Securities Commission.

**"SEDAR"** means the System for Electronic Document Analysis and Retrieval ([www.sedar.com](http://www.sedar.com)).

**"Share Exchange"** means the acquisition by the Issuer of 100% of the outstanding AHI Shares in exchange for issuance of Common Shares to the AHI Shareholders on a one-for-one basis and 606,250 warrants to the holders of AHI Warrants, and the related transactions contemplated by the Share Exchange Agreement.

**"Share Exchange Agreement"** means the agreement dated November 23, 2015, as amended entered into by AHI, AHI Shareholders and the Issuer in respect of the Share Exchange.

**"Stock Option Plan"** means the Issuer's stock option plan providing for the grant of incentive stock options to the Issuer's directors, officers, employees and consultants in accordance with the rules and policies of the CSE.

**"Stock Options"** mean the incentive stock options to be granted to the Issuer's directors, officers, employees and consultants in accordance with the Stock Option Plan and the rules and policies of the CSE.

**"Transaction"** means the acquisition of all of the issued and outstanding shares of AHI by the Issuer pursuant to the terms of the Share Exchange Agreement.

**"Transfer Agent"** means Computershare Investor Services Inc.

**"Units"** means units of AHI sold pursuant to the Financing comprised of one AHI Share and one AHI Warrant.

**"VIP LLC"** means VIP-Patient, LLC.

**"VIP Patient"** means the proprietary EMR platform as more fully described in "Describe the Business".

## **CURRENCY**

All sums of money to be paid or calculated pursuant to this Prospectus shall be paid or calculated in the currency of Canada unless otherwise expressly stated.

## CORPORATE STRUCTURE

### **Name and Incorporation**

The Issuer was incorporated under the BCBCA under the name “1017344 B.C. Ltd.” on October 26, 2014.

On October 29, 2014, the Issuer entered into the Arrangement with Riske. On December 1, 2014, the (then) sole shareholder of the Issuer approved the Arrangement by unanimous shareholder resolution.

On December 3, 2014, the Court granted the Final Order approving the Arrangement in accordance with Part 9 of the BCBCA. Under the terms of the Arrangement: (i) Riske would transfer to the Issuer all of its interest in a letter of intent with Fusion Business Group and \$1,000 cash; and (ii) the Issuer would issue 396,600 common shares of the Issuer to the shareholders of Riske in accordance with the terms of the Arrangement.

On April 15, 2015, the Issuer closed the Arrangement and became a reporting issuer in Alberta and British Columbia.

On April 15, 2015, the Issuer, Riske and Fusion Business Group cancelled the letter of intent between Riske and Fusion Business Group.

On April 16, 2015, the Issuer changed its name to “Alternate Health Corp.”

### **Business Combination with AHI**

AHI was incorporated under the OBCA under the name “1828720 Ontario Ltd.” on July 6, 2010. On June 19, 2014 it changed its name to “Alternate Health Inc.” AHI’s business address is 300 - 56 Temperance Street, Toronto, Ontario. AHI has one wholly-owned Canadian subsidiary, CanaCard Inc., incorporated under the OBCA on June 19, 2014, and one US subsidiary Alternate Health USA Inc., incorporated under the laws of Delaware on October 21, 2016.

On November 23, 2015, the Issuer entered into the Share Exchange Agreement with AHI and the AHI Shareholders, to carry out a business combination transaction. The Issuer and AHI had certain overlapping directors at the time the Share Exchange Agreement was signed; however, at the time, the shareholders of the Issuer were the former shareholders of Riske and different from the AHI Shareholders.

AHI completed the Financing in anticipation of the Share Exchange. AHI may complete subsequent closings of the Financing before closing of the Share Exchange, and the Share Exchange Agreement has been amended accordingly to create the joinder of new AHI Shareholders and holders of AHI Warrants to the Share Exchange Agreement.

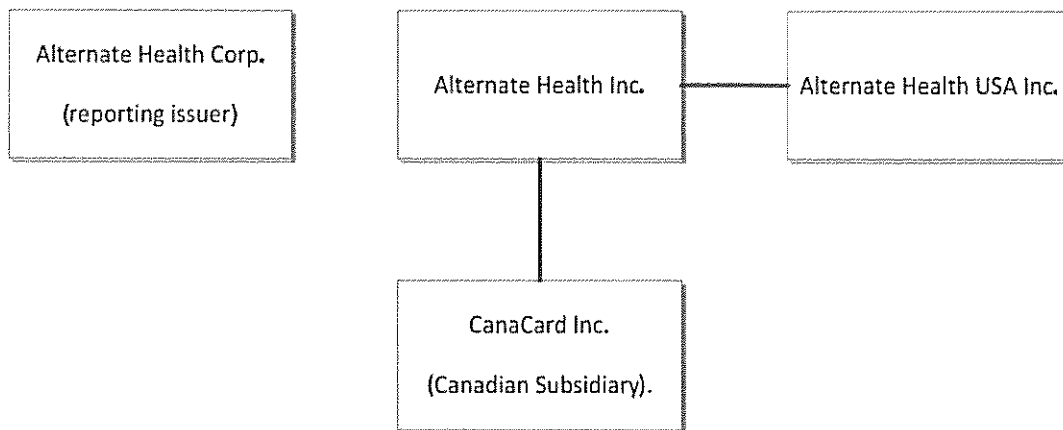
In connection with the Share Exchange, the Issuer will issue a total of 32,519,636 Common Shares to the former shareholders of AHI, including those shareholders of AHI who purchased their AHI securities under the Financing. The Transaction, which will be carried out by way of the Share Exchange will result in, among other things, the following to occur on closing:

- (i) all AHI Shareholders will exchange their AHI Shares for Common Shares on a one for one basis;
- (ii) all holders of AHI Warrants will exchange their holdings for the equivalent share purchase warrants of the Issuer; and
- (iii) as a result of the Share Exchange, AHI will become the 100% wholly-owned subsidiary of the Issuer, and the business of AHI is the business of the Issuer.

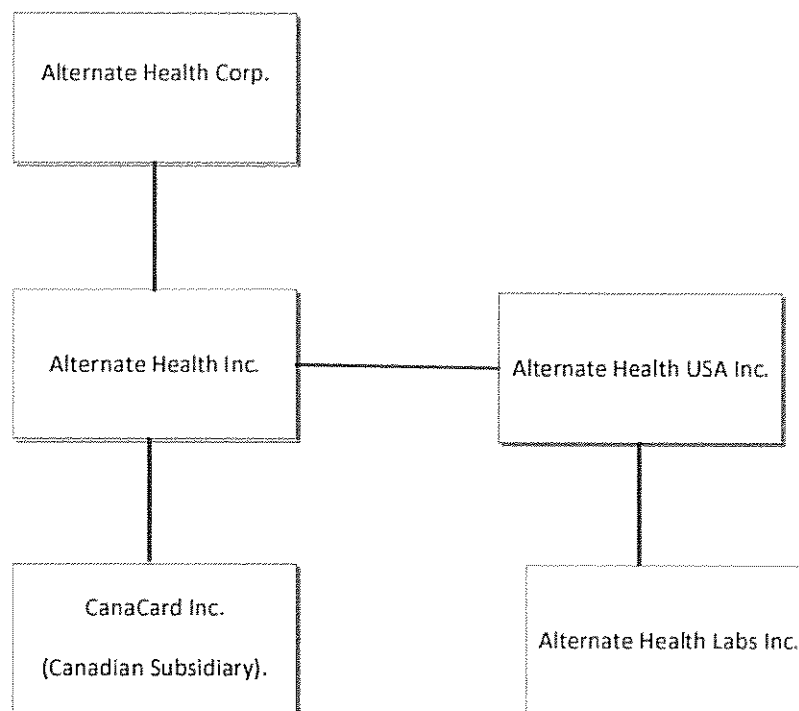
The Share Exchange is expected to close shortly after filing of the Prospectus and receipt of required conditional listing approvals from the CSE.

The following diagram summarizes the structure of the entities before and after completion of the Share Exchange, and also assuming completion of the acquisition of Alternate Health Labs Inc., as more particularly described under the heading “Describe the Business – Anticipated Changes in the Current Financial Year”. The acquisition of AHI has not yet closed as of the date of this Prospectus.

## BEFORE SHARE EXCHANGE



## AFTER SHARE EXCHANGE AND CLOSING OF THE LAB DEVELOPMENT AGREEMENT – The Resulting Issuer



### Intercorporate Relationships

Before completion of the Share Exchange, the Issuer does not have any inter-corporate relationships.



## DESCRIBE THE BUSINESS

### Summary

The Issuer, AHI and the AHI Shareholders entered into the Share Exchange Agreement dated November 23, 2015, as amended July 28, 2016 in respect of the proposed Share Exchange.

On closing of the Share Exchange, the Issuer will acquire all of the AHI Shares pursuant to the terms of the Share Exchange Agreement. Under the terms of the Share Exchange Agreement (and the anticipated additional issuance of AHI Shares before closing of the Share Exchange), the Issuer will issue a total of 32,519,636 Common Shares to the AHI Shareholders. A total of 606,250 share purchase warrants of the Issuer will be issued to former holders of AHI Warrants.

As a result of the Transaction, the former AHI Shareholders will become owners of more than 50% of the issued and outstanding shares of the Issuer. Accordingly, the Transaction is a reverse takeover transaction as defined by NI 51-102.

Before the acquisition of AHI, the Issuer will have had no active business. Accordingly, the business discussion set forth below relates to the business of AHI and will be the business of the Resulting Issuer on closing of the Share Exchange.

### Products and Principal Markets

AHI holds exclusive licenses to proprietary technologies designed to track and control legally produced controlled substances (including prescription drugs), and at the same time provide HIPAA (PIPEDA in Canada) compliant, safe, secure and accurate third party medical and financial reporting mechanisms for all groups concerned in the medical care environment. The abuse of narcotics is a serious problem that affects all societies, recognized in the US by President Obama's proposed budget of \$1.1 Billion in new funding for treatment and prevention of prescription opioid abuse and heroin use "epidemic" (February 2016). AHI is therefore well-positioned to support elements of these challenges with its electronic medical records and practice management and patient management products.

AHI has two principal products. They are the VIP Patient electronic medical records and practice management system ("**VIP Patient**") and the CanaCard patient management system ("**CanaCard**" or "**CPMS**"). While there are substantial differences between the two, both are EMRs, both contain the same doctor examination portal and similar patient portals, but differ in that CanaCard also has a portal for Licensed Producers. VIP Patient also has a similar portal built into it, but this will become functional within VIP Patient as a direct link to pharmacies.

The potential benefits of AHI's EMRs include:

- The ability to share and update information among different offices and organizations
- Efficient storage and retrieval
- The ability to share multimedia information, such as medical imaging results, among locations
- The ability to link records to sources of relevant and current research
- Easier standardization of services and patient care
- Provision of decision support systems for healthcare professionals
- Less redundancy of effort
- Lower cost to the medical system once implementation is complete

AHI software systems are designed to meet the expectations listed above while interfacing on various medical department levels and utilizing security measures that meet or exceed regulatory requirements in Canada and the United States.

### VIP Patient

VIP Patient is a proprietary EMR platform owned by VIP-Patient, LLC. On December 15, 2014, AHI entered into an intellectual property distribution agreement with VIP LLC and DCN (the "**IP Distribution Agreement**") pursuant to which VIP LLC granted AHI an exclusive license to distribute VIP Patient in Canada, and through a recent amendment to the IP Distribution Agreement, a non-exclusive license for the USA. VIP Patient provides a series of practice management features that go beyond a private and secure platform for HIPAA/PIPEDA disclosure, to include compliant interactions and monitoring between the physician, the patient and the pharmacy. VIP Patient has fully integrated ICD-10 codes built into its platform, believed to be a competitive advantage in the United States, where ICD-10 codes are now mandated, and VIP Patient can internally convert ICD-9 codes into ICD-10 codes.

AHI has completed its beta-testing program for VIP Patient. During its beta testing in Canada in 2014, AHI contracted through a doctor who also runs a pain clinic where he prescribes medical cannabis. Over a contract period of three months, AHI was provided a significant number of suggestions that applied to both the CPMS and VIP Patient, specifically focussing on the doctor portal of both systems.

While both systems were market ready following this testing period, AHI continues to make improvements to its systems.

In February 2015, detailed analysis from the doctor/owners of a sports medicine clinic in Toronto (with medical doctors and other complimentary health care professionals – physiotherapy, chiropractic, massage and acupuncture) was also valuable in tailoring the model to better fit this market. These additions included a multi-user scheduling module for both medical professionals and patients to interact through the internet, using the VIP Patient software to book and change appointments with the variety of professions who work within the clinic. As most sports medicine clinics operate outside principal insurance for physiotherapy, chiropractic, massage and acupuncture treatment, VIP Patient was able to refine its payment module to allow patients to pay for their appointments ahead of the appointed time, improving cancelation losses and eliminating non- or late payments.

Since then, AHI has provided the VIP Patient software to a practicing surgeon at Mount Sinai Hospital in Toronto, where his evaluations allowed AHI to make several “surgeon specific” changes to the basic models. He continues to have access to the software for testing.

Also, AHI has received other favourable reviews from demonstrations at Mount Sinai, CAMH (Centre for Addiction and Mental Health – Toronto), as well as other EMR users in various specialty fields in Canada.

A recent specialized version of VIP Patient was tested in a clinic specializing in weight loss and lifestyle health issues, which helped AHI focus efforts on refining VIP Patient to suit the special needs of this type of clinic.

AHI is currently in discussions with a pain clinic and a naturopathic clinic to install a live application of VIP Patient, where different priorities exist in each type of clinic. AHI has had discussions with a major pharmacy chain in Canada about testing the capabilities of VIP Patient for electronic prescriptions, but to-date no testing decision has been made and there are no assurances that the pharmacy chain will move ahead with such testing. Testing its software in different environments will allow AHI to offer tailored versions of both CanaCard and VIP Patient for a variety of markets.

#### **VIP Patient platform features:**

- Proprietary technology – functionality that allows physicians to enter new patients, look up existing patients and manage prescriptions, store/retain files, notes and documents.
- ICD-9 and ICD-10 are integrated into the platform, ahead of many other competitors who are in transition to ICD-10 codes.
- Integrated billing functionality and access, assigning provincial billing codes and/or diagnostic codes related to the examination performed by the physician.
- Allows multiple users to access a record at the same time and allows administrative staff to update insurance and billing information while the doctor meets with the patient.
- Remote access lets physicians securely access their medical records from outside the office.
- Encrypted data is stored in a Cloud formation that optimizes data transfer speeds and allows for secure, simplified, dynamic, network-wide updating capabilities.
- VIP Patient uses secure sockets layer, the standard for secure communication (a HIPAA requirement) as well substantive protection for sensitive patient data.
- Prescription handling can automate cross-checking for harmful drug interactions, as well as automatically transmit prescriptions to the pharmacy.
- Built in reporting can let approved users see statistics and trends across all patients: treatments ordered, visit times, total costs and more.
- To the best of AHI’s knowledge, VIP Patient is the only EMR that can directly link opioids and Schedule-I prescriptions to the provincial billing codes (e.g. OHIP) as well as to ICD codes to meet the requirements for the billing systems of insurance companies in Canada.

There are other features offered by the VIP Patient EMR platform that are designed to efficiently manage many administrative functions for physicians and their staff:

- **Data and normal range comparisons:** VIP Patient is able to calculate, display, and compare average percentiles and treatments and observations to normal ranges, as well as track vital signs and other specific parameters as they change in line with the patient's growth and development.
- **Simplified charting in line with national recommendations:** VIP Patient incorporates the related World Health Organization and Center for Disease Control recommendations for age and gender, related diagnosis, and then allows the physician to print customized charts based on differences from the norm.
- **Prescription doses and usage tracking:** Basing prescriptions on age and weight or body surface area, these specialized tools ensure the proper calculation of doses by integrating the other data mentioned above. Plus, by tracking the patient's immunization data, deficiency alerts can be provided should updated recommendations become available.
- **Unique privacy issues:** This is one area that is especially sensitive due to the high and often varied levels of confidentiality required; although privacy laws vary from province to province, VIP Patient has built-in restrictions that adhere to each province's local statutes and policies.
- **Patient by patient charting:** It is important for physicians to have access to long-range vital statistics for patients in order to spot trends and potential health issues. VIP Patient generates graphs that outline, detail and compare the patient's personal data to demographic averages.
- **Dynamic appointment scheduler:** VIP Patient is web-based, mobile, responsive and self-administering, where the physician tells the system when to book the patient for follow-up appointments, and then an auto-scheduler sends reminders and updates to the patient's chosen communication device.
- **Patient prescription monitoring:** Physicians can view patients filling their prescriptions at the pharmacy in real-time. VIP Patient is interfaced into the dangerous drug control database supplied by pharmacies to regulators, allowing the physician to ensure factual prescriptions are being exercised. This has the ability to limit abuse, double doctoring and other related acts of fraud.
- **Emergency alerts:** Physicians can notify patients through a multi-device (i.e. Mobile phones, email, etc.) application that immediately and on-the-fly, isolates subgroups for instant alert notification (for instance, all patients receiving prescriptions subject to a recall due to an identified health risk).

Some of the advantages of VIP Patient for key users, are summarized below:

#### ***Physician***

- Portable EMR system with full access to records of all patients all the time
- Easy to use with full capability to report and file insurance claims directly
- Built-in Point of Sale payment system for non-insured billing (Mastercard, Visa, etc.)
- Frees doctor's time to allow them to practice medicine and not form-filling
- Permits interdepartmental collaboration – For example, a patient is referred to an ear, nose and throat specialist by his/her doctor and the files are shared between both physicians. The general practitioner can set parameters that only allow certain data to be authorized for sharing with specific departments/physicians, while maintaining the remaining data, securely protected from unauthorized use.

#### ***Medical Assistant***

- Portable EMR system with the ability to limit access to selected private areas
- Assistants fill in much of the information regarding the patient's general statistics
- Maintain other key patient information (test results, consultant reports, etc.)
- Saves time by having patient 'pre-fill forms' prior to an appointment
- Electronic appointment scheduler generates the doctor's daily/weekly schedule automatically

#### ***Patient***

- Able to schedule appointment with an explanation of symptoms over the VIP Patient intranet
- Medical assistant or doctor can determine best course of action (visit emergency, local clinic, and book doctor's appointment, etc.)
- Patient can access his/her own patient records anywhere in the world by using the patient's own VIP Card and passwords (subject to existing privacy laws)

- Patient can receive instructions as to lab tests, fasting, etc., to be completed prior to an appointment, making the entire process more efficient

#### **Pharmacy**

- Prescriptions can be generated and electronically transferred to pharmacy (where allowed)
- Auto-feedback to physician when prescriptions are filled
- Two-way communication allows for auto-refills, emergency alerts, drug interaction, etc.
- Verifies the legitimacy of the prescription received by the pharmacy

#### **Customizable Components**

Each specific area of specialization, such as ear nose and throat specialists, plastic surgery, naturopathic, oncology, primary care physicians, etc. can have modifications to their VIP Patient platform made specifically for their practice needs.

In each case, sections of the generic VIP Patient system may be irrelevant and skipped over, while doctor-specified sections may be added, saving time for each specialist to focus on what is needed. Common input sections can be modified to efficiently save time and effort for each user. In all cases, the variety of input forms that are necessary to the doctor-patient relationship can be modified to allow different inputs, based on the particular priority for each specialty. Patient forms can be built directly into the system or e-mailed to patients for completion. These forms can then be directly inputted into the system prior to a medical appointment.

#### **Industry Problems and VIP Patient Solutions**

VIP Patient is designed to address industry problems with solutions that are efficient and cost effective. The following chart lists some of the key problems AHI addressed based on AHI's own market research and as identified through ad hoc discussions with many doctors in the US and Canada.

<b><i>Problem</i></b>	<b><i>Solution</i></b>
Most EMR systems are cumbersome, many requiring a minimum 15 hours of training for the doctor to use.	VIP Patient was developed from the experience of many physicians' own use of other EMRs, and requires little prior training to use, with easy navigation and pull down screens to simplify data input.
The primary complaint from physicians regarding current EMRs is that they are typing-intensive and requires them to pass through dozens of fields of unnecessary information. The physician or staff must input information into the system gathered through intake forms, costing time and money to complete.	VIP Patient requires inputting data once, saving time and gaining the value of getting it done while minimizing changes of creating errors.
Physicians tend to work in multiple locations (various office/hospital / clinic locations), preventing them from accessing patient files remotely from local servers.  Other EMR systems are fixed to a location and do not facilitate portability and mobility.	With VIP Patient, patient data is stored in the 'cloud', and is accessible from anywhere the doctor may be, provided the doctor has internet access and proper passwords. The data goes wherever the doctor goes, fully available at all times, via laptop, tablet or smartphone.
Once a paper prescription is written, there is effectively no electronic record of the transaction, but for the pharmacies' required reporting.	VIP Patient maintains the prescription with a digital tracking record kept within the patient files.
Most Canadian EMR systems are cost prohibitive, requiring Physicians to lay out tens of thousands of dollars for hardware, software and set-up fees. These systems also require frequent updates, amounting to significant additional costs charged directly to the doctor.	VIP Patient automatically updates with no upfront costs or additional fees to the doctor.

<b><i>Problem</i></b>	<b><i>Solution</i></b>
To the best of AHI's knowledge, no system in the Canadian market provides integrated provincial billing that includes ICD-10 diagnostic code assignments.	VIP Patient facilitates processes automatically and also saves the doctor time in manual billing administration. To the best of AHI's knowledge, VIP Patient is the only EMR that offers multiple provincial insurance codes plus ICD-10 codes.
Neither American nor Canadian EMRs generally facilitate automatic billing and therefore the doctor and administrative staff are left to manually create billing forms and pay third party services as much as 6.5% for translating record files for the physician's billing.	VIP Patient automatically interfaces into most major government and insurance-based billing systems. VIP Patient also has the ability to take credit card payments directly from patients for services provided outside the scope of insurance billing or by using the VIP Patient card the patient can load the card with cash to be used as payments through the online account.

While many of the current competitors in the EMR market in Canada charge the physician a high upfront fee for setup and annual recurring fees for hosting, licensing, user access, training, integration with other systems and customization, AHI expects to have no upfront costs to physicians except where specific customization is needed. Users of VIP Patient pay AHI based on the volume of their monthly billings.

### **CanaCard**

Different kinds of non-food medicaments are controlled in different ways. Some medicaments, such as intoxicants, are controlled by age. For example, alcohol can be purchased by anyone of the proper age, and typically there is no limit on the amount of alcohol that one can purchase. There is no tracking or any other kind of information stored about the way alcohol is purchased.

Other medicaments, which could be thought of as over-the-counter pharmaceuticals, are also typically unmonitored. However, some over-the-counter pharmaceuticals, which can be used as inputs for other drug manufacture are monitored. For example, a patient may need to show a driver's license to purchase the item(s), and the quantity, which may be monitored.

Prescription drugs are monitored in various ways. Some drugs called controlled medicaments are highly monitored, while other drugs only require a prescription. Prescriptions are usually handled by a doctor who writes a prescription, a pharmacist fills the prescription, with limited refills before the patient visits the doctor for a re-examination and/or new prescription.

The CPMS was developed as a medicament prescription and dispensing management system and method to allow for the management and tracking of controlled medicaments, from a doctor's evaluation of a patient to a filled prescription. The prescription is then measured against a filled quantity, strain and/or derivative of the prescribed medicament by an accredited dispensing source. The CPMS also manages and tracks the inventory of the medicament, one of the features the system provides to suppliers within their own operations.

CanaCard is a Doctor-Patient-Licensed Cannabis Producer (or Pharmacy/Dispensary) interface that provides PIPEDA (HIPAA in the United States) compliant, safe, secure and accurate third party medical and financial reporting mechanisms for all groups concerned in the medical care environment. The system will also track financial transactions and create tax and other key reports to all required levels of government.

The CPMS is used to manage end-to-end transactions involved with providing access to medical marijuana for validly prescribed patients. The CPMS can also be used to manage end-to-end transactions for other controlled substances such as methadone, codeine and morphine without changing the platform, as the user interface will reflect which controlled substance the patient is using.

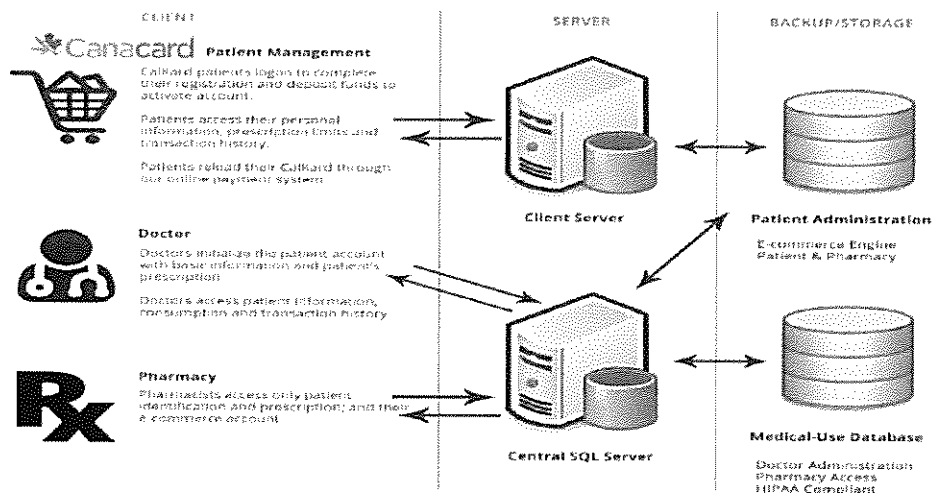
### **How CanaCard Works**

As a software provider, CanaCard earns its revenues from fees charged on a transactional basis (i.e. both patient registration and medical cannabis purchases).

- The CanaCard program starts with the patient visiting a licensed clinic or doctor, who reviews the patient's medical history and performs a thorough examination to determine the appropriate treatment.
- If the patient qualifies for medical cannabis, a photo is taken and a temporary CanaCard I.D. issued with a unique patient identifier, medicine prescribed, quantity limits, and renewal date.
- The patient then leaves and logs onto a secure website with his or her unique I.D. number to complete the CanaCard application forms and deposit funds into his or her CanaCard account from their own bank account or credit card. The patient is now ready to purchase medicine online at an authorized designated Licensed Producer's website.
- Each time a patient goes online to purchase more medical cannabis, they will be asked for feedback to allow physicians to monitor their results and provided data for research.
- Upon re-examination, the patient's results are compared with industry averages from all patients, giving the doctor the knowledge and ability to adjust the prescription for improved patient care.

Upon researching other card programs that allow patients to obtain a recommendation for medical cannabis, AHI's research shows that other registration programs are not interoperable with the physician's records. The CanaCard program was designed to allow patients and physicians access to medical records that are crucial for the care of that patient.

The CanaCard platform employs a unique patient identification code to access an SQL database designed to securely store personal data, account balances, transactional volume, research data and patient management tools. Portions of the database are accessible by the patient, certified physicians and Licensed Producers/pharmacies only, and is used to monitor the individual patient and provide enhanced treatment recommendations through a patient feedback loop that compares the doctor's recommended and prescribed treatment with actual results in order to optimize and improve future patient care. The system also tracks financial transactions and creates reports for all required levels of government.



CanaCard is composed of three modules, with a fourth module, the Pharmacy/Dispensary module which can be substituted for the LP module. The CanaCard itself, a credit card sized identification card, is an integral part of the CPMS that allows the patient online access to all the data available to the patient within the system. Once activated, the card is then used by the patient to select, purchase and take delivery of all medical cannabis requirements as specified in the prescription.

#### *Doctor Portal*

The Doctor Portal is the VIP Patient EMR, as described above. That is:

- Portable EMR system with full access to all records of all patients all the time
- Easy to use with full capability to report and file insurance claims directly
- Built-in Point of Sale payment system for non-insured billing (MasterCard, Visa, etc.)
- Frees doctor's time to allow them to practice medicine and not form-filling

- Permits interdepartmental collaboration – For example, a patient is referred to an ear, nose and throat specialist by his/her doctor and the files are shared between both physicians. The general practitioner can set parameters that only allow certain data to be authorized for sharing with specific departments/physicians, while maintaining the remaining data, securely protected from unauthorized use.

#### ***Patient Portal***

- Each patient is asked to complete his or her patient profile online using his or her unique I.D. number to complete the CanaCard application and deposit funds from his or her bank account or credit card to purchase medical cannabis (as per the prescription information), online through Licensed Producers' websites with the medications being delivered directly to home addresses.
- Able to schedule appointments with an explanation of symptoms over the VIP Patient intranet.
- Patient can access his/her own patient records anywhere in the world by using the patient's own CanaCard and passwords (subject to existing privacy laws).

#### ***Licensed Producer Portal***

- Customized websites will allow LPs to monitor product availability and sales by entering the gross weight when product becomes ready to sell (inventory and quality control).
- The CanaCard EMR provides the LP with assurances that the patient has a legitimate prescription with purchase availability, as sales are automatically deducted from the patient's prescription and mailed as per the patient orders (compliance).
- The LP is paid through the CanaCard EMR and all required financial and physical reporting is automatically updated, and if desired, transferred directly to QuickBooks for financial and tax purposes (accountability).
- Patients are able to read reviews of Licensed Producers' various marijuana strains, and other pertinent information, as well as reporting feedback from their own experience.

#### ***Pharmacy***

- Similar to the LP portal designed for medical cannabis, this portal was built specifically for the pharmacy.
- Prescriptions can be generated and electronically transferred to Pharmacy.
- Auto-feedback to Physician when prescriptions are filled.
- Two-way communication allows for auto-refills, emergency alerts, drug interaction, etc.
- Prevents fraud and misuse of prescriptions.
- Verifies the legitimacy of the prescription received by the Pharmacy

#### **Canadian Market Survey**

Health Canada is the federal authority that regulates the safety, efficacy, and quality of therapeutic products used in Canada, pursuant to the *Food and Drugs Act* (Canada). Medical devices are regulated in Canada by Health Canada under the Medical Devices Regulations of the *Food and Drugs Act* (Canada). To the best of AHI's knowledge, the CPMS is an EHR system and is not a medical device, as defined by Health Canada; and as such, it can be commercialized by AHI in the Canadian market without any further interaction with, or involvement from, Health Canada.

While Canadian privacy laws are lengthy and complex, most are based on internationally accepted fair information principles which form the basis for the 10 privacy principles of the Canadian Standards Association's Model Code for the Protection of Personal Information (CAN/CSA-Q830-96) and the PIPEDA. The principles tend to work well when applied to information held within a single organization, but may be more difficult to apply to an interoperable EMR. CanaCard's design has incorporated in the platform acknowledgement of the concerns the Canadian government and health care operations notated in the Canadian Standards Model Code.

The provinces and territories are responsible for developing their own EMR strategies and for proposing projects to Canada Health Infoway that align with the Electronic Health Record Solution Blueprint, the standards, and the eligibility criteria. They are responsible for implementing the projects, and for the cost of operating and maintaining EHR systems. Because the total amount of funding that Infoway will provide for a project is capped when the project is approved, the provinces and territories assume all the risk of cost overruns.

## Medical Marijuana

Although the Ontario Court of Appeal struck down a prohibition against possession of marijuana for medical reasons in 2000, roughly fifteen years later the medical marijuana industry in Canada remains in its nascency. During this period the industry has been hampered by continued court challenges and strict regulation from the federal government.

In 2014, the government phased out the *Marihuana Medical Access Regulations* ("MMAR"), a licensing scheme allowing eligible persons to possess and grow their own marijuana and replaced it with the *Marihuana for Medical Purposes Regulations* ("MMPR"). The aim of the MMPR is to treat marijuana as much as possible like other narcotics used for medical purposes. Under the regulations, the patient must consult with a prescribed healthcare practitioner (i.e., a physician or a qualified nurse practitioner) and obtain a signed "medical document," which is similar to a prescription. The patient can then get medical marijuana by submitting the medical document directly to a Licensed Producer. Alternatively, arrangements can be made for the Licensed Producer to transfer the drug to the healthcare practitioner who signed the medical document, and the patient can obtain it from the healthcare practitioner. Currently, the regulations impose limits on the total quantity of marijuana that can be transferred at one time and within a 30-day period.

A Federal Court injunction granted on March 21, 2014 remains in place allowing those who have a personal production licence pursuant to the MMAR to grow medical marijuana. In February 2016, the Federal Court ruled that the MMPR were an infringement on charter rights and declared that they have no force and effect (applying to the persons who had the proper licenses in place at the time of the original injunction). The Federal Court gave the government six months to come up with new rules, which were ultimately implemented on August 24, 2016.

Also since March 2014, Health Canada has been issuing commercial licenses to Licensed Producers. The government has received almost 1,200 applications for a production license to-date. So far, according to the Health Canada website, Health Canada has issued production licenses to 36 companies (as of the date of this Prospectus) who have registered over 95,000 total clients, and sold about 4,773 kilograms of medical marijuana in the period July 1, 2016 to September 30, 2016. (<http://www.hc-sc.gc.ca/dhp-mps/marihuana/info/market-marche-eng.php>)

On August 11, 2016, Health Canada announced the new *Access to Cannabis for Medical Purposes Regulations* ("ACMPR"). These new regulations will replace the MMPR. (According to the Government of Canada factsheet found at <http://news.gc.ca/web/article-en.do?nid=1110409>)

The largest single change is the introduction of provisions that will allow Canadians who need access to cannabis for medical purposes to produce a limited amount of cannabis for their own medical purposes, or designate someone to produce it for them. With registration, individuals will be allowed to produce a limited number of plants based on a formula that takes into account the individual's daily dose (i.e. quantity authorized by their physician) and the average yield of a plant under certain growing conditions, such as indoor or outdoor growing.

The ACMPR does not change the role of health care practitioners in Canada in the administration of this program. Several provincial health care regulatory authorities and the College of Family Physicians of Canada have also issued guidelines or guidance for health care practitioners.

Individuals authorized to use cannabis for medical purposes by a health care practitioner will continue to have the option of purchasing cannabis from one of the 36 Licensed Producers licensed by Health Canada.

Because most of the LPs in the industry are small, private entities, specific information is hard to come by. However, there are public companies operating in this space as Licensed Producers, including Mettrum Health Corp. (TSXV:MT), Organigram Holdings Inc. (TSXV:OGI), Emerald Health Therapeutics Inc. (TSXV:EMH) and Aphria Inc. (TSXV:APH).

## **Principal Markets for EMRs**

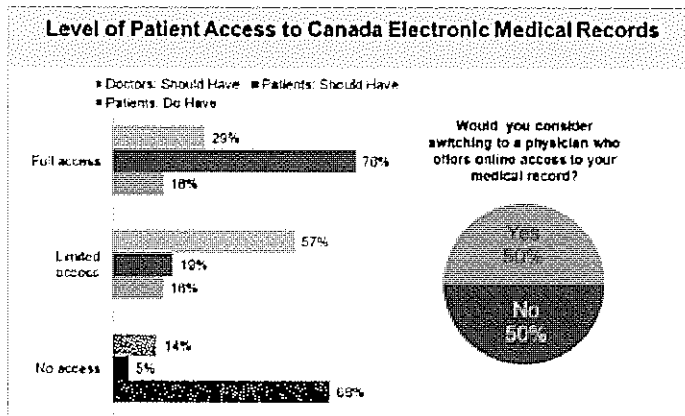
### Canada

Despite slower than expected growth of 5.5% in the EMR market in 2014, the global market for EMRs was estimated to reach \$22.3 billion by the end of 2015, with the North American market projected to account for \$10.1 billion or 47% of the EMR market and Canada anticipated to account for approximately 10% of the market, or \$1 billion. While the following market descriptions are focused on the Canadian market, followed by the US market, the descriptions and conditions are very similar.



Supporting the growing trend toward patient engagement, a recent Accenture Consulting Consumer Survey on Patient Engagement, an online poll of over 9,000 adults conducted by Harris Research in July, 2013, found that fully half of Canadian consumers are willing to switch physicians to gain online access to EMRs. The same group surveyed doctors and found that in Canada only 5% of Canadian doctors will facilitate patient downloads of EMR summaries. Only 16% of doctors allow patient requests for prescription refills, and just 10% offer electronic reminders as follow-up or preventative care. All of these statistics put Canada below all seven other nations surveyed in the key areas of healthcare information exchange. This indicates a clear need for EMR platforms which physicians and clinics will find beneficial enough to make them want to switch to an EMR platform, and patients will find helpful enough to make them want to switch physicians.

Patient level of and demand for online access for their medical records (see chart below) is an industry trend that AHI will review when structuring its marketing and sales strategy.



## Distribution methods

The Government of Ontario has a stated target to convert all medical records in the province from paper to digital. The Government of Ontario estimates that two-thirds of Ontarians are covered by electronic medical record software, and seven out of ten physicians use EMR software in their practice. In order to comply with the current regulatory environment and target to convert to EMRs, doctors who do not use EMRs are being directed toward the need to switch to an EMR.

However, although it appears that a sizable minority of practitioners has yet to adopt EMR in their practices, there are signs that existing services are not meeting their users' standards. A number of sources have indicated that roughly one-third (and potentially even more) of physicians with an EMR system are dissatisfied and would be willing to change.

The following selected data from the 2014 NPS<sup>1</sup> provides a snapshot of how EMRs are viewed within the medical community:

Some Reasons for not Using EMR		Barriers in Accessing EMR		Access to EMR	
Too Costly	32.4%	Compatibility	45.5%	Excellent	13.2%
Too Time Consuming	36.4%	Technical Glitches	52.3%	Satisfactory	44.3%
Not Available	27.6%	Security Issues	25.0%	Unsatisfactory	20.0%
				Not Available	20.7%

## Revenue for the years ended December 31, 2014 and December 31, 2015

AHI was not active in its business in 2014 and therefore generated limited revenue. AHI generated revenue of \$8,208 for the year ended December 31, 2014 and \$167,555 for the year ended December 31, 2015. These revenues were earned under the reseller agreements and are not reflective of sales of VIP Patient or CanaCard to end customers. The revenue was derived from a related party transaction involving a person who, at the relevant time was a director of AHI and a director of

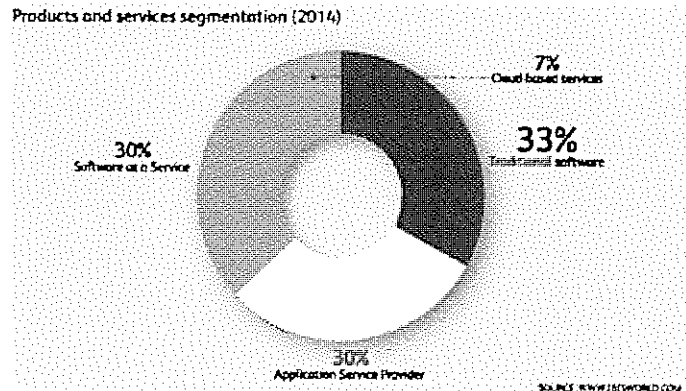
<sup>1</sup> '2014 National Physician Survey', The College of Physicians of Canada, Canadian Medical Association, The Royal College of Physicians and Surgeons of Canada.

the other corporate party to the reseller agreement. See “Describe the Business – Three Year History” for additional information about the reseller agreements.

## **Competitive Conditions**

### Current Types of Systems on the Market

The EMR market is comprised of four types of systems: Traditional Software, SaaS, ASP, and Cloud-Based Services. The graph below illustrates the breakdown in the US market in 2014 for all of these services (believed to be similar to Canada).



### **Traditional Software**

Traditional software is installed on a computer or server at a physician's office, which is typically expensive to implement and maintain. As cloud-based systems become more readily available and will have more features to offer the physician, the traditional software segment will likely decline.

### **Application Service Provider (ASP)**

ASP is similar to traditional software but is installed on industry operators' systems. There is a lower implementation cost than traditional software but higher annual operating costs. ASP's share of the market is expected decline in favour of cloud-based systems that can offer more features and better accessibility to shared networks with industry operators.

### **Software as a Service (SaaS)**

SaaS is software that is owned, delivered and managed remotely by one or more providers. SaaS models allow healthcare providers' access to the latest, most up-to-date software online. Cloud technology enables industry operators to update EMR software on a single network that is available to all healthcare practices within that particular network and all software updates are performed by industry operators and stored in the cloud. SaaS has multiple functions, including serving as a national database that also acts as a single communication connection to payers, pharmacies, hospitals and other healthcare providers.

However, one key issue with SaaS is that it does not allow industry operators to provide additional services, such as monitoring regulatory changes for healthcare providers. Nevertheless, SaaS software has fared well over the past five years.

### **Cloud-Based Services**

Cloud-based services are the most technologically intensive form of EMR software. Though SaaS is also cloud-based, this product segment provides additional services, including back office services in the cloud-based network. For example, this product segment enables industry operators to achieve cost benchmarks that assist healthcare providers with cutting costs. As the industry offers more cloud-based services that include specific solutions that comply with the privacy restrictions set out in statutes like the HIPAA (US) or PIPEDA (Canada), demand for cloud-based services is expected to increase over the next five years.

Cloud-based services also make it easier to provide healthcare professionals with access to their records remotely, which could provide an additional incentive for products in this segment. Physicians with multiple practices or those with hospital privileges may prefer cloud-based systems since they will likely require access to patient information at multiple locations. As a cloud-based service, AHI operates both software offerings as cloud-based and is well-positioned to take advantage of the opportunities afforded by this growing segment of the EMR market.

#### Market Participants

To the best of AHI's knowledge, there are roughly two-dozen EMR providers in Canada, and only a limited number that currently offer a cloud-based system. Pricing models vary, with models charging healthcare practitioners based on a combination of implementation costs, data conversion, training, cloud / web hosting, and annual fees. The specific amounts for each of these costs can vary dramatically between providers.

The single largest player in the Canadian EMR market is Telus. Through their Telus Health division, Telus operates a number of EMR platforms including Kinlogix, Med Access, PS Suite, and Wolf. According to Telus' website, their EMR platforms provide access to approximately 14,000 physicians with access to nine million patient files. Telus has invested roughly \$1 billion in their EMR systems to date and in 2013 alone, Telus Health generated roughly \$500 million in revenues.

