ALARIS ROYALTY CORP.

MANAGEMENT DISCUSSION AND ANALYSIS

This management's discussion and analysis ("**MD&A**") should be read in conjunction with the unaudited financial statements for the three and six months ended June 30, 2012 and June 30, 2011, and the audited annual financial statements for the years ended December 31, 2011 and December 31, 2010 for Alaris Royalty Corp., ("**Alaris**" or the "**Corporation**"). The Corporation's unaudited condensed consolidated interim financial statements and the notes thereto have been prepared in accordance with IAS 34 and are reported in Canadian dollars. These financial statements do not contain all disclosures required by International Financial Reporting Standards ("**IFRS**") for annual financial statements and, accordingly, should also be read in conjunction with the most recently prepared annual consolidated financial statements for the year ended December 31, 2011, which have been prepared in accordance with IFRS. Certain dollar amounts in the MD&A have been rounded to the nearest thousands of dollars.

This MD&A contains forward-looking statements that are not historical in nature and involve risks and uncertainties. Forward-looking statements are not guarantees as to the Corporation's future results since there are inherent difficulties in predicting future results. Accordingly, actual results could differ materially from those expressed or implied in the forward-looking statements. See "Forward Looking Statements" for a discussion of the risks, uncertainties and assumptions relating to those statements. Some of the factors that could cause results or events to differ from current expectations include, but are not limited to, the factors described under "Risks and Uncertainty". This MD&A also refers to certain non-IFRS measures, including EBITDA and Normalized EBITDA, to assist in assessing the Corporation's financial performance. The terms EBITDA and Normalized EBITDA (the "**Non-IFRS Measures**") are financial measures used in this MD&A that are not standard measures under IFRS. The Corporation's method of calculating the Non-IFRS Measures may differ from the methods used by other issuers. Therefore, the Corporation's Non-IFRS measures may not be comparable to similar measures presented by other issuers. See "Results of Operations" for a reconciliation of EBITDA and Normalized EBITDA to earnings.

EBITDA refers to earnings determined in accordance with IFRS, before depreciation and amortization, net of gain or loss on disposal of capital assets, interest expense and income tax expense. EBITDA is used by management and many investors to determine the ability of an issuer to generate cash from operations. Management believes EBITDA is a useful supplemental measure from which to determine the Corporation's ability to generate cash available for debt service, working capital, capital expenditures, income taxes and dividends.

Normalized EBITDA refers to EBITDA excluding items that are non-recurring in nature. Items include the gain on sale of Partner company interests**.**

The Corporation has provided a reconciliation of earnings to EBITDA in this MD&A. This Non-IFRS measure should only be used in conjunction with the Corporation's annual audited statements, excerpts of which are available below, while complete versions are available on SEDAR at www.sedar.com.

OVERVIEW

The Corporation earns its revenues by providing capital to private businesses (individually, a "**Private Company Partner**" and collectively the "**Partners**"). The Corporation's revenue consists of royalties and preferred distributions ("**Distributions**") received in regular monthly payments that are contractually agreed to between the Corporation and each Private Company Partner. These payments are set for twelve months at a time and adjusted annually based on the audited performance of each Private Company Partner's gross revenue, gross margin, same store sales, or other similar "top-line" performance measure. The Corporation has limited general and administrative expenses with only seven employees.