Canada is not a single EMR market; rather, it is a patchwork of provincial EMR markets with participants largely concentrated in a single province or region. In Ontario alone, the market representing the majority of AHI's expected revenues from VIP Patient, the breakdown of market share among participants with funded physicians is as follows<sup>2</sup>:

<b>EMR Vendor</b>	<b>Funded Physicians</b>	<b>Market %</b>
TELUS Health Solutions	4,055	35%
OSCAR EMR	2,282	20%
QHR Technologies Inc.	2,173	19%
Nightingale Informatix Corp.	1,530	13%
P&P Data Systems Inc.	532	5%
ABELMed Inc.	383	4%
Canada Health Systems Inc.	308	3%
Alpha Global IT	163	<3%
YMS Inc.	120	<3%
YES Medical System	33	<1%

The data shows that although there are a number of participants, the market is dominated by a handful of larger players. This could represent a significant barrier to entry since larger participants will have the benefit of brand recognition and capital to fund growth and expansion. Conversely, the presence of larger participants can also present an opportunity for smaller players since the larger firms can leverage their positions as market leaders with access to significant funds to acquire smaller competitors, rather than competing with them. Acquisitions represented a significant component of Telus' path towards becoming the dominant market player and as an example, in September 2016, Telus Health acquired Nightingale Informatix Corp.

#### **Intangible Properties**

Success is dependent, in part, upon AHI's proprietary rights to its primary products, VIP Patient and CanaCard. The following consists of a description of these intellectual property rights.

Under the IP Distribution Agreement with VIP LLC, AHI has been granted the exclusive license to distribute VIP Patient in Canada and a non-exclusive right in the United States. Under the IP Development Agreement with DCN, AHI has been granted the exclusive worldwide right to use, develop and customize DCN's patent (pending) intellectual property to create its own intellectual property for its own exclusive use, the CanaCard Patient Management System.

<sup>2</sup> According to OntarioMD, as of April 30, 2015

### *License Fees and Other Payments*

The following table summarizes the principal future obligations under the IP Development Agreement, as amended and the IP Distribution Agreement, as amended:

<b><i>Material Agreement</i></b>	<b><i>Contractual Obligations/Rights</i></b>	<b><i>Amount of Payment</i></b>
IP Development Agreement	Customization fee for DCN to customize the CPMS to suit Canadian regulations	\$523,000 (\$75,000 was paid in 2014 and \$75,000 is payable annually commencing January 31, 2018 with a balloon payment of the outstanding balance of principal and interest on August 31, 2020. Outstanding amounts bear 15% annual interest from September 1, 2015).
	Patent protection worldwide	royalty on the sales of the CPMS of 3.5% of net revenue
IP Distribution Agreement	Revenue participation fee (payable monthly in arrears)	45% of the net revenue collected by it in the preceding month
	Third party hard costs for technical services	at cost
	License Fee (customization)	12.5% of customization fees collected (not related to the fees paid on net revenue)
	License Fee (issuable in equity)	1,000,000 common shares of AHI released from trust on listing
	Customization Fee (one-time)	\$200,000 (paid)
	License Fee (payable after AHI has raised \$1,500,000)	\$350,000 (satisfied through the issuance of 437,500 AHI Shares)
	Right to acquire 30% of VIP-Patient, LLC, until July 1, 2018	TBD but based on cash flow or third party valuation

### *Ownership of Intellectual Property Developed Using the Licensed Technology*

If modifications, variations, updates, enhancements, and improvements are made to the licensed technology, the intellectual property developed by DCN would be owned by DCN, but would still be available to AHI at no charge through the respective license agreement.

If intellectual property is developed by AHI independently of the licensed technology it will be owned directly by AHI.

### *Key Patents: Applications*

DCN has made patent applications in the United States (September 2013) and Canada (September 2014) in respect of the underlying technology supporting the CPMS, under the names “Medicant Dispensing System and Method” (in the United States) and “Medicament Prescription and Dispensing Management System and Method” (in Canada). The patent is pending in the United States and Canada.

Through binding letters of intent between AHI and Dr. Michele Reillo, a US expert and authority on the efficacy of the use medical cannabis for treatment for variety of illnesses, AHI has obtained the exclusive rights to commercialize her provisional US Patent (#231127373, US PTO APP # 62201433 Quantitative Means of Positive Effectiveness of CBD and Cannabis Medicinals Pertaining to Patient Condition and Recommended Therapies). This provisional patent describes a means of testing individual Cannabis patients as to the effectiveness of the CBD and cannabis medicinals entering the patient’s system. The test is for the presence and quantity of nitric oxide and uses a simple colour coded litmus paper type of strip the patient touches to the tongue after ingesting the medicine. The strip will show the amount of nitric oxide being produced by the system, which is a clear indication of the “Wellness” of the patient. The colour determines the actual

strength of the body's reaction to the medicine. See "Anticipated Changes in the Current Financial Year - US Entry Strategy".

## **Cycles**

Neither the products offered by AHI nor the markets in which it operates are considered to be cyclical. The medical services sector and toxicology lab sector (in which AHL operates) are stable year round markets.

## **Economic Dependence**

AHI will be dependent on the rights and revenues derived from the IP Distribution Agreement, and revenues derived from its own software system CanaCard derived through its IP Development Agreement with DCN. AHI has not yet sold its software to end customers. For more information regarding the IP Distribution Agreement and IP Development Agreement see "Describe the Business - Three Year History".

Alternate Health Labs Inc., described below under "Anticipated Changes in the Current Financial Year - US Entry Strategy", to the date of this Prospectus, has earned its revenue from two customers, one of whom is a related party to AHL. While it is not expected that such contracts will be terminated, should such customers terminate their arrangements with AHL and AHL is unable to negotiate similar arrangements with alternative customers, it could have a material impact. See "Risk Factors - Economic Dependence".

## **Changes to Contracts**

AHI does not expect any changes to any of the material contracts it has for the current fiscal year, except for amendments to the Share Exchange Agreement, and the changes to the IP Development Agreement and IP Distribution Agreement, all of which are described herein. None of AHI's material contracts are up for re-negotiation in the next two fiscal years. See "Describe the Business - Three Year History".

## **Employees**

AHI currently has one employee and will expand that number as required by the demands of its business. Other work is performed for AHI by contractors and consultants.

AHL currently has 19 employees.

## **Foreign Operations**

AHI has examined a variety of medical services markets in the US and has created strategies for the areas most suited to AHI's expertise. For a description of AHI's expected involvement in the US market within the next 12 months, see below under "Anticipated Changes in the Current Financial Year - US Entry Strategy".

## **Three Year History**

AHI is an Ontario company formed as a medical services company in the Canadian market with interest in promoting both traditional (i.e. physicians) and non-traditional (i.e. chiropractors, Naturopaths) solutions to modern healthcare. In 2016, AHI has also been exploring opportunities in the US market.

### **Fiscal Year Ended December 31, 2014**

During this development stage, AHI made no effort to begin generating revenue, instead focusing on developing DCN's patent pending intellectual property into its own proprietary software platform, the CPMS.

On July 15, 2014, AHI and DCNetCast Media Group Inc. ("DCN") entered into an intellectual property development agreement (the "**IP Development Agreement**") pursuant to which DCN licensed its intellectual property, being the patent pending *Calkard patient management software system* along with and updates and any documentation in respect thereof including all intellectual property rights therein, excluding ownership of the patent (the "**DCN Property**") to AHI for the sole purpose of allowing AHI to create the CPMS. The IP Development Agreement is for a term of 20 years. The parties' intention is to negotiate, in good faith, a long term renewal of the IP Development Agreement prior to the end of the term,

and either party may notify the other party that it so wishes to renew the IP Development Agreement and thereby extend the term at any time during the final year of the term. Termination prior to 20 years is only by mutual written consent, or in the case of a material breach, after 30 business days of written notice of such breach if the material breach remains outstanding. Under the terms of the IP Development Agreement, AHI has the right to: (i) sub-license its right to distribute the CPMS to affiliates or subsidiaries; (ii) assign or transfer the IP Development Agreement to an affiliate or subsidiary of AHI; and (iii) assign, transfer or otherwise dispose of all or any of its rights in the DCN Property or the CPMS to a third party that is not an affiliate or subsidiary, subject to DCN's right of first refusal to acquire the CPMS on the same terms.

In accordance with the terms of the IP Development Agreement (as amended October 13, 2015 with effect as of July 15, 2014), AHI must pay DCN \$523,000 as a customization fee for DCN to customize the CPMS to suit Canadian regulations. \$75,000 was paid in 2014 and \$75,000 is payable annually commencing August 31, 2016 with a balloon payment of the outstanding balance of principal and interest due on August 31, 2020. Interest on any unpaid amounts will accrue effective September 1, 2015 at an annual rate of 15% until the total amount including principal, HST, and accrued interest has been repaid. The amount may be prepaid in whole or in part at any time and from time to time with no prepayment penalty. DCN was also granted the right to purchase up to 15,790,000 common shares in the fully diluted share capital of AHI at a price of \$0.02 per share, which shares were issued effective December 15, 2014.

On December 15, 2014, AHI entered into an intellectual property distribution agreement with VIP LLC and DCN (the "**IP Distribution Agreement**") pursuant to which VIP LLC granted AHI an exclusive license to distribute the VIP Patient in Canada. The IP Distribution Agreement is for a term of 20 years. The parties' intention is to negotiate, in good faith, a long term renewal of the IP Distribution Agreement prior to the end of the term, and either party may notify the other party that it so wishes to renew the IP Distribution Agreement and thereby extend the term at any time during the final year of the term. Termination prior to 20 years is only by mutual written consent, or in the case of a material breach, after 30 business days of written notice of such breach if the material breach remains outstanding. Under the terms of the IP Distribution Agreement, AHI has the right to: (i) sub-license its right to distribute the VIP Patient to affiliates or subsidiaries; (ii) assign or transfer the IP Distribution Agreement to an affiliate or subsidiary of AHI; and (iii) assign, transfer or otherwise dispose of all or any of its rights in VIP Patient to a third party that is not an affiliate or subsidiary, subject to VIP LLC's right of first refusal to acquire VIP Patient on the same terms.

Under the terms of the IP Distribution Agreement, AHI will receive 100% of all gross revenue generated in Canada from sales of the VIP Patient and, after certain deductions are made from gross revenue, will retain 55% of all net revenue generated. AHI also has the right to acquire 30% (the "**Option**") of the fully diluted common shares of VIP LLC until July 1, 2018 by paying VIP LLC a price per share based on a multiple of free cash flow of VIP LLC for the most recent trailing twelve months from the date of a notice of intention to exercise the Option, as determined by an independent third party valuator.

In accordance with the terms of the IP Distribution Agreement, AHI must: (i) pay VIP LLC a revenue participation fee, payable monthly in arrears, equal to 45% of the net revenue collected by it in the preceding month; (ii) pay VIP LLC all third party hard costs for technical services plus a license fee of 12.5% of customization fees collected; (iii) issue VIP LLC 1,000,000 common shares of AHI upon its listing; (iv) pay VIP LLC a \$350,000 license fee, payable once AHI has raised \$1,500,000; and (v) pay DCN \$200,000 plus taxes as a customization fee for DCN to customize the VIP Patient to suit Canadian regulations as well as any future revisions and enhancements made to the VIP Patient for VIP LLC which will also be made to the "Canadian" version. This customization fee was paid in December 2014.

On December 15, 2014, AHI entered into an authorized reseller agreement (the "**Alberta Distribution Agreement**") for Alberta which authorized the reseller the right to locate and assist in the sale of the VIP Patient system in Alberta, and for the distribution rights of VIP Patient in Alberta for \$300,000 (inclusive of tax). Pursuant to the terms of the Alberta Distribution Agreement, the reseller is entitled to receive: (i) 25% of all customization fees paid by doctors, clinics and medical providers within Alberta that it has created and secured a contractual end user relationship; and (ii) 3.5% of all back-end net revenue generated in AHI through the doctors, clinics and medical providers' usage of the AHI Software. Under the terms of the Alberta Distribution Agreement, AHI also agreed to issue 300,000 common shares of AHI at a deemed price of \$0.02 per common share, which were issued on December 15, 2014. The Alberta Distribution Agreement is for a period of three years commencing on December 15, 2014 and will automatically renew for one year terms unless terminated earlier on written notice provided by either party to the other of its desire to not renew no later than 60 days prior to the end of an existing term or on 30 days prior written notice in the event of failure to cure a breach.

On December 15, 2014, AHI entered into an authorized reseller agreement (the "**Nova Scotia Distribution Agreement**") for Nova Scotia which authorized the reseller the right to locate and assist in the sale of the VIP Patient system in Nova Scotia, and for the distribution rights of VIP Patient in Nova Scotia for \$290,000 (inclusive of tax). Pursuant to the terms of

the Nova Scotia Distribution Agreement, the reseller is entitled to receive: (i) 25% of all customization fees paid by doctors, clinics and medical providers within Nova Scotia that it has created and secured a contractual end user relationship; and (ii) 3.5% of all back-end net revenue generated in AHI through the doctors, clinics and medical providers' usage of the AHI Software. Under the terms of the Nova Scotia Distribution Agreement, AHI also agreed to issue 290,000 common shares of AHI at a deemed price of \$0.02 per common share, which were issued on December 15, 2014. The Nova Scotia Distribution Agreement is for a period of three years commencing on December 15, 2014 and will automatically renew for one year terms unless terminated earlier on written notice provided by either party to the other of its desire to not renew no later than 60 days prior to the end of an existing term or on 30 days prior written notice in the event of failure to cure a breach.

#### Fiscal Year Ended December 31, 2015

AHI modified the terms of its key contracts, the IP Development Agreement with DCN and the IP Distribution Agreement with VIP LLC. In November 2015, AHI closed a portion of the Financing (see "Prior Sales") and entered into the Share Exchange Agreement with the Issuer as described elsewhere in the Prospectus.

The IP Development Agreement was further amended on December 15, 2015, wherein DCN agreed to provide patent protection and to defend the patent if challenged anywhere in the world in exchange for a royalty on the sales of the CPMS of 3.5% of net revenue.

The IP Distribution Agreement was amended on December 15, 2015, granting AHI a non-exclusive license to market and sell the VIP Patient software in the US. AHI will pay to VIP LLC a royalty of 40% of net revenue and will agree on an incentive plan with VIP LLC should VIP LLC's assistance be requested in AHI's efforts to distribute VIP Patient in the US.

#### Subsequent Events (post Fiscal Year Ended December 31, 2015)

AHI modified the terms of its key contracts, the IP Development Agreement with DCN and the IP Distribution Agreement with VIP LLC. AHI was also active in considering markets outside of Canada.

The IP Development Agreement was further amended on March 15, 2016, to defer the commencement of the \$75,000 annual payment to January 31, 2018 (from August 31, 2016).

In April and May 2016, AHI closed a portion of the Financing. See "Prior Sales".

The IP Distribution Agreement was further amended on June 10, 2016, wherein AHI agreed to issue 437,500 AHI Shares to VIP LLC in full satisfaction of its \$350,000 license fee obligation.

In July 2016, AHI closed a further portion of the Financing. See "Prior Sales". AHI also repurchased 100,000 Units for cancellation.

#### **Anticipated Changes in the Current Financial Year**

In the 12 months following completion of the acquisition of AHI, the Resulting Issuer intends to:

- (i) Launch VIP Patient and CanaCard in Canada and the United States.
- (ii) Launch CME courses in Canada and the US beginning with the two cannabis programs now market-ready with Dr. Reillo.
- (iii) Acquire, build or enter into additional partnerships with at least one US toxicology lab as a key component to further its US entry strategy, subject to available resources.

#### VIP Patient Sales Plan - Canada

The first step in developing an EMR sales project plan (marketing plan) is to assemble an effective implementation team. A project leader/Director of Sales to coordinate and organize the overall sales plan is essential for creating an effective product roll out. Sales representatives are needed from the various demographic areas where the VIP Patient strategic marketing plan outlines implementation of sales to organizations that will benefit from using the system in a specific area. This includes IT system support staff, operations management and the sales team. The team will determine the goals and

objectives of demographic implementation for marketing and align them with an optimal distribution plan. Sales techniques and education will also be provided by this team.

As a first step in developing these plans, AHI has been and continues to examine different ways to reach out to doctors and clinics in an effort to secure new business. AHI has been researching the relationships between the doctors who need to use EMRs and the other users who need to communicate with those doctors electronically, (specialists, hospitals, labs, etc).

#### *Product Launch*

The next step is to install VIP Patient in operation in several clinics across the country to demonstrate its potential to satisfy all players in the market, and show the efficiency gains through its use.

AHI will offer VIP Patient to physicians at no up-front or monthly fee (relying only on 'back-end' fees as a percentage of actual billed charges). AHI will invite physicians to various locations to see VIP Patient software in use and to allow physicians the opportunity to test drive the systems themselves.

#### CanaCard Sales Plan - Canada

The Resulting Issuer can issue CanaCard (and/or VIP Patient) cards annually to any patient who wishes to access his/her medical records from wherever he/she may be. This will give the patient the security of knowing that wherever in the world those records are needed, (an accident in Europe or, an illness in India), password access is available to access the medical records locally.

Although CanaCard is fully operational, the local Canadian market for medical marijuana, while legal, is not yet in a stable position, and the legislation and regulation for anticipated recreational use is still being defined by the Canadian government. Similarly regulation of the US medical and recreational market is in transition from state to state with uncertainty as to any changes by the US federal government. When these regulations settle, AHI expects that it will accelerate its marketing efforts to both Licensed Producers and doctors/clinics. AHI expects that if the use of marijuana becomes more accepted by the general public, that CanaCard's features may lead to software growth through adopted use by physicians as more and more information about medical cannabis's efficacy and results become more widely accepted by the medical community. Continued delays or uncertainties in establishing standard regulations for use and control of marijuana may be a risk to CanaCard's adoption by medical service providers.

The main revenue stream for CanaCard is expected to come from the Licensed Producers, who may pay an 8.5% to 12.5% transaction fee on sales to CanaCard holders. The incentives for paying this are twofold: First, CanaCard funds all transaction costs, inventory control, financial reporting and verification of regulatory compliance. AHI also creates and manages the LP's "Internet Store" and shopping cart for ease of use by patients to purchase their goods. Second, through the doctor's clinics and internet marketing efforts, AHI expects to provide patients to the Licensed Producer, which is currently the main operational issue and constraint that all growers face, and why the CanaCard system is expected to be attractive to a Licensed Producer. Although as of the date of this Prospectus, AHI does not have any contracts in place with LPs and there are no assurances that relationships will develop.

#### US Entry Strategy

AHI's intended entry to the US market is (1) through a Continuing Medical Education (CME) programs business for doctors, and (2) entry into the business of operating toxicology laboratories, commencing with a single laboratory in Texas. Market entries are or will be via joint venture/profit sharing arrangements with experienced operators as is more fully explained below.

#### *Continuing Medical Education Business*

Continuing medical education consists of educational activities which serve to maintain, develop, or increase the knowledge, skills, and professional performance that a physician uses to provide services to patients. The content of CME programs is developed, reviewed, and delivered by experts in their individual clinical areas. These activities may take place as live events, written publications, online programs, audio, video, or other electronic media.

According to the Accreditation Council for Continuing Medical Education (ACCME), the CME business exceeded \$2.65 Billion in 2014. Worldwide there are approximately 14 million physician CME interactions yearly and another approximately 11 million non-physician CME interactions. It is noteworthy that the non-physicians group will continue to



grow as Physicians Assistants (PAs), nurse practitioners, and other hospital support staff continue to require education themselves.

The use of medical cannabis is becoming an increasingly important medicine/therapy to treat a variety of diseases and has long been used for pain relief. Assuming it may become a mainstream treatment, of which there are no assurances, prescribing physicians will need to take CME courses to be qualified to treat their patients. They will also need EMR software with a controlled substance platform. AHI has entered into a business relationship with Dr. Michele Reillo to distribute her medical cannabis CME programs.

Dr. Reillo is an authority on the efficacy of the use medical cannabis for treatment of variety of illnesses. She holds several key patents in the area of her expertise and AHI has acquired the exclusive rights to her patents for nitric oxide testing and related measuring strips. The test provides a quantitative means to determine the positive effectiveness cannabis medicinals have on a patient's condition and recommended therapies. She has developed two complete CME credit courses regarding the use and prescribing of medical cannabis, both approved by the American Medical Association ("AMA"). AHI has acquired the rights to the courses and has created a multi-media series called the Cannabidiol CBD and THC Certification Program for Health Care Practitioners. Both are now complete and market ready, having achieved their accreditation in September 2016. These programs are highly technical and contain several hours of voice-over multimedia graphics and video, all created by AHI (who contracted out the work to a third party with the appropriate expertise) under the supervision of Dr. Reillo. They were accredited by the University of Louisville Medical School (a school licensed to give such accreditations), and are expected to become valuable educational courses regarding the use and effectiveness of CBD and THC based medicines for doctors, nurses and others who want to further their understanding of these treatment forms. These courses will be sold on the internet and directly through AHI's EMR platforms. AHI will market to doctors through direct email marketing. AHI has also had discussions with YouTube to market the AHI CME courses through its highly visible network.

The binding letters of intent with Dr. Reillo entered into in February 2016 provide that she will receive consideration of 350,000 Common Shares of the Issuer following the Resulting Issuer's listing, a monthly retainer of US\$5,000 for 5 years, 25% of adjusted profits derived from use of her patents and 50% of adjusted net profits from the sale of her CME courses.

Management believes that AHI's medical cannabis CME programs may attract doctors and clinics to its controlled substance EMR software, and advertising through the same software may increase the visibility of the CMEs to doctors and clinics. AHI also expects that these programs have the potential to generate increased toxicology laboratory business as discussed below.

#### *US Toxicology Laboratory Business*

A toxicology laboratory receives and independently analyzes samples of biological material, for various toxins, primarily drugs. A toxicology screen refers to the various tests that determine the type and approximate amount of legal and illegal drug a person has taken. Services include blood testing, saliva testing and urine testing. The medical community, employers and law enforcement are major users of this industry's service. Overall, higher illicit drug use has spurred employers' demand for toxicology tests. There are approximately 8,000 medical and diagnostic laboratories in the United States generating US\$55 billion in annual revenues. The industry is highly fragmented consisting mainly of independent labs, physician office labs, and hospital-based labs. With changing regulations (EMR requirements, ICD-10 reporting, etc.) it is becoming prohibitively expensive for the smaller labs to survive. AHI's management believes that there is an acquisition/consolidation opportunity. By utilizing AHI's two main software platforms including their doctor interfaces and ICD-10 reporting, its research indicates that operating toxicology laboratories may be a profitable business.

The toxicology laboratories industry is in the growth stage of its life cycle, which is characterized by growth stronger than the overall economy, due to rapidly changing technologies and increasing market acceptance of the industry's services. For example, according to IBIS World research, the incidence of illicit drug and substance abuse has skyrocketed in the United States, inciting many markets, such as employers and the law enforcement sector, to demand toxicology tests. Also according to IBIS World Research, as reported by prweb, the industry's revenue, which has grown at an average annual rate of 5.6% to \$2.7 Billion in the five years to 2015, is expected to grow at an annualized rate of 4.7% to \$3.4 Billion by 2020. (<http://www.prweb.com/releases/2015/03/prweb12593453.htm>)

A few of the key reasons why toxicology is considered as an entry point for AHI:

1. More doctors are requiring toxicology reports to understand their patients. Toxicology testing provides objective information to assist physicians in diagnostic and therapeutic decision making to ensure (a) the drugs prescribed are being taken as directed, (b) no illicit drugs are being taken, (c) dangerous drug interactions are avoided.
2. The Toxicology Laboratories industry has experienced steady growth. This growth is anticipated to continue for the next five years.
3. There are few large players in the Toxicology Laboratories industry: most labs are independent and service only a few doctors.
4. Diagnostic & Toxicology Laboratories is a profitable business if managed carefully.
5. With the requirement to be ICD-10 compliant, smaller labs are being forced out of business as the cost of compliance can be prohibitive. (International Classification of Disease (ICD-10) codes are required for billing by insurance companies.)
6. The delivery system is in disarray. Doctors' delivery support systems are not being served in any sort of optimal way, as many fees get turned down and go un-collected by doctors because of outdated/incorrect coding, a key marketing advantage for the AHI EMR software platforms, as they expect to address this problem through accurate reporting.
7. The whole sector is in the very early phases of consolidation.

The software systems offered by AHI link toxicology labs with the rest of the medical industry. Toxicology testing completes the patient profile with regard to narcotics and controlled substance management by linking the results back to the physicians who prescribe opioids and narcotics and require ongoing toxicology reports as part of their practice. The results are transmitted electronically with billing and sales support all done by the same software, ensuring accuracy, a permanent audit trail, and interoperability that enable the exchange of this important data with the medical community. In the US, AHI plans to give VIP Patient and CanaCard to doctors for free to facilitate timely and accurate test results reporting to physicians and encourage the use of labs affiliated with AHI.

AHI's initial toxicology laboratory strategy is to establish its own laboratory managed by an experienced operator on a joint venture basis. It executed a Lab Development Agreement ("LDA") dated April 27, 2016, as amended, with Dr. Michael Murphy of San Antonio, Texas. The LDA provides that Murphy or his affiliates (together "Murphy") will assist in setting up and licensing a toxicology lab for a wholly owned US subsidiary to be incorporated by AHI and called Alternate Health Labs, Inc. ("AHL"). AHL was incorporated as a Delaware corporation in May 2016, and its share capital is presently held in trust for Murphy by the incorporating attorney, pending closing the LDA and transfer of AHL to AHI as a 100% owned subsidiary. Because the acquisition of AHL forms part of the Resulting Issuer's primary business within the meaning of applicable securities laws, the audited financial statements of AHL for the period from incorporation to August 31, 2016 are included as Schedule "E", and the related management discussion and analysis for the same period is included as Schedule "F".

The LDA provides that Murphy is to receive 1,920,000 Common Shares of the Issuer, when the lab is established, licensed to AHL and turned over to the Resulting Issuer. As outlined below, these closing conditions have been satisfied as AHL has received its CLIA (Clinical Laboratory Improvement Amendments) certificate of accreditation (45D2107927) from the Centers for Medicare & Medicaid Services. The LDA is not closed yet, as the closing will occur after the completion of the Share Exchange Agreement when AHI is a wholly-owned subsidiary of the Issuer. There are no other conditions to closing that are required to be satisfied. The closing will be retroactive to the date of incorporation of AHL. The Share Exchange is expected to close shortly after filing of the Prospectus and receipt of required conditional listing approvals from the CSE.

Under the LDA, LMK Management LLC, an affiliate of Murphy will manage the lab and earn a management fee equal to 49% of AHL's toxicology screening net income. Toxicology screening net income is calculated by multiplying the number of monthly screens processed times a mutually agreed screen fee, initially ranging from US\$100 to \$120 depending on the screen test, less all monthly fixed and variable expenses.

In May 2016, Murphy assumed leases for space and equipment on a recently closed toxicology lab in San Antonio, Texas. The original cost of the leased equipment which is capable of screening over 70,000 samples per month was about US\$6 million. There are six leases with a remaining balance of approximately US\$1 million (as of October 31, 2016) owing under the leases which are forecasted to be fully paid from the lab's operating cash flow by November 2017 when title on all equipment will have been conveyed to AHL. Murphy commenced operations in June 2016 and AHL's start-up operations for the period ending August 31, 2016 was audited by AHI's auditors, who are also auditors of the Issuer. During the 3 month start-up period AHL screened 17,351 samples generating gross revenue of \$2,555,554 or \$130 per sample. Its pre-tax income before calculating Murphy's profit sharing management fee was \$1,121,192 (\$64.62 per sample) or \$575,074 (\$33.14 per sample) net of Murphy's participating management fee. The audited revenue and related operating costs were in US dollars and converted to Canadian dollars at an average foreign exchange rate of 1.30. The pre-tax income

per sample is reasonably expected to increase as processing volumes increase and reduce the amount of fixed costs, training and start-up costs allocated to each sample, and simple operating efficiencies take hold.

AHL has current capacity to process up to 70,000 samples per month in a single shift. AHL has entered into two agreements to process both toxicology and blood samples as part of its business plans in the next 12 months:

- AHL has entered into a conditional Mutual Co-operation and Consulting Agreement (the “Paradigm Consulting Agreement”) with Paradigm Healthcare Solutions, LLC (“Paradigm”) a large scale toxicology screen aggregator in Florida to exclusively refer toxicology samples (urine and blood) for processing to AHL via Sun Clinical Laboratory, LLC (“Sun”) a company that is in the business of providing and referring lab tests (see Sun bullet below). Paradigm is an arms’ length party to Sun, Murphy, AHL, AHI and the Issuer. The Paradigm Consulting Agreement, when closed, is for an ongoing term. When closed, the agreement provides that Paradigm will refer (directly or indirectly) a minimum of 150,000 toxicology samples per month on a staged, best efforts basis. The referral currently operates as an indirect referral as Paradigm refers the samples to Sun. Sun has agreed to use AHL exclusively for all lab tests referred to Sun by Paradigm if such tests exceed Sun’s capacity, although Sun does not have the obligation under the Reference Lab Services Agreement (as defined below and referred to in the bullet point below) to refer its own (ie. Sun’s samples) to AHL. As consideration for entering this exclusive referral agreement and after the Share Exchange Agreement is closed, the Resulting Issuer will put 1,500,000 Common Shares in escrow for Paradigm. These shares will be released in stages as follows: 250,000 shares will be released after it delivers 75,000 samples for each of two consecutive months and another 250,000 shares when it delivers 150,000 samples for a further two consecutive months and 250,000 shares for each hospital contract it signs for the benefit of Paradigm and AHL to a maximum of 4 hospitals. Paradigm has no penalties should it fail to deliver samples except that its escrowed shares will not be released. If AHL does not have the resources to process any of the referred samples, then the dedicated sample volume (otherwise referred but not delivered because of AHL capacity issues, if any) will be counted toward the samples delivered by Paradigm for the release of the Common Shares. Additional consideration received by AHL under the agreement is that Paradigm must pay a monthly management fee of 15% of its net proceeds to AHL as a consulting fee for marketing and administrative support including providing access to AHL’s EMR Software. AHL does not receive the screen fee directly from Paradigm; it is paid by Sun. The parties are continuing to negotiate the meaning of “net proceeds” toward a mutually agreeable definition. The Paradigm Consulting Agreement may be terminated if not closed or extended by December 28, 2016. Closing is conditional upon completing the Share Exchange Agreement, LDA and conditional listing approval from the CSE. See “Risk Factors – Contractual Risks”.
- AHL has signed a contract with Sun, an affiliate of Murphy, effective June 1, 2016 (the “Reference Lab Services Agreement”) to perform lab tests. Sun currently has demand for tests that exceeds its capacity by approximately 5,000 samples per month which Sun has advised AHL that it expects could grow to 50,000 samples per month in the next 12 months, and with the Paradigm referrals, grow to 200,000 lab tests per month. The number of estimated samples deliverable by Sun over the relevant period are estimates of Sun and cannot be verified by AHL. The Reference Lab Services Agreement is for a term of three years and may be extended by successive renewal terms of one year. Sun has agreed to use AHL exclusively for all lab tests referred to Sun by Paradigm if such tests exceed Sun’s capacity, although Sun does not have the obligation under the Reference Lab Services Agreement to refer its own (ie. Sun’s samples) to AHL. Sun is delivering samples to AHL that exceed its current capacity but there is no assurance that samples including Paradigm samples will be referred to AHL if Sun increases its capacity. The agreement may be terminated for cause by either party by written notice with a 30 day cure period. Under the contract, Sun pays AHL USD\$120 per urine toxicology sample screened on or before the 20<sup>th</sup> day following the end of the month in which the screen was performed. The payment to AHL is not contingent on collections or reimbursements by Sun from patients or insurance providers. The agreement also contains standard confidentiality, indemnity and insurance provisions. See “Risk Factors – Contractual Risks”.
- AHL continues to market its services to large aggregators and hospital groups which it expects will result in additional business

AHL has considerable floor space to expand, as well as access to the lab technicians and equipment to keep pace with potential monthly sample growth, including growth from Paradigm, Sun and other possible new referrals. Management estimates that its current 70,000 monthly tests capacity can be doubled with the acquisition of additional lab equipment at a cost of US\$2 million. While not currently in the plans of the Resulting Issuer, additional capacity could be acquired on a staged basis if monthly tests approach current capacity. Any future capital addition decisions will be based on market demand and the Resulting Issuer’s ability to finance equipment from positive operating cash flow, equity or debt

instruments. The cost of additional staff is not included in the \$2 million as salaries are expected to be covered out of operating cash flows assumed to be at the sample-to-technician ratio experienced in the lab's first three months of operations. While there can be no assurance that AHL will receive additional samples outlined above from Paradigm or Sun, management believes AHL can maintain its historical business with sales approaching \$750,000 per month and a pre-tax net income per sample of \$33.14. Maintaining existing business is subject to the continued performance of existing contracts, of which economic dependence on two contracts is a risk. See "Risk Factors – Economic Dependence".

Management also reasonably believes that based on the actual audited costs experienced in its first three months of operations AHL can improve its pre-tax net income because operating costs are typically higher in start-up operations. Also, increasing processing volumes will reduce the amount of fixed costs allocated to each sample resulting in an increase in net income per sample. During the first three months of operations ending August 31, 2016, the lab averaged about 5,800 tests a month and it completed 7,740 tests in October. Risks to achieving expanded operations include contracting with new sources for samples and performance of existing contracts, the Reference Lab Services Agreement and the Paradigm Consulting Agreement, and that such contracts do not deliver the sample volumes expected, acquiring and financing equipment purchases and successfully hiring the additional lab technicians and administrative staff required to deal with the logistics of increased sample flow. In addition sales growth is subject to competition from other labs as well as changes to industry regulations and historical healthcare expense reimbursements from health insurance providers. Therefore, there are no assurances that growth can be achieved.

## USE OF AVAILABLE FUNDS

### Proceeds

This is a non-offering prospectus. The Issuer is not raising any funds in conjunction with this Prospectus. Accordingly, there are no proceeds to the Issuer in connection with the filing of this Prospectus.

### Funds Available

As at October 31, 2016, the Issuer had a working capital deficiency of \$41,856, AHL had working capital of \$957,945 and AHL had a working capital deficiency of \$573 net of 12 monthly capital lease payments which are expected to be paid from AHL's positive operating cash flows which have not been included in Available Funds (as defined below). The Issuer and AHL both have had negative cash flow from operating activities since inception.

The following is a breakdown of the funds that will be available to the Resulting Issuer (the "Available Funds") upon completion of the Financing, the Transaction and the LDA and the acquisition of AHL:

Source of Funds	Available Funds upon completion of the Transaction and the Financing (S)
Estimated working capital (deficiency) of the Issuer as at October 31, 2016	(41,856)
Estimated working capital of AHL as at October 31, 2016	957,945
Estimated working capital of AHL as of October 31, 2016 <sup>(1)</sup>	(573)
<b>Total</b>	<b>915,516</b>

(1) AHL's October 31, 2016 working capital balance (deficiency) excludes 12 months of capital lease equipment payments totalling \$1,002,654 which are expected to be paid from AHL's positive operating cash flows which have not been included in Available Funds.

The consolidated pro forma balance sheet of the Resulting Issuer, which gives effect to the Share Exchange as if it had been completed as of December 31, 2015 and September 30, 2016, is attached as Schedule "G". The pro forma working capital position of the Resulting Issuer as September 30, 2016, giving effect to the Share Exchange as if it had been completed on that date, was \$1,000,410 after excluding 12 months of equipment capital lease payments totalling \$1,564,324 which are expected to be paid from AHL's positive operating cash flows which have not been included in Available Funds.

### Use of Available Funds

Management anticipates applying the Resulting Issuer's available funds in the following manner over the next 12 months:

Use of Funds	Funds to be Expended (\$)
Costs to complete the acquisition of AHL and CSE Listing	50,000
Contract for redundant third party cloud storage	10,000
Salesperson and Technical/Customer Support Staff	55,000
Payables	177,000
Consulting and accreditation fees (CME business)	100,000
Consulting fees for Dr. Reillo	77,000
Marketing and Advertising (customer acquisition)	30,000
General and administrative <sup>(1)</sup>	182,000
Legal and audit fees	40,000
Unallocated working capital	194,516
<b>Total</b>	<b>915,516</b>

(1) General and administrative expenses are summarized as follows: CSE listing fees and transfer agent fees (\$20,000), rent and general office costs (\$142,000), other miscellaneous (\$20,000).

Based on historical operating cash flows of AHL for the initial three months in operations, it is anticipated that AHL as a stand-alone entity will have sufficient funds to satisfy AHL's working capital requirements and objectives over the next 12 months.

Notwithstanding the foregoing, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary for the Resulting Issuer to achieve its objectives. There can be no assurance that additional funding required by the Resulting Issuer will be available if required. However, it is anticipated that the available funds will be sufficient to satisfy the Resulting Issuer's objectives over the next 12 months.

The Resulting Issuer intends to spend the net funds available to it as stated in this Prospectus. However, there may be situations where, due to change of circumstance, outlook, research results and or business judgment, a reallocation of funds is necessary in order for the Resulting Issuer to achieve its overall business objectives.

#### Business Objectives and Milestones

The principal milestones that must occur during the 12-month period following completion of the acquisition of AHL and AHL in order for the business objectives described above to be accomplished are as follows:

Business Objective	Milestones that must occur for Business Objective to be Accomplished	Anticipated Timing to achieve Business Objectives	Estimated Cost (\$)
Develop sales project plan: - contract salesperson to coordinate and organize the sales plan - contract IT system support	<ul style="list-style-type: none"> <li>contract commissioned sales person for CanaCard and VIP Patient</li> <li>contract for initial customer /technical service</li> </ul>	<ul style="list-style-type: none"> <li>Q1 2017</li> <li>Q4 2016</li> </ul>	<ul style="list-style-type: none"> <li>\$15,000</li> <li>\$40,000</li> </ul>
VIP Patient product launch: - sell modification program to physicians	<ul style="list-style-type: none"> <li>contract PIPEDA/HIPAA rated data warehousing</li> <li>Add initial customer /technical service (combine with CanaCard above)</li> <li>contract commission salesperson (combine with salesperson above)</li> <li>begin in Ontario, then Alberta and Nova Scotia</li> </ul>	<ul style="list-style-type: none"> <li>Attract first 10 doctors in Q1 2017</li> </ul>	<ul style="list-style-type: none"> <li>\$10,000 for initial Data Storage</li> <li>combined with cost noted above</li> <li>combined with cost noted above</li> </ul>
CanaCard Patient Management System:	<ul style="list-style-type: none"> <li>contract PIPEDA-rated data warehousing</li> </ul>	<ul style="list-style-type: none"> <li>sign doctors and Licensed</li> </ul>	<ul style="list-style-type: none"> <li>combined with above</li> </ul>

<b>Business Objective</b>	<b>Milestones that must occur for Business Objective to be Accomplished</b>	<b>Anticipated Timing to achieve Business Objectives</b>	<b>Estimated Cost (\$)</b>
- launch the CPMS in Canada	<ul style="list-style-type: none"> <li>• add initial customer /technical service representative (shared with above)</li> <li>• launch advertising campaign for CanaCard and VIP Patient</li> <li>• sign three doctors and two Licensed Producers to the CPMS</li> <li>• begin signing up the first 1,000 patients through the CPMS</li> </ul>	Producers immediately	<ul style="list-style-type: none"> <li>• combined with above</li> <li>• \$30,000</li> </ul>
CME Business	<ul style="list-style-type: none"> <li>• accreditation and marketing for CME courses</li> <li>• continue consulting contract for Dr. Reillo</li> <li>• Partner with key Universities to establish as both suppliers of content and distribution channels</li> <li>• Create new CME programs for partner universities and others</li> <li>• Add new CME programs to the business offering</li> </ul>	<ul style="list-style-type: none"> <li>• Q4 2016 and Q1 and Q2 2017</li> <li>• annual</li> </ul>	<ul style="list-style-type: none"> <li>• \$100,000</li> <li>• \$77,000</li> <li>• Revenue beginning in Q1 2017 will begin to offset expenses</li> <li>• Profit generating business. Costs paid in advance</li> <li>• Combined with above</li> </ul>
Alternate Health Labs Inc. - Build capacity to increase samples per month beyond the current capacity of 70,000 samples - Continue adding capacity as required to meet contract demand -Continue seeking supplier contracts to expand business	<ul style="list-style-type: none"> <li>• close the LDA with Dr. Murphy</li> <li>• add new equipment via purchase or lease as required.</li> <li>• Continue adding people from surrounding labour pool</li> <li>• Continue training program for operators and staff</li> <li>• Maintain a quality control program to ensure top quality service to customers</li> </ul>	<ul style="list-style-type: none"> <li>• Q4 2016</li> <li>• Q1 2017</li> <li>• Q4 2016</li> <li>• Q4 2016</li> <li>• Q4 2016</li> </ul>	<ul style="list-style-type: none"> <li>• Nil – lab is cash flow positive in Q3 2016 and future equipment expansion costs will only be incurred when supported by lab operating cash flows and on a staged basis after generating positive working capital.</li> </ul>

## **DIVIDEND POLICY**

Neither the Issuer, AHL nor AHL has declared any dividends or made any distributions since incorporation. The Board may declare dividends at its discretion but does not anticipate paying dividends in the near future. The Board expects to retain earnings to finance future growth of the Resulting Issuer and, when appropriate, retire debt.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

Management's Discussion and Analysis for the Issuer for the financial year ended December 31, 2015 and the interim period ended September 30, 2016 is included as Schedule "B".

Management's Discussion and Analysis of AHL for the financial year ended December 31, 2015 and the interim period ended September 30, 2016 is included as Schedule "D".

Management's Discussion and Analysis of AHL for the period from incorporation on May 9, 2016 to August 31, 2016 is included as Schedule "F".

## DESCRIPTION OF THE SECURITIES DISTRIBUTED

### Authorized and Issued Share Capital

The Issuer's authorized share capital consists of an unlimited number of Common Shares without par value of which 396,600 Common Shares are issued and outstanding at the date of this Prospectus. See "Consolidated Capitalization".

### Common Shares

All of the Common Shares of the Issuer rank equally as to voting rights, participation in a distribution of the assets of the Issuer on the liquidation, dissolution or winding-up of the Issuer and the entitlement to dividends. The holders of the Common Shares are entitled to receive notice of all meetings of shareholders and to attend and vote such shares at the meetings. Each Common Share carries with it the right to one vote. The Common Shares do not have pre-emptive rights and are not subject to redemption. Holders of the Common Shares are entitled to receive such dividends as may be declared by the Board of Directors out of funds legally available therefore. In the event of dissolution or winding up of the affairs of the Issuer, holders of the Common Shares are entitled to share rateably in all assets of the Issuer remaining after payment of all amounts due to creditors.

Listing of the Common Shares is subject to the Resulting Issuer fulfilling all of the listing requirements of the CSE.

### Warrants

As of the date of this Prospectus, the Issuer has not granted any share purchase warrants. On completion of the Share Exchange, under the terms of the Share Exchange Agreement, the Issuer will issue 606,250 share purchase warrants on the same terms as the AHI Warrants.

## CONSOLIDATED CAPITALIZATION

The following table sets forth the share and loan capital of the Issuer as at the dates below. The table should be read in conjunction with and is qualified in its entirety by the Issuer's audited financial statements for the year ended December 31, 2015, and most recent interim period ended September 30, 2016.

Description	Amount Authorized or to be Authorized	Authorized at the date of this Prospectus	Outstanding as at September 30, 2016 (unaudited)	Outstanding as at the date of this Prospectus (Unaudited)	Outstanding on completion of the Share Exchange <sup>(1)</sup>
Common Shares	Unlimited	Unlimited	396,600	396,600	37,036,591

(1) Assuming the completion of the Share Exchange. This number also includes 350,000 Common Shares of the Issuer to Dr. Reillo under the binding letters of intent with her. This number also includes issuance of 1,920,000 AHI Shares (or Common Shares of the Issuer) on closing of the LDA with Dr. Murphy and 350,355 Common Shares of the Issuer issuable to Dr. Murphy as a share subscription in lieu of repayment of his US\$267,000 advance to the lab operations. This number also includes 1,500,000 Common Shares of the Issuer issuable under the Paradigm Consulting Agreement with Paradigm Healthcare Solutions, LLC which are expected to be issued by the Issuer following closing of the Share Exchange in accordance with the terms of that agreement.

The following table sets forth the share and loan capital of AHI as at the dates below. The table should be read in conjunction with and is qualified in its entirety by AHI's audited financial statements for the year ended December 31, 2015, and most recent interim period ended September 30, 2016.

Description	Amount Authorized or to be Authorized	Authorized at the date of this Prospectus	Outstanding as at September 30, 2016 (unaudited)	Outstanding as at the date of this Prospectus (Unaudited)
Common Shares	Unlimited	Unlimited	31,519,636	32,519,636 <sup>(1)</sup>
Warrants	606,250	606,250	706,250	606,250

- (1) This number includes 1,000,000 AHL Shares issued under the IP Distribution Agreement to VIP LLC, in trust and are releasable upon closing of the Share Exchange

The following table sets forth the share and loan capital of AHL as at the dates below. The table should be read in conjunction with and is qualified in its entirety by AHL's audited financial statements for the period from incorporation on May 9, 2016 to August 31, 2016.

Description	Amount Authorized or to be Authorized	Authorized at the date of this Prospectus	Outstanding as at August 31, 2016 (audited)	Outstanding as at the date of this Prospectus (Unaudited)
Common Shares	100 common shares	100 common shares	1	1
Loans <sup>(1)</sup>	\$350,355	\$350,355	\$350,355	\$350,355

- (1) This represents the loan advance by Dr. Murphy to AHL. It is non-interest bearing and with no specific repayment terms

### OPTIONS TO PURCHASE SECURITIES

As at the date of this Prospectus, the Issuer has not granted any options to directors, executive officers, employees, and consultants of the Issuer. The Resulting Issuer proposes to grant a total of 1,800,000 options under the Stock Option Plan (as defined below) concurrent with closing of the Share Exchange as follows:

Category	Number of options granted and exercise price per common share	Expiration Date
Executive Officers	250,000 options exercisable at \$1.00 per common share	18 months from closing of the Share Exchange Agreement
Directors who are not Executive Officers	300,000 options exercisable at \$1.00 per common share	18 months from closing of the Share Exchange Agreement
Current and past employees	25,000 options exercisable at \$1.00 per common share	18 months from closing of the Share Exchange Agreement
Current and past consultants	1,225,000 options exercisable at \$1.00 per common share	18 months from closing of the Share Exchange Agreement

### Stock Option Plan

The Issuer has adopted a "rolling" 15% stock option plan (the "Stock Option Plan"). The shareholders of the Issuer approved the Stock Option Plan at the Issuer's annual general meeting on May 26, 2016. The purpose of the Stock Option Plan is to advance the interests of the Issuer by encouraging the directors, officers, employees, management company employees and consultants of the Issuer, and of its subsidiaries and affiliates, if any, to acquire common shares in the share capital of the Issuer, thereby increasing their proprietary interest in the Issuer, encouraging them to remain associated with the Issuer and furnishing them with additional incentive in their efforts on behalf of the Issuer in the conduct of its affairs. The Stock Option Plan provides that, subject to the requirements of the CSE, the aggregate number of securities reserved for issuance will be 15% of the number of the Resulting Issuer's common shares issued and outstanding from time to time. The Stock Option Plan will be administered by the Resulting Issuer's board of directors, which will have full and final authority with respect to the granting of all options thereunder.

Options may be granted under the Stock Option Plan to such service providers of the Resulting Issuer and its affiliates, if any, as the board of directors may from time to time designate. The exercise price of option grants will be determined by the board of directors, but after listing on the CSE will not be less than the closing market price of the Common Shares on the CSE. The Stock Option Plan provides that the number of Common Shares that may be reserved for issuance to any one individual upon exercise of all stock options held by such individual may not exceed 5% of the issued Common Shares. All options granted under the Stock Option Plan will expire not later than the date that is ten years from the date that such



options are granted. Options terminate earlier as follows: (i) immediately in the event of dismissal with cause; (ii) 90 days from date of termination other than for cause; or (iii) one year from the date of death or disability. Options granted under the Stock Option Plan are not transferable or assignable other than by will or other testamentary instrument or pursuant to the laws of succession.

Neither AHI nor AHL has granted any stock options.

### PRIOR SALES

The following table summarizes the sales of securities of the Issuer since incorporation:

Date	Price per Common Share (\$)	Number of Common Shares	Reason for Issuance
October 26, 2014	1.00	1	Incorporator's Share (which was cancelled before April 15, 2015)
April 15, 2015	0.02 (paid by shareholders of Riske)	396,600	Plan of Arrangement with Riske
	<b>Total:</b>	<b>396,600</b>	

The following table provides information on securities of AHL, issued within the 12 months prior to the date of this Prospectus:

Date of Issuance	Type of Security Issued	Number of Securities Issued	Price Per Security	Total Funds Received
November 23, 2015	Units (comprised of AHI Shares and AHI Warrants)	525,000	\$0.80	\$420,000
March 21, 2016	Units (comprised of AHI Shares and AHI Warrants)	31,250	\$0.80	\$25,000
April 11, 2016	Units (comprised of AHI Shares and AHI Warrants)	150,000	\$0.80	\$120,000
April 14, 2016	AHI Shares	50,000	\$1.00	\$50,000
May 31, 2016	AHI Shares	355,886	\$1.00	\$355,866
June 10, 2016	AHI Shares (under amendment to IP Distribution Agreement)	437,500	\$0.80 (deemed)	\$350,000 (deemed)
July 25, 2016	AHI Shares	650,000	\$1.00	\$650,000
October 1, 2016	AHI Shares (under consulting contracts)	1,000,000	\$0.02	\$20,000 (deemed)

The only share that has been issued in AHL is the one incorporator's share issued on May 9, 2016 and held in trust for Murphy by the incorporating attorney.

### Trading Price and Volume

Neither the Common Shares of the Issuer, the AHI Shares nor common shares of AHL are currently listed for trading on any stock exchange.

## ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

### Escrow under NP 46-201

In accordance with National Policy 46-201 Escrow for Initial Public Offerings (“NP 46-201”), all common shares of the Issuer held by a principal of the Issuer as of the date of this Prospectus are subject to escrow restrictions. A principal who holds securities carrying less than 1% of the voting rights attached to the Issuer’s outstanding securities is not subject to the escrow requirements under NP 46-201. Under the NP 46-201, a “principal” is defined as:

- (a) a person or company who acted as a promoter of the issuer within two years before the Prospectus;
- (b) a director or senior officer of the Issuer or any of its material operating subsidiaries at the time of the Prospectus;
- (c) a 20% holder – a person or company that holds securities carrying more than 20% of the voting rights attached to the Issuer’s outstanding securities immediately before and immediately after the Issuer’s IPO; or
- (d) a 10% holder – a person or company that (i) holds securities carrying more than 10% of the voting rights attached to the Issuer’s outstanding securities immediately before and immediately after the Issuer’s IPO and (ii) has elected or appointed, or has the right to elect or appoint, one or more directors or senior officers of the Issuer or any of its material operating subsidiaries.

A principal’s spouse and their relatives that live at the same address as the principal will also be treated as principals and any securities of the Issuer they hold will be subject to escrow requirements.

Pursuant to the Escrow Agreement, among the Resulting Issuer, the Escrow Agent, the principals of the Resulting Issuer, escrowed shares will be released in accordance with the following release schedule, as on listing, the Resulting Issuer anticipates being an “Emerging Company”:

On the Listing Date	1/10 of the escrow securities
6 months after the Listing Date	1/6 of the remaining escrow securities
12 months after the Listing Date	1/5 of the remaining escrow securities
18 months after the Listing Date	1/4 of the remaining escrow securities
24 months after the Listing Date	1/3 of the remaining escrow securities
30 months after the Listing Date	1/2 of the remaining escrow securities
36 months after the Listing Date	the remaining escrow securities

Assuming there are no changes to the escrow securities initially deposited and no additional escrow securities are deposited, this will result in a 10% release on the listing date (as defined by NP 46-201), with the remaining escrow securities being released in 15% tranches every 6 months thereafter.

All escrowed shares are subject to the direction and determination of the CSE. Specifically, escrowed shares may not be sold, assigned, hypothecated, transferred within escrow or otherwise dealt with in any manner without the consent of the CSE.

The following sets forth particulars of the escrowed shares that will be subject to Emerging Issuer escrow under the Escrow Agreement on completion of the Share Exchange.

Name and Municipality of Residence	Number of Shares held in Escrow	Percentage of Outstanding Shares held in Escrow <sup>(1)</sup>
James E. Tykoliz Toronto, ON	4,137,000	11.2%
Rick Macartney Thornhill, ON	3,100,000	8.4%

Name and Municipality of Residence	Number of Shares held in Escrow	Percentage of Outstanding Shares held in Escrow <sup>(1)</sup>
DC NetCast Media Group Inc. Toronto, ON	7,259,375	19.6%
James Griffiths Toronto, ON	800,000	2.2%
<b>TOTAL</b>	<b>15,296,375</b>	<b>41.3%</b>

(1) On the basis of 37,036,591 issued and outstanding shares of the Issuer as at the completion of the Share Exchange and the closing of the LDA and Paradigm Consulting Agreement, which are expected to close immediately following the Share Exchange. This number also includes 350,000 Common Shares of the Issuer to Dr. Reillo under the binding letters of intent with her.

The automatic time release provisions under NP 46-201 pertaining to “established issuers” provide that 25% of each principal’s escrowed securities are released on the listing date, with an additional 25% being released in equal tranches at six month intervals over 18 months. If, within 18 months of the listing date, the Resulting Issuer meets the “established issuer” criteria, as set out in NP 46-201, the escrow securities will be eligible for accelerated release according to the criteria for established issuers. In such a scenario that number of escrow securities that would have been eligible for release from escrow if the Issuer had been an “established issuer” on the listing date will be immediately released from escrow. The remaining escrow securities would be released in accordance with the time release provisions for established issuers, with all escrow securities being released 18 months from the listing date.

Under the terms of the Escrow Agreement, Escrowed Securities cannot be transferred by the holder unless permitted under the Escrow Agreement. Notwithstanding this restriction on transfer, a holder of Escrowed Securities may (a) pledge, mortgage or charge the Escrowed Securities to a financial institution as collateral for a loan provided that no Escrow Securities will be delivered by the escrow agent to the financial institution; (b) exercise any voting rights attached to the Escrow Securities; (c) receive dividends or other distributions on the Escrow Securities; and (d) exercise any rights to exchange or convert the Escrow Securities in accordance with the Escrow Agreement.

The securities of the Resulting Issuer held in escrow may be transferred within escrow to: (a) subject to approval of the Issuer’s board of directors, an individual who is an existing or newly appointed director or senior officer of the Issuer or of a material operating subsidiary of the Issuer; (b) subject to the approval of the Issuer’s board of directors, a person that before the proposed transfer holds more than 20% of the voting rights attached to the Issuer’s outstanding securities; (c) subject to the approval of the Issuer’s board of directors, a person that after the proposed transfer will hold more than 10% of the voting rights attached to the Issuer’s outstanding securities and that has the right to elect or appoint one or more directors or senior officers of the Issuer or any of its material operating subsidiaries; (d) upon the bankruptcy of a holder of escrowed securities, the securities held in escrow may be transferred within escrow to the trustee in bankruptcy or other person legally entitled to such securities; (e) upon the death of a holder of escrowed securities, all securities of the deceased holder will be released from escrow to the deceased holder’s legal representative; (f) a financial institution that the holder pledged, mortgaged or charges to a financial institution as collateral for a loan on realization of such loan; and (g) a RRSP, RRIF or similar registered plan or fund with a trustee, where the annuitant of the RRSP or RRIF, or the beneficiaries of another plan or fund are limited to the holders spouse, children or parents, or if the holder is the trustee of such registered plan or fund, to the annuitant of the RRSP or RRIF, or a beneficiary of the other registered plan or fund or his or her spouse, children or parents.

In addition, tenders of Escrowed Securities pursuant to a share exchange, which includes a take-over bid, issuer bid, statutory arrangement, amalgamation, merger or other reorganization similar to an amalgamation or merger, are permitted. Escrowed Securities subject to a share exchange will continue to be escrowed if the successor entity is not an “exempt issuer”, the holder is a principal of the successor entity; and the holder holds more than 1% of the voting rights of the successor entities’ outstanding securities.

## PRINCIPAL SHAREHOLDERS

To the knowledge of the Issuer’s directors and executive officers, the only persons who beneficially own or exercise, directly or indirectly, control or direction over, Common Shares carrying more than 10% of the votes attached to the Common Shares, assuming completion of the Share Exchange and subsequent closing of the LDA and Paradigm Consulting Agreement (and share issuances thereunder), are as follows:

Name	Type of Ownership	Number of Common Shares presently owned	Number of Common Shares owned on completion of the Share Exchange	Percentage of common shares outstanding <sup>(1)</sup>
DC NetCast Media Group Inc.	Direct	Nil	7,259,375	19.6%
James E. Tykoliz	Direct	Nil	4,137,000	11.2%

- (1) On the basis of 37,036,591 issued and outstanding Common Shares of the Resulting Issuer as at the completion of the Share Exchange and the closing of the LDA and Paradigm Consulting Agreement, which are expected to close immediately following the Share Exchange. This number also includes 350,000 Common Shares of the Issuer to Dr. Reillo under the binding letters of intent with her.

## DIRECTORS AND EXECUTIVE OFFICERS

### Name, Occupation and Securityholding

The following table sets out information regarding each of directors, executive officers and promoters of the Issuer including the names, municipality of residence, the position and office held and the period of time served in this position, their principal occupation for the preceding five years, and the number and percentage of voting securities beneficially owned, directly or indirectly, or over which control or direction is exercised, assuming completion of the Share Exchange:

Name, Position with Issuer and Province and Country of Residence	Date of Appointment to Office	Principal Occupation for Past Five Years	Common Shares Owned on Completion of the Share Exchange	Percentage of Common Shares Outstanding <sup>(2)</sup>
<b>Marjorie Sanderson</b> <i>Ontario, Canada</i> CEO and Director	May 13, 2015	Owner, Templus Inc. /Partners Income Tax Services	200,000 <sup>(3)</sup>	0.5%
<b>James (Jim) Griffiths<sup>(1)</sup></b> <i>Ontario, Canada</i> CFO and Director	September 3, 2015	Financial and Business Consultant, KLC Holding	800,000 <sup>(3)</sup>	2.2%
<b>James E. Tykoliz<sup>(1)</sup></b> <i>Ontario, Canada</i> Director	April 16, 2015	Chief Information Officer, DC NetCast Media Group Inc.	4,137,000 <sup>(3)</sup>	11.2%
<b>Rick Macartney<sup>(1)</sup></b> <i>Ontario, Canada</i> Director	April 16, 2015	Business Consultant, self- employed	3,100,000 <sup>(3)</sup>	8.4%
<b>Marcelin O'Neill</b> <i>British Columbia, Canada</i> Corporate Secretary and Director	April 16, 2015 (Corporate Secretary) May 4, 2015 (director)	Management Consultant, Accrete Consulting Inc.	101,200 <sup>(4)</sup>	0.3%
		<b>TOTAL</b>	<b>8,338,200</b>	

- (1) Audit Committee Member.
- (2) Assuming completion of the Share Exchange, the directors and officers of the Resulting Issuer, as a group, will beneficially own, directly or indirectly, 8,338,200 of the issued and outstanding Common Shares of the Issuer. These shares are subject to escrow, with the exception of the Common Shares held by Ms. Sanderson and Ms. O'Neill, whose shares are exempt from escrow under section 3.6 of NP 46-201.
- (3) No Common Shares of the Issuer owned before completion of the Share Exchange.
- (4) 1,200 Common Shares of the Issuer owned before completion of the Share Exchange.

The term of office of the directors expires annually at the time of the Issuer's annual general meeting. The term of the office of the officers expires at the discretion of the Issuer's directors.

The current directors of AHL are Jim Griffiths, Jim Tykoliz, Rick Macartney and Howard Mann.

The current directors of AHL are Jim Griffiths and Michael Murphy.

## **Aggregate Ownership of Securities**

The directors and officers of the Issuer, as a group, beneficially own, directly or indirectly, 8,338,200 Common Shares representing approximately 22.5% of the issued and outstanding Common Shares of the Resulting Issuer upon listing of the Common Shares on the CSE (and assuming issuance of the Common Shares issuable on closing of the LDA, Paradigm Consulting Agreement and binding letters of intent with Dr. Reillo).

## **Cease trade orders, bankruptcies, penalties or sanctions**

### Cease trade orders

To the best of the Issuer's knowledge, other than as set forth below, no existing or proposed director, officer, promoter or other member of management of the Issuer is, or within the ten years prior to the date hereof has been, a director, CEO or CFO of any other corporation that, while that person was acting in the capacity of a director, CEO or CFO of that corporation, was the subject of a cease trade order or similar order or an order that denied the corporation access to any statutory exemptions for a period of more than 30 consecutive days, was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver-manager or trustee appointed to hold its assets.

Mr. Griffiths, was President and CEO of Krystal Bond Inc. on April 12, 2002 when it was subject to a cease trade order of the OSC for failure to file audited annual financial statements for the financial year ended September 30, 2001. Subsequently, Krystal Bond Inc. ceased to operate as a going concern.

Mr. Griffiths was a director and CFO of Enssolutions Group Inc. ("ENV") on May 11, 2011 when he was subject to a management cease trade order of the OSC related to a delay in ENV filing its audited annual financial statements for the financial year ended December 31, 2010. The management cease trade order was revoked on June 15, 2011 after the required financials and MD&A were filed. Mr. Griffiths was a director and interim CEO of ENV when it was subject to a cease trade order of the British Columbia Securities Commission on May 11, 2015, OSC on May 20, 2015 and Alberta Securities Commission on August 28, 2015 related to failure to file its audited financial statements for the financial year ended December 31, 2014. The required financial statements were filed on November 4, 2015. ENV has applied for revocation of the cease trade orders.

### Penalties or Sanctions

None of the directors, executive officers or shareholders holding a sufficient number of Common Shares to affect materially the control of the Issuer, has within the last 10 years has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

### Personal Bankruptcies

Other than as set forth below, none of the directors, executive officers or shareholders holding a sufficient number of Common Shares to affect materially the control of the Issuer, or promoter of the Issuer, has, within the last 10 years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the individual.

## **Conflicts of Interest**

The directors of the Resulting Issuer are required by law to act honestly and in good faith with a view to the best interests of the Issuer and to disclose any interests, which they may have in any project or opportunity of the Resulting Issuer. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. Conflicts, if any, will be subject to the procedures and remedies as provided under the BCBCA.

To the best of the Issuer's knowledge, and other than disclosed herein, there are no known existing or potential conflicts of interest between the Issuer and its directors and officers except that certain of the directors and officers may serve as directors and/or officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Issuer and their duties as a director or officer of such other companies.

In serving on the board of directors of both the Issuer and AHI, Mr. Macartney, Mr. Tykoliz and Mr. Griffiths could have a conflict of interest with respect to matters of the Issuer involving AHI and matters of AHI involving the Issuer. Additionally, Mr. Griffiths serves on the board of AHI and could have a conflict of interest in respect of his involvement on that board and on the board of AHI and the Issuer. Following completion of the Transaction, the Board of Directors of AHI is expected to be reduced to one or two directors, as AHI will be wholly-owned by the Resulting Issuer.

Mr. Tykoliz is also a director and control person of DC NetCast Media Group Inc. Under the IP Development Agreement, DCN will receive certain fees from AHI. A director and officer of AHI, Mr. Howard Mann, is also a director and control person of VIP. Under the IP Distribution Agreement, VIP will receive certain fees from AHI.

### **Management of Junior Issuers**

A description of the principal occupation for the past five years and summary of the experience of the directors and officers of the Resulting Issuer is as follows:

#### ***Marjorie Sanderson – (Age: 68) CEO and Director***

Ms. Marjorie Sanderson graduated from the Hospital for Sick Children as a Registered Nurse, and was team leader in 1970 with a specialty in the treatment of burns in children with learning disabilities. Ms. Sanderson worked in the medical sector as a registered nurse until 1997. Since 1976, Ms. Sanderson has worked as a Canadian Tax Consultant working with trusts, corporate and personal taxes; and is owner of the accounting firm, Partners Income Tax Services, a wholly owned division of Templus Inc. Ms. Sanderson taught stress management at the University of Toronto, and from 1972 to 1984, also taught tax accounting for the CGA. Since 2011 Ms. Sanderson has served as a member of the Women's International Leadership Association. Ms. Sanderson will devote 70% of her time to the Issuer and is an independent contractor of the Issuer. Ms. Sanderson has not entered into a non-competition or non-disclosure agreement with the Issuer.

#### ***James Griffiths- (Age: 70) CFO and Director***

Mr. Griffiths has a Masters in Business Administration, is a chartered accountant, and has over 30 years of experience in the real estate development/finance industries. He was the Vice President Finance of Genstar Property Corporation and the President of First City Development Corp. He was also President and director of RealFund, Canada's first public Real Estate Investment Trust and Krystal Bond Inc. During his career, he has had responsibility for real estate asset acquisitions and sales of over \$2 billion. In addition he is very experienced in financing real estate and has negotiated and placed real estate loans in an amount exceeding \$2.5 billion. Mr. Griffiths was a past director of Pinetree Capital Inc., the Canadian Institute of Public Real Estate Companies and was the Founding Chairman of the Association of Foreign Investors in U.S. Real Estate. Mr. Jim Griffiths was a member of the Board of Trustees of the Center for Addiction and Mental Health in Toronto for nine years until he retired from such position in June 2016. He is currently a director of Allied Properties Real Estate Investment Trust, Enssolutions Group Inc., and Champion Partners and is President of KLC Capital Investment Corporation, which provides financial advisory services. Mr. Griffiths will devote 60% of his time to the Issuer and is an independent contractor of the Issuer. Mr. Griffiths has not entered into a non-competition or non-disclosure agreement with the Issuer.

#### ***James E. Tykoliz (Age: 59) – Director***

Mr. James Tykoliz has over 28 years of client service oriented, solution selling experience in online, data driven, financial service environments, including analyzing data to identify problems and opportunities that drive sales and revenues. Building on his degrees in Finance & Economics from the University of Western Ontario, Mr. Tykoliz restarted his career and rapidly rose to servicing large multi-national accounts for pharmaceutical and packed goods companies at A.C. Nielsen Market Research before applying his data analysis skills to drive revenues through data driven sales and marketing programs applied to online gaming companies. Mr. Tykoliz will devote 40% of his time to the Issuer and is an independent contractor of the Issuer. Mr. Tykoliz has not entered into a non-competition or non-disclosure agreement with the Issuer.

**Rick Macartney (Age: 65) – Director**

Mr. Rick Macartney has over 25 years in both senior management and consulting roles, assisting a wide variety of businesses to profitability, develop strategic and financial plans, re-organize and streamline operations, and develop new businesses. With both Bachelor's and Master's degrees in Economics, Mr. Macartney has accomplished many assignments in a wide variety of both large and small businesses. For the past nine years he has consulted with private clients in markets as diverse as entertainment, real estate, solar energy, and other sectors. Mr. Macartney will devote 40% of his time to the Issuer and is an independent contractor of the Issuer. Mr. Macartney has not entered into a non-competition or non-disclosure agreement with the Issuer.

**Marcelin O'Neill (Age 51) Corporate Secretary and Director**

Ms. O'Neill served as a director of Jagercor Energy Corp. from December 2011 to May 2014, and as Chief Financial Officer and Corporate Secretary of Jagercor, from July 2013 to May 2014. She served as a director of Brandenburg Energy Corp. from February 2008 to February 2013. Ms. O'Neill served as the Vice President of Corporate Affairs of Mandalay Resources Corporation from April 2009 to March 2010, and from April 2007 until May 2008, she served as a director of Mandalay. Since 1994 Ms. O'Neill has worked with such companies as Augusta Resource Corporation, Westcoast Energy Inc., and the Lundin Group. In 1987, Ms. O'Neill graduated from the British Columbia Institute of Technology, where she studied Business Management, and has successfully completed the CSC and the CPH, both with honours. Ms. O'Neill is the managing director of Accrete Consulting Inc., a company which provides corporate governance and management services to public companies. With over 21 years of experience in public company management, Ms. O'Neill brings a varied scope of knowledge to the companies with which she works. Ms. O'Neill will devote 70% of her time to the Issuer and is an independent contractor of the Issuer. Ms. O'Neill has not entered into a non-competition or non-disclosure agreement with the Issuer.

## **EXECUTIVE COMPENSATION**

**Compensation Discussion and Analysis**

The compensation of the executive officers is determined by the Board. The Board evaluates individual executive performance with the goal of setting compensation at levels that they believe are comparable with executives in other companies of similar size and stage of development operating in the same industry. In connection with setting appropriate levels of compensation the Board bases its decisions on general business and industry knowledge and experience and publicly available information of comparable companies while also taking into account the Issuer's relative performance and strategic goals. The Issuer was inactive during the financial year ended December 31, 2015, and accordingly no compensation was granted to the Issuer's executive officers during the financial year then ended. During the financial year ended December 31, 2015, AHL did not pay any compensation to its directors or officers.

Assuming completion of the Resulting Issuer's proposed transaction with AHL and AHL the executive officer compensation is expected to consist of two basic elements: (i) base salary; and (ii) Stock Options. The details of Stock Option grants that are proposed to be completed concurrent with closing of the Share Exchange are set out under the heading "Options to Purchase Securities". However, the Resulting Issuer and AHL do not intend to compensate its executive officers with cash compensation until it has raised sufficient equity or the Resulting Issuer's operations are sufficiently cash flow positive to absorb the expenses without putting undue pressure on working capital.

The base salary established for each executive officer is intended to reflect each individual's responsibilities, experience, prior performance and other discretionary factors deemed relevant by the Board. In deciding on the salary portion of the compensation of the executive officers, major consideration is given to the fact that the Resulting Issuer is in the early stages of developing its business. Therefore, greater emphasis may be put on incentive stock option compensation.

**Option Based Awards**

The incentive stock option portion of the compensation is designed to provide the executive officers of the Resulting Issuer with a long term incentive in developing the Resulting Issuer's business. Options granted under the Issuer's Stock Option Plan are approved by the Board, after consideration of the Resulting Issuer's overall performance and whether the Issuer has met targets set out by the executive officers in their strategic plan.

## Compensation of Named Executive Officers of the Issuer and AHI and AHL

During the period from incorporation on October 26, 2014 to December 31, 2014, the Issuer had one Named Executive Officer, Marcellin O'Neill the Issuer's (then) sole director who received no compensation. For the financial year ended December 31, 2015, the Issuer had four NEOs: (i) Marjorie Sanderson, CEO of the Issuer, (ii) Howard Mann, former CEO of the Issuer, (iii) Jim Griffiths, CFO of the Issuer, and Rick Macartney, former interim CFO of the Issuer. For the financial year ended December 31, 2015, AHI had two NEOs: (i) Howard Mann, the CEO of AHI; and Jim Griffiths, CFO of AHI. The following table sets forth the compensation of the Named Executive Officers for the periods indicated. AHL had two Named Executive Officers, Michael Murphy, CEO and Jim Griffiths, CFO, but no compensation was paid to them during the period from incorporation on May 9, 2016 to August 31, 2016, so they are excluded from the table.

**Summary Compensation Table**

Name and Principal Position	Financial Year Ended	Salary (\$)	Bonus (\$)	Share-Based Awards (\$)	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$)	All Other Compensation	Total Compensation
						Annual Incentive Plans	Long-term Incentive Plans			
Marjorie Sanderson, CEO <sup>(1)</sup>	2015	Nil	Nil	Nil <sup>(1)</sup>	Nil	Nil	Nil	Nil	Nil	Nil
Howard Mann, former CEO <sup>(2)</sup>	2015	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Jim Griffiths, CFO <sup>(3)</sup>	2015	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Rick Macartney, former interim CFO <sup>(4)</sup>	2015	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

### Notes

- (1) Marjorie Sanderson served as CEO of the Issuer from May 13, 2015 to December 31, 2015 and remains as CEO as of the date of this Prospectus
- (2) Howard Mann served as CEO of the Issuer from April 16, 2015 to May 13, 2015. Mr. Mann is also currently CEO of AHI
- (3) Jim Griffiths served as CFO of the Issuer from September 3, 2015 to December 31, 2015 and remains as CFO as of the date of this Prospectus. Mr. Griffiths is also currently CFO of AHI
- (4) Rick Macartney served as Interim CFO of the Issuer from June 12, 2015 to September 3, 2015.

### Incentive Plan Awards

#### *Outstanding Share Based and Option Based Awards*

As at December 31, 2015, there were no outstanding share-based awards or option-based awards outstanding and none had been granted. For information about the Resulting Issuer's stock option plan, refer to the heading "Options to Purchase Securities" above.

### Pension Plans Benefits

Neither the Issuer, AHI nor AHL has a pension plan or provide any benefits following or in connection with retirement.

### Termination and Change of Control Benefits

Neither the Issuer, AHI nor AHL has any plan or arrangement with respect to compensation to its executive officers which would result from the resignation, retirement or any other termination of employment of the executive officers' employment with the Issuer or AHI or AHL or from a change of control of the Issuer or AHI or AHL or a change in the executive officers' responsibilities following a change in control.



## **Compensation of Directors**

The Issuer, AHI and AHL currently have no standard arrangement pursuant to which directors are compensated by the Issuer or AHI or AHL, for their services in their capacity as directors other than, in the case of the Issuer, the unissued treasury shares that may be issued upon the exercise of the directors' Stock Options, expected to be granted concurrent with closing of the Share Exchange. There has been no other arrangement pursuant to which directors are compensated by the Issuer, AHI or AHL in their capacity as directors.

## **Intended Changes to Compensation**

Following completion of the Share Exchange, the Resulting Issuer intends to review its compensation practices and may enter into consulting arrangements with its executive officers. At the present time, there are no anticipated changes to the named executives of the Board of Directors of the Issuer after completion of the Share Exchange. The Resulting Issuer may seek to establish management in the United States to assist with its U.S. entry strategy described above under "Describe the Business – Anticipated Changes in the Current Financial Year".

## **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

As at the date of this Prospectus, no director, executive officer or employee of the Issuer is or has been indebted to the Issuer at any time.

As at the date of this Prospectus, no director, executive officer or employee of AHI is or has been indebted to AHI at any time.

As at the date of this Prospectus, no director, executive officer or employee of AHL is or has been indebted to AHL at any time.

## **AUDIT COMMITTEE AND CORPORATE GOVERNANCE**

### **Audit Committee**

The text of the Issuer's Audit Committee's Charter is attached as Schedule "H".

#### *Composition of the Audit Committee*

The members of the Issuer's Audit Committee are Jim Griffiths, James Tykoliz and Rick Macartney. James Tykoliz and Rick Macartney are independent as that term is defined in NI 52-110.

A member of the Audit Committee is independent if the member has no direct or indirect material relationship with the Issuer. A material relationship means a relationship which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment.

Neither AHI nor AHL has an audit committee. AHI is not an "offering corporation" under the OBCA and is not required to have an audit committee.

#### *Relevant Education and Experience*

All of the members of the Audit Committee have gained their education and experience by participating in the management of various companies and all members are "financially literate" as defined in NI 52-110, meaning that they have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Issuer's financial statements.

#### *Audit Committee Oversight*

At no time since inception was a recommendation of the Audit Committee made to nominate or compensate an external auditor not adopted by the Board.

### *Reliance on Certain Exemptions*

At no time since inception has the Issuer relied on the exemption in Section 2.4 of NI 52-110 (de minimis non-audit services), the exemption in subsection 6.1.1(4) (Circumstance Affecting the Business or Operations of the Venture Issuer), the exemption in subsection 6.1.1(5) (Events Outside of Control of Member), the exemption in subsection 6.1.1(6) (Death, Incapacity or Resignation) or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

### *Pre-Approval of Policies and Procedures*

The Audit Committee has not adopted any specific policies and procedures for the engagement of non-audit services.

### *External Auditor Service Fees*

<b>Nature of Services</b>	<b>Fees Paid to Auditor in respect of the financial year ended December 31, 2014 for both the Issuer and AHI</b>	<b>Fees Paid to Auditor in respect of the financial year ended December 31, 2015 for both the Issuer and AHI</b>
Audit Fees <sup>(1)</sup>	\$19,500	\$55,285
Audit-Related Fees <sup>(2)</sup>	\$Nil	\$Nil
Tax Fees <sup>(3)</sup>	\$3,215	\$3,215
All Other Fees <sup>(4)</sup>	\$Nil	\$Nil
<b>Total</b>	<b>\$22,715</b>	<b>\$58,500</b>

- (1) "Audit Fees" include fees necessary to perform the annual audit and quarterly reviews of the Issuer's financial statements. Audit Fees include aggregate fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
- (2) "Audit-Related Fees" include fees for services that are traditionally performed by the auditor. These audit-related services may include aggregate fees for due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (3) "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes aggregate fees for tax compliance, tax planning and tax advice. The auditor provided advice related to HST matters.
- (4) "All Other Fees" include all other non-audit services, in the aggregate.

### *Exemption*

The Issuer is relying upon the exemption in section 6.1 of NI 52-110 in respect of the composition of its Audit Committee and in respect of its reporting obligations under NI 52-110.

### **Corporate Governance**

Corporate governance relates to the activities of the Board, the members of which are elected by and are accountable to the shareholders, and takes into account the role of the individual members of management who are appointed by the Board and who are charged with the day-to-day management of the Issuer. The Board is committed to sound corporate governance practices, which are in the interest of its shareholders and contribute to effective and efficient decision making.

National Policy 58-201 *Corporate Governance Guidelines* establishes corporate governance guidelines which apply to all public companies. The Issuer has reviewed its own corporate governance practices in light of these guidelines. In certain cases, the Issuer's practices comply with the guidelines, however, the Board considers that some of the guidelines are not suitable for the Issuer at its current stage of development and therefore these guidelines have not been adopted. The Resulting Issuer will continue to review and implement corporate governance guidelines as the business of the Resulting Issuer progresses and becomes more active in operations. National Instrument 58-101 *Disclosure of Corporate Governance Practices* mandates disclosure of corporate governance practices in Form 58-101F2, which disclosure is set out below.

## 1. Board of Directors

The mandate of the Board is to supervise the management of the Issuer and to act in the best interests of the Issuer. The Board acts in accordance with:

- (a) the BCBCA;
- (b) the Issuer's articles of incorporation; and
- (c) other applicable laws and Issuer policies.

The Board approves all significant decisions that affect the Issuer before they are implemented. The Board supervises their implementation and reviews the results.

The Board is actively involved in the Issuer's strategic planning process. The Board discusses and reviews all materials relating to the strategic plan with management. The Board is responsible for reviewing and approving the strategic plan. At least one Board meeting each year is devoted to discussing and considering the strategic plan, which takes into account the risks and opportunities of the business. Management must seek the Board's approval for any transaction that would have a significant impact on the strategic plan.

The Board periodically reviews the Issuer's business and implementation of appropriate systems to manage any associated risks, communications with investors and the financial community and the integrity of the Issuer's internal control and management information systems. The Board also monitors the Issuer's compliance with its timely disclosure obligations and reviews material disclosure documents prior to distribution. The Board periodically discusses the systems of internal control with the Issuer's external auditor.

The Board is responsible for choosing the Chief Executive Officer and appointing senior management and for monitoring their performance and developing descriptions of the positions for the Board, including the limits on management's responsibilities and the corporate objectives to be met by the management.

The Board approves all the Issuer's major communications, including annual and quarterly reports, financing documents and press releases. The Board approves the Issuer's communication policy that covers the accurate and timely communication of all important information. It is reviewed annually. This policy includes procedures for communicating with analysts by conference calls.

The Board, through its Audit Committee, examines the effectiveness of the Issuer's internal control processes and management information systems. The Board consults with the internal auditor and management of the Issuer to ensure the integrity of these systems. The internal auditor submits a report to the Audit Committee each year on the quality of the Issuer's internal control processes and management information systems.

The Board is responsible for determining whether or not each director is an independent director. Directors who also act as officers of the Issuer are not considered independent. Directors who do not also act as officers of the Issuer, do not work in the day-to-day operations of the Issuer, are not party to any material contracts with the Issuer, or receive any fees from the Issuer except as disclosed in this Prospectus.

The Issuer's Board consists of five directors, two of whom are independent based upon the tests for independence set forth in NI 52-110. James E. Tykoliz and Rick Macartney are independent. Marjorie Sanderson is not independent as she is the Issuer's Chief Executive Officer, James Griffiths is not independent as he is the Issuer's Chief Financial Officer and Marcelin O'Neill is not independent as she is the Issuer's Corporate Secretary.

## 2. Directorships

The directors of the Issuer currently hold directorships in other reporting issuers as follows:

Name	Name of Reporting Issuer	Name of Market	Position	From	To
James Griffiths	Allied Properties REIT	TSX	Director	05/2006	Present
	Enssolutions Group Inc.	TSX-V	Director	10/2008	Present

## 3. Orientation and Continuing Education

The Board of the Issuer briefs all new directors on the policies of the Board and other relevant corporate and business information.

#### **4. Ethical Business Conduct**

The Board has found that the fiduciary duties placed on individual directors by the Issuer's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual director's participation in decisions of the Board in which the director has an interest have been sufficient to ensure that the Board operates independently of management and in the best interests of the Issuer.

Under the applicable corporate legislation, a director is required to act honestly and in good faith with a view to the best interests of the Issuer and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances, and to disclose to the Board the nature and extent of any interest of the director in any material contract or material transaction, whether made or proposed, if the director is a party to the contract or transaction, is a director or officer (or an individual acting in a similar capacity) of a party to the contract or transaction or has a material interest in a party to the contract or transaction. The director must then abstain from voting on the contract or transaction unless the contract or transaction (i) relates primarily to their remuneration as a director, officer, employee or agent of the Issuer or an affiliate of the Issuer, (ii) is for indemnity or insurance for the benefit of the director in connection with the Issuer, or (iii) is with an affiliate of the Issuer. If the director abstains from voting after disclosure of their interest, the directors approve the contract or transaction and the contract or transaction was reasonable and fair to the Issuer at the time it was entered into, the contract or transaction is not invalid and the director is not accountable to the Issuer for any profit realized from the contract or transaction. Otherwise, the director must have acted honestly and in good faith, the contract or transaction must have been reasonable and fair to the Issuer and the contract or transaction be approved by the shareholders by a special resolution after receiving full disclosure of its terms in order for the director to avoid such liability or the contract or transaction being invalid.

#### **5. Nomination of Directors**

The Board is responsible for identifying individuals qualified to become new Board members and recommending to the Board new director nominees for the next annual meeting of shareholders.

New nominees must have a track record in general business management, special expertise in an area of strategic interest to the Issuer, the ability to devote the time required, shown support for the Issuer's mission and strategic objectives, and a willingness to serve.

#### **6. Compensation**

The Board conducts reviews with regard to directors' compensation once a year. To make its recommendation on directors' compensation, the Board of Directors takes into account the types of compensation and the amounts paid to directors of comparable publicly traded Canadian companies and aligns the interests of directors with the return to shareholders.

The Board decides the compensation of the Issuer's officers, based on industry standards and the Issuer's financial situation.

#### **7. Other Board Committees**

The Board has no committees other than the Audit Committee.

#### **8. Assessments**

The Board monitors the adequacy of information given to directors, communication between the board and management and the strategic direction and processes of the board and committees.

### **RISK FACTORS**

The Common Shares should be considered highly speculative due to the nature of the Resulting Issuer's business and the present stage of its development. In evaluating the Resulting Issuer and its business, investors should carefully consider, in

addition to the other information contained in this Prospectus, the following risk factors. These risk factors are not a definitive list of all risk factors associated with an investment in the Resulting Issuer or in connection with the Resulting Issuer's operations. There may be other risks and uncertainties that are not known to the Resulting Issuer or that the Resulting Issuer currently believes are not material but which also may have a material adverse effect on its business, financial condition, operating results or prospects. In that case, the trading price of the Common Shares could decline substantially, and investors may lose all or part of the value of the Common Shares held by them. An investment in securities of the Resulting Issuer should only be made by persons who can afford a significant or total loss of their investment. There is no market through which these securities may be sold and purchasers may not be able to resell securities purchased under this Prospectus.

#### ***Risk Factors Related to the Issuer's Common Shares***

##### **There is currently no public trading market for the Common Shares**

Currently there is no public market for the Common Shares of the Issuer, and there can be no assurance that an active market for the Common Shares will develop or be sustained.

##### **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 the Common Shares, even if the Issuer is successful in maintaining revenues, cash flows or earnings. The purchase of the Common Shares involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Securities of the Issuer should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in the Issuer should not constitute a major portion of an investor's portfolio.

#### ***Risk Factors Associated with AHI's Business and AHL's Business***

##### **Limited Operating History**

AHI has limited operating history. VIP Patient and the CPMS have been primarily deployed in test settings in Canada and have not been widely launched by AHI. There have been no sales of VIP Patient and CPMS to end users. The CME business partnership with Dr. Reillo is new and two courses have been completed but are in the initial marketing stages only. AHI has not yet completed its acquisition of AHL under the LDA, and the toxicology lab operated by AHL has only been in operation since June 2016. There are no assurances that AHL will receive the expected sample volume from the Paradigm Consulting Agreement or the Reference Lab Services Agreement, as estimates of staged amounts and sample excesses and volumes were provided by Sun, and the Resulting Issuer is not able to independently verify that such sample volumes will be forthcoming. There is no certainty that the Resulting Issuer will operate profitably.