RESULTS OF OPERATIONS

Three Months Ended June 30, 2012 Compared to Three Months Ended June 30, 2011

Revenues for the three months ended June 30, 2012 reflect Distributions from transactions involving each of Alaris' eight Partners for that period. In the three months ended June 30, 2012, revenues from the Partners totaled $7.34 million compared to $5.23 million in the three months ended June 30, 2011. The increase of 40.2% compared to the prior period is a result of new Partners added in the last twelve months as well as year over year performance metric adjustments from each of the Partners. Revenues from LifeMark were $1.69 million compared to $2.78 million in the same prior year period, a decrease of 39.4% due to the reduction of the Corporation's interest in LifeMark on June 9, 2011. Revenues from LMS were $0.51 million in the period compared to $0.43 million in the prior year period, an increase of 19.2% due to the year over year performance adjustment based on the change in gross profit for LMS effective January 1, 2012. Revenues from End of the Roll were $0.28 million in the quarter compared to $0.32 million in the same prior year period, a decrease of 13.4% as a result of a same store sales decrease that was effective May 1, 2011. Distributions from KMH were $1.05 million in the period compared to $0.22 million in the same prior year period. The 366.6% increase due to a further investment into KMH of $22.4 million in October 2011. Distributions from Solowave were $1.24 million compared to $1.25 million in the same prior year period due to the year over year performance adjustment based on the 0.8% decrease in same customer net sales effective November 1, 2011. Distributions from Killick commenced in July 2011 and were $1.08 million in the period. Distributions from Quetico commenced in November 2011 and were $1.07 million in the period. Revenues from MEDIchair were nil in the quarter compared to $0.23 million for the same prior year period, as the MEDIchair royalty was sold in June 2011. See "Private Company Partner Update" for more information on the individual Partners' performance.

Finance costs of $496,846 in the period were 17.2% higher compared to $423,994 in the prior year period because the entire renewal fee on the senior debt facility was paid in June 2012 compared to half in the prior year as part of a staggered payment. This was offset by lower senior debt levels in 2012 that were made possible by the significant gain realized on the reduction of the Corporation's interest in LifeMark.

In the three months ending June 30, 2012, non-cash stock based compensation expenses decreased 32.6% to $349,488 (2011 - $518,353) that included: $97,975 to amortize the fair value of the RSU Plan (2011 – $363,872); $210,114 to recognize the fair value of outstanding stock options (2011 – $117,431); and $41,400 to recognize the fair value of shares issued to management in lieu of dividends under the RSU Plan (2011 - $37,050). The amount decreased in the period because management Restricted Share Units ("**RSU**s") are now fully amortized over the three year vesting period that ended late in 2011. The shares relating to the RSUs were issued on July 5, 2012. Also in the period, the Corporation made cash payments based on current dividend rates of $68,149 to employees and directors in lieu of dividends under the RSU Plan (2011 - $60,966).

Salaries and benefits were $1,218,740 in the period compared to $1,212,670 in the prior year period. The increase of 0.5% was due to small difference in the cost of benefits.
Corporate and office expenses were $216,745 compared to $191,012 in the prior year period and include office rent, travel and corporate administrative expenses. The 13.5% increase was due mostly to administrative expenses around the Corporation's foreign subsidiaries. Additionally, TSX fees and other regulatory administrative expenses increased along with the market capitalization of the Corporation compared to the prior year period.

Legal and accounting expenses were $343,672 for the period compared to $130,518 for the prior year period. The 163.3% increase was due to additional legal, accounting and tax costs associated with the Corporation's international subsidiaries.

Amortization and depreciation include the amortization of the intangible assets and the depreciation of capital assets. The Corporation amortizes its intangible assets over the term of the licensing agreement and depreciates capital assets over the estimated useful lives. The Corporation does not amortize preferred interests in limited partnerships. Since these transactions are treated as financial instruments, they are assessed for objective evidence of impairment at each balance sheet date. The Corporation recorded amortization and depreciation of $26,818 (2011 - $42,459) in the three months ended June 30, 2012. The amortization expense decreased compared to the prior year period with the sale of the MEDIchair royalty in June 2011.

The Corporation recorded earnings of $4.16 million and EBITDA and Normalized EBITDA of $5.22 million for three months ended June 30, 2012 compared to earnings of $22.71 million, EBITDA of $30.90 million and Normalized EBITDA of $3.20 million for the three months ended June 30, 2012. The increase in Normalized EBITDA can be attributed to the addition of new Partners in Killick (July 2011), Quetico (Dec 2011) and Labstat (June 2012). The difference in earnings and EBITDA is due to the June 2011 gain on the sale of MEDIchair and the reduction of interest in LifeMark.