##### **Additional Requirements for Capital**

Substantial additional financing may be required if the Resulting Issuer is to successfully develop its EMR business or toxicology lab business. No assurances can be given that the Resulting Issuer 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 Resulting Issuer, if at all. If the Resulting Issuer is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion.

##### **Negative Operating Cash Flow**

Neither the Issuer nor AHL generate operating revenue and both have negative cash flow from operating activities. It is anticipated that the Resulting Issuer will continue to have negative cash flow in the foreseeable future. Continued losses may have the following consequences:

- increasing the Resulting Issuer's vulnerability to general adverse economic and industry conditions;

- limiting the Resulting Issuer's ability to obtain additional financing to fund future working capital, capital expenditures, operating costs and other general corporate requirements; and
- limiting the Resulting Issuer's flexibility in planning for, or reacting to, changes in its business and the industry.

### **Competition**

The healthcare information systems market is highly competitive on both a local and a national level. The Resulting Issuer 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 current EMR marketplace in Canada is currently dominated by Telus Health and the Resulting Issuer will face substantial competition from Telus Health and other established competitors, which have greater financial, technical, and marketing resources than it does. Its competitors could use their greater resources to modify their product offerings to incorporate platform functionality among doctors, patients, pharmacies and licensed producers in a comparable manner to the CPMS. The Resulting Issuer's competitors also have a larger installed base of users, longer operating histories or greater name recognition than the Resulting Issuer will.

There can be no assurance that the Resulting Issuer will successfully differentiate its current and proposed products from the products of its competitors, or that the marketplace will consider the products of the Resulting Issuer to be superior to competing products. If the CPMS is not adopted by a party such as a Licensed Producer, the connectivity feature of the CPMS may not be as useful and therefore the differentiation of the product would not be achieved in the manner contemplated by the Resulting Issuer.

Although Dr. Reillo's CME courses regarding medical cannabis, are to the knowledge of the Issuer and AHL, the only ones to-date that have been approved by the AMA, other entrants to the market may come in and produce competing courses, similarly approved by the AMA or other recognized bodies.

Assuming AHL's proposed toxicology lab acquisition in San Antonio, Texas through AHL closes, the Resulting Issuer will be in competition with other labs offering comparable testing services. The Resulting Issuer's competitors will have longer operating histories and may have a larger base of users and greater name recognition than the Resulting Issuer will, even taking into account the relationship with Dr. Murphy who has been in the San Antonio region for some time.

### **Economic Dependence**

AHL, while it earned revenue from processing samples, earned that revenue from two customers. 100% of its outstanding trade accounts receivable are from these two customers, one of whom is a related party to AHL. While it is not expected that such contracts will be terminated, should such customers terminate their arrangements with AHL and AHL is unable to negotiate similar arrangements with alternative customers, it could have a material impact on the operations of the Resulting Issuer.

### **Regulatory Risks**

To the best of AHL's knowledge, the CPMS is not a "medical device". All medical devices in Canada are regulated by Therapeutic Products Directorate under the authority of Health Canada. The regulatory framework in Canada is based on the Food and Drugs Act and the Medical Devices Regulations. In Canada, medical devices are classified in a four-tiered

risk-based system. Increasing risk is assigned to Classes I through IV respectively, with regulatory control increasing with class level. The criteria to determine risk class involves multiple factors including intended use, intended user, importance of diagnosis (sole determinant or one of several), and impact of result. If the CPMS was found to be a medical device, any failure of AHL to comply with the applicable regulations may prevent it from selling the CPMS in Canada.

CPMS is also based on the current licence scheme created under the *Marihuana for Medical Purposes Regulations*. As these regulations may change, and have changed it may impact the CPMS. The ACMPR, which will allow Canadians who need access to cannabis for medical purposes to produce a limited amount of cannabis for their own medical purposes, or designate someone to produce it for them, could reduce the market for the CPMS and materially and adversely affect its business. Additionally, regulatory changes in Canada in the next few years, could result in access to cannabis recreationally. If this happens, it is difficult for the Resulting Issuer to assess the impact it may have on its VIP Patient and CPMS business.

Privacy laws are lengthy and complex. CanaCard's design has incorporated in the platform acknowledgement of the privacy principles of the Canadian Standards Association's Model Code for the Protection of Personal Information. However, there are no assurances that changes in privacy laws will be easy to accommodate into the CPMS, or may require significant resources to do so.

AHL's proposed toxicology lab acquisition in San Antonio, Texas through AHL, which will become a subsidiary on closing, is subject to the rules and regulations applicable to toxicology labs and the licensing requirements applicable. The Clinical Laboratory Improvement Amendments of 1988 (CLIA) regulations include federal standards applicable to all U.S. facilities or sites that test human specimens for health assessment or to diagnose, prevent, or treat disease. The lab is currently licensed and in compliance with regulations under LMK Management LLC, an affiliate of Murphy, but those regulations and licensing requirements could change or inadvertently fall out of compliance.

#### **Risk of Safeguarding Against Security & Privacy Breaches**

A security or privacy breach could:

- expose the Resulting Issuer 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 Resulting Issuer 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 AHL uses complex algorithms in its software to increase security and 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 practices and contractual measures will prevent the unauthorized disclosure of sensitive data. If the Resulting Issuer 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 Resulting Issuer's currently anticipated revenues are expected to be derived from a limited number of products and services, namely its VIP Patient EMR system and CanaCard, toxicology testing and CME courses. Consequently, the Resulting Issuer'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 Resulting Issuer, like other entities involved in a rapidly evolving new industry, faces the risk that the Resulting Issuer's 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 Resulting Issuer 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 the Resulting Issuer's business prospects, operating results, or financial condition.

## **Contractual Risks**

The Resulting Issuer has entered into certain contracts that have not closed. The Paradigm Consulting Agreement has not yet closed, and if it failed to close, the expected samples from such referral source would not be available to AHL's toxicology laboratory business which could have a material impact on the Resulting Issuer's business. The Resulting Issuer's contractual terms under the Reference Lab Development Agreement with Sun require Sun to refer its excess capacity to AHL; however, if Sun were to expand its capacity and Sun had increased capacity to perform additional tests itself, that may significantly reduce the number of samples it referred to AHL.

## **Unfavourable Publicity or Consumer Perception**

AHL believes the medical marijuana industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the medical marijuana produced. Consumer perception of the CanaCard can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical marijuana. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the medical marijuana market or any particular product associated to such market, or consistent with earlier publicity.

Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the CanaCard and the business, results of operations, financial condition and cash flows of the Resulting Issuer. The Resulting Issuer's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Resulting Issuer, the demand for the CanaCard, and the business, results of operations, financial condition and cash flows of the Resulting Issuer.

The demand by medical professionals for CME as it relates to medical marijuana is also dependent on perceptions of the efficacy and benefits of medical marijuana, which could change or perceptions could shift over time.

Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical marijuana in general, or associating the consumption of medical marijuana with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

## **Management of Growth**

The Resulting Issuer, if its business expands, may be subject to growth-related risks including pressure on its internal systems and controls. The Resulting Issuer's ability to manage its growth effectively will require it to continue to implement and improve its operational and financial systems which may have capital costs. The inability of the Resulting Issuer to deal with this growth could have a material adverse impact on its business, operations and prospects. While management believes that it will have made the necessary investments in infrastructure to process anticipated volume increases in the short term, the Resulting Issuer may experience growth in the number of its employees and the scope of its operating and financial systems, resulting in increased responsibilities for the Issuer'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 Resulting Issuer 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 Resulting Issuer will be able to manage such growth effectively, that its management, personnel or systems will be adequate to support the Issuer's operations or that the Resulting Issuer will be able to achieve the increased levels of revenue commensurate with the increased levels of operating expenses associated with this growth.

While it is not in the Resulting Issuer's current plans to increase lab testing capacity, if monthly tests approach current capacity, additional funds would be required to increase its operating capacity as additional lab equipment would be required. Any future capital addition decisions will be based on market demand and the Resulting Issuer's ability to finance equipment from positive operating cash flow, equity or debt instruments (which may not be available on terms acceptable to the Resulting Issuer).



## **Difficulty to Forecast**

The Resulting Issuer 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. A failure in the demand for VIP Patient or CanaCard to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Resulting Issuer.

The toxicology lab industry is highly fragmented consisting mainly of independent labs, physician office labs, and hospital-based labs. However, because of the fragmentation, it is difficult for the Resulting Issuer to forecast demand for its software platforms and use of its software platforms in the toxicology lab space as the different labs, whether run independently, by doctors or by hospitals may have different needs and expectations.

## **Material Impact of PIPEDA/HIPPA Legislation on the Resulting 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 Resulting Issuer anticipates that they will continue to directly affect VIP Patient, but the Resulting Issuer cannot fully predict the impact at this time. VIP LLC has advised the Resulting Issuer that it has taken steps to comply with these regulations, but there can be no assurance that it will be able to continue to do so in a timely or complete manner. Achieving compliance with these regulations could be costly and distract management's attention from its operations. Any failure on VIP LLC'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 VIP LLC's business, which in turn could affect the Issuer's business.

## **Key Personnel**

The future success of the Resulting Issuer will depend, in large part, upon its ability to retain its key management personnel and to attract and retain additional qualified marketing, sales and operational personnel to form part of its technical and customer services support center and to attract and retain qualified and certified lab technicians as required for AHL. The Resulting Issuer 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 Resulting Issuer to manage its business and meet its objectives.

Failure to manage growth successfully may adversely impact the Resulting Issuer's operating results. The growth of the Resulting Issuer's operations places a strain on managerial, financial and human resources. The Resulting Issuer's ability to manage future growth will depend in large part upon a number of factors, including the ability to:

- build and train sales and marketing staff to create an expanding presence in the evolving marketplace for the Resulting Issuer's products;
- attract and retain qualified technical personnel in order to administer technical support required for customers located in Canada and the United States;
- develop customer support capacity as sales increase, so that customer support can be provided without diverting resources from product sales efforts; and
- expand internal management and financial controls significantly, so that control can be maintained over operations as the number of personnel and size of the Resulting Issuer increases.

Inability to achieve any of these objectives could harm the business and operating results of the Resulting Issuer.

## **Lengthy and Variable Sales Cycle**

The Resulting Issuer 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 the Resulting Issuer's products and services. Making an investment in an EMR is a major decision for health care professionals. 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 delays the Resulting Issuer's ability to recognize revenue.

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 Resulting Issuer, or its competitors, may announce or introduce new products or services;
- the Resulting Issuer's competitors; and
- budget and purchasing priorities of customers may change.

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

### **Market uncertainty**

The Resulting Issuer'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 VIP Patient and CPMS, or the CME courses on medical marijuana. There can be no assurances that the commercial applications and markets for the Resulting Issuer's products will develop as currently contemplated. To manage such development, the Resulting Issuer 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 Resulting Issuer will be able to achieve these goals.

### **Pricing policies**

The competitive market in which the Resulting Issuer operates could force it to reduce its prices. If its competitors offer large discounts on their EMR systems or toxicology lab tests (on a per sample basis or otherwise) in order to gain market share, the Resulting Issuer 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 Resulting Issuer's competitors could offer products and services that compete with theirs as part of a long-term pricing strategy or offer price guarantees or product implementation. With time, these practices could limit the prices the Resulting Issuer may charge for its products and services. If the Resulting Issuer 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.

### **Conflicts of interest**

In addition to being a director of the Issuer and a director of AHI, Mr. James Tykoliz is a director and control person of DC NetCast Media Group Inc. Under the IP Development Agreement, DCN will receive certain fees from AHI. A director and officer of AHI, Mr. Howard Mann, is also a director and control person of VIP LLC. Under the IP Distribution Agreement, VIP LLC will receive certain fees from AHI and VIP LLC also owns AHI Shares.

### **The Resulting Issuer licenses its technology from VIP and DCN**

The Resulting Issuer does not own the technology upon which its business is based, but instead has acquired (through AHI) the exclusive license to distribute VIP Patient in Canada from VIP pursuant to the IP Distribution Agreement and an exclusive license to the patent (pending) DCN Property pursuant to the IP Development Agreement.

The terms of the licenses are specified in the IP Development Agreement and the IP Distribution Agreement. For details of the IP Development Agreement, see "Describe the Business – Three Year History".

### **The Resulting Issuer's inability to protect its proprietary rights could adversely affect its competitive position**

The Resulting Issuer licenses proprietary technology from VIP and DCN (together, the "Licensors"). Currently the technology underlying the CanaCard has patent-pending status in Canada and the United States. The Resulting Issuer believes that its licensed rights to certain patent-pending technology are important to its success and competitive position. Accordingly, the Resulting Issuer has done its due diligence to ensure that the Licensors endeavor to devote available resources to the establishment and protection of their rights to certain patents and proprietary rights. The Licensors' actions, however, to establish and protect their rights to certain patents and other proprietary rights may be inadequate to prevent imitation of the Licensors' products by others or to prevent others from claiming violations of their trademarks, patents, and proprietary rights by the Licensors. There is no assurance or guarantee that the patents which are pending in certain jurisdictions will be successfully granted by the jurisdictional patent offices. If the Licensors' products are challenged as infringing upon patents of other parties, the Licensors may be required to modify the design of the product, modify their license arrangements with AHI, or litigate the issues, all of which may have an adverse business effect on the Resulting Issuer.

The Licensors rely on patent, copyright, trade secret, and trademark laws to limit the ability of others to compete with it using the same, or similar, technology in the U.S. and Canada. These laws, however, afford only limited protection and may not adequately protect the Licensors' rights to the extent necessary to sustain any competitive advantage the Licensors may have over its competitors and AHI's use of the VIP Patient. The Licensors will be able to protect their technology from unauthorized use by third parties only to the extent that they are covered by valid and enforceable patents or are effectively maintained as trade secrets. Moreover, the patent applications of DCN may not be sufficiently broad to prevent others from utilizing DCN's technologies or from developing competing products.

### **Education of Medical Professionals**

Although, many physicians may not be quick to modify their current practices, regulations in both Canada and the United States will require that paper records be electronic. Many in the healthcare industry, specifically small practices are not knowledgeable on the requirements set forth by federal and provincial agencies. The Resulting Issuer's sales team will need to overcome this obstacle by educating physicians and medical facilities while promoting VIP Patient regarding the regulations this industry must be compliant with.

### **Currency Risk**

To the extent that the Resulting Issuer continues to expand its business into the United States through AHI, the Resulting Issuer will be exposed to foreign currency fluctuations to the extent that certain operations are located in the United States and therefore certain expenditures and obligations are denominated in US dollars, yet the Resulting Issuer is headquartered in Canada, has applied to list its common shares on a Canadian stock exchange and typically raises funds in Canadian dollars. As such, the Resulting Issuer's results of operations are subject to foreign currency fluctuation risks and such fluctuations may adversely affect the financial position and operating results of the Company.

### **No dividend history**

No dividends have been paid by the Issuer to date. The Resulting Issuer anticipates that for the foreseeable future it will retain future earnings and other cash resources for the operation and development of its business. Payment of any future dividends will be at the discretion of the Resulting Issuer's board of directors after taking into account many factors, including the Resulting Issuer's financial condition and current and anticipated cash needs.

## **PROMOTERS**

James Tykoliz and Rick Macartney are each considered to be promoters of the Resulting Issuer, in that they took the initiative in founding Alternate Health Inc., and are directors of both AHI and the Issuer. James Tykoliz owns 4,137,000 AHI Shares (12.7% of AHI's outstanding shares) and Rick Macartney owns 3,100,000 AHI Shares (9.5% of AHI's outstanding shares). These AHI Shares will be exchanged for Common Shares of the Issuer on the same basis as all of the other AHI Shareholders under the Share Exchange Agreement and their shareholdings in the Resulting Issuer are disclosed under the heading "Directors and Officers". In their roles as directors of the Resulting Issuer and on closing of the Share Exchange Agreement, James Tykoliz will be granted 150,000 stock options and Rick Macartney will be granted 150,000 stock options. See "Options to Purchase Securities".

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

There are no material pending legal proceedings or regulatory actions to which the Issuer, AHI or AHL is or is likely to be a party or of which any of its assets are or are likely to be the subject.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Jim Tykoliz is a director of the Issuer and a director of AHL. He is also a director and control person of DCN. Under the IP Development Agreement, DCN will receive certain fees from AHL. See “Directors and Executive Officers – Conflicts of Interest” and “Risk Factors – Conflicts of Interest”.

Certain directors of the Issuer hold AHI Shares. Each such director will, in respect of his or her AHI Shares, participate in the Share Exchange Agreement on the same terms as any other AHI Shareholder in respect of its AHI Shares.

Certain directors and officers hold Common Shares and AHI Shares and may be granted options to purchase Common Shares in the future. See “Directors and Executive Officers” and “Options to Purchase Securities”.

Except as otherwise disclosed in the Prospectus, neither the directors, officers and principal shareholders of the Resulting Issuer, nor any associate or affiliate of the foregoing, have had any material interest, direct or indirect, in any transactions in which the Issuer, AHI or AHL has participated within the three year period prior to the date of this Prospectus, or will have any material interest in any proposed transaction, which has materially affected or will material affect the Resulting Issuer.

## **AUDITORS, TRANSFER AGENTS AND REGISTRARS**

### **Auditor**

The Issuer's auditor, AHI's auditor and AHL's auditor is Scarrow, Yurman & Co. CPA Professional Corporation of 445 Apple Creek Blvd #223, Markham, Ontario, L3R 8A7.

### **Registrar and Transfer Agent**

The registrar and transfer agent of the Issuer is Computershare Investor Services Inc., at its Vancouver office located at 510 Burrard Street, 3rd Floor, Vancouver, BC, V6C 3B9. Computershare will act as registrar and transfer agent for the Resulting Issuer.

## **MATERIAL CONTRACTS**

Except for contracts made in the ordinary course of business, the following are the only material contracts entered into by the Issuer, AHI and AHL within two years prior to the date hereof which are currently in effect and considered to be currently material:

1. IP Development Agreement dated July 15, 2014, as amended October 13, 2015, December 15, 2015 and March 15, 2016 between AHI and DCN. See “Describe the Business – Three Year History”.
2. IP Distribution Agreement dated December 15, 2014, as amended December 15, 2015 and June 10, 2016 among AHI, VIP and DCN. See “Describe the Business – Three Year History”.
3. Alberta and Nova Scotia Distribution Agreements dated December 15, 2014. See “Describe the Business – Three Year History”.
4. Transfer Agent, Registrar and Dividend Disbursing Agent Agreement dated April 22, 2015 between the Issuer and Computershare Investor Services Inc. Under the terms of the Transfer Agent, Registrar and Disbursing Agent Agreement, the Issuer appointed Computershare Investor Services Inc. as its transfer agent and registrar.
5. Share Exchange Agreement dated November 23, 2015, as amended July 28, 2016 among the Issuer, AHI and the AHI Shareholders and holders of AHI Warrants. See “Corporate Structure - Business Combination with AHI”.

6. Binding letters of intent with Dr. Reillo dated February 10, 2016. See "Describe the Business – Anticipated Changes in the Current Financial Year - US Entry Strategy".
7. Lab Development Agreement dated April 27, 2016, as amended August 18, 2016 and October 24, 2016 between AHI and Murphy. See "Describe the Business - Anticipated Changes in the Current Financial Year - US Entry Strategy".
8. Amended and Restated Reference Lab Development Agreement effective June 1, 2016 (amended and restated November 25, 2016) between AHI and Sun Clinical Laboratory, LLC. See "Describe the Business - Anticipated Changes in the Current Financial Year - US Entry Strategy".
9. Amended and Restated Paradigm Consulting Agreement dated September 9, 2016 between AHI and Paradigm Healthcare Solutions, LLC. See "Describe the Business – Anticipated Changes in the Current Financial Year - US Entry Strategy".
10. Escrow Agreement between the Issuer, the Escrowed Securityholders and Computershare Investor Services Inc., to be dated the date of closing of the Share Exchange. See "Escrowed Securities and Securities Subject to Contractual Restriction on Transfer".

Copies of all material contracts and reports referred to in this Prospectus may be inspected at the registered office of the Issuer located at Suite 309 - 1485 West 6th Avenue, Vancouver, BC V6H 4G1 or AHI located at 56 Temperance Street, Suite 300, Toronto, Ontario M5H 3V5 during normal business hours, as well as on the SEDAR website at [www.sedar.com](http://www.sedar.com) upon the Effective Date of this Prospectus.

## **EXPERTS**

No person or issuer whose profession or business gives authority to a report, valuation, statement or opinion and who is named as having prepared or certified a part of this Prospectus or as having prepared or certified a report or valuation described or included in this Prospectus holds or is to hold any beneficial or registered interest, direct or indirect, in any securities or property of the Issuer, AHI or AHL or any associate or affiliate of the Issuer, AHI or AHL.

Scarrow, Yurman & Co. CPA Professional Corporation is the auditor of the Issuer, AHI and AHL. Scarrow, Yurman & Co., Professional Corporation is independent within the meaning of the rules of professional conduct of the Chartered Professional Accountants of Ontario.

## **OTHER MATERIAL FACTS**

To management's knowledge, there are no other material facts relating to the Issuer or AHI or AHL that are not otherwise disclosed in this Prospectus, or are necessary in order for the Prospectus to contain full, true and plain disclosure of all material facts relating to the Resulting Issuer.

## **FINANCIAL STATEMENTS**

Attached to and forming a part of this Prospectus are the following financial statements:

- Audited financial statements of the Issuer for the period from incorporation (October 26, 2014) to December 31, 2014 and for the year ended December 31, 2015 and interim (unaudited) financial statements for the interim period ended September 30, 2016
- Audited financial statements for AHI for the financial years ended December 31, 2015 and December 31, 2014 and the interim (unaudited) financial statements of AHI for the period ended September 30, 2016
- Audited financial statements for AHL for the period from incorporation (May 9, 2016) to August 31, 2016
- Pro Forma financial statements for the Issuer giving effect to the acquisition of AHI (and AHL) as at December 31, 2015 and September 30, 2016

**SCHEDULE "A"**

**FINANCIAL STATEMENTS OF THE ISSUER**

**Audited financial statements of the Issuer for the period from incorporation (October 26, 2014) to December 31, 2014, and for the year ended December 31, 2015 and interim (unaudited) financial statements for the interim period ended September 30, 2016**

Financial Statements of

**ALTERNATE HEALTH CORP.**

December 31, 2015

(Expressed in Canadian Dollars)

# ALTERNATE HEALTH CORP.

Financial Statements

December 31, 2015

## Index to Financial Statements

	<u>Page</u>
Independent Auditor's Report	1
Statement of Financial Position	3
Statement of Loss and Comprehensive Loss	4
Statement of Changes in Equity	5
Statement of Cash Flows	6
Notes to Financial Statements	7





SCARROW  
YURMAN  
& CO.

Scarrow Yurman & Co.  
CPA Professional Corporation  
445 Apple Creek Blvd, Suite 223  
Markham Ontario L3R 9X7  
Tel: 905-475-5200  
Fax: 905-475-6577  
www.sycpa.com

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Alternate Health Corp.

We have audited the accompanying financial statements of Alternate Health Corp., which comprise the statement of financial position as at December 31, 2015 and 2014, and the statements of loss and comprehensive loss, changes in equity and cash flows for the years, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## INDEPENDENT AUDITOR'S REPORT (continued)

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Alternate Health Corp. as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years in accordance with International Financial Reporting Standards .

### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

*Scarrow Yurman & Co, CPA Professional Corporation*

Authorized to practise public accounting by  
the Chartered Professional Accountants of Ontario

Markham, Ontario  
April 28, 2016

# ALTERNATE HEALTH CORP.

## Statement of Financial Position

As at December 31, 2015

(Expressed in Canadian Dollars)

	2015	2014
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash	\$ 110	\$ -
Share subscription receivable	-	1
HST receivable	762	-
	<u>\$ 872</u>	<u>\$ 1</u>
<b>LIABILITIES AND SHAREHOLDERS' (DEFICIT) EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities (note 3)	\$ 9,961	\$ -
Due to related party (note 4)	4,727	-
	<u>14,688</u>	<u>-</u>
<b>Shareholders' (deficit) equity:</b>		
Share capital (note 5)	7,932	1
Deficit	(21,748)	-
	<u>(13,816)</u>	<u>1</u>
	<u>\$ 872</u>	<u>\$ 1</u>

Nature and continuance of operations (note 1)

See accompanying notes to financial statement

Approved on behalf of the board of director

Bobby Curtola, Director

James Griffiths, Director

# ALTERNATE HEALTH CORP.

## Statement of Loss and Comprehensive Loss

For the year ended December 31, 2015

(Expressed in Canadian Dollars)

	2015	2014
Revenue	\$ -	\$ -
Operating expenses:		
Bank charges and interest	269	-
Professional fees	21,479	-
	21,748	-
Loss and comprehensive loss for the year	\$ (21,748)	\$ -
Basic and diluted loss per common share	(0.05)	0.00
Average weighted number of common shares outstanding	396,600	1

See accompanying notes to financial statement

# ALTERNATE HEALTH CORP.

## Statement of Changes in Equity

For the year ended December 31, 2015

(Expressed in Canadian Dollars)

	Share Capital		Deficit	Total
	Number	Amount		
Balance, December 31, 2013	-	\$ -	\$ -	\$ -
Net earnings	-	-	-	-
Shares issued	1	1	-	1
Balance, December 31, 2014	1	1	-	1
Comprehensive loss for the year	-	-	(21,748)	(21,748)
Shares issued	396,599	7,931	-	7,931
Balance, December 31, 2015	396,600	\$ 7,932	\$ (21,748)	\$ (13,816)

See accompanying notes to financial statement

# ALTERNATE HEALTH CORP.

## Statement of Cash Flows

For the year ended December 31, 2015  
(Expressed in Canadian Dollars)

	2015	2014
<b>Operating activities:</b>		
Loss	\$ (21,748)	\$ -
Changes in non-cash working capital account:		
Share subscription receivable	1	(1)
HST	(762)	-
Accounts payable and accrued liability:	9,961	-
Cash provided by (used in) operating activities	(12,548)	(1)
<b>Financing activities:</b>		
Advances to related party	4,727	-
Issuance (redemption) of share capital	7,931	1
Cash provided by (used in) financing activities	12,658	1
<b>Increase in cash</b>	<b>110</b>	<b>-</b>
<b>Cash, beginning of year</b>	<b>-</b>	<b>-</b>
<b>Cash, end of year</b>	<b>\$ 110</b>	<b>\$ -</b>

There were no significant non-cash transactions during the years ended December 31, 2015 and 2014

See accompanying notes to financial statement

# ALTERNATE HEALTH CORP.

## Notes to Financial Statements

December 31, 2015

(Expressed in Canadian Dollars)

---

### 1. Nature of operation:

Alternate Health Corp. (formerly 1017344 BC Ltd.) (the "Company") was incorporated on October 26, 2014, under the laws of the province of British Columbia, Canada. The head office, principal address, records office and registered address of the Company are located at 309 – 1485 6th Ave W, Vancouver, British Columbia, Canada, V6H 4G1.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The Company's continuation as a going concern is dependent upon the successful results from its business activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors and or profits from its business activities.

### 2. Basis of presentation and statement of compliance

These financial statements were authorized for issue on April 28, 2016 by the directors of the Company.

#### (a) Statement of compliance with International Financial Reporting Standards

The financial statements of the Company comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

#### (b) Basis of measurement and functional currency

These financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars, unless otherwise noted, which is the Company's functional currency.

#### (c) Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

# ALTERNATE HEALTH CORP.

## Notes to Financial Statements

December 31, 2015

(Expressed in Canadian Dollars)

---

### 2. Basis of presentation and statement of compliance (continued)

#### (d) Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company.

#### (e) Financial instruments

Financial assets and liabilities are recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets are generally derecognized when the contractual rights to the cash flows from the assets expire, or when the Company transfers the rights to receive the contractual cash flows on the financial assets to another party without retaining substantially all the risks and rewards of ownership of the financial assets.

The Company derecognizes financial liabilities when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when the Company has a current legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

#### (f) Loans and payables

Loans and payables are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. After initial recognition these liabilities are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.



# ALTERNATE HEALTH CORP.

## Notes to Financial Statements

December 31, 2015

(Expressed in Canadian Dollars)

---

### 2. Basis of presentation and statement of compliance (continued)

#### (g) Income taxes

##### Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

##### Deferred tax:

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, the income taxes relate to the same taxable entity and the same taxation authority, and the Company intends to settle its current tax assets and liabilities on a net basis.

# ALTERNATE HEALTH CORP.

## Notes to Financial Statements

December 31, 2015

(Expressed in Canadian Dollars)

---

### 2. Basis of presentation and statement of compliance (continued)

#### (h) Accounting standards issued but not yet effective

##### New standard IFRS 9 "Financial Instruments"

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

The Company has not early adopted this revised standard and is currently assessing the impact that this standard will have on its financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

### 3. Accounts payable and accrued liabilities

	2015	2014
Trade Payables	\$ 758	\$ -
Accrued Liabilities	9,203	-
	<u>\$ 9,961</u>	<u>\$ -</u>

### 4. Due to related party

The advances are due to Alternate Health Inc. ("AHI"), a related company by virtue of common management.

The advances are non-interest bearing with no set terms of repayment and accordingly are classified as a current liability

# ALTERNATE HEALTH CORP.

## Notes to Financial Statements

December 31, 2015

(Expressed in Canadian Dollars)

### 5. Share capita

	2015	2014
<b>Authorized</b>		
Unlimited number of common shares without par value.		
<b>Issued</b>		
396,600 common shares	\$ 7,932	\$ 1

There is no Escrow Agreement in place for Alternate Health Corp and no Stock Options or Warrants being held by Computershare.

### 6. Financial instruments fair value and risk factor

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 — Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 — Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 — Inputs that are not based on observable market data.

The Company's financial instruments consist of cash and equivalents, receivables and trade payables. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

As at December 31, 2015 and 2014, the Company measures its cash and equivalents on Level 1 inputs.

# ALTERNATE HEALTH CORP.

## Notes to Financial Statements

December 31, 2015

(Expressed in Canadian Dollars)

---

### 6. Financial instruments fair value and risk factors (continued)

#### *Overview:*

The Company has exposure to the following financial instrument related risks.

#### *Credit risk:*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's exposure to credit risk is on its cash. Cash and equivalents consists of cash bank balances held in a major Canadian financial institution with a high credit quality and therefore is at minimal risk.

#### *Currency risk:*

Currency risk is the risk that arises from the change in price of one currency against another. The Company operates in Canada and is therefore not exposed to significant foreign exchange risk arising from transactions denominated in a foreign currency.

#### *Liquidity risk:*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has accumulated a deficit of \$21,748 (2014 - \$0) and has a working capital deficiency position of \$13,816 (2014 working capital - \$1) at December 31, 2015.

#### *Interest rate risk:*

Interest rate risk is the risk due to variability of interest rates. The Company is exposed to interest rate risk on its bank account. The income earned on the bank account is subject to the movements in interest rates. The Company has cash and equivalents balances and no-interest bearing debt, therefore, interest rate risk is nominal.

### 7. Income taxes

For income tax purposes, the company has losses carried forward from prior years of \$21,748 which can be applied to reduce future years' taxable income. This loss expires in 2035.

The potential income tax benefit arising from these losses has not been recognized in these financial statements. Using the statutory tax rate of 26.0% these losses would result in an expected tax recovery of \$5,655.

# ALTERNATE HEALTH CORP.

## Notes to Financial Statements

December 31, 2015

(Expressed in Canadian Dollars)

---

### 8. Other matters

#### (a) Plan of arrangement

On October 29, 2014, the Company entered into an Arrangement Agreement with Riske Capital Corp. ("Riske"). Riske is a reporting issuer in the provinces of Alberta and British Columbia.

Final Court Order approving the Arrangement was received by Riske on December 3, 2014. Under the terms of the Arrangement: (i) Riske will transfer to the Company all of its interest in a letter of intent with Fusion Business Group and \$1,000 cash; and (ii) the Company will issue 396,600 Common Shares to the shareholders of Riske. By resolution of the board of directors of Riske, the Closing of the transaction and Effective Date of Arrangement as it pertains to the Company was deemed to have occurred on April 15, 2015. The letter of intent with Fusion Business Group was cancelled on April 15, 2015.

Following completion of the Arrangement Agreement, the Company became a reporting issuer subsequent to the end of the period.

#### (b) Key management compensation

There was no compensation of key management personnel during the years ended December 31, 2015 and 2014.

# ALTERNATE HEALTH CORP.

## Notes to Financial Statements

December 31, 2015

(Expressed in Canadian Dollars)

---

### 8. Other matters (continued)

#### (c) Share exchange agreement

On November 23, 2015, the Company, and AHI and its shareholders signed a definitive share exchange agreement to complete a proposed acquisition of AHI by the Company (the "Share Exchange Agreement").

Pursuant to the terms of the Share Exchange Agreement, the Company will acquire all of the issued and outstanding shares of AHI in exchange for issuance of the shares on a one for one basis to the Company's shareholders, which will result in AHI becoming a wholly-owned subsidiary of the Company (the "Acquisition"). Pursuant to the terms of the proposed Acquisition, the Company will issue 29,970,000 shares to the shareholders of AHI for the Acquisition, resulting in AHI becoming a wholly owned subsidiary of the Company. 550,000 Warrants of the Company will also be issued to/exchanged with the holders of warrants of AHI on a one for one basis. The actual number of the Company's shares and warrants issued at closing will be increased by the number of additional AHI shares and warrants issued between November 23, 2015 and closing.

The proposed Acquisition was used by the Company to file for listing on the Canadian Securities Exchange ("CSE"). Completion of the Acquisition is subject to approval of the listing by the CSE.

AHC's costs related to the Acquisition to December 31, 2015 total \$16,135.

Interim Condensed Financial Statements of

**ALTERNATE HEALTH CORP.**

(Unaudited)

Three and nine month periods ended September 30, 2016

# ALTERNATE HEALTH CORP.

## Interim Condensed Table of Contents

Three and nine month periods ended September 30, 2016  
(Unaudited)

### Index to Financial Statements

	<u>Page</u>
Interim Condensed Statement of Financial Position	1
Interim Condensed Statement of Loss and Comprehensive Loss	2
Interim Condensed Statement of Changes in Equity	3
Interim Condensed Statement of Cash Flows	4
Notes to Interim Condensed Financial Statements	5



# ALTERNATE HEALTH CORP.

## Interim Condensed Statement of Financial Position

As at Sept 30, 2016 with comparative figures for the twelve month period ending Dec 31, 2015  
(Unaudited)

	Sept 30 2016	Dec 31 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 120	\$ 110
HST receivable	2,282	762
	2,402	872
	\$ 2,402	\$ 872
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 11,568	\$ 9,961
Due to related party (Note 4)	26,370	4,727
	37,938	14,688
<b>Shareholders' equity</b>		
Share capital (Note 5)	7,932	7,932
Deficit	(43,468)	(21,748)
	(35,536)	(13,816)
	\$ 2,402	\$ 872

See accompanying notes to interim condensed financial statements

# ALTERNATE HEALTH CORP.

## Interim Condensed Statement of Loss and Comprehensive Loss

For the three and nine month periods ended Sept 30, 2016 and 2015  
(Unaudited)

	Three month period ended Sept 30 2016	Three month period ended Sept 30 2015	Nine month period ended Sept 30 2016	Nine month period ended Sept 30 2015
Revenue	\$ -	\$ -	\$ -	\$ -
Operating expenses				
Bank charges and interest	81	38	266	177
Office and general	200	-	6,178	6,932
Professional fees	(233)	5,380	15,276	5,380
Total expenses	48	5,418	21,720	12,489
Net and comprehensive loss	\$ (48)	\$ (5,418)	\$ (21,720)	\$ (12,489)

See accompanying notes to interim condensed financial statements

## ALTERNATE HEALTH CORP.

### Interim Condensed Statement of Changes in Equity

For the nine month period ended Sept 30, 2016 with comparative figures for the nine month period ended Sept 30, 2015  
(Unaudited)

	Share capital	Deficit	Total
Balance, beginning of December 31, 2015	\$ 7,932	\$ (21,748)	\$ (13,816)
Net and comprehensive loss	-	(21,720)	(21,720)
For the period ended September 30, 2016	7,932	(43,468)	(35,536)
Balance, beginning of December 31, 2014	1	-	1
Net and comprehensive loss	-	(12,489)	(12,489)
Change in account	7,931	-	7,931
For the period ended September 30, 2015	\$ 7,932	\$ (12,489)	\$ (4,557)

See accompanying notes to interim condensed financial statements

# ALTERNATE HEALTH CORP.

## Interim Condensed Statement of Cash Flows

For the three and nine month periods ended Sept 30, 2016 and 2015  
(Unaudited)

	Three month period ended Sept 30 2016	Three month period ended Sept 30 2015	Nine month period ended Sept 30 2016	Nine month period ended Sept 30 2015
<b>Operating activities</b>				
Net and comprehensive loss	\$ (48)	\$ (5,418)	\$ (21,720)	\$ (12,489)
Change in non-cash working capital items (Note 6)	(15,585)	(488)	87	(487)
Cash provided by (used in) operating activities	(15,633)	(5,906)	(21,633)	(12,976)
<b>Investing activities</b>				
Due to/from related party	15,753	(1,762)	21,643	10,245
Cash provided by (used in) investing activities	15,753	(1,762)	21,643	10,245
<b>Financing activities</b>				
Issuance of new shares	-	-	-	7,931
Cash provided by (used in) financing activities	-	-	-	7,931
Increase (decrease) in cash	120	(7,668)	10	5,200
Cash, beginning of period	-	12,868	110	-
Cash (bank indebtedness), end of period	\$ 120	\$ 5,200	\$ 120	\$ 5,200

See accompanying notes to interim condensed financial statements

# ALTERNATE HEALTH CORP.

## Notes to Financial Statements

Sept 30, 2016 with comparative figures for the twelve month period ending Dec 31, 2015  
(Unaudited)

---

### 1. Nature of operations

Alternate Health Corp. ("AHC" or "the Company") was incorporated on October 26, 2014, under the laws of the province of British Columbia, Canada. The head office, principal address, records office and registered address of the Company are located at 309 – 1485 6th Ave W, Vancouver, British Columbia, Canada, V6H 4G1.

These interim condensed financial statements were authorized for issuance by the Board of Directors of the Company on November 29, 2016.

### 2. Going concern

These interim condensed financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The Company's continuation as a going concern is dependent upon the successful results from its business activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to finance operating costs over the next twelve months with loans from Alternate Health Inc (see note 7), debt or equity financing of the Company and or profits from its business activities.

### 3. Summary of significant accounting policies

The significant accounting policies and critical and critical estimates and judgments as disclosed in the Company's December 31, 2015 audited annual financial statements have been consistently applied in the preparation of these condensed unaudited financial statements.

The unaudited condensed financial statements are presented in Canadian dollars.

#### *Statement of Compliance*

These condensed interim financial statements were prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") and do not contain all the information required for financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). They are however accompanied by notes selected in order to provide information necessary to the understanding of the Company's financial position and its operations since its annual audited financial statements for the year ended December 31, 2015. The condensed interim financial statements should be read in conjunction with the Company's audited annual statements and related notes as and for the year ended December 31, 2015. The condensed interim financial statements of the Company were authorized for issue by the Audit Committee and the Board of Directors on November 29, 2016.

# ALTERNATE HEALTH CORP.

## Notes to Financial Statements

Sept 30, 2016 with comparative figures for the twelve month period ending Dec 31, 2015  
(Unaudited)

### 4. Due to related party

Amounts due to related party are due on demand, are unsecured and bear no rate of interest.

	Sept 30 2016	Dec 31 2015
Due to Alternate Health Inc.	\$ 26,370	\$ 4,727

The advances are due to Alternate Health Inc. ("AHI"), a related company by virtue of common management.

### 5. Share capital

	Sept 30 2016	December 31 2015
Authorized		
Unlimited number of common shares without par value.		
Issued		
396,600 common shares	\$ 7,932	\$ 7,932

### 6. Change in non-cash working capital items

	Three month period ended Sept 30 2016	Three month period ended Sept 30 2015	Nine month period ended Sept 30 2016	Nine month period ended Sept 30 2015
Share subscription receivable	\$ -	\$ -	\$ -	\$ 1
Accounts payable and accrued liabilities	(15,559)	211	1,606	211
HST receivable	(26)	(699)	(1,519)	(699)
	\$ (15,585)	\$ (488)	\$ 87	\$ (487)

# ALTERNATE HEALTH CORP.

## Notes to Financial Statements

Sept 30, 2016 with comparative figures for the twelve month period ending Dec 31, 2015  
(Unaudited)

---

### 7. Share Exchange Agreement

On November 23, 2015, the Company, and Alternate Health Inc. and its shareholders ("AHI"), an arms' length British Columbia-based company signed a definitive share exchange agreement to complete a proposed acquisition of AHI by AHC (the "Share Exchange Agreement").

Pursuant to the terms of the Share Exchange Agreement, AHC will acquire all of the issued and outstanding shares of AHI in exchange for issuance of AHC shares on a one for one basis to AHI's shareholders, which will result in AHI becoming a wholly-owned subsidiary of the company and the business of AHI becoming the business of AHC (the "Acquisition"). Pursuant to the terms of the proposed Acquisition, AHC will issue 29,970,000 shares to the shareholders of AHI for the Acquisition. 550,000 Warrants of AHC will also be issued to/exchanged with the holders of warrants of AHI on a one for one basis. The actual number of AHC shares and warrants issued at closing will be increased by the number of additional AHI shares and warrants issued between November 23, 2015 and closing of the Acquisition.

The proposed Acquisition is being used by AHC to file for listing on the Canadian Securities Exchange ("CSE"). Completion of the Acquisition is subject to approval of the CSE.

**SCHEDULE "B"**

**MANAGEMENT DISCUSSION AND ANALYSIS OF THE ISSUER**

**Financial year ended December 31, 2015**

**Interim period ended September 30, 2016**



**ALTERNATE HEALTH CORP.**  
(FORMERLY 1017344 BC Ltd.)  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**General**

This management discussion and analysis of financial position and results of operations (“**MD&A**”) is prepared as at April 28, 2016 and should be read in conjunction with the December 31, 2015 audited financial statements and related notes of Alternate Health Corp. (“**AHC**” or the “**Company**”). These financial statements, including comparatives, have been prepared in accordance with the 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 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 financial statements and Management Discussion and Analysis (“**MD&A**”), is complete and reliable.

All dollar amounts included therein and in the following MD&A are expressed in Canadian dollars except where noted. This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company’s management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made. Additional information on the Company is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com).

**Cautionary Statement on 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, capitalization requirements.

**DATE OF MD&A**

This MD&A was prepared on **April 28, 2016.**

## OVERVIEW

### Description of Business

The Company was incorporated under the Business Corporations Act (British Columbia) on October 26, 2014.

As a result of a Plan of Arrangement described below the Company became a reporting issuer in the provinces of British Columbia and Alberta in April 2015 and has agreed to do a share exchange with Alternate Health Inc. as described below.

### Plan of Arrangement

On October 29, 2014, the Company entered into an Arrangement Agreement with Riske Capital Corp. ("**Riske**"). Riske is a reporting issuer in the provinces of Alberta and British Columbia.

Final Court Order approving the Arrangement was received by Riske on December 3, 2014. Under the terms of the Arrangement: (i) Riske will transfer to the Company all of its interest in a letter of intent with Fusion Business Group and \$1,000 cash; and (ii) the Company will issue 396,600 Common Shares to the shareholders of Riske. By resolution of the board of directors of Riske, the Closing of the transaction and Effective Date of Arrangement as it pertains to the Company was deemed to have occurred on April 15, 2015. The letter of intent with Fusion Business Group was cancelled on April 15, 2015.

Following completion of the Arrangement Agreement, the Company became a reporting issuer.

### Share Exchange Agreement

On November 23, 2015, the Company, Alternate Health Inc. and its shareholders ("**AHI**"), signed a definitive share exchange agreement to complete a proposed acquisition of AHI by AHC (the "**Share Exchange Agreement**").

Pursuant to the terms of the Share Exchange Agreement, AHC will acquire all of the issued and outstanding shares of AHI in exchange for issuance of AHC shares on a one for one basis to the Company's shareholders, which will result in AHI becoming a wholly-owned subsidiary of AHC and the business of AHI becoming the business of AHC (the "**Acquisition**"). Pursuant to the terms of the proposed Acquisition, AHC will issue 29,970,000 shares to the shareholders of AHI for the Acquisition, resulting in AHI becoming a wholly owned subsidiary of AHC. 550,000 Warrants of AHC will also be issued to/exchanged with the holders of warrants of the Company on a one for one basis. The actual number of AHC shares and warrants issued at closing will be increased by the number of additional AHI shares and warrants issued between November 23, 2015 and closing of the Acquisition.

The proposed Acquisition was used by AHC to file for listing on the Canadian Securities Exchange ("**CSE**"). Completion of the Acquisition is subject to approval of the listing by the CSE.

AHC's costs related to the Acquisition to December 31, 2015 totaled \$16,135.

## **The Business of Alternate Health Inc.**

AHI owns or holds exclusive licenses to operational, proprietary technologies being launched in both Canada and the United States for a series of medical service software systems:

- VIP-Patient Electronic Medical Records & Practice Management System (“VIP-Patient”).
- Patent-protected CanaCard Controlled Substance Management System (“CanaCard”) modified for the medical cannabis industry.

Both systems offer similar features, including:

- Electronic Medical Records for Doctors and Clinics
- Patient portal for access to medical records.
- Pharmacy portal for prescription handling & cross-checking for harmful drug interactions will be coming soon (have approached a large pharmacy chain in Canada).
- Medical records billing services will integrate into VIP-Patient for dynamic, accurate Doctor/Clinic billing submission.
- Toxicology Lab software can be integrated into VIP-Patient along with a modified billing system to service this undeveloped market segment and offer electronic links between Doctors and Labs.

## **Company Operations - 2015**

Alternate Health Corp. had no active business operations during 2015. It focused its activities on seeking a suitable acquisition target that wanted to be a public company. It negotiated a share exchange agreement with Alternate Health Inc. and working with AHI prepared and submitted a Non Offering Preliminary Prospectus to the BC Securities Commission and an application to list the Company on the Canadian Securities Exchange. Subsequent to the year end it was determined that Ontario Securities Commission had jurisdiction to review its prospectus because AHI is an Ontario corporation with its principal office in Ontario and the prospectus was amended and resubmitted to the Ontario Securities Commission.

## **SELECTED ANNUAL INFORMATION**

The following selected financial data has been prepared in accordance with IFRS and is a summary of financial results for the Company’s three most recently completed financial years: As the Company was incorporated in 2014, there are no comparatives for 2013. All dollar amounts are in Canadian dollars.

<b>Year Ended Dec. 31</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Total revenues	\$0.00	\$0.00	-
Net income (loss)	(\$21,748)	\$0.00	-
Earnings (loss) per share – basic and diluted	(\$0.05)	\$0.00	-
Total assets	\$872	\$1.00	-
Short term liabilities	\$14,688	\$0.00	-
Long term liabilities	\$0.00	\$0.00	-

## SUMMARY OF QUARTERLY RESULTS

The following selected financial data has been prepared in accordance with IFRS and should be read in conjunction with the Company's financial statements. All dollar amounts are in Canadian dollars.

Quarter Ended	Profit (loss) for the period	Profit (loss) per Share (Basic & Diluted)	Total Assets	Interest Income
December 31, 2015	(\$9,259)	(\$0.02)	\$872	\$Nil
September 30, 2015	(\$5,418)	(\$0.01)	\$4,647	\$Nil
June 30, 2015	(\$7,071)	(\$0.02)	\$12,868	\$Nil
March 31, 2015 *	\$Nil	\$Nil	\$1	\$Nil
December 31, 2014*	\$Nil	\$Nil	\$1	\$Nil

\* The Company only became a reporting issuer in April 2015

## OPERATIONS

The Company had no active business operations during the year. Quarterly losses highlighted in the Quarterly Summary all relate to professional fees incurred in relation to becoming a reporting issuer and related to the preparation of the Company's prospectus required to complete the share exchange with AHI and list on the CSE. These fees include legal, audit and transfer agent fees. AHI has funded all but \$7,931 of the joint expenses related to the Share Exchange Agreement and legal and audit required for the prospectus. No Compensation was paid to officers or directors in 2015 and 2014.

## LIQUIDITY AND CAPITAL RESOURCES

The Company had a negative working capital position at December 31, 2015 of \$13,816. Pending the completion of its Share Exchange Agreement with AHI and listing on the CSE, the Company does not have an active business generating positive cash flows. It is reliant on equity financing and/or debt to provide the necessary cash to meet its financial obligations. To date short term liquidity funds have been substantially funded by unsecured, interest free loans from Alternate Health Inc. AHI has indicated that it will continue to fund AHI expenses pending the closing of the Share Exchange Agreement. As of the date of this MD&A, Alternate Health Inc. has raised common share equity of \$635,000 which will be available to the AHC upon completing the Share Exchange Agreement and listing on the CSE. While management expect to close the Share Exchange Agreement, there can be there can be no assurance that the CSE will

approve its listing and that equity or debt financings will be available to the Company. Assuming the listing is approved management believes that the Company will have sufficient capital and the ability to source growth capital to fund its business plan and get the Company to positive cash flow.

The Company has not entered into any off-balance sheet arrangements.

## **RELATED PARTY TRANSACTIONS**

During the 2015 year the Company acted as paying agent for Alternate Health Inc. a related party because it has overlapping directors with AHC. Under the paying agent arrangement AHI made interest free loans totaling \$76,000 to the Company to pay AHI expenses and also to fund approximately \$4,000 of AHC expenses. The balance outstanding at December 31, 2015 was \$4,727. AHC did not charge a fee for this paying arrangement and the AHI expenses paid have been recorded on the books of AHI.

## **CRITICAL ACCOUNTING ESTIMATES**

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Areas requiring a significant degree of estimation and judgment relate to the fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets and liabilities and ability to continue as a going concern. Actual results may differ from those estimates and judgments.

### **Financial Instruments and Risk Management**

#### **Fair Values**

The fair values of cash and equivalents, receivables and trade payables approximate their book values because of the short-term nature of these instruments.

#### ***(a) Financial Risk Management***

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company considers the fluctuations of financial markets and seeks to minimize potential adverse effects on financial performance.

#### ***(b) Financial Instrument Risk Exposure***

The Company can be exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management process.

### *Credit Risk*

Credit risk is the risk of a financial loss to the Company if counter-party to a financial instrument fails to meet its contractual obligation. The Company's exposure to credit risk includes cash and receivables. The Company reduces its credit risk by maintaining its bank accounts at large international financial institutions. The maximum exposure to credit risk is equal to the fair value or carrying value of the financial assets.

### *Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

### *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. Such fluctuations may be significant.

#### (a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

#### (b) Foreign currency risk

The Company is not exposed to foreign currency risk on fluctuations in exchange rates.

### **Contingencies**

The Company is not aware of any contingencies or pending legal proceedings as of December 31, 2015.

### **Additional Share Information**

As at December 31, 2015, and the date of this MD&A, the Company had 396,600 common shares outstanding and had no stock options or warrants outstanding.

### **Officers and directors of the Company**

As at December 31, 2015, the directors and officers of the Company were:

Bobby Curtola – Director and Chairman

Marjorie Sanderson – Director and CEO

Rick Macartney – Director

Marcelin O'Neill – Director and Corporate Secretary

James Tykolis – Director

James Griffiths- Director and CFO

## **Accounting standards issued but not yet effective**

### **New standard IFRS 9 "Financial Instruments":**

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

The Company has not early adopted this revised standard and is currently assessing the impact that this standard will have on its financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

### **Additional Information**

Additional information relating to the Company is available on the SEDAR website at [www.sedar.com](http://www.sedar.com) or by contacting the Company at Suite 309 – 1485 6<sup>th</sup> Avenue West, Vancouver, BC, Canada V6H 4G1.

**Alternate Health Corp.**  
(Formerly 1017344 BC Ltd)  
**Management's Discussion and Analysis**  
**For the Quarter Ending September 30, 2016**

**General**

This management discussion and analysis of financial position and results of operations ("MD&A") is prepared as at November 29, 2016 and should be read in conjunction with the unaudited condensed interim financial statements for the period from January 1, 2016 to September 30, 2016 and related notes of Alternate Health Corp. ("AHC" or the "Company"). These unaudited condensed interim financial statements, including comparatives, have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC") and have not been reviewed by the Company's auditors.

Management is responsible for the preparation and integrity of the 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 financial statements and Management Discussion and Analysis ("MD&A"), is complete and reliable.

All dollar amounts included therein and in the following MD&A are expressed in Canadian dollars except where noted. This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made. Additional information on the Company is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com).

**Description of Business**

The Company was incorporated under the Business Corporations Act (British Columbia) on October 26, 2014.

As a result of a Plan of Arrangement described below the Company became a reporting issuer in the provinces of British Columbia and Alberta in April 2015 and has agreed to do a share exchange with Alternate Health Inc. as described below.



## **Plan of Arrangement**

On October 29, 2014, the Company entered into an Arrangement Agreement with Riske Capital Corp. ("Riske"). Riske is a reporting issuer in the provinces of Alberta and British Columbia.

Final Court Order approving the Arrangement was received by Riske on December 3, 2014. Under the terms of the Arrangement: (i) Riske transferred to the Company all of its interest in a letter of intent with Fusion Business Group and \$1,000 cash; and (ii) the Company issued 396,600 Common Shares to the shareholders of Riske valued at \$0.02 per share. By resolution of the board of directors of Riske, the Closing of the transaction and Effective Date of Arrangement as it pertains to the Company was deemed to have occurred on April 15, 2015. The letter of intent with Fusion Business Group was cancelled on April 15, 2015.

Following completion of the Arrangement Agreement, the Company became a reporting issuer.

## **Share Exchange Agreement**

On November 23, 2015, the Company, Alternate Health Inc. and its shareholders ("AHI"), signed a definitive share exchange agreement to complete a proposed acquisition of AHI by AHC (the "**Share Exchange Agreement**").

Pursuant to the terms of the Share Exchange Agreement, AHC will acquire all of the issued and outstanding shares of AHI in exchange for issuance of AHC shares on a one for one basis to the Company's shareholders, which will result in AHI becoming a wholly-owned subsidiary of AHC and the business of AHI becoming the business of AHC (the "**Acquisition**"). Pursuant to the terms of the proposed Acquisition, AHC will issue 29,970,000 shares to the shareholders of AHI for the Acquisition, resulting in AHI becoming a wholly owned subsidiary of AHC. 550,000 Warrants of AHC will also be issued to/exchanged with the holders of warrants of the Company on a one for one basis. The actual number of AHC shares and warrants issued at closing will be increased by the number of additional AHI shares and warrants issued between November 23, 2015 and closing of the Acquisition.

The proposed Acquisition was used by AHC to file for listing on the Canadian Securities Exchange ("CSE"). Completion of the Acquisition is subject to approval of the listing by the CSE.

## **The Business of Alternate Health Inc.**

AHI owns or holds exclusive licenses to operational, proprietary technologies being launched in both Canada and the United States for a series of medical service software systems:

- VIP-Patient Electronic Medical Records & Practice Management System ("VIP-Patient").
- Patent-protected CanaCard Controlled Substance Management System

("CanaCard") modified for the medical cannabis industry.

Both systems offer similar features, including:

- Electronic Medical Records for Doctors and Clinics
- Patient portal for access to medical records.
- Pharmacy portal for prescription handling & cross-checking for harmful drug interactions will be coming soon (have approached a large pharmacy chain in Canada).
- Medical records billing services will integrate into VIP-Patient for dynamic, accurate Doctor/Clinic billing submission.
- Toxicology Lab software can be integrated into VIP-Patient along with a modified billing system to service this undeveloped market segment and offer electronic links between Doctors and Labs.

Alternate Health Inc is also entering the toxicology laboratory business and the business of online continuing medical education for doctors and other medical practitioners.

### Summary of Quarterly Results

The following selected financial data has been prepared in accordance with IFRS and should be read in conjunction with the Company's financial statements. All dollar amounts are in Canadian dollars.

Quarter Ended	Profit (loss) for the period	Profit (loss) per Share (Basic & Diluted)	Total Assets	Interest Income
September 30, 2016	(\$48)	\$0.00	\$2,402	\$Nil
June 30, 2016	(\$18,204)	(\$0.05)	\$2,256	\$Nil
March 31, 2016	(\$3,469)	(\$0.01)	\$436	\$Nil
December 31, 2015	(\$9,259)	(\$0.02)	\$872	\$Nil
September 30, 2015	(\$5,418)	(\$0.01)	\$4,647	\$Nil
June 30, 2015	(\$7,071)	(\$0.02)	\$12,868	\$Nil
March 31, 2015 *	\$Nil	\$Nil	\$1	\$Nil
December 31, 2014*	\$Nil	\$Nil	\$1	\$Nil

\* The Company only became a reporting issuer in April 201

## **Results of Operations**

The Company had no active business operations during the year. Quarterly losses highlighted in the Quarterly Summary all relate to professional fees incurred in relation to becoming a reporting issuer and related to the preparation of the Company's prospectus required to complete the share exchange with AHI and list on the CSE. These fees include legal, audit and transfer agent fees. AHI has funded all but \$7,932 of the joint expenses related to the Share Exchange Agreement and legal and audit required for the prospectus. No compensation was paid to officers or directors since incorporation.

## **Financial Condition, Liquidity and Capital Resources**

The Company had a negative working capital position at September 30, 2016 of \$35,536. Pending the completion of its Share Exchange Agreement with AHI and listing on the CSE, the Company does not have an active business generating positive cash flows. It is reliant on equity financing and/or debt to provide the necessary cash to meet its financial obligations. To date short term liquidity funds have been substantially funded by unsecured, interest free loans from Alternate Health Inc. AHI has indicated that it will continue to fund AHC expenses pending the closing of the Share Exchange Agreement. As of October 31, 2016, Alternate Health Inc. had working capital of \$957,945 which will be available to the AHC upon completing the Share Exchange Agreement and listing on the CSE. While management expect to close the Share Exchange Agreement, there can be there can be no assurance that the CSE will approve its listing and that equity or debt financings will be available to the Company. Assuming the listing is approved management believes that the Company will have sufficient capital and the ability to source growth capital to fund its business plan and get the Company to positive cash flow and until that occurs the directors and officers of the Company have agreed to take no cash compensation.

The Company has not entered into any off-balance sheet arrangements.

## **Related Party Transactions**

AHI advanced AHC \$22,643 to fund operating expenses in the first nine months of 2016.

## **Financial Instruments and Risk Management**

### **Fair Values**

The fair values of cash and equivalents, receivables and trade payables approximate their book values because of the short-term nature of these instruments.

***(a) Financial Risk Management***

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company considers the fluctuations of financial markets and seeks to minimize potential adverse effects on financial performance.

***(b) Financial Instrument Risk Exposure***

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management process.

***Credit Risk***

Credit risk is the risk of a financial loss to the Company if counter-party to a financial instrument fails to meet its contractual obligation. The Company's exposure to credit risk includes cash and receivables. The Company reduces its credit risk by maintaining its bank accounts at large international financial institutions. The maximum exposure to credit risk is equal to the fair value or carrying value of the financial assets.

***Liquidity Risk***

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

***Market risk***

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. Such fluctuations may be significant.

***Interest rate risk***

The Company has no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions

***Foreign currency risk***

The Company is not exposed to foreign currency risk on fluctuations in exchange rates.

**Contingencies**

The Company is not aware of any contingencies or pending legal proceedings as of June 30, 2016.

### **Additional share information**

As at June 30, 2016 and as of the date of this MD&A, the Company had 396,600 common shares outstanding. The Company has no stock options or warrants outstanding.

### **Officers and directors of the Company**

As at September 30, 2016, the directors and officers of the Company were:

Marjorie Sanderson – Director and CEO

Rick Macartney – Director

Marcelin O'Neill – Director and Corporate Secretary

James Tykoliz – Director

James Griffiths- Director and CFO

### **NEW ACCOUNTING STANDARDS**

#### International Financial Reporting Standards ("IFRS")

The Company's audited financial statements have been prepared in accordance with IFRS as issued by the IASB.

### **Additional Information**

Additional information relating to the Company is available on the SEDAR website at [www.sedar.com](http://www.sedar.com) or by contacting the Company at Suite 309 – 1485 6<sup>th</sup> Avenue West, Vancouver, BC, Canada V6H 4G1.

**SCHEDULE "C"**

**FINANCIAL STATEMENTS OF AHI**

**Audited financial statements for the fiscal years ended December 31, 2015 and 2014 and interim  
(unaudited) financial statements for the interim period ended September 30, 2016**

Consolidated Financial Statements of  
**ALTERNATE HEALTH INC.**  
December 31, 2015 and 2014

# ALTERNATE HEALTH INC.

## Consolidated Financial Statements

December 31, 2015 and 2014

### Index to Financial Statements

	<u>Page</u>
Independent Auditor's Report	1
Consolidated Statements of Financial Position	3
Consolidated Statements of Loss and Comprehensive Loss	4
Consolidated Statements of Changes in Equity	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7





Scarrow Yurman & Co.  
CPA Professional Corporation  
445 Apple Creek Blvd, Suite 223  
Markham Ontario L3R 9X7  
Tel: 905-475-5200  
Fax: 905-475-6577  
www.sycpa.com

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Alternate Health Inc.

We have audited the accompanying consolidated financial statements of Alternate Health Inc., which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Alternate Health Inc. as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

## INDEPENDENT AUDITOR'S REPORT (continued)

### *Emphasis of Matter*

Without modifying our opinion, we draw attention to Note 2 to the consolidated financial statements which highlights the existence of a material uncertainties relating to conditions that cast significant doubt on Alternate Health Inc.'s ability to continue as a going concern.

*Scarrow Yurman & Co, CPA Professional Corporation*

Authorized to practise public accounting by  
the Chartered Professional Accountants of Ontario

Markham, Ontario  
November 29, 2016

# ALTERNATE HEALTH INC.

## Consolidated Statements of Financial Position

As at December 31, 2015 and 2014

	2015	2014
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 429,836	\$ -
Due from related party (note 4)	4,727	-
HST receivable	15,498	44,749
Prepaid expenses and deposits	23,739	22,948
Share subscription receivable (note 13)	32,458	315,800
	506,258	383,497
<b>Other assets</b>		
Equipment (note 5)	9,669	12,095
Internally generated intangible assets (note 6)	658,971	712,190
	\$ 1,174,898	\$ 1,107,782
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Bank indebtedness	\$ -	\$ 4,038
Accounts payable and accrued liabilities	96,503	59,988
Due to shareholder	-	27,000
Current portion of deferred revenue (notes 8 and 13)	179,296	179,648
	275,799	270,674
<b>Long-term liabilities</b>		
Development fees payable to related party (notes 7 and 13)	470,925	448,500
Deferred revenue (notes 8 and 13)	171,297	350,241
	918,021	1,069,415
<b>Shareholders' equity</b>		
Share capital (note 9)	1,028,400	576,600
Deficit	(771,523)	(538,233)
	256,877	38,367
	\$ 1,174,898	\$ 1,107,782

See accompanying notes to financial statements

Approved on behalf of the board of directors

"James Griffiths", James Griffiths Director

"Howard Mann", Howard Mann Director

# ALTERNATE HEALTH INC.

## Consolidated Statements of Loss and Comprehensive Loss

For the years ended December 31, 2015 and 2014

	2015	2014
<b>Revenue</b>		
License revenue (notes 8 and 13)	\$ 167,496	\$ 8,000
Interest income	59	208
	167,555	8,208
<b>Operating expenses</b>		
Advertising and promotion	-	26,441
Amortization	2,426	1,344
Amortization of internally generated intangible assets	73,219	-
Bank charges and interest	3,483	754
Commissions	-	22,500
Consulting fees (recovery)	(8,083)	82,608
Interest on long-term liabilities	22,548	3
License fee expense	5,583	71,501
Management consulting fees	-	192,000
Office and general	26,838	14,429
Professional fees	108,796	31,582
Rent	121,848	50,770
Salaries and related benefits	40,170	39,287
Software development	-	12,800
Travel	4,017	422
	400,845	546,441
<b>Net and comprehensive loss</b>	<b>\$ (233,290)</b>	<b>\$ (538,233)</b>

See accompanying notes to financial statements

# ALTERNATE HEALTH INC.

## Consolidated Statements of Changes in Equity

For the years ended December 31, 2015 and 2014

	Share capital	Deficit	Total
Balance, December 31, 2013	\$ 1	\$ -	\$ 1
Net and comprehensive loss	-	(538,233)	(538,233)
Share issuances	576,599	-	576,599
Balance, December 31, 2014	576,600	(538,233)	38,367
Net and comprehensive loss	-	(233,290)	(233,290)
Share issuances	451,800	-	451,800
Balance, December 31, 2015	\$ 1,028,400	\$ (771,523)	\$ 256,877

See accompanying notes to financial statements

# ALTERNATE HEALTH INC.

## Consolidated Statements of Cash Flows

For the years ended December 31, 2015 and 2014

	2015	2014
<b>Operating activities</b>		
Net and comprehensive loss	\$ (233,290)	\$ (538,233)
Amortization	2,426	1,344
Amortization of internally generated intangible assets	73,219	-
Management consulting fees not requiring cash	-	192,000
Software development expense not requiring cash	-	12,800
License fee expense not requiring cash	-	56,000
Reduction to revenue for share based settlement	11,800	-
Changes in non-cash working capital accounts (note 10)	(114,321)	522,178
Cash provided by (used in) operating activities	(260,166)	246,089
<b>Financing activities</b>		
Bank indebtedness	(4,038)	4,038
Advances to related party	(4,727)	-
Development fees payable to related party	22,425	-
Change in share subscription receivable	283,342	-
Advances (to) from shareholder	(27,000)	27,000
Issuance (redemption) of share capital	420,000	-
Cash provided by (used in) financing activities	690,002	31,038
<b>Investing activities</b>		
Purchase of equipment	-	(13,438)
Internally generated intangible assets	-	(263,690)
Cash provided by (used in) investing activities	-	(277,128)
<b>Increase (decrease) in cash</b>	<b>429,836</b>	<b>(1)</b>
<b>Cash, beginning of year</b>	<b>-</b>	<b>1</b>
<b>Cash, end of year</b>	<b>\$ 429,836</b>	<b>\$ -</b>

See accompanying notes to financial statements

# ALTERNATE HEALTH INC.

## Notes to Consolidated Financial Statements

December 31, 2015 and 2014

---

### I. Nature of operations

Alternate Health Inc. ("AHI" or "the Company") is a privately held, Ontario company operating in the medical services sector. AHI was incorporated on July 6, 2010 under the Business Corporations Act of Ontario, Canada as 1828720 Ontario Ltd and on June 19, 2014 the name of the Company was changed. The address of the Company's corporate office and its principal place of business is 56 Temperance Street, Suite 300, Toronto, Ontario.

The Company holds exclusive licenses to proprietary technologies designed to track and control legally produced controlled substances (including prescription drugs), and at the same time provide HIPAA (PIPEDA in Canada) compliant, safe, secure and accurate third party medical and financial reporting mechanisms for all groups concerned in the medical care environment.

The Company has two principal products:

The VIP-Patient Electronic Medical Records Management System ("VIP-Patient") licensed from VIP Patient LLC. VIP-Patient is a proprietary Patient Electronic Medical Records and Physician Practice Management Platform with a unique billing interface for the Canadian market. VIP Patient provides a series of practice management features that go beyond a private and secure platform for HIPAA/PIPEDA disclosure, to include compliant interactions and monitoring between the physician, the patient and the pharmacy.

The CanaCard Patient Management System ("CanaCard"), a patent pending software solution for the Medical Cannabis industry. CanaCard was developed as a medicament prescription and dispensing management system to allow for the management and tracking of controlled medicaments, from a doctor's evaluation of a patient to a filled prescription.

These consolidated financial statements were authorized by the Board of Directors of the Company on November 29, 2016.

# ALTERNATE HEALTH INC.

## Notes to Consolidated Financial Statements

December 31, 2015 and 2014

---

### 2. Going concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has net loss for the year of \$233,290 and a deficit of \$771,523.

These financial statements have been prepared on the assumption that the Company and its subsidiary will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The Company's continuation as a going concern is dependent upon the successful results from its business activities and its ability to attain profitable operations and generate funds therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to finance operating costs over the next twelve months through a combination of a private placement of shares, and or profits from its business activities, and is in the process of attaining a listing on a Canadian public exchange, where a capital raise will be included.

Accordingly, these financial statements do not reflect adjustments or classifications which might be necessary if the Company was not able to continue as a going concern.

### 3. Summary of significant accounting policies

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards. The significant policies are detailed as follows:

#### (a) Statement of Compliance with International Financial Reporting Standards

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the Interpretations of the IFRS Interpretations Committee ("IFRIC").

#### (b) Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis.

#### (c) Functional currency

The Company and its subsidiary's functional and reporting currency as determined by management, is the Canadian dollar.



# ALTERNATE HEALTH INC.

## Notes to Consolidated Financial Statements

December 31, 2015 and 2014

---

### 3. Summary of significant accounting policies (continued)

#### (d) Basis of consolidation

The consolidated financial statements of the Company include the accounts of the Company and its wholly-owned subsidiary, CanaCard Inc. All intercompany balances and transactions have been eliminated. Subsidiaries are consolidated from the date of acquisition, being the date on which the Company has power to govern the financial and operating policies of an entity so as to obtain benefits from its activities, and continue to be consolidated until the date such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies in all material respects.

#### (e) Use of estimates and judgments

The preparation of these consolidated financial statements requires management to make certain judgments, estimates and assumptions about the carrying amounts of assets and liabilities, revenue and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

##### *Intangible assets*

The Company has capitalized certain costs to internally generated intangible assets. Judgment is required in identifying whether a particular project can be properly classified as being in the development phase or not. In addition, judgment is required in order to identify and reliably measure the expenditures attributable to these development initiatives.

##### *Impairment of assets*

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value.

##### *Useful life of intangible assets*

Intangible assets are amortized over the estimated useful life of the assets. Changes in the estimated useful lives could significantly increase or decrease the amount of amortization recorded during the year.

# ALTERNATE HEALTH INC.

## Notes to Consolidated Financial Statements

December 31, 2015 and 2014

---

### 3. Summary of significant accounting policies (continued)

#### (f) Standards issued but not yet effective

##### New standard IFRS 9 "Financial Instruments":

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

The Company has not early adopted this revised standard and is currently assessing the impact that this standard will have on its financial statements.

##### New standard IFRS 15 "Revenue from Contracts with Customers":

IFRS 15 Revenue from Contracts with Customers ("IFRS 15") was issued in May 2014 and clarifies the principles for recognizing revenue from contracts with customers. IFRS 15 will result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (i.e. service revenue and contract modifications) and improve guidance for multiple-element arrangements. IFRS 15 is effective for periods beginning on or after January 1, 2017 and is to be applied retrospectively.

The Company has not early adopted this revised standard and is currently assessing the impact that this standard will have on its financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

#### (g) Foreign currency translation

Transactions in foreign currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the period end exchange rate with the resulting gains and losses being recognized in the consolidated statements of operations and comprehensive loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated.

# ALTERNATE HEALTH INC.

## Notes to Consolidated Financial Statements

December 31, 2015 and 2014

---

### 3. Summary of significant accounting policies (continued)

#### (h) Equipment

Equipment is recorded at cost. The company provides for amortization using the following methods at rates designed to amortize the cost of the equipment over its estimated useful life. The annual amortization rate and is as follows:

---

<u>Asset</u>	<u>Rate</u>
Office equipment	20% Declining balance

---

One half of the normal amortization is taken in the year of acquisition and in the year of disposal. In the year of disposal, the resulting gain or loss is included in the statements of operations and comprehensive loss and the cost of the equipment retired or otherwise disposed and the related accumulated depreciation are eliminated from these accounts.

# ALTERNATE HEALTH INC.

## Notes to Consolidated Financial Statements

December 31, 2015 and 2014

---

### 3. Summary of significant accounting policies (continued)

#### (i) Internally Generated Intangible Assets

The Company has capitalized development expenditures that constitute internally generated intangible assets. An intangible asset may be recognized in future periods if the Company can demonstrate:

- a) the technical feasibility of completing the intangible asset so it will be available for use or sale;
- b) its intention to complete the intangible assets and use or sell it;
- c) its ability to use or sell the intangible asset
- d) how the asset will generate future probable future economic benefits;
- e) the availability of adequate technical, financial and other resources to complete the development and to use or to sell the intangible asset; and
- f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development expenditures not satisfying the above criteria and expenditures on the research phase of internal projects are recognized in profit or loss in the period in which they are incurred.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Further, the intangible asset is evaluated to determine if it has a finite or indefinite life. If the asset has a finite life, the estimated useful life is determined when the asset is available for use. Intangible assets that have an indefinite life are not subject to amortization. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

The internally-generated intangible asset consists of CanaCard Development costs and the VIP-Patient costs. These costs are considered to be of a finite useful life of 10 years from the date they became available for use, which was determined to be January 1, 2015. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses.

The Company reviews the estimated useful life and amortization method at the end of each reporting period, accounting for the effect of any changes in estimate on a prospective basis.

# ALTERNATE HEALTH INC.

## Notes to Consolidated Financial Statements

December 31, 2015 and 2014

---

### 3. Summary of significant accounting policies (continued)

#### (j) Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that they relate to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in profit or loss or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

#### (k) Revenue recognition

##### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- (a) the amount of revenue can be measured reliably;
- (b) it is probable that the economic benefits associated with the transaction will flow to the entity;
- (c) the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- (d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

The Company records the revenue from license fees on a straight line basis over the term of the particular license, net of the share settled component, if any, of the sale. This revenue is not expected to be recurring. Recurring revenue is expected to come from product sales and services related to VIP Patient and CanaCard software systems.

Amounts invoiced or received from customers in excess of the revenue as determined are recorded on the statement of financial position as unearned revenue.

# ALTERNATE HEALTH INC.

## Notes to Consolidated Financial Statements

December 31, 2015 and 2014

---

### 3. Summary of significant accounting policies (continued)

#### (l) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. The Company classifies financial instruments as either held-to-maturity, available-for-sale, fair value through profit or loss ("FVTPL"), loans and receivables, or other financial liabilities. Financial assets held to maturity, loans and receivables and other financial liabilities, are measured at amortized cost. Available-for-sale instruments are measured at fair value unless they are unlisted with no active market. In that case, they are measured at cost. Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in the statement of comprehensive income (loss).

The Company classifies financial instruments recognized at fair value in accordance with a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1: valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The Company had made the following classifications for its financial instruments: (i) Cash is classified as a financial asset at fair value through profit or loss; (ii) Amounts receivable and other financial assets are classified as loans and receivables and are recorded at amortized cost; and, (iii) Accounts payable and accrued liabilities, are classified as other liabilities and measured at amortized cost using the effective interest method.

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

# ALTERNATE HEALTH INC.

## Notes to Consolidated Financial Statements

December 31, 2015 and 2014

---

### 3. Summary of significant accounting policies (continued)

#### (m) Impairment of non-financial assets

The Company reviews its tangible and intangible assets for indications of impairment at the end of each reporting period or when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any indication of impairment exists, the asset's recoverable amount is estimated. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the assets belong. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

An impairment loss is recognized when the carrying amount of an asset, or its CGU, exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. In determining the value in use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in profit or loss. Where an impairment loss subsequently reverses the carrying amount of the asset or CGU is increased by the revised estimate of its recoverable amount but not beyond the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior periods. A reversal of such impairment loss is also recognized in profit or loss.

No impairment of non-financial assets have been recorded for the year ended December 31, 2015.

# ALTERNATE HEALTH INC.

## Notes to Consolidated Financial Statements

December 31, 2015 and 2014

### 4. Due from related party

	2015	2014
Due From Alternate Health Corp. ("AHC")	\$ 4,727	\$ -
	\$ 4,727	\$ -

The amounts have no fixed terms or repayment, are unsecured and carry no interest. The Company is related to AHC by virtue of the controlling shareholder of the Company having significant influence over AHC.

### 5. Equipment

			2015	2014
	Cost	Accumulated amortization	Net Book Value	Net Book Value
Office equipment	\$ 13,438	\$ 3,769	\$ 9,669	\$ 12,095

Amortization for the years amounted to \$75,645 (2014 - \$1,344).

### 6. Internally generated intangible assets

These assets are amortized over 10 years on a straight line basis beginning in the 2015 year, the year it was determined that they were placed into use.

	2015		2014	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Software and related intellectual property	\$ 732,190	\$ 73,219	\$ 712,190	\$ -
Net book value	\$ 658,971		\$ 712,190	

Additions to these assets amounted to \$20,000 (2014 - \$712,190) and amortization charged was \$73,219 (2014 - \$0). No impairment allowance was booked during the year.



# ALTERNATE HEALTH INC.

## Notes to Consolidated Financial Statements

December 31, 2015 and 2014

---

### 7. Development fees payable to related party

Fees payable to corporate shareholder, DC NetCast Media Group Inc., (a related party by virtue of common controlling shareholders) are interest bearing and have specified terms of repayment. The Company agreed to pay \$523,500 to modify the intellectual property to conform to certain territorial regulatory and market requirements. Of this amount, \$448,500 remained payable on December 31, 2015 with specified terms of payment as follow: Repayments of \$75,000 annually commencing January 31, 2018 with a balloon payment of the outstanding balance of principal and interest on August 31, 2020. Interest on any unpaid amounts will accrue effective September 1, 2015 at an annual rate of fifteen percent (15%) until the total amount and accrued interest has been repaid. The amount of interest accrued to Dec 31, 2015 is \$22,425. The amount may be prepaid in whole or in part at any time and from time to time with no prepayment penalty.

### 8. Revenue and deferred revenue

The Company's sole source of revenue was from the sale to a related party of a license of its proprietary software, in December 2014, for a three year term for \$537,888 (note 13, related party transactions), which is not expected to be a recurring source of revenue. As part of the agreement, the Company issued 590,000 common shares with a fair value of \$0.02 each (see note 9 - iii). The Company determined the fair value of the common shares element of the transaction to be \$11,800, and the residual amount of the transaction (\$526,088) was allocated to the revenue component. The revenue component is being recognized on a straight line basis over the term of the agreement. All funds in connection with these reseller contracts were collected and settled on or before December 31, 2014. The Company's obligations to these resellers were fully satisfied at the time of the execution of the agreements, and the software was fully functioning with no obligation to refund any monies to these resellers.

Recurring revenue is expected to come from product sales and services related to the VIP Patient and CanaCard software systems.

Deferred revenue represents that portion of the total revenue to be recognized in a future fiscal period.

# ALTERNATE HEALTH INC.

## Notes to Consolidated Financial Statements

December 31, 2015 and 2014

### 9. Share capital and warrants

	2015	2014
<b>Authorized</b>		
The Company is authorized to issue an unlimited number of common shares without par value.		
Unlimited number of common shares		
<b>Issued share capital</b>		
29,945,000 common shares (2014 - 29,420,000)	\$ 1,028,400	\$ 576,600

- (i) On June 30, 2014, the Company acquired for cancellation all previously issued outstanding shares - no funds were received on the initial issuances of these shares nor paid on the cancellation of these shares.
- (ii) On July 1, 2014, the Company issued 12,040,000 common shares to the officers and directors of the Company in return for management consulting services with a fair value of \$260,800. No cash consideration was received.
- (iii) On December 15, 2014, the Company issued 590,000 common shares of the Company under the terms of certain Authorized Reseller Agreements. The value recognized on this issuance is \$11,800. See note 8 and 13.
- (iv) On December 15, 2014, the Company issued 1,000,000 common shares to a company controlled by a Director under the terms of the Intellectual Property Distribution Agreement. No cash consideration was received. The value recognized on this issuance is \$20,000.
- (v) On December 31, 2014, the Company issued as a subscription 15,790,000 common shares at \$0.02 per share under the terms of the Intellectual Property Development Agreement. The value recognized on this issuance is \$315,800.
- (vi) On November 23, 2015 the Company completed a private placement of 525,000 units at \$0.80 per unit for gross proceeds of \$420,000. Each unit consisted of one common share of the Company and one share purchase warrant exercisable into a common share at a price of \$1.50 for a period of 18 months from closing.

The warrants issued during the year as noted in item (vi) above have no material fair value, and accordingly there is no reserve in the statement of changes in equity for these warrants.

# ALTERNATE HEALTH INC.

## Notes to Consolidated Financial Statements

December 31, 2015 and 2014

### 10. Changes in non-cash working capital accounts

	2015	2014
HST	\$ 29,251	\$ (44,749)
Prepaid expenses and deposits	(791)	(22,949)
Accounts payable and accrued liabilities	36,515	59,987
Deferred revenue	(179,296)	529,889
	<u>\$ (114,321)</u>	<u>\$ 522,178</u>

### 11. Income taxes

The Company has non-capital losses that can be carried forward and applied against future taxable income in the amount of approximately \$670,000. The losses expire as to \$520,000 in 2034 and as to \$150,000 in 2035. The potential income tax benefit arising from these losses has not been recognized in these financial statements, because it is not probable that future taxable profits will be available against which the unused losses can be utilized. Accordingly the applicable tax rate is 0%.

The average effective tax rate of 26% has been offset by a non-recognition allowance of 26% to arrive at the applicable tax rate. There are no material temporary differences between financial statement income and income for tax purposes.

# ALTERNATE HEALTH INC.

## Notes to Consolidated Financial Statements

December 31, 2015 and 2014

---

### 12. Financial risk factors

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

#### *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 as a result of a downturn in market conditions, generally, or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at December 31, 2015, the Company had a bank balance of \$429,836 to settle the liabilities of \$918,021 (Note 2). The liquidity risk remains present.

#### *Interest rate risk*

Interest rate risk consists of:

- a) the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, and
- b) to the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities.

Due to the short-term nature of the Company's financial instruments, fluctuations in market rates do not have a significant impact on the estimated fair values.

#### *Foreign currency risk*

The Company is not exposed to any significant foreign currency risk, as it conducts its business in Canadian dollars.

#### *Other price risk*

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to significant other price risk.

All of the Company's financial liabilities have contractual maturities and are subject to normal trade terms. The Company does not presently have sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's cash holdings. The Company is currently seeking sources of funding to settle short term liabilities, and short term cash requirements.

# ALTERNATE HEALTH INC.

## Notes to Consolidated Financial Statements

December 31, 2015 and 2014

### 13. Related party transactions

During the year ended December 31, 2015 the Company incurred the following transactions with companies having directors and officers in common:

	2015	2014
Commission expense	\$ -	\$ 5,000
Consulting fees (recovery)	(26,647)	45,520
Interest expense	22,548	-
Management consulting fees	-	192,000
Salary	-	21,000
Software development fee	-	12,800
	\$ (4,099)	\$ 276,320

Effective December 15, 2014, the Company executed two software Authorized Reseller Agreements, one for each of the provinces of Alberta and Nova Scotia. The agreements earn Rights Fee payments to the Company totaling \$537,888 and provided for the issuance of 590,000 AHI common shares to these resellers. A director and shareholder of the Company has a minority interest in each of the Reseller companies, and management considered it prudent to disclose this relationship as a possible related party transaction. Under the terms of the Authorized Reseller Agreements, the Company is required to pay to the resellers certain success based compensation as follows: 25% of software customization fees paid to AHI by software licensees and 3.5% of back-end net revenue paid to AHI. The agreements have a three year term with one year annual renewals thereafter, subject to the mutual agreement of the parties. To date no compensation has been earned by or paid to the Reseller companies. See note 8 and 9.

During the year ended December 31, 2014 the Company has entered in to consulting agreements with various directors and officers. The Company issued 12,040,000 common shares in fiscal 2014 at a fair value of \$260,800 for these consulting services.

On December 15, 2014, the Company issued 1,000,000 common shares valued at \$20,000 to VIP – Patient, LLC ("Licensor"), in trust, a company controlled by a Director of the Company, as partial consideration under the terms of the Intellectual Property Distribution Agreement. No cash consideration was received. In addition the Company is to pay the Licensor \$350,000 after AHI has raised a total of \$1,500,000 in share equity (Note 16d). In addition, the Company will pay Licensor a license fee of 45% of net monthly usage revenue collected by the Company and 12.5% of future customization fees collected.

# ALTERNATE HEALTH INC.

## Notes to Consolidated Financial Statements

December 31, 2015 and 2014

---

### 13. Related party transactions (continued)

On December 31, 2014, the Company issued as a subscription 15,790,000 common shares at \$0.02 per share for a total valued of \$315,800 to DC NetCast Media Group Inc. ("DCN"), a company controlled by a director of the Company. The issuance was granted under an Intellectual Property Development Agreement. There is a share subscription receivable amount due from DCN as at Dec 31, 2015 of \$32,458 (\$315,800 Dec 31, 2014). The agreement also provides that DCN will earn a royalty of 3.5% of net revenues collected from the sale or use of the intellectual property. In addition the Company agreed in fiscal 2014 to pay \$523,500 to modify the intellectual property to conform to certain territorial regulatory and market requirements.