Reconciliation of Net Income to EBITDA (thousands)	**3 months ending June 30, 2012**	**3 months ending June 30, 2011**
Earnings	$4,160	$22,711
Adjustments to Net Income:		
Amortization and depreciation	27	42
Interest expense	497	424
Income tax expense	533	7,727
EBITDA	**$5,217**	**$30,904**
Normalizing Adjustments		
Gain on sale of intangible assets	-	3,892
Gain on reduction of LifeMark interest	-	23,816
Normalized EBITDA	**$5,217**	**$3,196**

For the three months ended June 30, 2012, dividends were declared for April and May at $0.095 per common share and for June at $0.10 per common share totalling $5,660,208 for the period. In the prior year period, dividends were declared for $0.085 per common share in each month totalling $4,308,082.

A portion of the cash held at June 30, 2012 of $4.9 million was used to satisfy the dividend declared in June 2012 2012 (payable July 16, 2012).

The Corporation has a $50.1 million interest only senior debt facility with a two-member Canadian bank syndicate, which was drawn to $0.5 million at June 30, 2012.

The Corporation has recorded a $12.7 million Deferred income tax asset on its balance sheet to reflect the accounting value of unused tax pools based on the Corporation's internal projections.

Six Months Ended June 30, 2012 Compared to Six Months Ended June 30, 2011

Revenues for the six months ended June 30, 2012 reflect Distributions from transactions involving each of Alaris' eight Partners for that period. In the six months ended June 30, 2012, revenues from the Partners totaled $14.27 million compared to $10.87 million in the six months ended June 30, 2011. The increase of 31.3% compared to the prior period is a result of new Partners added in the last twelve months as well as year over year performance metric adjustments from each of the Partners. Revenues from LifeMark were $3.38 million compared to $5.85 million in the same prior year period, a decrease of 42.3% due to the reduction of the Corporation's interest in LifeMark on June 9, 2011. Revenues from LMS were $0.99 million in the period compared to $0.83 million in the prior year period, an increase of 18.4% due to the year over year performance adjustment based on the change in gross profit for LMS effective January 1, 2012. Revenues from End of the Roll were $0.62 million in the quarter compared to $0.71 million in the same prior year period, a decrease of 13.4% as a result of a same store sales decrease that was effective May 1, 2011. Distributions from KMH were $2.10 million in the period compared to $0.44 million in the same prior year period. The 372.8% increase due to a further investment into KMH of $22.4 million in October 2011. Distributions from Solowave were $2.48 million compared to $2.50 million in the same prior year period due to the year over year performance adjustment based on the 0.8% decrease in same customer net sales effective November 1, 2011. Distributions from Killick commenced in July 2011 and were $2.15 million in the period. Distributions from Quetico commenced in November 2011 and were $2.14 million in the period. Revenues from MEDIchair were nil in the period compared to $0.53 million for the same prior year period, as the MEDIchair royalty was sold in June 2011. See "Private Company Partner Update" for more information on the individual Partners' performance.

Finance costs of $623,025 in the period were lower compared to $843,393 in the prior year period because of lower senior debt levels in 2012 that were made possible by the significant gain realized on the reduction of the Corporation's interest in LifeMark.

In the six months ending June 30, 2012, non-cash stock based compensation expenses decreased 31.8% to $698,977 (2011 - $1,031,418) that included: $195,947 to amortize the fair value of the RSU Plan (2011 – $723,745); $420,228 to recognize the fair value of outstanding stock options (2011 – $233,573); and $82,800 to recognize the fair value of shares issued to management in lieu of dividends under the RSU Plan (2011 - $74,100). The amount decreased in the period because management Restricted Share Units ("**RSU**s") are now fully amortized over the three year vesting period that ended late in 2011 and we issued on July 5, 2012. Also in the period, the Corporation made cash payments based on current dividend rates of $136,295 to employees and directors in lieu of dividends under the RSU Plan (2011 - $121,932).

Salaries and benefits were $1,451,550 in the period compared to $1,436,007 in the prior year period. The increase of 1.1% was due to a small increase in the cost of benefits.