### 14. Commitments

The company has entered in to a lease agreement for a office facility at 56 Temperance Street, Toronto, Ontario for fifty months effective July 1, 2014. Future minimum lease payments for the annual rent are as follows:

2016	\$ 121,848
2017	128,734
2018	85,823
	<hr/>
	\$ 336,405

### 15. Share exchange agreement

On November 23, 2015, the Company, its shareholders and Alternate Health Corp. ("AHC"), a British Columbia-based reporting issuer company, signed a definitive share exchange agreement to complete a proposed acquisition of the Company by AHC (the "Share Exchange Agreement").

Pursuant to the terms of the Share Exchange Agreement, AHC will acquire all of the issued and outstanding shares of the Company in exchange for issuance of AHC shares to the Company's shareholders, which will result in the Company becoming a wholly-owned subsidiary of AHC and the business of the Company becoming the business of AHC (the "Acquisition") and which will further result in the shareholders of the Company being in a control position of AHC. Warrants of AHC will also be issued to/exchanged with the holders of warrants of the Company.

The proposed Acquisition will be used by AHC to file for listing on the Canadian Securities Exchange ("CSE"). Completion of the Acquisition is subject to regulatory approvals.

# ALTERNATE HEALTH INC.

## Notes to Consolidated Financial Statements

December 31, 2015 and 2014

---

### 16. Subsequent events

#### (a) Agreements with Dr Michele Reillo

##### i) Patent Commercialization Rights

On February 10, 2016 the Company entered into a binding letter of intent with Dr Michele Reillo to acquire the exclusive rights to commercialize Dr. Reillo's patents for Nitric Oxide testing which provides a quantitative means of positive effectiveness of CBD and Cannabis Medicinals pertaining to patient condition and recommended therapies. The term of the rights is 10 years with one 10 year automatic renewal. The Company is responsible for providing commercialization capital and to defend the patent if required. The terms of the agreement also provide that when the Share Exchange Agreement is completed and Alternate Health Corp is publicly listed on a stock exchange, Dr Reillo will be issued 350,000 shares of AHC and receive a US\$5,000 monthly retainer for 5 years. She will also earn 25% of adjusted net profits derived from the use of the patents.

##### ii) Cannabidiol, CBD, THC Certification Programs

On February 10, 2016 the Company entered into exclusive 50:50 net profit share Letter of Intent with Dr Reillo. Dr Reillo has developed the only Continuing Medical Education certification programs for doctors valid for the education and application of prescribing medical Cannabis to be approved by the American Medical Association. The letter of Intent grants the Company the exclusive rights to commercialize the programs by creating multimedia credit courses available for purchase over the internet. The term for the rights is 10 years with one 10 year automatic renewal. Dr Reillo will update the courses every two years.

The above agreements will close when the Company completes the Share Exchange Agreement, which is subject to regulatory approvals as detailed in note 15.

#### (b) Toxicology laboratories

##### Lab Business Development Agreement

Subsequent to December 31, 2015 the Company entered an agreement ("LDA" agreement) with Michael Murphy ("Murphy") of San Antonio, Texas to establish and equip a licensed toxicology lab, Alternate Health Labs Inc., ("AHL") to be owned by a subsidiary of AHL and to be managed by LMK Management LLC ("LMK") an affiliate of Murphy. The agreement as amended provides Murphy consideration of 1,920,000 AHL common shares to be exchanged for AHC shares. Under the LDA, LMK will manage the lab and earn a management fee equal to 49% of AHL's toxicology screening net income. Toxicology screening net income is calculated by multiplying the number of monthly screens processed times a mutually agreed screen fee, initially ranging from USD\$100 to \$120 depending on the screen test, less all monthly fixed and variable expenses.

The above agreement will close when the Company completes the Share Exchange Agreement, which is subject to regulatory approvals as detailed in note 15.

# ALTERNATE HEALTH INC.

## Notes to Consolidated Financial Statements

December 31, 2015 and 2014

---

### 16. Subsequent events (continued)

#### (c) Private placement of common shares and warrants

i) In March and April 2016 the Company completed various private placements for 181,250 units at \$0.80 per unit for proceeds of \$145,000. Each unit consisted of one common share of the Company and one share purchase warrant exercisable into a common share at a price of \$1.50 for a period 18 months from closing. These shares and warrants are subject to the Share Exchange Agreement and will be exchanged for securities of AHC on closing of the Acquisition.

ii) In April, May and July 2016 the Company completed various private placements for 1,055,886 common shares at a price of \$1 for proceeds of \$1,055,886. These shares are subject to the Share Exchange Agreement and will be exchanged for securities of AHC on closing of the Acquisition.

iii) In July 2016 the Company repurchased for cancelation 100,000 units of the 525,000 units issued on November 23, 2015 (see note 8 (vi)). They were repurchased at their original issue price of \$0.80 per unit or a total \$80,000 with funds held in trust (see note 4).

#### (d) VIP Patient LLC ("VIP") Intellectual Property Distribution Agreement

Under the terms of the December 15, 2014 Intellectual Property Distribution Agreement AHI agreed to pay a license fee of \$350,000 to VIP after AHI had raised \$1,500,000 in capital. On June 10, 2016 VIP agreed to settle this fee for 437,500 ( \$0.80/share) common shares of AHI in lieu of cash.



# ALTERNATE HEALTH INC.

## Notes to Consolidated Financial Statements

December 31, 2015 and 2014

---

### 16. Subsequent events (continued)

#### (e) Mutual Co-operation and Consulting Agreement

In October 2016 AHI entered into a Mutual Co-operation and Consulting Agreement with Paradigm Healthcare Solutions, LLC ("Paradigm") a large scale toxicology screen aggregator in Florida to exclusively refer toxicology and other sample types for processing to AHI. The agreement provides that Paradigm will refer a minimum of 150,000 toxicology samples per month on a staged best efforts basis. As consideration for entering this exclusive agreement to refer samples, Paradigm will receive in escrow 1,500,000 common shares of AHC to be released as follows: 250,000 shares will be released after it delivers 75,000 samples for each of two consecutive months and a further 250,000 shares when it delivers an additional 75,000 samples for a further two consecutive months. In addition 250,000 shares will be released for each new hospital contract Paradigm secures for the benefit of Paradigm and AHI to a maximum of four hospitals. The toxicology reference fee per sample is to be at a fair market rate (currently USD \$120). In addition, the agreement provides that Paradigm will pay AHI a monthly consulting fee of 15% of its net proceeds. Net proceeds are to be mutually agreed upon by the parties. AHI's consulting services will include marketing and administrative services and access to its EMR software.

The above agreement will close when the Company completes the Share Exchange Agreement, which is subject to regulatory approvals as detailed in note 15.

**ALTERNATE HEALTH INC.**

Interim Condensed Consolidated Financial Statements of

Three and nine month periods ended September 30, 2016  
(Unaudited)

# ALTERNATE HEALTH INC.

## Interim Condensed Consolidated Table of Contents

Three and nine month periods ended September 30, 2016  
(Unaudited)

### Index to Financial Statements

	<u>Page</u>
Interim Condensed Consolidated Statement of Financial Position	1
Interim Condensed Consolidated Statement of Loss and Comprehensive Loss	2
Interim Condensed Consolidated Statement of Changes in Equity	3
Interim Condensed Consolidated Statement of Cash Flows	4
Notes to Interim Condensed Consolidated Financial Statements	5

# ALTERNATE HEALTH INC.

## Interim Condensed Consolidated Statement of Financial Position

As at September 30, 2016 with comparative figures for the twelve month period ending Dec 31, 2015  
(Unaudited)

	Sept 30 2016	Dec 31 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 907,392	\$ 429,836
Due from related party (Note 4)	26,370	4,727
Due from shareholder (Note 13)	18,585	-
HST receivable	17,844	15,498
Loan receivable (Note 5)	234,540	-
Prepaid expenses and deposits	24,137	23,739
Share subscription receivable	-	32,458
	1,228,868	506,258
<b>Other assets</b>		
Equipment (Note 6)	7,820	9,669
Internally Generated Intangible assets (Notes 7 & 8)	945,307	658,971
	\$ 2,181,995	\$ 1,174,898
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 151,801	\$ 96,503
Current portion of deferred revenue (Note 8)	179,296	179,296
	331,097	275,799
<b>Long-term liabilities</b>		
Development fees payable to related party (Notes 9 & 13)	521,381	470,925
Deferred revenue (Note 8)	27,965	171,297
	880,443	918,021
<b>Going concern (Note 2)</b>		
<b>Shareholders' equity</b>		
Share capital (Note 10)	2,499,286	1,028,400
Deficit	(1,197,734)	(771,523)
	1,301,552	256,877
	\$ 2,181,995	\$ 1,174,898

See accompanying notes to financial statements

# ALTERNATE HEALTH INC.

## Interim Condensed Consolidated Statement of Loss and Comprehensive Loss

For the three and nine month periods ended September 30, 2016 and 2015  
(Unaudited)

	Three month period ended Sept 30 2016	Three month period ended Sept 30 2015	Nine month period ended Sept 30 2016	Nine month period ended Sept 30 2015
<b>Revenue (Note 8)</b>	\$ 54,912	\$ 42,833	\$ 143,480	\$ 130,034
<b>Operating expenses</b>				
Advertising and promotion	-	-	1,875	-
Amortization	616	616	1,849	1,809
Amortization of intangible assets	27,055	18,305	63,665	54,914
CME development expense	53,413	-	53,413	-
Commissions (recovery)	-	-	-	(27,547)
Consulting fees	64,826	4,738	151,130	17,196
Interest	16,819	5,729	50,456	5,729
Office and general	7,379	9,659	29,604	17,628
Patent expenses	1,248	-	1,248	2,029
Professional fees	56,712	76,228	78,781	96,228
Rent	30,462	30,462	91,386	91,386
Salaries and related benefits	10,043	10,043	30,128	30,128
Travel	-	1,747	5,047	4,017
	268,573	157,527	558,582	293,517
	(213,661)	(114,694)	(415,102)	(163,483)
<b>Other expenses/(income)</b>				
Gain (loss) on foreign exchange	3,154	(500)	(11,109)	(501)
<b>Net and comprehensive loss</b>	\$ (210,507)	\$ (115,194)	\$ (426,211)	\$ (163,984)

See accompanying notes to financial statements

# ALTERNATE HEALTH INC.

## Interim Condensed Consolidated Statement of Changes in Equity

For the nine month period ended September 30, 2016 with comparative figures for the nine month period ended September 30, 2015

(Unaudited)

	Share capital	Deficit	Total
<b>Balance, beginning of December 31, 2015</b>	\$ 1,028,400	\$ (771,523)	\$ 256,877
Net and comprehensive loss	-	(426,211)	(426,211)
Share issuance	1,470,886	-	1,470,886
<b>For the period ended September 30, 2016</b>	<b>2,499,286</b>	<b>(1,197,734)</b>	<b>1,301,552</b>
<b>Balance, beginning of December 31, 2014</b>	576,600	(538,233)	38,367
Net and comprehensive loss	-	(163,984)	(163,984)
<b>For the period ended September 30, 2015</b>	<b>\$ 576,600</b>	<b>\$ (702,217)</b>	<b>\$ (125,617)</b>

See accompanying notes to financial statements

# ALTERNATE HEALTH INC.

## Interim Condensed Consolidated Statement of Cash Flows

For the three and nine month periods ended September 30, 2016 and 2015  
(Unaudited)

	Three month period ended Sept 30 2016	Three month period ended Sept 30 2015	Nine month period ended Sept 30 2016	Nine month period ended Sept 30 2015
<b>Operating activities</b>				
Net and comprehensive loss	\$ (210,507)	\$ (115,194)	\$ (426,211)	\$ (163,984)
Adjustments for				
Amortization	616	616	1,849	1,809
Amortization of intangible assets	27,055	18,305	63,665	54,914
Interest accrued	16,819	5,606	50,456	5,606
Change in non-cash working capital items (Note 11)	(170,788)	(5,095)	(325,319)	(52,178)
Cash provided by (used in) operating activities	(336,805)	(95,762)	(635,560)	(153,833)
Cash provided by (used in) investing activities	-	-	-	-
<b>Financing activities</b>				
Issuance of shares	649,980	-	1,200,886	-
Redemption of shares	(80,000)	-	(80,000)	-
Due to/from related party	(15,753)	2,251	(21,643)	(9,756)
Due to/from shareholders	(77,202)	41,097	(18,585)	41,097
Share subscription receivable	-	99,210	32,458	174,953
Cash provided by (used in) financing activities	477,025	142,558	1,113,116	206,294
Increase in cash	140,220	46,796	477,556	52,461
Cash (bank indebtedness), beginning of period	767,172	1,627	429,836	(4,038)
Cash, end of period	\$ 907,392	\$ 48,423	\$ 907,392	\$ 48,423

See accompanying notes to financial statements

# ALTERNATE HEALTH INC.

## Notes to Financial Statements

September 30, 2016 with comparative figures for the twelve month period ending Dec 31, 2015  
(Unaudited)

---

### 1. Nature of operations

Alternate Health Inc. ("AHI" or "the Company") is a privately held, Ontario company operating in the medical services sector. AHI was incorporated on July 6, 2010 under the Business Corporations Act of Ontario, Canada as 1828720 Ontario Ltd and on June 19, 2014 the name of the Company was changed. The address of the Company's corporate office and its principal place of business is 56 Temperance Street, Suite 300, Toronto, Ontario.

The Company is in the medical services business and holds exclusive licenses to proprietary technologies designed to track and control legally produced controlled substances (including prescription drugs), and at the same time provide HIPAA (PIPEDA in Canada) compliant, safe, secure and accurate third party medical and financial reporting mechanisms for all groups concerned in the medical care environment. The Company has also acquired the rights to Continuing Medical Education ("CME") credit courses approved by the American Medical Association regarding the use and prescribing of medical Cannabis. It is developing a multi media series called Cannabidiol CBD and THC certification program for health care practitioners for distribution and sale over the internet.

The Company has two principal software products:

The VIP-Patient Electronic Medical Records Management System ("VIP-Patient") licensed from VIP Patient LLC. VIP-Patient is a proprietary Patient Electronic Medical Records and Physician Practice Management Platform with a unique billing interface for the Canadian and US markets. VIP Patient provides a series of practice management features that go beyond a private and secure platform for HIPAA/PIPEDA disclosure, to include compliant interactions and monitoring between the physician, the patient and the pharmacy.

The CanaCard Patient Management System ("CanaCard"), a patent pending software solution for the Medical Cannabis industry. CanaCard was developed as a medicament prescription and dispensing management system to allow for the management and tracking of controlled medicaments, from a doctor's evaluation of a patient to a filled prescription.

These interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of the Company on November 29, 2016.



# ALTERNATE HEALTH INC.

## Notes to Financial Statements

September 30, 2016 with comparative figures for the twelve month period ending Dec 31, 2015  
(Unaudited)

---

### 2. Going concern

These interim condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has net loss for the period of \$210,507 and a deficit of \$1,197,734.

These financial statements have been prepared on the assumption that the Company and its subsidiary will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The Company's continuation as a going concern is dependent upon the successful results from its business activities and its ability to attain profitable operations and generate funds therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to finance operating costs over the next twelve months through a combination of a private placement of shares, and or profits from its business activities, and is in the process of attaining a listing on a Canadian public exchange, where a capital raise will be included.

These interim financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

### 3. Summary of significant accounting policies

The significant accounting policies and critical and critical estimates and judgments as disclosed in the Company's December 31, 2015 audited annual financial statements have been consistently applied in the preparation of these condensed unaudited financial statements.

The unaudited condensed financial statements are presented in Canadian dollars.

#### Statement of Compliance:

These condensed interim financial statements were prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") and do not contain all the information required for financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). They are however accompanied by notes selected in order to provide information necessary to the understanding of the Company's financial position and its operations since its annual audited financial statements for the year ended December 31, 2015. The condensed interim financial statements should be read in conjunction with the Company's audited annual statements and related notes as and for the year ended December 31, 2015. The condensed interim financial statements of the Company were authorized for issue by the Audit Committee and the Board of Directors on November 29, 2016.

# ALTERNATE HEALTH INC.

## Notes to Financial Statements

September 30, 2016 with comparative figures for the twelve month period ending Dec 31, 2015  
(Unaudited)

### 4. Due from related party

	Sept 30 2016	December 31 2015
Due From Alternate Health Corp	\$ 26,370	\$ 4,727

The amounts have no fixed terms or repayment, are unsecured and carry no interest. The Company is related to AHC by virtue of the controlling shareholder of the Company having significant influence over AHC.

### 5. Loan receivable

	Sept 30 2016	Dec 31 2015
Loan receivable - Alternate Health Labs Inc. ("AHL")	\$ 234,540	\$ -

The above balance is unsecured, non-interest bearing and is due on demand. AHL is to be acquired by the Company as described in note 16.

### 6. Equipment

	Sept 30 2016 Cost	Sept 30 2016 Accumulated amortization	Sept 30 2016 Net	December 31 2015 Net
Office equipment	\$ 13,438	\$ 5,618	\$ 7,820	\$ 9,669

Amortization for the period amounted to \$616 (2015 - \$2,426)

# ALTERNATE HEALTH INC.

## Notes to Financial Statements

September 30, 2016 with comparative figures for the twelve month period ending Dec 31, 2015  
(Unaudited)

### 7. Internally generated intangible assets

These assets are amortized over 10 years on a straight line basis beginning in the 2015 year, the year it was determined that they were placed into use.

	Sept 30 2016 Cost	Sept 30 2016 Accumulated amortization	Sept 30 2016 Net	Dec 31 2015 Net
Software and related intellectual property	\$ 1,082,190	\$ 136,883	\$ 945,307	\$ 658,971

Nine month additions to these assets amounted to \$350,000 (2015 \$20,000). Amortization for the nine month period amounted to \$63,665 (2015 - \$54,914). No impairment allowance was booked during the period.

### 8. Revenue and deferred revenue

The Company's sole source of revenue was from the sale to a related party of a license of its proprietary software, in December 2014, for a three year term for \$537,888 (note 13, related party transactions), which is not expected to be a recurring source of revenue. As part of the agreement, the Company issued 590,000 common shares with a fair value of \$0.02 each. The Company determined the fair value of the common shares element of the transaction to be \$11,800, and the residual amount of the transaction (\$526,088) was allocated to the revenue component. The revenue component is being recognized on a straight line basis over the term of the agreement. All funds in connection with these reseller contracts were collected and settled on or before December 31, 2014. The Company's obligations to these resellers were fully satisfied at the time of the execution of the agreements, and the software was fully functioning with no obligation to refund any monies to these resellers.

Recurring revenue is expected to come from product sales and services related to VIP Patient and CanaCard software systems.

Deferred revenue represents that portion of the total revenue to be recognized in a future fiscal period.

# ALTERNATE HEALTH INC.

## Notes to Financial Statements

September 30, 2016 with comparative figures for the twelve month period ending Dec 31, 2015  
(Unaudited)

---

### 9. Development fees payable to related party

Fees payable to corporate shareholder, DC NetCast Media Group Inc.(a related party by virtue of common controlling shareholders), are interest bearing and have specified terms of repayment. The Company agreed to pay \$523,500 to modify the intellectual property to conform to certain territorial regulatory and market requirements. Of this amount, \$448,500 remained payable on September 30, 2016 with specified terms of payment as follow: \$75,000 annually commencing January 31, 2018 with a balloon payment of the outstanding balance of principal and interest on August 31, 2020. Interest on any unpaid amounts will accrue effective September 1, 2015 at an annual rate of fifteen percent (15%) until the total amount including principal, HST, and accrued interest has been repaid. The amount of interest accrued to September 30, 2016 is \$72,881. The amount may be prepaid in whole or in part at any time and from time to time with no prepayment penalty.

### 10. Share capital

---

	Sept 30 2016	December 31 2015
<hr/>		
Authorized		
Unlimited number of common shares without par value.		
Issued		
31,519,636 common shares (Dec 31, 15 - 29,945,000)	\$ 2,499,286	\$ 1,028,400

---

During the nine month period ending September 30, 2016 the Company issued shares as follows:

- (i) 618,750 shares at \$0.80 per share
- (ii) 1,055,886 shares at \$1.00 per share

During the nine month period ending September 30, 2016 the Company cancelled shares as follows:

- (i) 100,000 shares at \$0.80 per share

# ALTERNATE HEALTH INC.

## Notes to Financial Statements

September 30, 2016 with comparative figures for the twelve month period ending Dec 31, 2015  
(Unaudited)

### 11. Change in non-cash working capital items

	Three month period ended Sept 30 2016	Three month period ended Sept 30 2015	Nine month period ended Sept 30 2016	Nine month period ended Sept 30 2015
Prepaid expenses and deposits	\$ (1,189)	\$ -	\$ (398)	\$ -
Loan receivable	(131,800)	-	(234,540)	-
Accounts payable and accrued liabilities	26,283	48,497	55,297	45,206
HST receivable	(9,170)	(10,759)	(2,346)	32,651
Current portion of deferred revenue	-	-	-	(352)
Deferred revenue	(54,912)	(42,833)	(143,332)	(129,683)
	<u>\$ (170,788)</u>	<u>\$ (5,095)</u>	<u>\$ (325,319)</u>	<u>\$ (52,178)</u>

# ALTERNATE HEALTH INC.

## Notes to Financial Statements

September 30, 2016 with comparative figures for the twelve month period ending Dec 31, 2015  
(Unaudited)

---

### 12. Financial risk factors

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

#### *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 capital markets is hindered, whether as a result of a downturn in stock market conditions, generally, or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at September 30, 2016, the Company had a bank balance of \$907,392 to settle the liabilities of \$890,158 (Note 2).

#### *Interest rate risk*

Interest rate risk consists of:

- a) the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, and
- b) to the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities.

Due to the short-term nature of the Company's financial instruments, fluctuations in market rates do not have a significant impact on the estimated fair values.

#### *Foreign currency risk*

The Company is not exposed to any significant foreign currency risk, as it conducts its business in Canadian dollars.

#### *Other price risk*

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to significant other price risk.

All of the Company's financial liabilities have contractual maturities and are subject to normal trade terms. The Company cannot ensure there is sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's cash holdings. The Company is currently seeking sources of funding to settle short term liabilities, and short term cash requirements.

# ALTERNATE HEALTH INC.

## Notes to Financial Statements

September 30, 2016 with comparative figures for the twelve month period ending Dec 31, 2015  
(Unaudited)

---

### 13. Related party transactions

Effective December 15, 2014, the Company executed two software Authorized Reseller Agreements, one for each of the provinces of Alberta and Nova Scotia. The agreements earn Rights Fee payments to the Company totaling \$537,888 and provided for the issuance of 590,000 AHI common shares to these resellers. A director and shareholder of the Company has a minority interest in each of the Reseller companies, and management considered it prudent to disclose this relationship as a possible related party transaction. Under the terms of the Authorized Reseller Agreements, the Company is required to pay to the resellers certain success based compensation as follows: 25% of software customization fees paid to AHI by software licensees and 3.5% of back-end net revenue paid to AHI. The agreements have a three year term with one year annual renewals thereafter, subject to the mutual agreement of the parties. To date no compensation has been earned by or paid to the Reseller companies. See note 8.

During the period ended September 30, 2016 the Company incurred the following transactions with DC Netcast Media Group Inc. ("DCN"), a company controlled by a director of the company.

	Sept 30 2016	Sept 30 2015
Interest expense	\$ 16,819	\$ 5,729

As at September 30, 2016, the amount owing to DCN is \$521,381 (Dec 31, 2015 - \$470,925).

As at September 30, 2016, included in due from shareholder is \$18,585 (Dec 31, 2015 - \$nil) advanced on account of development expenses.

### 14. Commitments

The company has entered in to a lease agreement for a office facility at 56 Temperance Street, Toronto, Ontario for fifty months years effective July 1, 2014. Future minimum lease payments for the annual rent are as follows:

next 12 months	\$ 127,012
months 13 through 23	118,006
	<u>\$ 245,018</u>

# ALTERNATE HEALTH INC.

## Notes to Financial Statements

September 30, 2016 with comparative figures for the twelve month period ending Dec 31, 2015  
(Unaudited)

---

### 15. Share exchange agreement

On November 23, 2015, the Company, its shareholders and Alternate Health Corp. ("AHC"), an arms' length British Columbia-based, reporting issuer company signed a definitive share exchange agreement to complete a proposed acquisition of the Company by AHC (the "Share Exchange Agreement").

Pursuant to the terms of the Share Exchange Agreement, AHC will acquire all of the issued and outstanding shares of the Company in exchange for issuance of AHC shares to the Company's shareholders, which will result in the Company becoming a wholly-owned subsidiary of AHC and the business of the Company becoming the business of AHC (the "Acquisition") and which will further result in the shareholders of the Company being in a control position of AHC. Warrants of AHC will also be issued to/exchanged with the holders of warrants of the Company.

The proposed Acquisition will be used by AHC to file for listing on the Canadian Securities Exchange ("CSE"). Completion of the Acquisition is subject to regulatory approvals.

### 16. Toxicology laboratories

Lab Business Development Agreement ("LDA")

On April 27, 2016 the Company entered an agreement ("LDA" agreement) with Michael Murphy ("Murphy") of San Antonio Texas to establish and equip a licensed toxicology lab, Alternate Health Lab, ("AHL") to be owned by a subsidiary of AHI and to be managed by LMK Management LLC ("LMK") an affiliate of Murphy. The agreement as amended provides Murphy consideration of 1,920,000 AHI common shares to be exchanged for AHC shares. Under the LDA, LMK will manage the lab and earn a management fee equal to 49% of AHL's toxicology screening net income. Toxicology screening net income is calculated by multiplying the number of monthly screens processed times a mutually agreed screen fee, initially ranging from USD\$100 to \$120 depending on the screen test, less all monthly fixed and variable expenses.

The above agreements will close when the Company completes the Share Exchange Agreement, which is subject to regulatory approvals as detailed in note 15.



# ALTERNATE HEALTH INC.

## Notes to Financial Statements

September 30, 2016 with comparative figures for the twelve month period ending Dec 31, 2015  
(Unaudited)

---

### 17. Subsequent events

#### a) Mutual Co-operation and Consulting Agreement

In October 2016 AHI entered into a Mutual Co-operation and Consulting Agreement with Paradigm Healthcare Solutions, LLC ("Paradigm") a large scale toxicology screen aggregator in Florida to exclusively refer toxicology and other sample types for processing to AHL. The agreement provides that Paradigm will refer a minimum of 150,000 toxicology samples per month on a staged best efforts basis. As consideration for entering this exclusive agreement to refer samples, Paradigm will receive in escrow 1,500,000 common shares of AHC to be released as follows: 250,000 shares will be released after it delivers 75,000 samples for each of two consecutive months and a further 250,000 shares when it delivers an additional 75,000 samples for a further two consecutive months. In addition 250,000 shares will be released for each new hospital contract Paradigm secures for the benefit of Paradigm and AHI to a maximum of four hospitals. The toxicology reference fee per sample is to be at a fair market rate (currently USD \$120). In addition, the agreement provides that Paradigm will pay AHI a monthly consulting fee of 15% of its net proceeds. Net proceeds are to be mutually agreed upon by the parties. AHI's consulting services will include marketing and administrative services and access to its EMR software.

The above agreement will close when the Company completes the Share Exchange Agreement, which is subject to regulatory approvals as detailed in note 15.

**SCHEDULE "D"**

**MANAGEMENT DISCUSSION AND ANALYSIS OF AHI**

**Financial Year Ended December 31, 2015**

**Interim Period Ended September 30, 2016**

**ALTERNATE HEALTH INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**General**

This management discussion and analysis of financial position and results of operations (“MD&A”) is prepared as at November 29, 2016 and should be read in conjunction with the consolidated December 31, 2015 audited financial statements and related notes of Alternate Health Inc. (“AHI” or the “Company”). These audited consolidated financial statements, including comparatives, have been prepared in accordance with the 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 Management Discussion and Analysis (“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. This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered reasonable by the Company’s management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made.

**Cautionary Statement on Forward Looking Information**

Certain statements contained in this document constitute “forward-looking statements”. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements. Such factors include, among others, the following: fluctuation in the prices for services provided to the Company, foreign operations and foreign government regulations, competition, uninsured risks, capitalization requirements, commercial viability, environmental risks and obligations, and the requirement for obtaining permits and licenses for the Company’s operations in the jurisdictions in which it operates.

**DATE OF MD&A**

This MD&A was prepared on November 29, 2016.

**OVERVIEW**

**Description of Business**

Alternate Health Inc. (“AHI”) is a privately held, Ontario company formed as a medical services company in the Canadian market with interest in promoting both traditional (i.e. physicians) and non-traditional (i.e. chiropractors, Naturopaths) solutions to modern healthcare. (see [www.alternatehealth.ca](http://www.alternatehealth.ca) )

AHI holds an exclusive license in Canada and non-exclusive 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”).

AHI licensed VIP-Patient complete with a unique billing interface for the Canadian market (plus options for other foreign territories), and successfully completed its active beta testing stage. VIP-Patient is the result of assistance from both legal experts and physicians with previous Electronic Medical Records ("EMR") experience providing valuable input as to the development, inter-operability<sup>1</sup> and resulting functionality of the patient records management system that became VIP-Patient.

AHI also owns the rights to "CanaCard" or the "CanaCard Patient Management System", based on patent pending licensed technology. By adapting an actual medical process to examine all patients, the CanaCard system is a legal and effective method to provide safe and secure access to controlled substances for qualified patients, and will provide third party monitoring and reporting for all parties involved, including government regulators. AHI has modified this technology for application with medical cannabis in the Canadian market, and has recently modified CanaCard for the US market. (Also see [www.canacard.com](http://www.canacard.com) )

## SELECTED ANNUAL INFORMATION

The following is a summary of financial results for the Company's three most recently completed financial years:

<b>Year Ended Dec. 31 (Note)</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Total revenues	\$167,555	\$8,208	\$0.00
Net income (loss)	(\$233,290)	(538,233)	\$0.00
Earnings (loss) per share	(\$0.01)	(\$0.02)	\$0.00
Total assets	\$1,174,898	\$1,107,782	\$1.00
Short term liabilities	\$275,799	\$270,674	\$0.00
Long term liabilities	\$642,222	\$798,741	\$0.00
Cash dividends declared per share	\$Nil	\$Nil	\$Nil

**Note:** The Company was incorporated in 2010 but only became active in 2014. Financial data in all tables in this MD&A have been prepared in accordance with IFRS and are reported in Canadian dollars.

## OPERATIONS

### *Overview*

During the 2015 year the Company was still in a startup mode with its newly licensed VIP Patient and CPMS EMR software platforms. It conducted market research on Canadian and US EMR's and the use and regulation of medical marijuana in Canada and the United States. Its US market research supported integrating and distributing its software to healthcare service providers interfacing with physicians, including continuing medical education ("CME") and toxicology laboratories. It also focused on raising capital to sustain and grow its business. It completed a private placement raising \$420,000 and executed a share exchange agreement with a British Columbia reporting issuer as more fully explained below.

<sup>1</sup> 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 AHI software offerings.

## *Revenue*

Revenue for the years ended December 31, 2015 and 2014 was \$167,555 and \$8,205 respectively. On December 15, 2014 the Company received payments of \$537,888 for reseller rights to distribute its software and this revenue is being amortized over the initial 3 year term of the agreements which are described below. 2015 had a full year of amortization compared to two weeks in 2014. This reseller revenue is non-recurring and was derived from related party transactions involving a person who, at the relevant time was a director of AHI and a director and minority shareholder of the other corporate parties to the reseller agreements. (See Related Party Transactions) The revenue is not reflective of sales of VIP Patient or CanaCard to end customers.

## *Operating Costs*

Operating costs for the years ended December 31, 2015 and 2014 were \$400,845 and \$546,441 respectively. The \$145,946 decrease in 2015 is largely accounted for by a \$282,691 reduction in management and consulting fees offset by increases of \$77,214 in professional fees, \$22,000 in interest expense and 73,219 in amortization of intangibles. Management/consulting fees were reduced as a result of completing certain project development work. Legal fees were up because of additional legal and accounting work required in connection with preparing a prospectus. (See *Share exchange agreement, Private Placement and Prospectus*) The development and licensing of the Company's EMR software systems, recorded as intangible assets, was completed in 2014 and put in service effective January 1, 2015. In management's judgment these software intangibles have a 10 year life and are being amortized on a straight line basis.

## *Private Placement, Share Exchange Agreement and Prospectus*

### *Private Placement of Common Shares and Warrants*

In November 2015 the Company completed a private placement of 525,000 units at \$0.80 per unit of gross proceeds of \$420,000. Each unit consisted of one common share of the Company and one share purchase warrant exercisable into a common share at a price of \$1.50 for a period of 18 months from closing. These shares and warrants are subject to the Share Exchange Agreement and will be exchanged for securities of AHC on closing of the Acquisition.

### *Share Exchange Agreement*

On November 23, 2015, the Company, its shareholders and Alternate Health Corp. ("AHC"), an arms' length British Columbia based, reporting issuer company (formerly 1017344 BC Ltd), signed a definitive share exchange agreement to complete a proposed acquisition of the Company by AHC (the "Share Exchange Agreement").

Pursuant to the terms of the Share Exchange Agreement, AHC will acquire all of the issued and outstanding shares of the Company in exchange for issuance of AHC shares to the Company's shareholders, which will result in the Company becoming a wholly owned subsidiary of AHC and the business of the Company becoming the business of AHC (the "Acquisition"). Pursuant to the terms of the proposed Acquisition, AHC will issue 29,945,000 shares to the shareholders of the Company for the Acquisition, resulting in the Company becoming a wholly owned subsidiary of AHC. Warrants of AHC will also be issued to/exchanged with the holders of warrants of the Company. The number of shares or warrants issued will be increased by the number of AHI securities issued from November 23, 2015 to the date of closing.

The proposed Acquisition will be used by AHC to file for a listing on the Canadian Securities Exchange

("CSE"). Completion of the Acquisition is subject to approval of the CSE.

## SUMMARY OF QUARTERLY RESULTS

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

For the quarter ended	Revenue \$	Operating Expense \$	Net Income (Loss) \$	Earnings (loss) per Share
March 2015	42,833	67,015	(24,182)	(\$0.00)
June 2015	44,638	68,976	(24,608)	(\$0.00)
September 2015	42,833	157,529	(115,192)	(\$0.00)
December 2015	37,096	107,235	(69,308)	(\$0.00)

The fourth quarter (2015) revenue and expenses were largely comparable to prior quarters with the exception of revenue which was lower as a result of a year-end adjustment to true up the annual amortization of deferred Reseller Revenue. Operating expenses were marginally up because of continued higher professional fees also reflected in the September 2015 expense, all related to public filing costs.

## LIQUIDITY AND CAPITAL RESOURCES

During the Company's start up phase in 2014 and 2015 it has relied on its founding shareholders and officers to provide the capital resources for management consulting services and to acquire and develop its intangible assets including the rights to VIP Patient and CPMS. This support is expected to continue in 2016. The Company does not intend to compensate its directors and executive officers with cash until it has raised sufficient equity or is cash flow positive from operations to absorb the expense without putting undue pressure on working capital. To ease near term capital requirements the Company renegotiated payment obligations to related parties of \$75,000 and \$350,000 (*See Related Party Transactions and Subsequent Events*). The Company was pleased to close the \$420,000 private placement for shares and warrants in November 2015 but those funds have been left in trust with its lawyer pending listing on the CSE. Future private placements will not have that condition. While, the Company's management expects to continue to source sufficient capital resources from shareholders, private equity placements and debt financing to achieve positive cash flow from its operations there can be no assurance of its success. (*See Subsequent Events- Private Placement*)

## OFF BALANCE SHEET ARRANGEMENTS

The Company had no off balance sheet arrangements

## RELATED PARTY TRANSACTIONS

During the year the Company incurred consulting fees of \$26,647 with companies having directors and officers in common. It accrued interest expense of \$22,548 on the long term debt to DC NetCast Media Group Inc. and modified its terms of repayment and as described below.

On December 31, 2014, the Company issued as a subscription 15,790,000 common shares valued at \$315,800 to DC NetCast Media Group, Inc., a company controlled by a director of the Company as

consideration under the Intellectual Property Development Agreement. In addition, the Company agreed to pay \$523,500 to modify the intellectual property to conform to certain territorial regulatory and market requirements. Of this amount, \$448,500 (plus accrued interest of \$22,548) remained payable on December 31, 2015. Interest on any unpaid amounts accrue effective September 1, 2015 at an annual rate of fifteen percent (15%) until the total amount including principal, HST, and accrued interest has been repaid. The amount of interest accrued to December 31, 2015 is \$22,425. The original specified terms of payment provided for annual principal payments of \$75,000 commencing August 31, 2016 and the parties have agreed to defer the commencement date to January 31, 2018.

#### *Reseller Agreements*

Effective December 15, 2014, the Company executed two software Authorized Reseller Agreements, one for each of the provinces of Alberta with and Nova Scotiawith a related party. The related party was, Bobby Curtolla, a former director and officer of AHI who had a minority interest in the Reseller companies. The Agreements required Rights Fee payments to the Company totaling \$537,888 and the issuance of 590,000 AHI common shares to the reseller for the rights to distribute its software including the CanaCard and VIP Patient Systems. The shares were issued at fair value of \$11,800 ( \$0.02 per share) and the residual balance of \$526,088 was allocated to revenue and is being amortized on a straight line basis over the three year term of the agreement including \$167,555 in the year ending December 2015. The Resellers earn success based compensation for marketing/selling AHI software as follows: For licensees introduced by the Reseller, 25% of software customization fees paid to AHI by software licensees and 3.5% of related backend net revenue received by AHI. Both the CanaCard and VIP Patient software systems were fully functional on closing and the Company had no ongoing obligations to the Resellers except to provide future software upgrades, if any, to the Resellers at no cost. To date no compensation has been earned by the Reseller companies.

During the year, AHC acted as a paying agent for the Company. Under the paying agent arrangement the Company made an interest free loan of \$45,000 to AHC to pay the Company's expenses and the balance outstanding at December 31, 2015 was \$4,727. AHC did not charge a fee for this services and the expenses paid have been reported on the books of the Company. In addition AHI advanced \$13,816 to AHC with respect to professional fees incurred in connection with the Share Exchange Agreement.

#### SUBSEQUENT EVENTS

##### *Agreements with Dr. Michele Reillo*

On February 10, 2016 the Company signed two binding letters of intent with Dr. Michele Reillo, a recognized cannabinoid researcher and educator on the following terms.

##### a) Patent Commercialization Rights

The Company acquired the exclusive rights to commercialize Dr. Reillo's patents for Nitric Oxide testing which provides a quantitative means of positive effectiveness of CBD and Cannabis Medicinals pertaining to patient condition and recommended therapies. The term of the rights is 10 years with one 10 year automatic renewal. The Company is responsible for providing commercialization capital and to defend the patent if required. Dr. Reillo will maintain and update the patent and has agreed to become a member of an Advisory Board being established by Alternate Health. The terms of the agreement also propose that when the Share Exchange

Agreement is completed and Alternate Health Corp. is publicly listed on a stock exchange ("Exchange") Dr. Reillo will be issued 350,000 shares of Alternate Health Corp. and receive a US\$5,000 monthly retainer for 5 years. She will also earn 25% of adjusted net profits derived from the use of the patents.

b) Cannabidiol, CBD, THC Certification Programs

Dr. Reillo has developed the only Continuing Medical Education certification programs for doctors valid for the education and application of prescribing medical Cannabis to be approved by the American Medical Association. The letter of intent grants the Company the exclusive rights to commercialize the programs by creating multimedia credit courses available for purchase over the internet. AHL is to produce the multimedia courses at a cost not to exceed \$100,000. The term for the rights is 10 years with one 10 year automatic renewal. Dr. Reillo will update the courses every two years and will split adjusted net profits with the Company on a 50-50 basis.

*Lab Business Development Agreement*

Subsequent to December 31, 2015 the Company entered an agreement ("LDA" agreement) with Michael Murphy ("Murphy") to establish and equip a licensed toxicology lab to be owned by a subsidiary of AHL and to be managed by LMK Management LLC ("LMK") an affiliate of Murphy. The agreement as amended provides Murphy consideration of 1,920,000 AHL common shares to be exchanged for AHC shares. LMK will manage the lab and earn a management fee equal to 49% of AHL's toxicology screen reference fee net income. Toxicology screen reference fee net income is calculated by multiplying the number of monthly screens processed times a mutually agreed screen fee, initially ranging from USD\$100 to \$120 depending on the screen test, less all monthly fixed and variable expenses.

In May 2016, Murphy assumed leases for space and equipment on a recently closed toxicology lab in San Antonio, Texas. The original cost of the leased equipment which is capable of screening over 70,000 samples per month was about USD\$6 million. There are six leases with a remaining balance of approximately USD\$1.6 million owing under the leases which are expected to be fully paid from the lab's operating cash flow by November 2017. The reader is cautioned that this is a forward looking statement and actual results may differ from this expectation which is based on expected sales growth from revenue generated from samples referred by Paradigm as described below. Murphy commenced operations in June 2016 and AHL's start-up operations for the period ending August 31, 2016 was audited by AHL's auditors. During the 3 month start-up period AHL screened 17,351 samples generating gross revenue of \$2,555,554 or \$130 per sample. The audited pretax income before calculating Murphy's profit sharing management fee was \$1,121,192 (\$64.62 per sample) or \$575,074 (\$33.14 per sample) net of Murphy's participating management fee. The revenue and related operating costs were in US dollars and converted to Canadian dollars at an average foreign exchange rate of 1.30.

*Mutual Co-operation and Consulting Agreement*

In October 2016 AHL entered into a Mutual Co-operation and Consulting agreement ("Consulting Agreement") with Paradigm Healthcare Solutions, LLC ("Paradigm") a large scale toxicology screen aggregator in Florida to exclusively refer its samples for processing to AHL. The agreement provides that Paradigm will refer up to a minimum of 150,000 toxicology samples per month on a staged, best efforts basis. As consideration for entering the agreement and after the Share Exchange Agreement is closed AHC will put 1,500,000 common shares in escrow for Paradigm which will be released in stages as follows: 250,000 shares will be released after it delivers 75,000 samples for each of two consecutive months and another 250,000 shares when it delivers 150,000 samples for a further two consecutive months and 250,000 shares for each hospital contract it signs for the benefit of Paradigm and AHL to a



maximum of four hospitals. Paradigm has committed to refer all of its ongoing Commercial reference screening business to AHL. The reference fee per sample is to be at a fair market rate (currently US\$120). In addition, the agreement requires Paradigm to pay 15% of its net proceeds to AHL as a consulting fee for marketing and administrative support including providing access to AHL's EMR Software. This amount cannot be quantified at this time as "net proceeds" is still being defined by the parties to the agreement. The Consulting Agreement will only be closed if the Share Exchange Agreement is closed and may be terminated by Paradigm if not extended or closed by December 28, 2016.