Corporate and office expenses were $513,372 compared to $468,151 in the prior year period and include office rent, travel and corporate administrative expenses. The 9.7% increase was due mostly to administrative expenses around the Corporation's foreign subsidiaries. Additionally, TSX fees and other regulatory administrative expenses increased along with the market capitalization of the Corporation compared to the prior year period.

Legal and accounting expenses were $528,998 for the period compared to $243,568 for the prior year period. The 117.2% increase was due to additional legal, accounting and tax costs associated with the Corporation's international subsidiaries.

The Corporation recorded amortization and depreciation of $53,357 (2011 - $89,631) in the six months ended June 30, 2012. The amortization expense decreased compared to the prior year period with the sale of the MEDIchair royalty in June 2011.

The Corporation recorded earnings of $8.13 million and EBITDA and Normalized EBITDA of $10.75 million for six months ended June 30, 2012 compared to earnings of $25.64 million, EBITDA of $35.41 million and Normalized EBITDA of $7.71 million for the six months ended June 30, 2011. The increase in Normalized EBITDA can be attributed to the addition of new Partners in Killick (July 2011), Quetico (Dec 2011) and Labstat (June 2012). The difference in earnings and EBITDA is due to the June 2011 gain on the sale of MEDIchair and the reduction of interest in LifeMark.

Reconciliation of Net Income to EBITDA (thousands)	**6 months ending June 30, 2012**	**6 months ending June 30, 2011**
Earnings	$8,135	$25,636
Adjustments to Net Income:		
Amortization and depreciation	53	90
Interest expense	623	843
Income tax expense	1,934	8,844
EBITDA	**$10,745**	**$35,413**
Normalizing Adjustments		
Gain on sale of intangible assets	-	3,892
Gain on reduction of LifeMark interest	-	23,816
Normalized EBITDA	**$10,745**	**$7,705**

For the six months ended June 30, 2012, dividends were declared for January through May at $0.095 per common share and for June at $0.10 per common share totalling $11,451,274 for the period. In the prior year period, dividends were declared for $0.085 per common share in each month totalling $8,621,337.

PRIVATE COMPANY PARTNER UPDATE

The Corporation's interest in each of the Partners consist of a preferred partnership interest or ownership of intellectual property with a return based on a formula linked to a top-line metric (sales or gross profit) rather than a residual equity interest in the net earnings of such entities. The Corporation's role with each of the Partners is passive in all cases. The Corporation has no involvement in the day to day business of each Private Company Partner and has no rights to participate in management decisions. The Corporation does not have any significant influence over any of the Partners nor does it have the ability to exercise control over such Partners. Instead, the Corporation has certain restrictive covenants in place designed to protect the ongoing payment of the annual royalties and distributions payable to Alaris. In addition, the Partners are required to obtain the consent of Alaris in certain circumstances prior to entering into a material transaction. Such transactions generally include acquisitions & divestitures, major capital expenditures and incurring additional indebtedness.

LifeMark – Physiotherapy and rehabilitation services have not historically seen any significant year over year swings as people will continue to get injured and require the services that LifeMark provides. However, based on the terms of the amended Partnership agreement dated June 9, 2011, the LifeMark distribution will now increase by 4% each period ending June 30. The current annualized distribution increases from $6.75 million to $7.02 million effective July 1, 2012. The distributions are now supported by LifeMark's parent company, Centric Health Corporation, a Canadian public company, who will report to Alaris quarterly going forward. For the three months ended March 31, 2012, Centric's revenues are over 300% and EBITDA is over 500% ahead of the prior year period results.

The significant year over year improvement comes from the impact of the LifeMark acquisition as the LifeMark acquisition only occurred at the end of the second quarter in 2011.

LMS – Volumes increased significantly in LMS' September 2011 fiscal year and have continued to improve based on work on hand and recent project bidding activity. Total gross profit is the top-line performance metric on which the annual distributions to the Corporation are reset. A portion of the annual distributions from LMS were reset on January 1, 2012 and the remainder on April 1, 2012 based on the September 2011 results which showed an increase in gross profits of 20%. Based on unaudited information provided by LMS management for the seven months ended April 30, 2012, revenue, gross profit and EBITDA are each ahead of last year's pace by more than 20%. LMS management expects continued improvement into its 2013 fiscal year.

End of the Roll – End of the Roll completed its seventh fiscal year as an Alaris partner on April 30, 2012. Same store sales results are the top-line performance metric on which the annual payments to the Corporation are reset. Same store sales for End of the Roll are estimated by End of the Roll management to be flat for the year ended April 30, 2012. Based on unaudited financial statements provided by End of the Roll management for the year ended April 30, 2012, revenues and EBITDA are both more than 5% ahead of prior year results.

KMH – In October 2011, the Corporation announced the purchase of additional preferred partnership units in KMH Limited Partnership for an aggregate acquisition cost of $22.4 million, on top of the $5 million in preferred partnership interests purchased in April 2010. KMH is a private healthcare company operating eight diagnostic clinics (nuclear medicine, cardiology and MRI) in Ontario and now four clinics in the United States. Distributions on the KMH preferred units were set at $875,000 for the first twelve months on the original $5 million transaction and are scheduled at $4.2 million for 2012 after the recent purchase of additional units. The $4.2 million annualized distribution was fixed for two years up until November 30, 2013 to add certainty to the Corporation during the integration of the new clinic acquisitions. Beyond November 30, 2013, same clinic sales is the top-line performance metric on which the annual distributions to the Corporation are reset. Based on unaudited information provided by KMH management for the five months ended April 30, 2012, revenue and EBITDA are more than 10% ahead of the prior year.

Solowave – In December 2010, the Corporation purchased preferred partnership units in Solowave Design Limited Partnership for an aggregate acquisition cost of $32.5 million. Solowave is a Canadian-based privately held designer and manufacturer of residential, ready-to-assemble wooden play centers. Solowave sells its products under the brands "Big Backyard" and "Cedar Summit Play Systems". Solowave's year end is October 31st and annual growth in Solowave's distributions to Alaris is capped at 6%. There is also a maximum decline in the annual distributions of 6%. The annual distributions go up and down with Same Customer Net Sales and Solowave's auditor prepared a schedule for the Corporation showing a same customer net sales decline of 0.8% for the 2011 period. The small decline a direct result of poor spring weather across North America in 2011 that impacted the level of spring re-orders. Based on unaudited financial statements provided by Solowave management for the six months ended April 30, 2012, revenue and EBITDA are modestly behind prior year results.

Killick – In July 2011, the Corporation announced the purchase of preferred partnership units in Killick Aerospace Partnership for an aggregate acquisition cost of $27.2 million. Killick is a Canadian-owned, Dallas-based privately help participant in the global aircraft maintenance, repair and overhaul industry. Killick's year end is December 31st and based on audited internal financial statements for the year ended December 31, 2011, revenues were 3.24% and EBITDA 1.9% ahead of the prior year results. Annual growth in Killick's distributions to Alaris is capped at 4% and is based on the change in gross revenues. There is also a maximum decline in the annual distributions of 4%. Based on unaudited information provided by Killick management for the four months ended April 30, 2012, revenue and EBITDA are significantly more than 4% ahead o f the prior year results.

Quetico – In November 2011, the Corporation announced the purchase of preferred LLC units in Quetico, LLC for an aggregate acquisition cost of $26.9 million USD. Quetico is a California based inventory management company which provides value added services to “big box” retailers, designers, manufacturers and outlet retailers in the soft goods category. Primarily offering value added inventory management and fulfillment solutions in apparel and accessories, the company has created a highly specialized niche within the industry. Quetico’s year end is December 31st and based on audited internal financial statements for the year ended December 31, 2011, revenues and EBITDA were well ahead of the prior year results. Annual growth in Quetico’s distributions to Alaris is capped at 10% and is based on the change in gross profits starting in the year ending December 31, 2012. There is also a maximum decline in the annual distributions of 20%. Based on unaudited information for the four months ended April 30, 2012 provided by Quetico management, revenue is down compared to the prior year, but the key performance metric of gross profit is approximately 5% ahead of the prior year period and EBITDA is over 10% ahead also.