#### *Private Placement*

i) In March and April 2016 the Company completed various private placements for 181,250 units at \$0.80 per unit for proceeds of \$145,000. Each unit consisted of one common share of the Company and one share purchase warrant exercisable into a common share at a price of \$1.50 for a period 18 months from closing. These shares and warrants are subject to the Share Exchange Agreement and will be exchanged for securities of AHC on closing of the Acquisition.

ii) In April, May and July 2016 the Company completed various private placements for 1,055,886 common shares at a price of \$1.00 for proceeds of \$1,055,886. These shares are subject to the Share Exchange Agreement and will be exchanged for shares of AHC on closing of the Acquisition.

iii) In July 2016 the Company repurchased for cancellation 100,000 units of the 525,000 units issued on November 23, 2015. They were repurchased from 4 shareholders at their original issue price of \$0.80 per unit for a total \$80,000 using funds held in trust pending completion of the listing of AHC and closing the Share Exchange Agreement.

#### *Amendment to VIP Patient LLC ("VIP") Intellectual Property Distribution Agreement*

Under the terms of the December 15, 2014 Intellectual Property Distribution Agreement AHL agreed to pay a license fee of \$350,000 to VIP after AHL had raised \$1,500,000 of capital. On June 10, 2016 VIP agreed to settle this fee for 437,500 (\$0.80/share) common shares of AHL in lieu of cash. This will allow AHL to instead apply the \$350,000 to foster business growth.

#### *Prospectus*

With assistance from the Company, Alternate Health Corp is completing its updated prospectus required to complete its Share Exchange Agreement with the Company and list on the Canadian Securities Exchange, which was submitted to the OSC on July 28, 2016. An amended and restated prospectus was filed on October 31, 2016 to include audited financial statements for Alternate Health Labs Inc.

### **CRITICAL ACCOUNTING ESTIMATES**

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Areas requiring a significant degree of estimation and judgment relate to the fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets and liabilities and ability to continue as a going concern. Actual results may differ from those estimates and judgments.

## **Financial Instruments and Risk Management**

### **Fair Values**

The fair values of cash and equivalents, receivables and trade payables approximate their book values because of the short-term nature of these instruments.

#### **(a) Financial Risk Management**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company considers the fluctuations of financial markets and seeks to minimize potential adverse effects on financial performance.

#### **(b) Financial Instrument Risk Exposure**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management process.

##### *Credit Risk*

Credit risk is the risk of a financial loss to the Company if counter-party to a financial instrument fails to meet its contractual obligation. The Company's exposure to credit risk includes cash and receivables. The Company reduces its credit risk by maintaining its bank accounts at large international financial institutions. Currently the Company's receivables consist primarily of tax receivables due from federal government agencies. The maximum exposure to credit risk is equal to the fair value or carrying value of the financial assets.

##### *Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

##### *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. Such fluctuations may be significant.

##### *Interest rate risk*

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

##### *Foreign currency risk*

The Company is not currently exposed to foreign currency risk on fluctuations in exchange rates.

### **Contingencies**

The Company is not aware of any contingencies or pending legal proceedings as of December 31, 2015 and the date of this MD&A.

## **NEW ACCOUNTING STANDARDS**

### International Financial Reporting Standards ("IFRS")

The Company's audited financial statements as at December 31, 2015 have been prepared in accordance with IFRS as issued by the IASB.

## **ALTERNATE HEALTH INC.**

### **MANAGEMENT DISCUSSION AND ANALYSIS FOR THE QUARTER ENDING September 30, 2016**

#### **General**

This management discussion and analysis of financial position and results of operations (“**MD&A**”) is prepared as at November 29, 2016 and should be read in conjunction with the interim condensed consolidated June 30, 2016 unaudited financial statements and related notes of Alternate Health Inc. (“**AHI**” or the “**Company**”). These unaudited condensed consolidated financial statements, including comparatives, have been prepared in accordance with the 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 Management Discussion and Analysis (“**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. This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered reasonable by the Company’s management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made.

#### **Cautionary Statement on 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, customer contracts, foreign operations and foreign government regulations, competition, uninsured risks, capitalization requirements, commercial viability, environmental risks and obligations, and the requirement for obtaining permits and licenses for the Company’s operations in the jurisdictions in which it operates.

#### **DATE OF MD&A**

This MD&A was prepared on November 29, 2016.

## OVERVIEW

### Description of Business

Alternate Health Inc. ("AHI" "Alternate" and the "Company") is a privately held, Ontario company formed as a medical services company in the Canadian market with interest in promoting both traditional (i.e. physicians) and non-traditional (i.e. chiropractors, Naturopaths) solutions to modern healthcare. (see [www.alternatehealth.ca](http://www.alternatehealth.ca) )

AHI holds an exclusive license in Canada and non-exclusive 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") Collectively these are intangible software assets.

AHI licensed VIP-Patient complete with a unique billing interface for the Canadian market (plus plus a US non-exclusive license and options for other foreign jurisdictions) at a cost of \$526,990. The system is fully developed and marketing to health care practitioners will commence when the Company completes its Share Exchange Agreement with Alternate Health Corp. ("AHC") expected in the fourth quarter of 2016. 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, interoperability<sup>1</sup> and resulting functionality of the patient records management system that became VIP-Patient.

AHI also owns the rights to "CanaCard" or the "CanaCard Patient Management System", based on patent pending licensed technology. By adapting an actual medical process to examine all patients, the CanaCard system is a legal and effective method to provide safe and secure access to controlled substances for qualified patients, and will provide third party monitoring and reporting for all parties involved, including government regulators. AHI has developed this technology for application with medical cannabis in both the Canadian and US markets. The system is fully developed with a cost of \$535,200 and market ready. Like VIP- Patient, formal marketing will commence when the Company completes its Share Exchange Agreement with AHC. (Also see [www.canacard.com](http://www.canacard.com) )

Initial marketing for the Company's EMR software systems will be done over the internet, through sales agents and a full time sales customer support employee with a 12 month budget of approximately \$100,000. Marketing will also be facilitated as a result of interaction with AHI's customers in other businesses it is establishing including the Toxicology Laboratory Business and online Continuing Medical Education ("CME") business as described below.

### SELECTED ANNUAL INFORMATION

The following is a summary of financial results for the Company's three most recently completed financial years:

Year Ended Dec. 31 ( Note)	2015	2014	2013
Total revenues	\$167,555	\$8,208	\$0.00
Net income (loss)	(\$233,290)	(538,233)	\$0.00
Earnings (loss) per share	(\$0.01)	(\$0.02)	\$0.00

<sup>1</sup> 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 AHI software offerings.

Year Ended Dec. 31 ( Note)	2015	2014	2013
Total assets	\$1,174,898	\$1,107,782	\$1.00
Short term liabilities	\$275,799	\$270,674	\$0.00
Long term liabilities	\$642,222	\$798,741	\$0.00
Cash dividends declared per share	\$Nil	\$Nil	\$Nil

**Note:** The Company was incorporated in 2010 but only became active in 2014. Financial data in all tables in this MD&A have been prepared in accordance with IFRS and are reported in Canadian dollars. Following is a summary of the Company's financial results for the most recently completed quarter

For the quarter ended	Revenue \$	Operating Expense \$	Net Income (Loss) \$	Earnings (loss) per Share
March 2015	42,833	67,015	(24,182)	(\$0.00)
June 2015	44,638	68,976	(24,608)	(\$0.00)
September 2015	42,833	157,529	(115,192)	(\$0.00)
December 2015	49,301	107,235	(69,305)	(\$0.00)
March 2016	43,720	109,064	(70,497)	(\$0.00)
June 2016	44,701	180,798	(145,027)	(\$0.00)
September 2016	54,912	268,573	(213,661)	(\$0.01)

## OPERATIONS

### *Overview*

During the third quarter the Company continued its prospectus filing process required to complete its Share Exchange Agreement with Alternate Health Corp. Market research conducted by the Company in 2015 made a compelling business case supporting the distribution and integration of its EMR software through medical service providers who routinely interface with physicians and other health care providers. Alternate negotiated and completed agreements with providers of continuing medical education ("CME") and toxicology laboratories services as described herein. The Company also closed private placements totaling \$650,000 in the third quarter.

### *Revenue*

The Company is not yet generating operating revenue which is not expected until late in the fourth quarter or early 2017. Revenue for the three months ended September 30, 2016 and 2015 was \$54,912 and \$42,833 respectively. Revenue for the nine months ending September 30, 2016 and 2015 was \$143,480 and 130,384. Revenue during both periods is the amortization of the \$527,888 Reseller Rights payments received in December 2014 which are being amortized over the 3 year term of the reseller agreements. This reseller revenue is non-recurring and was derived from related party transactions involving a person who, at the relevant time was a director of AHI and a director and minority shareholder of the other corporate parties to the reseller agreements. The revenue is not reflective of sales of VIP Patient or CanaCard to end customers

### *Operating Costs*

Three months ending September 30, 2016

Operating costs for the three months ended September 30, 2016 and 2015 were \$268,573 and \$157,257 respectively. The \$111,046 increase in 2016 is largely accounted for by an increase of \$100,000 of CME development expense and related consulting fees, \$11,000 of interest expense, and \$8,750 in amortization expense, offset by a \$19,000 reduction in professional fees. The consulting fees were incurred in connection with entering the CME business and consulting for medical Cannabis research conducted by Dr. Reillo as described below. Interest expense is related to the \$448,500 long term debt obligation arising on the Company's July 15, 2014 license of the CanaCard Patient Management System with interest only accruing from October 1, 2015 and not payable until August 31, 2020. In June the Company issued \$350,000 of shares as consideration for payment on its VIP Patient license. This addition to our intangibles is being amortized over 10 years at \$8,750 per quarter. Professional fees declined because there was less work incurred in connection with our listing application in the Canadian Securities Exchange and related prospectus.

Nine months ended September 30 2016

Operating costs for the nine months ended September 30, 2016 and 2015 were \$558,582 and \$293,517 respectively. The increase in 2016 was \$256,065 and included the following Consulting -\$133,934, CME Development Expense-\$53,413, Interest Expense-\$44,000, Amortization-\$8,750. Expense reductions include Professional fees- \$17,477 and Commission Recovery-\$27,547. There was no commission expense in 2016 and the recovery of \$27,547 in 2015 is for amounts accrued in 2014 and subsequently not earned. The explanations for the increases detailed in the three months ending September 30th apply to the 9 months ending September 30th.

### *Toxicology Laboratories Business and Toxicology Development Agreement*

A toxicology laboratory receives and independently analyzes samples of biological material for various toxins, primarily drugs. A toxicology screen refers to the various tests that determine the type and approximate amount of legal and illegal drug a person has taken. Services include blood testing, saliva testing and urine testing.

The software systems offered by AHI link toxicology labs with the rest of the medical industry. Toxicology testing completes the patient profile with regard to narcotics and controlled substance management by linking the results back to the physicians who prescribe opioids and narcotics and require ongoing toxicology reports as part of their practice.

AHI's initial toxicology laboratory strategy was to establish its own laboratory managed by an experienced operator on a profit sharing basis.

On April 27th the Company entered an agreement ("LDA" agreement) with Michael Murphy ("Murphy") of San Antonio Texas to establish and equip a licensed toxicology lab, Alternate Health Lab, ("AHL") to be owned by a subsidiary of AHI and to be managed by LMK Management LLC ("LMK") an affiliate of Murphy. The agreement as amended provides Murphy consideration of 1,920,000 AHI common shares to be exchanged for AHC shares. Under the LDA, LMK will manage the lab and earn a management fee equal to 49% of AHL's toxicology screening net income. Toxicology screening net income is calculated by multiplying the number of monthly screens processed times a mutually agreed screen fee, initially ranging from USD\$100 to \$120 depending on the screen test, less all monthly fixed and variable expenses.

In May 2016, Murphy assumed leases for space and equipment on a recently closed toxicology lab in San Antonio, Texas. The original cost of the leased equipment which is capable of screening over 70,000 samples per month was about USD\$6 million. There are six leases with a remaining balance of approximately USD\$1.6 million owing under the leases which are expected to be fully paid from the lab's operating cash flow by November 2017 assuming no growth in historical revenue in the next 12 months.. The reader is cautioned that this is a forward looking statement and actual results may differ from this expectation. Murphy commenced operations in June 2016 and AHL's start-up operations for the period ending August 31, 2016 was audited by AHI's auditors. During the 3 month start-up period AHL screened 17,351 samples generating gross revenue of \$2,555,554 or \$130 per sample. The audited pretax income before calculating Murphy's management fee was \$1,121,192 (\$64.62 per sample) or \$575,074 (\$33.14 per sample) net of Murphy's management fee.

To date the lab has been funded by a \$350,355 loan from Murphy and a US \$235,810 short term loan from AHI. AHI expects its loan to be repaid after closing out of cash flow from operations. Murphy has verbally agreed to exchange his debt for shares of AHI. Toxicology laboratories acquire samples for testing from "Aggregators" who aggregate samples from many doctors and contract sample testing with toxicology labs. Murphy and the Company have established relationships with Aggregators that are expected to provide a regular supply of ongoing monthly test samples.

AHL has considerable floor space to expand, as well as access to the lab technicians and equipment to keep pace with potential monthly sample growth, including growth from Paradigm (*See Subsequent Event*) and other possible new referrals. Management estimates that its current 70,000 monthly tests capacity can be doubled with the acquisition of additional lab equipment at a cost of US\$2 million. Additional capacity would be acquired on a staged basis when monthly tests approach current capacity and new equipment can be financed from operating cash flows. The cost of additional staff is not included in the \$2 million as salaries are expected to be covered out of operating cash flows assumed to be at the sample-to-technician ratio experienced in the lab's first three months of operations. While there can be no assurance that AHL will receive additional samples and that increased processing capacity will be sourced, if required, management believes AHL can maintain its historical business with sales approaching \$1 million per month and a pretax net income per sample of \$33.14. Management also believes that based on the actual audited costs experienced in its first three months of operations AHL can improve its pre-tax net income because operating costs are typically higher in start-up operations. Also, increasing processing volumes will reduce the amount of fixed costs allocated to each sample resulting in an increase in net income per sample. During the first three months of operations ending in August, the lab averaged about 5,800 tests a month and it completed 7,740 tests in October. Risks to achieving expanded operations include contracting with new sources for samples and performance of existing contracts, and that such contracts do not deliver the sample volumes expected, acquiring and financing equipment purchases and successfully hiring the additional lab technicians and administrative staff required to deal with the logistics of increased sample flow. In addition sales growth is subject to competition from other labs as well as changes to industry regulations and historical healthcare expense reimbursements from health insurance providers. Therefore, there are no assurances that growth can be achieved.



### *Continuing Medical Education Business/Agreement*

Continuing medical education consists of educational activities which serve to maintain, develop, or increase the knowledge, skills, and professional performance that a physician uses to provide services to patients. The content of CME programs is developed, reviewed, and delivered by experts in their individual clinical areas. These activities may take place as live events, written publications, online programs, audio, video, or other electronic media.

The use of medical cannabis is becoming an increasingly important medicine/therapy to treat a variety of diseases and has long been used for pain relief. As it becomes a mainstream treatment, prescribing physicians will need to take CME courses to be qualified to treat their patients. They will also need EMR software with a controlled substance platform. AHI has entered into a business relationship with Dr. Michele Reillo to distribute her medical cannabis CME programs.

Dr. Reillo is an authority on the efficacy of the use of medical cannabis for treatment of variety of illnesses. She holds several key patents in the area of her expertise and AHI has acquired the exclusive rights to her patents for nitric oxide testing and related measuring strips. The test provides a quantitative means to determine the positive effectiveness cannabis medicinals have on a patient's condition and recommended therapies. She has developed two complete CME credit courses regarding the use and prescribing of medical cannabis, both approved by the American Medical Association ("AMA"). AHI has acquired the rights to the courses and is creating a multi-media series called the Cannabidiol CBD and THC Certification Program for Health Care Practitioners. The first, on CBDs is complete and market ready. The second, on THC will be completed in the near term. These programs are highly technical and contain several hours of voice-over multimedia graphics and video, all created by AHI (who contracted out the work to a third party with the appropriate expertise) under the supervision of Dr. Reillo. When complete, they will become important educational courses regarding the use and effectiveness of CBD and THC based medicines for doctors and others who want to further their understanding of these treatment forms. The first of these programs was completed at a cost of \$50,745, and AHI estimates that the cost to complete the second program is US\$60,000 (Cdn \$77,000) which includes the certification costs being done by an accrediting institution. Additional start up marketing costs are expected to be \$20,000. These courses will be sold on the internet and directly through AHI's EMR platforms and to doctors through direct email marketing.

The agreement with Dr. Reillo provides that she will receive consideration of 350,000 shares of the Issuer following the Issuer's listing, a monthly retainer of US\$5,000 for 5 years, 25% of adjusted profits derived from use of her patents and 50% of adjusted net profits from the sale of her CME courses. Notwithstanding that the Company was not obligated to pay Dr. Reillo's monthly retainer until it is listed, it commenced payment in March of 2016 to allow her to conduct ongoing research on the use CBD's as a treatment for a variety of medical illnesses.

Management believes that AHI's medical cannabis CME programs will not only attract doctors and clinics to its controlled substance EMR software but will also generate increased toxicology laboratory business.

### *Private Placements*

During the third quarter the company completed a private placements for 650,000 shares at \$1.00 per share and repurchased 100,000 units at \$0.80 per unit for proceeds of \$570,000. Each unit consisted of one common share of the Company and one share purchase warrant exercisable into a common share at a

price of \$1.50 for a period 18 months from closing. These shares are subject to the Share Exchange Agreement and will be exchanged for securities of AHC on closing of the Acquisition.

## **LIQUIDITY AND CAPITAL RESOURCES**

During the Company's start up phase in 2014 and 2015 it relied on its founding shareholders and officers to provide the capital resources for management consulting services and to acquire and develop its intangible assets including the rights to its EMR software, VIP Patient and CPMS. This support continued in 2016. The Company does not intend to compensate its directors and executive officers with cash until it has raised sufficient equity or is cash flow positive from operations to absorb the expense without putting undue pressure on working capital.

Under the terms of the December 15, 2014 Intellectual Property Distribution Agreement AHI agreed to pay a license fee of \$350,000 to VIP Patient LLC ("VIP") after AHI had raised \$1,500,000 in capital. In June 2016 VIP agreed to settle this fee for 437,500 ( \$0.80/share) common shares of AHI in lieu of cash.

During the second quarter the Company completed private placements with proceeds of \$525,885 and in the third quarter raised an additional \$570,00 net of an \$80,000 share repurchase. As at September 30, 2016 the Company had working capital of \$1,077,067. While the Company expects to continue to source sufficient capital resources from shareholders, private equity placements and debt financing to achieve positive cash flow from its operations there can be no assurance of its success.

## **OFF BALANCE SHEET ARRANGEMENTS**

The Company had no off balance sheet arrangements.

## **RELATED PARTY TRANSACTIONS**

During the quarter the company accrued interest of \$16,819 on a long term debt of \$448,500 owed to a shareholder, DC NetCast Media Group Inc ("DC Netcast"). The debt is related to work performed by DC NetCast on the Company's CanaCard software platform. In March 2016 DC NetCast agreed to defer annual principal payments of \$75,000 on the debt until January 2018. Also during the period the Company advanced \$18,525 to DC Netcast on account of unbilled consulting services. It also advanced an additional \$15,753 to Alternate Health Corp with respect to its public filings and prospectus costs.

### *Reseller Agreements*

Effective December 15, 2014, the Company executed two software Authorized Reseller Agreements, one for each of the provinces of Alberta with and Nova Scotiawith a related party. The related party was, Bobby Curtola, a former director and officer of AHI who had a minority interest in the Reseller companies. The Agreements required Rights Fee payments to the Company totaling \$537,888 and the issuance of 590,000 AHI common shares to the reseller for the rights to distribute its software including the CanaCard and VIP Patient Systems. The shares were issued at fair value of \$11,800 ( \$0.02 per share) and the residual balance of \$526,088 was allocated to revenue and is being amortized on a straight line basis over the three year term of the agreement including \$143,480 in the year ending December 2015. The Resellers earn success based compensation for marketing/selling AHI software as follows: For licensees introduced by the Reseller, 25% of software customization fees paid to AHI by software licensees and 3.5% of related backend net revenue received by AHI. Both the CanaCard and VIP Patient software systems were fully functional on closing and the Company had no ongoing obligations to the Resellers except to provide future software upgrades, if any, to the Resellers at no cost. To date no compensation has been earned by the Reseller companies.

## **SUBSEQUENT EVENT**

In October 2016 AHI entered into a Mutual Co-operation and Consulting agreement (“Consulting Agreement”) with Paradigm Healthcare Solutions, LLC (“Paradigm”) a large scale toxicology screen aggregator in Florida to exclusively refer its samples for processing to AHL. The agreement provides that Paradigm will refer a minimum of 150,000 toxicology samples per month on a staged best efforts basis. As consideration for entering the agreement and after the Share Exchange Agreement is closed AHC will put 1,500,000 common shares in escrow for Paradigm which will be released in stages as follows: 250,000 shares will be released after it delivers 75,000 samples for each of two consecutive months and another 250,000 shares when it delivers 150,000 samples for a further two consecutive months and 250,000 shares for each hospital contract it signs for the benefit of Paradigm and AHI to a maximum of 4 hospitals. Paradigm has committed to refer all of its ongoing reference screening business to AHL. The reference fee per sample is to be at a fair market rate (currently USD\$120). In addition, the agreement requires Paradigm to pay 15% of its net proceeds to AHI as a consulting fee for marketing and administrative support including providing access to AHI's EMR Software. This amount cannot be quantified at this time as "net proceeds" is still being defined by the parties to the agreement.

## **CRITICAL ACCOUNTING ESTIMATES**

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Areas requiring a significant degree of estimation and judgment relate to the fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets and liabilities and ability to continue as a going concern. Actual results may differ from those estimates and judgments.

### **Financial Instruments and Risk Management**

#### **Fair Values**

The fair values of cash and equivalents, receivables and trade payables approximate their book values because of the short-term nature of these instruments.

#### ***(a) Financial Risk Management***

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company considers the fluctuations of financial markets and seeks to minimize potential adverse effects on financial performance.

#### ***(b) Financial Instrument Risk Exposure***

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management process.

#### *Credit Risk*

Credit risk is the risk of a financial loss to the Company if counter-party to a financial instrument fails to meet its contractual obligation. The Company's exposure to credit risk includes cash and receivables. The Company reduces its credit risk by maintaining its bank accounts at large international financial institutions. Currently the Company's receivables consist primarily of tax receivables due from federal government agencies. The maximum exposure to credit risk is equal to the fair value or carrying value of the financial assets.

#### *Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

#### *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. Such fluctuations may be significant.

#### *Interest rate risk*

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

#### *Foreign currency risk*

The Company is exposed to foreign currency fluctuations as the Company holds U.S. dollars, and its statements are presented in Canadian dollars. As of September 30, 2016 the company held US\$282,893 (Dec 31, 15 US\$ nil).

#### **Contingencies**

The Company is not aware of any contingencies or pending legal proceedings as of September 30, 2016 and the date of this MD&A.

#### **NEW ACCOUNTING STANDARDS**

##### International Financial Reporting Standards ("IFRS")

The Company's audited financial statements as at December 31, 2015 have been prepared in accordance with IFRS as issued by the IASB.

**SCHEDULE "E"**

**FINANCIAL STATEMENTS OF AHL**

**Audited financial statements of AHL for the  
period from incorporation (May 9, 2016) to August 31, 2016**

Financial Statements of

**ALTERNATE HEALTH LABS INC.**

August 31, 2016

(Expressed in Canadian Dollars)

# ALTERNATE HEALTH LABS INC.

Financial Statements

August 31, 2016

## Index to Financial Statements

	<u>Page</u>
Independent Auditor's Report	1
Statement of Financial Position	3
Statement of Earnings and Changes in Equity	4
Statement of Cash Flows	5
Notes to Financial Statements	6

## INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Alternate Health Labs Inc.

We have audited the accompanying financial statements of Alternate Health Labs Inc., which comprise the statement of financial position as at August 31, 2016, and the statements of earnings and changes in equity and cash flows for the period from incorporation on May 9, 2016 to August 31, 2016, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Alternate Health Labs Inc. as at August 31, 2016, and its financial performance and its cash flows for the period from incorporation on May 9, 2016 to August 31, 2016 in accordance with International Financial Reporting Standards.



## INDEPENDENT AUDITOR'S REPORT (continued)

### *Re-issued financial statements*

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the correction of an error in the statement of cash flows that was contained in the financial statements issued with our Independent Auditor's Report dated October 27, 2016. Management felt it prudent to re-issue these financial statements to reflect the correction. Our report is dual dated, however our audit procedures subsequent to October 27, 2016 were restricted to the items corrected in the statement of cash flows as described in note 1.

*Scarrow Yurman & Co, CPA Professional Corporation*

Authorized to practise public accounting by  
the Chartered Professional Accountants of Ontario

Markham, Ontario  
October 27, 2016, except as to Note 1 which is as of November 20, 2016

# ALTERNATE HEALTH LABS INC.

## Statement of Financial Position

As at August 31, 2016

(Expressed in Canadian Dollars)

---

### ASSETS

#### Current assets

Cash	\$ 433,070
Accounts receivable (note 3)	723,946
Prepaid expenses	134,137
Share Subscription Receivable	1
	<u>1,291,154</u>

#### Other assets

Finance lease assets and other equipment (note 4)	<u>2,388,823</u>
---	------------------

\$ 3,679,977

### LIABILITIES AND SHAREHOLDER'S EQUITY

#### Current liabilities

Accounts payable and accrued liabilities (note 12)	\$ 908,198
Loan payable (note 5)	235,810
Income taxes payable	188,267
Current portion of finance leases payable (note 7)	<u>1,564,324</u>
	<u>2,896,599</u>

#### Long-term liabilities

Due to shareholder (note 6)	350,355
Long-term debt and obligations under finance lease (note 7)	<u>46,215</u>

3,293,169

#### Shareholder's equity

Share capital (note 8)	1
Retained earnings	<u>386,807</u>
	<u>386,808</u>

\$ 3,679,977

See accompanying notes to financial statements

Approved on behalf of the board

"Jim Griffiths", Director

"Michael Murphy", Director

# ALTERNATE HEALTH LABS INC.

## Statement of Earnings and Changes in Equity

For the period from incorporation on May 9, 2016

to August 31, 2016

(Expressed in Canadian Dollars)

<b>Revenue</b>	
Revenue (note 9)	\$ 2,255,554
Gain on foreign exchange	3,298
	<u>2,258,852</u>
<b>Operating expenses</b>	
Amortization	69,371
Lab supplies	392,382
Leasing interest	47,568
Office and general	94,219
Other management fees	241,106
Professional fees	14,725
Related party management fees (note 12)	546,119
Rent and occupancy costs	115,813
Salaries and related benefits	149,510
Subcontract	12,965
	<u>1,683,778</u>
<b>Earnings before income taxes</b>	575,074
<b>Income taxes</b>	<u>(188,267)</u>
<b>Net earnings</b>	386,807
Retained earnings, beginning of period	-
<b>Retained earnings, end of period</b>	<u>\$ 386,807</u>

See accompanying notes to financial statements

# ALTERNATE HEALTH LABS INC.

## Statement of Cash Flows

For the period from incorporation on May 9, 2016  
to August 31, 2016  
(Expressed in Canadian Dollars)

---

### Operating activities

Net earnings	\$ 386,807
Amortization	69,371
Changes in non-cash working capital accounts (note 10)	474,192
Cash provided by (used in) operating activities	930,370

### Financing activities

Advances from shareholder	350,355
Repayment of long-term debt and obligations under finance lease	(541,409)
Issuance (redemption) of share capital	1
Cash provided by (used in) financing activities	(191,053)

### Investing activities

Purchase of finance lease assets and other equipment	(306,247)
Cash provided by (used in) investing activities	(306,247)

Increase in cash	433,070
------------------	---------

Cash, beginning of period	-
---------------------------	---

Cash, end of period	\$ 433,070
---------------------	------------

See accompanying notes to financial statements

# ALTERNATE HEALTH LABS INC.

## Notes to Financial Statements

August 31, 2016

(Expressed in Canadian Dollars)

---

### 1. Nature of operations and statement re-issuance

Alternate Health Labs Inc. ("AHL" or "the Company") is a privately held, company operating in the medical services sector including operating toxicology laboratory that receives samples of biological material for screening. AHL was incorporated on May 9, 2016 under the Delaware General Corporation Law. The address of the Company's corporate office and its principal place of business is 1051 E Nakoma Dr, San Antonio, TX 78216, USA.

These financial statements were authorized for issuance by the Board of Directors of the Company on October 25, 2016.

#### Statements re-issued:

Subsequent to the issuance of the financial statements, management became aware of an error in the statement of cash flows. Certain amounts that related to the finance leases that the Company entered into, both as to the acquisition of the assets in question and as to the liability related thereto, were accounted for as cash flow items, when in fact the leases were entered into on a cash neutral basis. Since no cash traded hands at the time the leases were originated, the lease set up transaction should not have been reflected in the statement of cash flows. This has now been corrected. Cash flows from financing activities have been reduced by \$2,151,948 and cash flows from investing activities have been increased by \$2,151,948. There is no impact to the increase in cash for the year of \$433,070, and no impact on the statements of financial position or the statement of earnings and changes in equity.

### 2. Summary of significant accounting policies

#### (a) Statement of Compliance with International Financial Reporting Standards

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the Interpretations of the IFRS Interpretations Committee ("IFRIC").

#### (b) Functional and presentation currency

These financial statements are presented in Canadian dollars. The Company's functional currency is USA dollars.

#### (c) Basis of presentation

These financial statements have been prepared on a historical cost basis.

# ALTERNATE HEALTH LABS INC.

## Notes to Financial Statements

August 31, 2016

(Expressed in Canadian Dollars)

---

### 2. Summary of significant accounting policies (continued)

#### (d) Foreign exchange

Monetary assets and liabilities of the company which are denominated in foreign currencies are translated at period end exchange rates. Other assets and liabilities are translated at rates in effect at the date the assets were acquired and liabilities incurred. Revenue and expenses are translated at the rates of exchange in effect at their transaction dates. The resulting gains or losses are included in operations.

#### (e) Cash and cash equivalents

Cash and cash equivalents is defined as cash on hand, cash on deposit, and short term deposits with maturity dates of less than 90 days, net of cheques issued and outstanding at the reporting date.

# ALTERNATE HEALTH LABS INC.

## Notes to Financial Statements

August 31, 2016

(Expressed in Canadian Dollars)

---

### 2. Summary of significant accounting policies (continued)

#### (f) Use of estimates and judgments

The preparation of these financial statements requires management to make certain judgments, estimates and assumptions about the carrying amounts of assets and liabilities, revenue and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

Impairment of assets: When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value.

Accounts receivable: The Company carries trade accounts receivable at cost net of an allowance for doubtful accounts which provides for any uncertainty of collection. Judgment is required on the evaluation of future probable events that might impact a customer's ability or intention to make full payment of these accounts.

Depreciation: Depreciation is calculated to amortize the cost, less estimated residual value, of property and equipment on a declining balance or a straight-line basis over their expected useful lives.

Taxes: The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements.

# ALTERNATE HEALTH LABS INC.

## Notes to Financial Statements

August 31, 2016

(Expressed in Canadian Dollars)

---

### 2. Summary of significant accounting policies (continued)

#### (g) Revenue recognition

Revenue in the ordinary course of business is measured at the fair value of the consideration received or receivable.

The Company recognizes revenue when the product has been shipped or the services have been provided to the customer, the sales price is fixed and determinable and collectability is reasonably assured.

#### (h) Finance lease assets and other equipment

Finance lease assets and other equipment is recorded at cost. The company provides for amortization using the straight-line method at rates designed to amortize the cost of the finance lease assets and other equipment over its estimated useful life. The annual amortization rates are as follows:

---

Asset	Rate
Finance lease lab testing equipment	10 years
Office equipment	10 years
Computer hardware and software	3 years

---

#### (i) Current income tax

Current tax expense is the expected tax payable or receivable based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.



# ALTERNATE HEALTH LABS INC.

## Notes to Financial Statements

August 31, 2016

(Expressed in Canadian Dollars)

---

### 2. Summary of significant accounting policies (continued)

#### (j) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. The Company classifies financial instruments as either held-to-maturity, available-for-sale, fair value through profit or loss ("FVTPL"), loans and receivables, or other financial liabilities. Financial assets held to maturity, loans and receivables and other financial liabilities, are measured at amortized cost. Available-for-sale instruments are measured at fair value unless they are unlisted with no active market. In that case, they are measured at cost. Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in the statement of comprehensive income (loss).

The Company classifies financial instruments recognized at fair value in accordance with a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Financial assets and liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below; their classification depends on the purpose for which the financial instruments were required or issued, their characteristics and the Company's designation of such instruments.

The Company had made the following classifications: (i) Cash is classified as a financial asset at fair value through profit or loss; (ii) Accounts receivable and other receivables are classified as loans and receivables and are recorded at amortized cost; and, (iii) Accounts payable and accrued liabilities, are classified as other liabilities and measured at amortized cost using the effective interest method.

# ALTERNATE HEALTH LABS INC.

## Notes to Financial Statements

August 31, 2016

(Expressed in Canadian Dollars)

---

### 2. Summary of significant accounting policies (continued)

#### (k) Impairment of non-financial assets

The Company reviews its tangible and intangible assets for indications of impairment at the end of each reporting period or when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any indication of impairment exists, the asset's recoverable amount is estimated. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the assets belong. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

An impairment loss is recognized when the carrying amount of an asset, or its CGU, exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. In determining the value in use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in profit or loss. Where an impairment loss subsequently reverses the carrying amount of the asset or CGU is increased by the revised estimate of its recoverable amount but not beyond the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior periods. A reversal of such impairment loss is also recognized in profit or loss.

No impairment of non-financial assets have been recorded for the year ended August 31, 2016.

#### (l) Finance leases

Lease agreements that effectively transfer substantially all the risks and rewards of ownership of the leased assets to the Company are classified as finance leases. Assets held under finance leases are initially recognized at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly as an expense. Finance leased assets are reported under the relevant asset categories, with recognition of a corresponding financial liability. They are depreciated on a 10 year straight-line basis over the shorter of their estimated useful life or the term of the agreement.

# ALTERNATE HEALTH LABS INC.

## Notes to Financial Statements

August 31, 2016

(Expressed in Canadian Dollars)

### 3. Accounts receivable

All amounts in accounts receivable are current assets. No amount is past due and no amount is considered doubtful.

### 4. Finance lease assets and other equipment

	Cost	Accumulated amortization	Net Book Value
Finance lease lab testing equipment	\$ 2,151,948	\$ 53,799	\$ 2,098,149
Lab testing equipment	65,450	1,638	63,812
Office equipment	93,485	2,105	91,380
Computer hardware and software	147,312	11,830	135,482
	<u>\$ 2,458,195</u>	<u>\$ 69,372</u>	<u>\$ 2,388,823</u>

Amortization for the period amounted to \$69,371.

The total future minimum lease payments of the financed leased lab testing equipment is \$1,610,539 (note 7 and 13). \$1,564,324 is due in the 12 month ending Aug 2017 (present value of \$1,428,607) and \$46,215 is due thereafter (present value of \$42,205).

### 5. Loan payable

Loan payable to Alternate Health Inc.	\$ 235,810
---------------------------------------	------------

The above balance is unsecured, non interest bearing and is due on demand. Alternate Health Inc. has entered into an arms length agreement to purchase the Company.

### 6. Due to shareholder

The amount due to the shareholders is non-interest bearing, has no security and has no specific repayment terms. The shareholder has indicated that there will be no request for repayment of this amount during the next fiscal year, and accordingly this amount has been classified as a non-current liability in the accompanying financial statements.

# ALTERNATE HEALTH LABS INC.

## Notes to Financial Statements

August 31, 2016

(Expressed in Canadian Dollars)

---

### 7. Long-term debt and obligations under finance lease

The company is indebted under equipment lease obligations as follows:

---

Equipment lease obligations (originating at \$US 1,642,320 \$CDN 2,151,948) repayable in monthly installments of \$US 148,807 \$CDN 194,984 plus interest at 9.50%. There are six leases in total with the most current lease due Aug 2016 and the latest lease due Sept 2017. The cost of the equipment assets is \$US1,642,320 \$CDN 2,151,948) - note 4.	\$ 1,610,539
Less current portion	1,564,324
Due beyond one year	\$ 46,215

---

### 8. Share capital

---

#### Authorized

100 common shares

#### Issued

---

1 common share	\$ 1
----------------	------

---

### 9. Revenue

The revenue was obtained from processing 17,531 samples at \$100 US per sample.

### 10. Changes in non-cash working capital accounts

---

Accounts receivable	\$ (723,946)
Prepaid expenses	(134,137)
Share Subscription Receivable	(1)
Accounts payable and accrued liabilities	908,199
Loan payable	235,810
Income taxes	188,267
	\$ 474,192

---

# ALTERNATE HEALTH LABS INC.

## Notes to Financial Statements

August 31, 2016

(Expressed in Canadian Dollars)

---

### 11. Recent Accounting Pronouncements

#### Future Accounting Changes

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2016 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity’s own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IFRS 10 – Consolidated Financial Statements (“IFRS 10”) and IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption is permitted.

IFRS 15 - Revenue From Contracts With Customers (“IFRS 15”) proposes to replace IAS 18 - Revenue, IAS 11 - Construction contracts, and some revenue-related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2017. Earlier adoption is permitted.

Leases (“IFRS 16”) replaces IAS 17. The new model requires the recognition of almost all lease contracts on a lessee’s statement of financial position as a lease liability reflecting future lease payments and a ‘right-of-use asset’ with exceptions for certain short-term leases and leases of low-value assets. In addition, the lease payments are required to be presented on the statement of cash flow within operating and financing activities for the interest and principal portions, respectively. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15, Revenue from Contracts with Customers, is also applied. The Company is still evaluating the impact of the adoption of IFRS 16.

# ALTERNATE HEALTH LABS INC.

## Notes to Financial Statements

August 31, 2016

(Expressed in Canadian Dollars)

---

### 11. Recent Accounting Pronouncements (continued)

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption is permitted.

IAS 12 – Income Taxes (“IAS 12”) was amended in January 2016 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument’s holder expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude tax deduction resulting from the reversal of deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2017. Earlier adoption is permitted.

IAS 38 - Intangible Assets (“IAS 38”) and IAS 16 – Property, Plant and Equipment (“IAS 16”), were amended in May 2014 to introduce a rebuttable presumption that the use of revenue-based amortization methods is inappropriate. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption is permitted.

#### Accounting Changes in the Year

IFRS 13 – Fair Value Measurement (“IFRS 13”) was amended to clarify that the exception which allows fair value measurements of a group of financial assets and liabilities on a net basis applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or liabilities as defined in IAS 32. The amendment is effective for annual periods beginning on or after July 1, 2014. The Company adopted the amendments to IFRS 13 effective May 1, 2015.

IAS 24 – Related Party Disclosures (“IAS 24”) was amended to clarify that an entity providing key management services to the reporting entity or the parent of the reporting entity is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. The amendments to IAS 24 are effective for annual periods beginning on or after July 1, 2014. The Company adopted the amendments to IAS 24 effective May 1, 2015.

# ALTERNATE HEALTH LABS INC.

## Notes to Financial Statements

August 31, 2016

(Expressed in Canadian Dollars)

### 12. Related party transactions and key management compensation

The company is related to Sun Clinical Laboratory, LLC and LMK Management LLC by virtue of common control. Transactions and balances with this related party is as follows:

Revenue from Sun Clinical Laboratory, LLC	\$ 1,379,042
Accounts receivable from Sun Clinical Laboratory, LLC	302,980
Management fee to LMK Management LLC (key management compensation)	546,119
Management fee payable to LMK Management LLC	546,119

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties and are at rates typical of arms length market rates. The management fee paid to LMK Management LLC a related party to the shareholder by virtue of common control, is 49% of the toxicology screen reference fee net income. Toxicology screen reference fee net income is calculated by multiplying the number of monthly screens processed times a mutually agreed screen fee less all monthly fixed and variable expenses. This compensation is considered to be key management compensation.

Accounts payable and accrued liabilities include accrued management fees payable of \$546,119.

### 13. Commitments

The company has entered in to a lease agreement for a office facility at 1051 E Nakoma Dr, San Antonio, Texas for three years ending May 31, 2019 and lease agreements for equipment ending September 2017. Future minimum lease payments for the annual rent, including estimated common area expenses and equipment leases are as follows:

	Equipment lease	Premises lease
next 12 months	\$ 1,564,324	\$ 401,589
months 13 through 24	46,215	401,589
beyond 24 months	-	301,192
	\$ 1,610,539	\$ 1,104,370

The company has a ten year management agreement with LMK Management LLC, a related party to the shareholder, to pay a management fee of 49% of the toxicology screen reference fee net income (see note 12).

# ALTERNATE HEALTH LABS INC.

## Notes to Financial Statements

August 31, 2016

(Expressed in Canadian Dollars)

---

### **14. Economic dependence**

During the period, 100% of the Company's revenue was earned from two customers, and as such may be considered to be economically dependent on these two customers. 100% of outstanding trade accounts receivable balance at year end were from these two customers.



**SCHEDULE "F"**

**MANAGEMENT DISCUSSION AND ANALYSIS OF AHL**

**For the period from incorporation (May 9, 2016) to August 31, 2016**

## ALTERNATE HEALTH LABS INC.

### **MANAGEMENT DISCUSSION AND ANALYSIS FOR THE PERIOD FROM INCORPORATION, MAY 9, 2016 to AUGUST 31, 2016**

#### **General**

This management discussion and analysis of financial position and results of operations ("MD&A") is prepared as at November 29, 2016. These audited financial statements, have been prepared in accordance with the 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 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 financial statements and Management Discussion and Analysis ("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. This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made.

#### **Cautionary Statement on 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 or by the Company, foreign operations and foreign government regulations, competition, uninsured risks, capitalization requirements, commercial viability, environmental risks and obligations, and the requirement for obtaining permits and licenses for the Company's operations in the jurisdictions in which it operates.

#### **DATE OF MD&A**

This MD&A was prepared on November 29, 2016.

#### **OVERVIEW**

##### **Description of Business**

Alternate Health Labs Inc. ("AHL" or the "Company") is a privately held, Delaware company with offices at 1051 E. Nakoma Drive, San Antonio, TX, 78216 where it operates a toxicology laboratory. A toxicology laboratory receives and independently analyzes samples of biological material for various toxins, primarily drugs. A toxicology screen refers to the various tests that determine the type and approximate amount of legal and illegal drug a person has taken. Services include blood testing, saliva testing and urine testing.