Labstat – In June 2012, the Corporation announced the purchase of preferred LP units in Labstat, LP for an aggregate acquisition cost of $41.2 million. Labstat is the global leader in regulation-driven analyses of tobacco products. It provides tobacco chemistry and toxicology testing services for tobacco manufacturers, governments, and public and private entities alike. Labstat is based in Kitchener, ON but is a global business with customers in North America, Europe, South America, New Zealand and Asia. Labstat’s year end is April 30th and annual growth in Labstat’s distributions to Alaris is capped at 6% and is based on the change in gross revenues starting in the year ending April 30, 2013. There is also a maximum decline in the annual distributions of 6%.

LIQUIDITY AND CAPITAL RESOURCES

The Corporation has a $50.1 million senior credit facility ($0.5 million drawn at June 30, 2012) provided by two Canadian chartered banks. The senior facility was renewed on December 31, 2011 at an interest rate of Canadian prime plus 3% (a decrease of 0.5% over the prior renewal). The senior credit facility is an interest-only, 364-day revolving loan that is due December 31, 2012. The facility carries a three-year term out option in the event the loan is not renewed. Therefore at June 30, 2012, $41,667 is recorded as a current liability as the first potential principal repayment would be in January 2013 and then only if the facility is not renewed in December 2012. At June 30, 2012, the Corporation met all of its covenants as required by the senior credit facility. Those covenants include a maximum debt to EBITDA of 1.7:1 (0.02:1 at June 30, 2012); minimum tangible net worth of $236.7 million ($280.8 million at June 30, 2012); and a minimum fixed charge coverage ratio of 1:1 (1.24:1 at June 30, 2012). During the current period, the Corporation repaid $1 million on the senior credit facility out of working capital, drew down $43 million for the Labstat contribution and then repaid $46 million out of proceeds from an equity offering that closed on June 27, 2012.

The Corporation had 21.995 million voting common shares outstanding at June 30, 2012. The Corporation had working capital of approximately $0.4 million at June 30, 2012. Under the current terms of the various commitments, the Corporation has the ability to meet all current obligations as they become due.

WORKING CAPITAL

The Company's working capital (defined as current assets less current liabilities) at June 30, 2012 and December 31, 2011 is set forth in the tables below.

	2012	2011
Cash	4,892,646	3,888,465
Trade and other receivables	251,756	3,443,679
Prepayments	62,397	119,508
Total Current Assets	**$5,206,799**	**$7,451,652**
Accounts payable & accrued liabilities	2,378,672	1,546,705
Dividends payable	2,199,466	1,850,145
Income taxes payable	102,018	67,590
Loans and borrowings	83,333	-
Total Current Liabilities	**$4,763,489**	**$3,464,440**
Net Amount	**$443,310**	**$3,987,212**

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Upon initial recognition all financial instruments, including derivatives, are recognized on the balance sheet at fair value. Subsequent measurement is then based on the financial instruments being classified into one of five categories: held for trading, held to maturity, loans and receivables, available for sale and other liabilities. The Corporation has designated its financial instruments into the following categories applying the indicated measurement methods:

Financial Instrument	Category	Measurement Method
Cash and cash equivalents	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Preferred LP units	Available for sale	Fair value
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Bank indebtedness	Other liabilities	Amortized cost
Derivative financial instruments	Loans and receivables	Fair value

The Corporation will assess at each reporting period whether there is a financial asset, other than those classified as held for trading, that is impaired. An impairment loss, other than temporary, is included in net earnings.

The Corporation holds derivative financial instruments to hedge its foreign currency exposure. The Corporation has entered into forward contracts equal to the monthly and quarterly flow of funds from its investment in Quetico, the Corporation's lone foreign investment. The Corporation matched 100% of the 2012 scheduled distributions to the Canadian parent and 90% of the expected 2013 distributions resulting in an economic hedge of the foreign currency exposure. The fair value of the forward contracts will be estimated at each reporting date and any gain or loss on the contracts will be recognized in profit or loss.

The Corporation records all transaction costs incurred, in relation to the acquisition of investments classified as "available for sale", as an additional cost of the investment. The Corporation applies trade-date accounting for the recognition of a purchase or sale of cash equivalents and derivative contracts.

The Corporation has the following financial instruments that mature as follows:

	Total	0-6 Months	6 mo – 1 yr	1 – 2 years	3 – 4 years
Accounts payable and accrued liabilities	$2,378,672	2,378,672	$0	$0	$0
Dividends payable	2,199,466	2,199,466	0	0	0
Income taxes payable	102,018	102,018	0	0	0
Bank indebtedness	500,000	0	83,333	333,333	83,334
Total	**$5,180,156**	**$4,680,156**	**$83,333**	**$333,333**	**$83,334**

The Corporation has sufficient cash on hand to settle all current accounts payable, accrued liabilities, dividends payable and all scheduled repayments on the senior debt. In the event the senior debt is not renewed and principal payments become due, the debt would be refinanced, or alternatively, management expects that there would be sufficient cash flow from operations to meet all required repayments.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

There are no changes in internal controls over financial reporting. A complete discussion of the internal controls over financial reporting can be found under the MD&A that accompany the audited financial statements for the year ended December 31, 2011.

SUMMARY OF CONTRACTUAL OBLIGATIONS

Other than the senior credit facility described under “Liquidity and Capital Resources”, the only material contractual obligation of the Corporation is its lease for office space. The Corporation agreed to a new seven-year lease at a new location that commenced in 2009. Annual leasing costs will be approximately $160,000.

Contractual Obligations	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Long term debt	500,000	83,333	416,667	0	0
Office lease	731,774	80,221	499,062	152,491	0
Total Contractual Obligations	1,231,774	163,554	915,729	152,491	0

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

Management is required to make estimates when preparing the financial statements. Significant estimates include the amount of liabilities for services provided but not yet invoiced, stock-based compensation expenses, deferred income tax amounts, valuation of intangible assets and preferred limited partnership units.

The Corporation capitalizes legal and accounting costs relating to a specific transaction once a letter of intent has been signed. The Corporation's transactions structured as limited partnerships or LLC’s are not amortized and will be assessed for objective evidence of impairment at each balance sheet date. The Corporation's intangible assets are being amortized over the 80-year term of the agreements on a straight-line basis.

SUMMARY OF QUARTERLY RESULTS

Amounts are in thousands except for income (loss) per unit/share:

	Q2-12	Q1-12	Q4-11	Q3-11	Q2-11	Q1-11	Q4-10	Q3-10
Revenue	7,239	7,038	5,815	4,842	32,957	5,635	4,403	4,165
Earnings	4,160	3,957	6,369	2,721	22,710	2,925	2,100	2,808
Basic and Diluted Income (loss) per Share/Unit	$0.21 $0.20	$0.20 $0.20	$0.36 $0.35	$0.16 $0.16	$1.34 $1.30	$0.17 $0.17	$0.15 $0.14	$0.20 $0.20

All periods reflect the implementation of IFRS. Q4-2011 includes a recovery of deferred income taxes of $2.3 million. Q2-2011 includes the significant gains from the LifeMark Transaction. The net income for the three months ended December 31, 2010 was lower than the previous quarter due to a $0.4 million deferred income tax expense recorded in the period.

OUTSTANDING SHARES

At June 30, 2012 the Corporation had authorized, issued and outstanding, 21,994,661 voting common shares. In the six months ended June 30, 2012, the Corporation issued 2,515,000 by way of a short form prospectus and 4,451 shares under the Restricted Share Unit ("RSU") Plan.

At June 30, 2012, 384,400 restricted share units and 929,975 stock options were outstanding under the Corporation's long-term incentive compensation plans. The weighted average exercise price of the outstanding options is $12.96.

Subsequent to June 30, 2012, 290,650 RSUs vested and were issued on July 5, 2012 and the Corporation issued 706 shares to satisfy the dividend requirement under the RSU Plan. At July 26, 2012, the Corporation had 22,286,017 common shares outstanding.