The Company was incorporated by Michael Murphy ("Murphy") of San Antonio Texas to facilitate a Lab Development Agreement ("LDA") between Murphy and Alternate Health Inc. ("AHI") which is a company incorporated under the laws of Ontario, Canada. AHI is a medical services company that holds

exclusive licenses to proprietary electronic medical records ("EMR") and practice management systems. Its systems include technologies designed to track and control legally produced controlled substances (including prescription drugs), which provide compliant, safe, secure and accurate third party medical and financial reporting mechanisms for individuals and entities in the medical care environment. AHI's EMR software is particularly well suited to be the interface between physicians and toxicology laboratories. AHI determined that owning and operating toxicology laboratories would offer it opportunity to install its software into doctors' offices which would provide real time electronic test results as well as timely reimbursements from health care insurance providers. Through market research AHI also determined that toxicology screening services had good gross margins that could provide the company with good returns on a standalone basis that could be further enhanced by its EMR systems. Under the LDA, Murphy, an experienced lab operator agreed to establish a laboratory to be initially owned by him and transferred to AHI once it was up and operational. At the closing and transfer of AHI to AHI Murphy is to receive 1,920,000 AHI common shares. LMK Management LLC, an affiliate of Murphy will have a 10 year contract to manage the lab with a management fee that equals 49% of AHI's toxicology screen reference fee net income. Toxicology screen reference fee profits are net income is calculated by multiplying the number of monthly screens processed times a mutually agreed screen fee, initially ranging from USD\$100 to \$120 depending on the screen test, less all monthly fixed and variable expenses.

### **Status of Lab Development**

In May 2016, Murphy assumed leases for space and equipment on a recently closed toxicology lab at 1051 E. Nakoma Drive, in San Antonio, Texas. The original cost of the leased equipment which is capable of screening up to 70,000 samples per month was over US\$6 million. There are six capital leases with a remaining balance of US\$1.6 million owing which are scheduled to be fully paid from operating cash flow by November 2017 and title will have been conveyed to AHI. Murphy received all required licenses to operate the lab and commenced operations in June 2016. As part of AHI's closing due diligence its auditors completed an audit of AHI's financial statements discussed below in *Operations*.

### **SELECTED START UP INFORMATION**

The following is a summary of financial results for the Company's first three months of operations resulting from screening 17,351 samples:

	August 31, 2016	Per Sample
Total Assets	\$3,679,977	
Total Liabilities	\$3,293,169	
Total Revenues	\$2,255,554	\$130.00
Total Operating Expense	\$1,683,778	\$97.04
Earnings before Taxes	\$575,074	\$33.14

**Note:** The Company was incorporated on May 9, 2016 and commenced operations on June 1, 2016. Financial data in all tables in this MD&A have been prepared in accordance with IFRS and are reported in Canadian dollars.

## OPERATIONS

### *Overview*

Activities in the initial phase of establishing operations included locating a site for the laboratory, sourcing lab equipment and lab technicians as well as licensing the facility. The second phase was commencing the actual screening of samples and reporting results. Lastly throughout the first three months of business, management actively pursued contracts with aggregators for the ongoing monthly supply of samples. The first two phases have been completed. Progress on the last phase is ongoing including the following:

- Effective June 1, 2016 AHL signed a contract with Sun Clinical Laboratory LLC ("Sun"), an affiliate of Murphy, (the "Reference Lab Services Agreement") to perform lab tests at US \$120 per sample. Sun has advised AHL that it currently has demand for tests that exceeds its capacity by approximately 5,000 samples per month which it expects could grow to 50,000 samples per month in the next 12 months. The Company has no way to verify Sun's estimates and neither Sun nor AHL are obligated to deliver or receive samples.
- AHI has entered into a Mutual Co-operation and Consulting Agreement (the "Paradigm Consulting Agreement") with Paradigm Healthcare Solutions, LLC ("Paradigm") a large scale toxicology screen aggregator in Florida to exclusively refer toxicology samples (urine and blood) for processing to AHL via Sun. Paradigm is an arms' length party to Sun, Murphy, AHL, AHI. The Paradigm Consulting Agreement is for an ongoing term and is with AHI and its subsidiaries. It provides that Paradigm will refer (directly or indirectly) 150,000 toxicology samples per month on a staged, best efforts basis to AHL. The Paradigm Consulting Agreement is subject to the closing of a Share Exchange Agreement between the shareholders of AHI and Alternate Health Corp. ("AHC") a public company that has applied for a listing on the Canadian Securities Exchange ("CSE") and has agreed to do a one for one common share exchange with AHI's shareholders subject to receiving CSE and regulatory approval to list. If closed, AHI will become a wholly owned subsidiary of AHC. As consideration for entering this exclusive referral agreement and after the Share Exchange Agreement is closed, AHC will put 1,500,000 common Shares in escrow for Paradigm. These shares will be released in stages as follows: 250,000 shares will be released after it delivers 75,000 samples for each of two consecutive months and another 250,000 shares when it delivers 150,000 samples for a further two consecutive months and 250,000 shares for each hospital contract it signs for the benefit of Paradigm and AHI to a maximum of 4 hospitals. Paradigm has committed to refer (directly or indirectly) all of its commercial ongoing reference screening business to AHL on an exclusive basis. If AHL does not have the resources to process any of the referred samples, then the dedicated sample volume (otherwise referred but not delivered because of AHL capacity issues, if any) will be counted toward the samples delivered by Paradigm for the release of the common shares. Additional consideration received by AHI under the agreement is that Paradigm must pay a monthly management fee of 15% of its net proceeds to AHI as a consulting fee for marketing and administrative support including providing access to AHI's EMR Software. The parties are continuing to negotiate the meaning of "net proceeds" toward a mutually agreeable definition. The Paradigm Consulting Agreement may be terminated if not closed or extended by December 28, 2016 and is expected to close following the closing of the Share Exchange Agreement and LDA.

There can be no assurance that Sun or Paradigm will deliver samples, but should their best forecasts be realized AHL would have to double its existing capacity at a cost estimated by management of US\$ 2 million for additional equipment. Additional capacity would be acquired on a staged basis when monthly tests approach current capacity and new equipment can be financed from operating cash flows. The cost of additional staff is not included in the \$2 million as salaries are expected to be covered out of operating cash flows assumed to be at the sample-to-technician ratio experienced in the lab's first three months of operations. Risks to achieving expanded operations include contracting with new sources for samples, acquiring and financing equipment purchases and successfully hiring the additional lab technicians and administrative staff required to deal with the logistics of increased sample flow. In addition sales growth is subject to competition from other labs as well as changes to industry regulations and historical healthcare expense reimbursements from health insurance providers. Therefore, there are no assurances that growth can be achieved

### *Revenue*

Revenue of \$2,255,554 was earned from screening 17,531 samples in the first three months of operations to at an average rate per sample of \$130 (US\$100).

### *Operating Costs*

Operating costs for the period totaled \$1,683,778 including fixed costs of \$519,262 (\$29.62 per sample) and variable costs of \$1,164,516 (\$66.43 per sample). Fixed costs include lab occupancy costs (\$115,813), equipment amortization and capital lease interest (\$117,939), salaries and benefits (\$149,510) and third party management fees (\$136,000). Major components of variable costs include lab supplies (\$392,382), office and general (\$94,219), professional fees (\$14,725), third party management fees (\$105,106), and profit sharing management fees (\$546,119). ( See *Description of Business*)

## **LIQUIDITY AND CAPITAL RESOURCES**

During the Company's start-up phase it relied on its founding shareholder and AHL to provide capital resources including \$350,355 (US\$267,383) and \$235,810 (US\$180,000) from Murphy and AHL respectively. While management believes it is not likely to be needed, this support is expected to be continued if required. Murphy has verbally agreed that on closing the LDA he will accept 350,355 AHL shares or common shares of Alternate Health Corp. in lieu of repaying his US\$267,000 loan. On the books of the Company, the Murphy shareholder loan will be eliminated and recorded as share capital.

On August 31, 2016 the Company had \$433,070 in cash and a working capital deficiency of \$1,605,445 which included \$1,564,324 in capital lease payments with an average monthly payment of \$130,360. These payments are expected to be funded out of cash flow from operations such as they were during the first three months of operations. As outlined above ("*OPERATIONS- Overview*"), it is not expected that additional working capital will be required to fund the Company's growth.

## **OFF BALANCE SHEET ARRANGEMENTS**

The Company had no off balance sheet arrangements.

## **RELATED PARTY TRANSACTIONS**

The Company is related to Sun Clinical Laboratory, LLC ("**Sun**") and LMK Management LLC ("**LMK**") by virtue of common control. Transactions and balances with these related parties are as follows:

Revenue from processing samples referred by Sun totaled \$1,379,042 and at August 31, 2016 AHL had an accounts receivable from Sun of \$302,980. The per sample reference fee charged by AHL is typical of arms' length rates paid in the marketplace.

The Company has a 10 year management agreement with LMK to manage the laboratory. The management fee is success based and earns 49% of screen reference fee net income. Screen reference fee net income calculated by multiplying the number of monthly screens processed times a mutually agreed screen fee less all monthly fixed and variable expenses. The management fee earned and payable to LMK for the period ending August 31, 2016 was \$546,119 and the screen fee charged by AHL was \$130 (US\$100) per sample.

Murphy, AHL's sole shareholder, made a \$350,355 (US\$267,383) start up working capital loan to the Company. He has verbally agreed that on closing the LDA he will accept 350,355 AHL shares or common shares of Alternate Health Corp in a shares for debt transaction.. On the books of the Company the Murphy advance will be eliminated and recorded as share capital.

## **CRITICAL ACCOUNTING ESTIMATES**

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Areas requiring a significant degree of estimation and judgment relate to the fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets and liabilities and ability to continue as a going concern. Actual results may differ from those estimates and judgments.

## **Financial Instruments and Risk Management**

### **Fair Values**

The fair values of cash and equivalents, receivables and trade payables approximate their book values because of the short-term nature of these instruments.

#### ***(a) Financial Risk Management***

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company considers the fluctuations of financial markets and seeks to minimize potential adverse effects on financial performance.

#### ***(b) Financial Instrument Risk Exposure***

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management process.

#### ***Credit Risk***

Credit risk is the risk of a financial loss to the Company if counter-party to a financial instrument fails to meet its contractual obligation. The Company's exposure to credit risk includes cash and receivables. The

Company reduces its credit risk by maintaining its bank accounts at large international financial institutions. The Company reduces its customer credit risk by performing credit checks to validate their financial health. The maximum exposure to credit risk is equal to the fair value or carrying value of the financial assets.

#### *Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on its ability to generate positive cash flow from operations and or raise required funding through debt or capital issues. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

#### *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and service rates and equity prices. Such fluctuations may be significant.

#### *Interest rate risk*

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

#### *Foreign currency risk*

The Company is not currently exposed to foreign currency risk on fluctuations in exchange rates as all of its operations are currently in the United States. Its statements are presented in Canadian dollars but its functional currency is US dollars.

### **Contingencies**

The Company is not aware of any contingencies or pending legal proceedings as of the date of this MD&A.

### **NEW ACCOUNTING STANDARDS**

#### International Financial Reporting Standards ("IFRS")

The Company's audited financial statements as at August 31, 2016 have been prepared in accordance with IFRS as issued by the IASB.

**SCHEDULE "G"**

**PRO FORMA FINANCIAL STATEMENTS  
GIVING EFFECT TO THE SHARE EXCHANGE**

**As at December 31, 2015 and September 30, 2016**



Pro Forma Financial Statements of

**ALTERNATE HEALTH CORP.**

(Unaudited)

September 30, 2016

# ALTERNATE HEALTH CORP.

Pro Forma Table of Contents

September 30, 2016  
(Unaudited)

## Index to Financial Statements

	<u>Page</u>
Pro Forma Statement of Financial Position	1
Pro Forma Statement of Operations and Comprehensive Loss Sept. 30, 2016	3
Pro Forma Statement of Operations and Comprehensive Loss Dec. 31, 2015	4
Notes to Interim Condensed Financial Statements	5

# ALTERNATE HEALTH CORP.

## Pro Forma Statement of Financial Position

As at September 30, 2016  
(Unaudited)

	AHI Sept 30 2016	AHC Sept 30 2016	AHL Aug 31 2016	Pro Forma Adjustments (Note 3)	Pro Forma Sept 30 2016
<b>ASSETS</b>					
<b>Current assets</b>					
Cash	\$ 907,392	\$ 120	\$ 433,070	\$ (1,270)	\$ 1,339,312
Due from shareholder	18,585	-	-	-	18,585
Accounts receivable	-	-	723,947	-	723,947
Due From Alternate Health Corp	26,370	-	-	(26,370)	-
HST receivable	17,844	2,282	-	-	20,125
Loan receivable	234,540	-	-	(234,540)	-
Prepaid expenses and deposits	24,137	-	134,137	-	158,275
	1,228,868	2,402	1,291,154	(262,180)	2,260,244
<b>Other assets</b>					
Equipment	7,820	-	2,388,824	-	2,396,644
Goodwill	-	-	-	1,533,192	1,533,192
Internally Generated Intangible assets	945,307	-	-	-	945,307
	\$ 2,181,995	\$ 2,402	\$ 3,679,978	\$ 1,271,012	\$ 7,135,387

# ALTERNATE HEALTH CORP.

## Pro Forma Statement of Financial Position

As at September 30, 2016  
(Unaudited)

	AHI Sept 30 2016	AHC Sept 30 2016	AHL Aug 31 2016	Pro Forma Adjustments (Note 3)	Pro Forma Sept 30 2016
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>Current liabilities</b>					
Accounts payable and accrued liabilities	\$ 151,801	\$ 11,568	\$ 908,199	\$ -	\$ 1,071,567
Income taxes payable	-	-	188,267	-	188,267
Loan payable	-	-	235,810	(235,810)	-
Current portion of deferred revenue	179,296	-	-	-	179,296
Current portion of leases payable	-	-	1,564,324	-	1,564,324
Due to Alternate Health Inc	-	26,370	-	(26,370)	-
<b>Long-term liabilities</b>					
Due to corporate shareholder	521,381	-	350,355	-	871,737
Deferred revenue	27,965	-	-	-	27,965
Lease Payable	-	-	46,215	-	46,215
	880,443	37,938	3,293,170	(262,180)	3,949,371
<b>Shareholders' equity</b>					
Share capital (Note 4)	2,499,286	7,932	1	2,272,973	4,780,192
Deficit	(1,197,734)	(43,468)	386,807	(739,781)	(1,594,176)
	1,301,552	(35,536)	386,808	1,533,192	3,186,016
	\$ 2,181,995	\$ 2,402	\$ 3,679,978	\$ 1,271,012	\$ 7,135,387

See accompanying notes to interim condensed financial statements

# ALTERNATE HEALTH CORP.

## Pro Forma Statement of Operations and Comprehensive Loss

For the period ended September 30, 2016  
(Unaudited)

	AHI Nine month period ended Sept 30 2016	AHC Nine month period ended Sept 30 2016	AHL Four month period ended Aug 31 2016	Pro Forma Adjustments (Note 3)	Pro Forma Sept 30 2016
<b>Revenue</b>	\$ 143,480	\$ -	\$ 2,255,554	\$ -	\$ 2,399,034
<b>Operating expenses</b>					
Amortization	1,849	-	69,371	-	71,220
Amortization of intangibles	63,665	-	-	-	63,665
Consulting Fees	151,130	-	-	-	151,130
Interest	50,456	-	-	-	50,456
Lab Supplies	53,413	-	392,382	-	445,795
Listing expense (Note 2)	-	-	-	352,974	352,974
Loan interest	-	-	47,568	-	47,568
Office and general	31,479	6,444	94,219	-	132,142
Patent expenses	1,248	-	-	-	1,248
Professional fees	78,781	15,276	14,725	-	108,783
Related party management fees	-	-	546,119	-	546,119
Other management fees	-	-	241,106	-	241,106
Rent and occupancy	91,386	-	115,813	-	207,199
Salaries and related	30,128	-	149,510	-	179,637
Subcontract	-	-	12,965	-	12,965
Travel	5,047	-	-	-	5,047
	558,582	21,720	1,683,778	352,974	2,617,054
<b>Income (loss) before undernoted items and income taxes</b>	(415,102)	(21,720)	571,776	(352,974)	(218,020)
<b>Other income (expenses)</b>					
Gain (loss) on foreign exchange	(11,109)	-	3,298	-	(7,811)
	(426,211)	(21,720)	575,074	(352,974)	(225,831)
<b>Income taxes</b>					
Current	-	-	188,267	-	188,267
<b>Net and comprehensive earnings</b>	\$ (426,211)	\$ (21,720)	\$ 386,807	\$ (352,974)	\$ (414,098)
<b>Basic and Diluted pro forma loss per share</b>				-	(0.012)

See accompanying notes to interim condensed financial statements

# ALTERNATE HEALTH CORP.

## Pro Forma Statement of Operations and Comprehensive Loss

For the year ended December 31, 2015  
(Unaudited)

	AHI Year Ended Dec 31 2015	AHC Year Ended Dec 31 2015	AHL Year Ended Dec 31 2015	Pro Forma Adjustments (Note 3)	Pro Forma Dec 31 2015
<b>Revenue</b>	\$ 167,555	\$ -	\$ -	\$ -	\$ 167,555
<b>Operating expenses</b>					
Amortization	2,426	-	-	-	2,426
Amortization of internally generated intangible assets	73,219	-	-	-	73,219
Consulting fees (recovery)	(8,083)	-	-	-	(8,083)
Interest on long-term debt	22,548	-	-	-	22,548
License Fee Expense	5,583	-	-	-	5,583
Loss on foreign exchange	2,606	-	-	-	2,606
Office and general	27,715	7,201	-	-	34,915
Professional fees	108,796	14,547	-	-	123,343
Rent	121,848	-	-	-	121,848
Salaries and related benefits	40,170	-	-	-	40,170
Travel and automotive	4,017	-	-	-	4,017
	400,845	21,748	-	-	422,592
<b>Net and comprehensive loss</b>	\$ (233,290)	\$ (21,748)	\$ -	\$ -	\$ (255,037)
<b>Basic and Diluted pro forma loss per share</b>				-	(0.008)

See accompanying notes to interim condensed financial statements

# ALTERNATE HEALTH CORP.

## Notes to Pro Forma Financial Statements

September 30, 2016

(Unaudited)

---

### **I. Basis of Presentation**

Alternate Health Corp. ("AHC" and "Company") was incorporated on October 26, 2014, under the laws of the province of British Columbia, Canada. The head office, principal address, records office and registered address of the Company are located at 309 – 1485 6th Ave W, Vancouver, British Columbia, Canada, V6H 4G1. The pro forma financial statement have been compiled from and include the proposed transactions set out on Note 2.

These unaudited pro forma financial statements ("pro forma financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These pro forma financial statements do not contain all of the information required for annual financial statements. Accordingly, they should be read in conjunction with the most recent annual financial statements of AHC and Alternative Health Inc. ("AHI") as well as the audited financial statements of Alternate Health Labs Inc. ("AHL").

The unaudited pro forma financial statements have been compiled using the significant accounting policies as set out in the December 31, 2015 audited financial statements of AHC and AHI. Based on the review of the accounting policies of AHC, AHI and AHL, it is management's opinion that, there are no material accounting differences between the accounting policies of AHC, AHI and AHL. The unaudited pro forma financial statements should be read in conjunction with the historical financial statements and notes thereto of AHC, AHI and AHL.

It is management's opinion that these pro forma financial statements include all adjustments necessary for the fair presentation, in all material respects, of the proposed transactions described in Note 2, in accordance with IFRS applied on a basis consistent with AHC's accounting policies. No adjustments have been made to reflect potential cost savings that may occur subsequent to completion of the transaction. The pro forma statement of operations does not reflect non-recurring charges or credits directly attributable to the proposed transactions, of which none are currently anticipated.

These unaudited pro forma consolidated financial statements are not intended to reflect the financial position or results of operations which would have actually resulted if the events reflected herein had been in effect at the dates indicated. Actual amounts recorded once the transaction is completed are likely to differ from those recorded in the unaudited pro forma consolidated financial statements. Any potential synergies that may be realized and integration costs that may be incurred upon consummation of the transaction have been excluded from the unaudited pro-forma consolidated financial statements. Further, these unaudited pro forma consolidated financial statements are not necessarily indicative of the financial position or results of operation that may be obtained in the future.

# ALTERNATE HEALTH CORP.

## Notes to Pro Forma Financial Statements

September 30, 2016

(Unaudited)

---

### I. Basis of Presentation, continued

These pro forma financial statements have been compiled from and include:

a) an unaudited pro forma statement of financial position combining the unaudited statement of financial position of AHI as at Sept 30, 2016 with the unaudited statement of financial position of AHC as at Sept 30, 2016 and the audited statement of financial position of Alternate Health Labs Inc. ("AHL") as at August 31, 2016 giving effect to the proposed transactions as if they occurred on Sept 30, 2016; and

b) an unaudited pro forma statement of operations combining the unaudited statement of operations of AHI for the six month period ended Sept 30, 2016 with the unaudited statement of operations of AHC for the six month period ended Sept 30, 2016, and the audited statement of operations for AHL for the period ending from incorporation , May 9, 2016 to August 31, 2016 giving effect to the proposed transactions as if they occurred on Sept 30, 2016; and

c) an unaudited pro forma statement of operations combining the audited statement of operations of AHI for the year ended December 31, 2015, with the audited statement of operations of AHC for the year ended December 31, 2015.



# ALTERNATE HEALTH CORP.

Notes to Pro Forma Financial Statements

September 30, 2016  
(Unaudited)

---

## 2. Proposed Transactions

### (a) Share Exchange Agreement

On November 23, 2015, the Company, AHI and its shareholders signed a definitive share exchange agreement to complete a proposed acquisition of AHI by the Company (the "Share Exchange Agreement").

Pursuant to the terms of the Share Exchange Agreement, the Company will acquire all of the issued and outstanding shares of AHI in exchange for issuance of shares on a one for one basis to the AHI's shareholders, which will result in AHI becoming a wholly-owned subsidiary of the Company (the "Acquisition"). Pursuant to the terms of the proposed Acquisition the Company will issue 31,519,636 shares to the shareholders of AHI for the Acquisition resulting in AHI becoming a wholly owned subsidiary of the Company. 706,250 Warrants of the Company will also be issued to/exchanged with the holders of warrants of AHI on a one for one basis. The actual number of the Company's shares and warrants issued at closing will be increased by the number of additional AHI shares and warrants issued between September 30, 2016 and closing.

Legally, the share exchange transaction will result in AHI becoming a subsidiary of AHC. However, the result of the transaction is that AHI shareholders will own approximately 99% of the issued and outstanding common shares of AHC. Therefore the transaction will be a reverse takeover ("RTO") of AHC and AHI will be deemed the acquirer for accounting purposes.

As AHC did not qualify as a business according to the definition in IFRS 3, this RTO does not constitute a business combination; rather it is treated as an issuance of shares by AHI for the net assets of AHC. The consideration paid by AHI for AHC's net assets is measured by calculating the number of common shares that AHI would have had to issue to AHC shareholders in order to provide the same percentage ownership of the combined entity as they have in the combined entity as a result of the RTO. The fair value of AHI's common shares is used in measuring the consideration paid and is based on the weighted average price paid in cash by shareholders for their shares. This was calculated to be \$0.89 per share.

Number of shares deemed to be issued by AHI: 396,600

Fair value of shares deemed to be issued: \$352,974

The deemed acquisition cost of the RTO is then considered to be \$352,974. The net assets of AHC are considered to have a nil fair market value, and hence the deemed acquisition cost is accounted for as a listing expense and an increase to equity.

### (b) Agreement to acquire Alternative Health Inc. ("AHL")

On April 27, 2016 AHI entered into an agreement with Dr. Michael Murphy and his affiliates ("Murphy") to establish, equip and license a toxicology laboratory to be owned by AHI ("the Lab Acquisition Agreement"). The toxicology laboratory receives and independently analyzes samples of biological material for various toxins, primarily drugs. On May 10, 2016 Murphy incorporated AHL to own and operate the laboratory. On closing the Lab Acquisition Agreement, AHI will acquire 100% of the shares of AHL for 1,920,000 common shares of AHI with a fair value of \$1,920,000. Further the shares issued to Murphy will be exchangeable for

# **ALTERNATE HEALTH CORP.**

## Notes to Pro Forma Financial Statements

September 30, 2016

(Unaudited)

---

shares of AHC on a one for one basis under the terms of the Acquisition. Murphy established the lab by assuming space and capital leases on lab equipment from a company that was shutting its lab in San Antonio Texas. AHI has included the start up audited financial statements for AHL for the period from inception to August 31, 2016 in this pro forma statements.

# ALTERNATE HEALTH CORP.

## Notes to Pro Forma Financial Statements

September 30, 2016  
(Unaudited)

---

### 3. Pro Forma Assumptions and Adjustments

The unaudited pro forma financial statements incorporate the following pro forma assumptions:

- (a) The Acquisition is accounted for as a reverse acquisition along with a share based payment. The details of this are described in Note 2a. The amount of the deemed acquisition cost is accounted for as a \$352,974 listing expense and a corresponding increase to share capital.
- (b) Intercompany balances were eliminated upon consolidation. An elimination of a loan balance between AHI as at Sept 30 and AHL as at Aug 31 required a \$1270 credit to cash. The loan as at Sept 30, 2016 was \$234,540 while at August 31, 2016 the balance was \$235,810. The \$1270 credit to cash is a result of exchange rate differences between AHI and AHL between August 31, 2016 and September 30, 2016.
- (c) AHI's purchase price of \$1,920,000 for AHL, paid in common shares, exceeds the book value of AHL's net assets by \$386,807 giving rise to goodwill of \$1,533,192 and the elimination of AHL's retained earnings of \$386,807.

	Cash	Deficit	Share Capital
<b>Adjustment Summary</b>			
References are to above lettering			
	\$(1,270) (b)	\$352,974 (a)	\$352,974 (a)
		386,807 (c)	1,920,000 (c)
			(1) (c)
<b>Total adjustment</b>	<b>\$(1,270)</b>	<b>\$739,781</b>	<b>\$2,272,973</b>

# ALTERNATE HEALTH CORP.

Notes to Pro Forma Financial Statements

September 30, 2016  
(Unaudited)

---

## 4. Pro Forma Share Capital

Pro forma share capital as September 30, 2016 has been determined as follows:

	Number of common shares	Amount
<hr/>		
Issued		
Issued common shares of AHC, Sept 30, 2016	396,600	\$ 7,932
Issued common shares of AHL, Sept 30, 2016	31,519,636	2,499,286
Shares issued on purchase of AHL (note 2c)	1,920,000	1,920,000
Equity resulting from deemed acquisition costs on reverse takeover	-	352,974
	<hr/>	
Pro forma share capital	33,836,236	\$ 4,780,192
	<hr/>	

# ALTERNATE HEALTH CORP.

Notes to Pro Forma Financial Statements

September 30, 2016

(Unaudited)

## 5. Pro Forma Loss Per Share

Pro forma basic and diluted loss per share for the nine month period ended September 30, 2016 and the year ended December 31, 2015, has been calculated based on the pro forma shares outstanding as of September 30, 2016.

	<b>Nine Months Ended Sept 30, 2016</b>	<b>Year Ended Dec 31, 2015</b>
Basic pro forma loss per share computation	\$	\$
<b>Numerator:</b>		
Pro forma net profit (loss) available to shareholders	(414,098)	(255,037)
<b>Denominator:</b>		
Pro forma number of shares outstanding	33,836,236	30,431,600
Basic and Diluted pro forma earnings (loss) per share	(0.012)	(0.008)

## CERTIFICATE OF THE ISSUER

Date: November 29, 2016

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities previously issued by the issuer as required by the securities legislation of Ontario.

*(signed) "Marjorie Sanderson"*

**Marjorie Sanderson**  
Chief Executive Officer

*(signed) "James Griffiths"*

**James Griffiths**  
Chief Financial Officer

## ON BEHALF OF THE BOARD OF DIRECTORS

*(signed) "Rick Macartney"*

**Rick Macartney**  
Director

*(signed) "James Tykoliz"*

**James Tykoliz**  
Director

## CERTIFICATE OF AHI

Date: November 29, 2016

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities previously issued by Alternate Health Inc. as required by the securities legislation of Ontario.

*(signed) "Howard Mann"*

**Howard Mann**  
Chief Executive Officer

*(signed) "James Griffiths"*

**James Griffiths**  
Chief Financial Officer

## ON BEHALF OF THE BOARD OF DIRECTORS

*(signed) "Rick Macartney"*

**Rick Macartney**  
Director

*(signed) "James Tykoliz"*

**James Tykoliz**  
Director

## CERTIFICATE OF THE PROMOTERS

Date: November 29, 2016

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities previously issued by Alternate Health Inc. as required by the securities legislation of Ontario.

*(signed) "Rick Macartney"*

---

**Rick Macartney**  
Director

*(signed) "James Tykoliz"*

---

**James Tykoliz**  
Director



## **SCHEDULE "H"**

### **AUDIT COMMITTEE CHARTER**

#### **MANDATE**

The primary function of the audit committee (the "Committee") of Alternate Health Corp. (the "Company") is to assist the Board of Directors in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by the Company to regulatory authorities and shareholders, the Company's systems of internal controls regarding finance and accounting and the Company's auditing, accounting and financial reporting processes. The Committee's primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Company's financial reporting and internal control system and review the Company's financial statements.
- Review and appraise the performance of the Company's external auditors (the "Auditor").
- Provide an open avenue of communication among the Company's auditors, management and the Board of Directors.

#### **COMPOSITION, PROCEDURES AND ORGANIZATION**

The Committee shall consist of at least three members. Each member must be a director of the Company. A majority of the members of the Committee shall not be officers or employees of the Company or of an affiliate of the Company. At least one (1) member of the Committee shall be financially literate. All members of the Committee who are not financially literate will work towards becoming financially literate to obtain working familiarity with basic finance and accounting practices. For the purposes of this Charter, the term "financially literate" means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements.

The members of the Committee shall be appointed by the Board of Directors at its first meeting following the annual shareholders' meeting. Unless a Chair is elected by the full Board of Directors, the members of the Committee may designate a Chair by a majority vote of the full Committee membership. The Chair shall be financially literate.

The Board of Directors may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee.

#### **MEETINGS OF THE COMMITTEE**

Meetings of the Committee shall be scheduled to take place at regular intervals and, in any event, not less frequently than quarterly. Unless all members are present and waive notice, or those absent waive notice before or after a meeting, the Chairman will give the Committee members 24 hours' advance notice of each meeting and the matters to be discussed at such meeting. Notice may be given personally, by telephone, by facsimile or e-mail.

The Auditor shall be given reasonable notice of, and be entitled to attend and speak at, each meeting of the Committee concerning the Company's annual financial statements and, if the Committee determines it to be necessary or appropriate, at any other meeting. On request by the Auditor, the Chair shall call a meeting of the Committee to consider any matter that the Auditor believes should be brought to the attention of the Committee, the Board of Directors or the shareholders of the Company.

At each meeting of the Committee, a quorum shall consist of a majority of members that are not officers or employees of the Company or of an affiliate of the Company. A member may participate in a meeting of the Committee in person or by telephone if all members participating in the meeting, whether in person or by telephone or other communications medium other than telephone are able to communicate with each other and if all members who wish to participate in the meeting agree to such participation.

The Committee may periodically meet separately with each of management and the Auditor to discuss any matters that the Committee or any of these groups believes would be appropriate to discuss privately.

In addition, the Committee should meet with the Auditor and management annually to review the Company's financial statements.

The Committee may invite to its meetings any director, any manager of the Company, and any other person whom it deems appropriate to consult in order to carry out its responsibilities.

### **RESPONSIBILITIES AND DUTIES**

To fulfil its responsibilities and duties, the Committee shall:

- a) Review the Company's financial statements, including any certification, report, opinion, or review rendered by the Auditor, MD&A and any annual and interim earnings press releases before the Company publicly discloses such information.
- b) Review and satisfy itself that adequate procedures are in place and review the Company's public disclosure of financial information extracted or derived from its financial statements, other than disclosure described in the previous paragraph, and periodically assess the adequacy of those procedures.
- c) Be directly responsible for overseeing the work by the Auditor (including resolution of disagreements between management and the Auditor regarding financial reporting) engaged for the purpose of preparing or issuing an audit report or performing other audit review services for the Company.
- d) Require the Auditor to report directly to the Committee.
- e) Review annually the performance of the Auditor who shall be ultimately accountable to the Board of Directors and the Committee as representatives of the shareholders of the Company.
- f) Review and discuss with the Auditor any disclosed relationships or services that may impact the objectivity and independence of the Auditor.
- g) Take, or recommend that the Board of Directors take, appropriate action to oversee the independence of the Auditor.
- h) Recommend to the Board of Directors the external auditor to be nominated at the annual general meeting for appointment and the Auditor for the ensuing year and the compensation for the Auditors, or, if applicable, the replacement of the Auditor.
- i) Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the Auditor and former independent external auditors of the Company.
- j) Review with management and the Auditor the audit plan for the annual financial statements.
- k) Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services provided by the Auditor. The pre-approval requirement is waived with respect to the provision of non-audit services if:
  - (i) the aggregate amount of all such non-audit services that were not pre-approved is reasonably expected to constitute not more than 5% of the total amount of fees paid by the Company and its subsidiary entities to the Auditor during the fiscal year in which the non-audit services are provided,
  - (ii) such services were not recognized by the Company at the time of the engagement to be non-audit services; and

- (iii) such services are promptly brought to the attention of the Committee and approved, prior to the completion of the audit, by the Committee or by one or more members of the Committee to whom authority to grant such approvals has been delegated by the Committee.

The Committee may delegate to one or more independent members of the Committee the authority to pre-approve non-audit services in satisfaction of the pre-approval requirement set forth in this section provided the pre-approval of non-audit services by any member to whom authority has been delegated must be presented to the Committee at its first scheduled meeting following such pre-approval.

- l) In consultation with the Auditor, review with management the integrity of the Company's financial reporting process, both internal and external.
- m) Consider the Auditor's judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.
- n) Consider and approve, if appropriate, changes to the Company's auditing and accounting principles and practices as suggested by the Auditor and management.
- o) Review significant judgments made by management in the preparation of the financial statements and the view of the Auditor as to the appropriateness of such judgments.
- p) Following completion of the annual audit, review separately with management and the Auditor any significant difficulties encountered during the course of the audit, including any restrictions on the scope of the work or access to required information.
- q) Review any significant disagreement among management and the Auditor in connection with the preparation of the financial statements.
- r) Review with the Auditor and management the extent to which changes and improvements in financial or accounting practices have been implemented.
- s) Discuss with the Auditor the Auditor's perception of the Company's financial and accounting personnel, any material recommendations which the Auditor may have, the level of co-operation which the Auditor received during the course of their review and the adequacy of their access to records, data or other requested information.
- t) Review any complaints or concerns about any questionable accounting, internal accounting controls or auditing matters.
- u) Establish procedures for:
  - (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and
  - (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- v) Perform such other duties as may be assigned to it by the Board of Directors from time to time or as may be required by applicable regulatory authorities or legislation.
- w) Report regularly and on a timely basis to the Board of Directors on the matters coming before the Committee.
- x) Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board of Directors for approval.

#### **AUTHORITY**

The Committee is authorized to:

- to seek any information it requires from any employee of the Company in order to perform its duties;
- to engage, at the Company's expense, independent legal counsel or other professional advisors in any matter within the scope of the role and duties of the Committee under this Charter;
- to set and pay compensation for any advisors engaged by the Committee; and
- to communicate directly with the internal and external auditors of the Company.

This Charter supersedes and replaces all prior charters and other terms of reference pertaining to the Committee.

## SCHEDULE B

### Exchange Listing Statement Disclosure – Additional Information

#### General Development of the Business

3.1 On December 22, 2016, the Company closed its share exchange with Alternate Health Inc. (“AHI”). A total of 32,519,636 common shares of the Company were issued to former AHI Shareholders, and 606,250 replacement warrants. The replacement warrants have an exercise price of \$1.50 and expire in March, September and October 2017, respectively. AHI is now a wholly-owned subsidiary of the Company and the business of AHI is the Company’s principal focus. The Company has 32,916,236 common shares outstanding following closing of the share exchange.

On January 11, 2017, the Company closed three transactions that were described in its prospectus dated November 29, 2016, which forms part of this Listing Statement.

1. The Company closed the Lab Development Agreement with Dr. Michael Murphy (“Murphy”) by the acquisition of Alternate Health Labs Inc. (“AHL”) for consideration of 1,920,000 common shares of the Company at the previously agreed price of \$1.00 per share. AHL operates a toxicology laboratory in San Antonio, Texas with current testing equipment capacity to process up to 70,000 urine and blood samples a month and sufficient space to double its processing capacity. LMK Management LLC, a company controlled by Murphy will continue to manage AHL’s toxicology laboratory business.
2. The Company closed the Mutual Cooperation and Consulting Agreement with Paradigm Health Solutions LLC (“Paradigm”) with the issue of 1,500,000 common shares of the Company at the previously agreed price of \$1.00 per share. Paradigm is an aggregator of toxicology samples and under the Consulting Agreement it has agreed to direct all of its toxicology and blood samples to AHL via Sun Clinical Laboratories LLC (“Sun”) an entity indirectly controlled by Murphy. The 1,500,000 shares are being held in escrow and will be released in tranches as Paradigm achieves agreed sample delivery targets of up to 150,000 sample per month and/or signs four hospital contracts for the benefit of Paradigm and AHL.
3. The Company issued 350,000 common shares to Dr. Michelle Reillo as partial consideration for granting the Company and its subsidiaries the exclusive rights to commercialize her American Medical Association approved continuing medical education course on the use of medical Cannabis as well as rights to certain patents and ongoing research related to medical cannabis.

On December 23, 2016, the Company announced a private placement for gross proceeds of \$4,000,000 through the issuance of up to 2,666,667 common shares at \$1.50 per common share. The Company estimates that it will close approximately \$3,800,000 (gross proceeds) through the issuance of approximately 2,533,333 common shares concurrent with the Company’s listing.

#### Capitalization

##### 14.1 Capitalization

#### Issued Capital

	Number of Securities (non-diluted)	Number of Securities (fully- diluted)	% of Issued (non-diluted)	% of Issued (fully diluted)
<u>Public Float</u>				
Total outstanding (A)	37,036,591	39,442,841	100.0%	100.0%

Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B)	15,597,575	16,147,575	42.1%	41.0%
--	------------	------------	-------	-------

Total Public Float (A-B)	21,439,016	23,295,266	57.9%	59.0%
--------------------------	------------	------------	-------	-------

**Freely-Tradeable Float**

Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	19,416,730	19,416,730	52.4%	49.2%
---	------------	------------	-------	-------

Total Tradeable Float (A-C)	17,619,861	20,026,111	47.6%	50.8%
-----------------------------	------------	------------	-------	-------

**Public Securityholders (Registered)**

For the purposes of this report, "public securityholders" are persons other than persons enumerated in section (B) of the previous chart. List registered holders only.

**Class of Security**

<b><u>Size of Holding</u></b>	<b><u>Number of holders</u></b>	<b><u>Total number of securities</u></b>
1 – 99 securities		
100 – 499 securities		
500 – 999 securities		
1,000 – 1,999 securities	139	303,000
2,000 – 2,999 securities		
3,000 – 3,999 securities		
4,000 – 4,999 securities		
5,000 or more securities	48	20,892,316

187	21,195,316
-----	------------

**Public Securityholders (Beneficial)**

Include (i) beneficial holders holding securities in their own name as registered shareholders; and (ii) beneficial holders holding securities through an intermediary where the Issuer has been given written confirmation of shareholdings. For the purposes of this section, it is sufficient if the intermediary provides a breakdown by number of beneficial holders for each line item below; names and holdings of specific beneficial holders do not have to be disclosed. If an intermediary or intermediaries will not provide details of beneficial holders, give the aggregate position of all such intermediaries in the last line.

**Class of Security**

<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of securities</u>
1 – 99 securities		
100 – 499 securities		
500 – 999 securities		
1,000 – 1,999 securities	89	151,300
2,000 – 2,999 securities		
3,000 – 3,999 securities		
4,000 – 4,999 securities		
5,000 or more securities		
Unable to confirm	Unknown (CDS position)	92,400
	89 + CDS position	243,700

**Non-Public Securityholders (Registered)**

For the purposes of this report, “non-public securityholders” are persons enumerated in section (B) of the issued capital chart.

**Class of Security**

<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of securities</u>
1 – 99 securities		
100 – 499 securities		
500 – 999 securities		
1,000 – 1,999 securities		
2,000 – 2,999 securities		

3,000 – 3,999 securities		
4,000 – 4,999 securities		
5,000 or more securities	5	15,597,575
	5	15,597,575

14.2 Provide the following details for any securities convertible or exchangeable into any class of listed securities

Description of Security (include conversion / exercise terms, including conversion / exercise price)	Number of convertible / exchangeable securities outstanding	Number of listed securities issuable upon conversion / exercise
Warrants – exercisable at \$1.50 <ul style="list-style-type: none"> <li>425,000 warrants – expire May 23, 2017</li> <li>31,250 warrants – expire September 21, 2017</li> <li>150,000 warrants – expire October 11, 2017</li> </ul>	606,250	606,250
Stock Options – exercisable at \$1.00 until June 22, 2018	1,800,000	1,800,000

14.3 Provide details of any listed securities reserved for issuance that are not included in section 14.2.

The Issuer has no other listed securities reserved for issuance that are not included in section 14.2.



## CERTIFICATE OF THE COMPANY

Date: January 12, 2017

Pursuant to a resolution duly passed by its Board of Directors, Alternate Health Corp., hereby applies for the listing of the above mentioned securities on the Exchange. The foregoing contains full, true and plain disclosure of all material information relating to Alternate Health Corp. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

*"Marjorie Sanderson"*

---

**Marjorie Sanderson**  
Chief Executive Officer

*"James Griffiths"*

---

**James Griffiths**  
Chief Financial Officer

*"Rick Macartney"*

---

**Rick Macartney**  
Director

*"James Tykoliz"*

---

**James Tykoliz**  
Director

## CERTIFICATE OF AHI

Date: January 12, 2017

The foregoing contains full, true and plain disclosure of all material information relating to Alternate Health Inc. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

*"Howard Mann"*

---

**Howard Mann**  
Chief Executive Officer

*"James Griffiths"*

---

**James Griffiths**  
Chief Financial Officer

*"Rick Macartney"*

---

**Rick Macartney**  
Director

*"James Tykoliz"*

---

**James Tykoliz**  
Director

*"Rick Macartney"*

---

**Rick Macartney**  
Promoter

*"James Tykoliz"*

---

**James Tykoliz**  
Promoter