OUTLOOK

Alaris' agreements with the Partners provide for payments estimated to provide the Corporation approximately $31.3 million of revenues for 2012. For the third quarter of 2012, those same agreements call for revenues of approximately $8.5 million for the Corporation. Annual general and administrative expenses are currently estimated at $3.5 million annually and include all public company costs. The senior debt facility is drawn to $0.5 million and the annual interest rate on that debt was approximately 6.0% at June 30, 2012. Cash requirements after net income are expected to be minimal, as current capital expenditures consist of office furniture and computer equipment.

The Corporation plans to continue to seek out and enter into transactions accretive to the Corporation's earnings per share in the current Private Company Partners and other private businesses.

Certain information contained herein may be considered to be future oriented financial information or financial outlook under applicable securities laws, the purpose of providing such information in this MD&A is to demonstrate the visibility the Corporation has with respect to its revenue streams, subject to the risks identified for the business, and readers are cautioned that the information may not be appropriate for other purposes. See also "Forward Looking Information" below.

RISKS AND UNCERTAINTY

A complete discussion of the risks faced by the Corporation can be found under the MD&A that accompany the audited financial statements for the year ended December 31, 2011.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward looking statements. Statements other than statements of historical fact contained in this MD&A may be forward looking statements, including, without limitation, management's expectations, intentions and beliefs concerning the growth, results of operations, performance and business prospects and opportunities of the Corporation and the Partners, the general economy, the amount and timing of the declaration and payment of dividends by the Corporation, the future financial position or results of the Corporation, business strategy, growth opportunities, budgets, projected costs and plans and objectives of or involving the Corporation or the Partners. In particular, this MD&A contains forward looking statements regarding the revenues anticipated to be received from the Partners and the Corporation's general and administrative expenses as well as the expected future performance of the Partners. Many of these statements can be identified by looking for words such as "believe", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues" or similar words or the negative thereof. There can be no assurance that the plans, intentions or expectations upon which these forward looking statements are based will occur. Forward looking statements are subject to risks, uncertainties and assumptions and should not be read as guarantees or assurances of future performance. Accordingly, readers are cautioned not to place undue reliance on any forward looking information contained in this MD&A. Statements containing forward looking information reflect management's current beliefs and assumptions based on information in its possession on the date of this MD&A. Although management believes that the expectations represented in such forward looking statements are reasonable, there can be no assurance that such expectations will prove to be correct.

Statements containing forward-looking information by their nature involve numerous assumptions and significant known and unknown facts and uncertainties of both a general and a specific nature. The forward looking information contained herein are based on certain assumptions, including assumptions regarding the performance of the Canadian and U.S. economies in 2012 and how that will affect our business and our ability to identify and close new opportunities with new Private Company Partners; the continuing ability of the Private Company Partners to pay the distributions; and the performance of the Private Company Partners. Some of the factors that could affect future results and could cause results to differ materially from those expressed in the forward looking statements contained herein include risks relating to: the dependence of the Corporation on the Partners; risks relating to the Partners and their businesses; reliance on key personnel; general economic conditions; failure to complete or realize the anticipated benefits of transactions; limited diversification of Alaris' transactions; management of future growth; availability of future financing; competition; government regulation; leverage and restrictive covenants under credit facilities; the ability of the Partners to terminate the various agreements with Alaris unpredictability and potential volatility of the trading price of the common shares; fluctuations in the amount of cash dividends; restrictions on the potential growth of the Corporation as a consequence of the payment by Alaris of substantially all of its operating cash flow; income tax related risks; future sales of common shares by significant shareholders; ability to recover from the Partners for defaults under the various agreements with Alaris; potential conflicts of interest; dilution; and liquidity of Common Shares. The information contained in this MD&A, including the information set forth under "Risks and Uncertainty", identifies additional factors that could affect the operating results and performance of the Corporation. Without limitation of the foregoing assumptions and risk factors, the forward looking statements in this MD&A regarding the revenues anticipated to be received from the Partners and the Corporation's general and administrative expenses are based on a number of assumptions including no adverse developments in the business and affairs of the Partners that would impair their ability to fulfill their payment obligations to the Corporation and no material changes to the business of the Corporation or current economic conditions that would result in an increase in general and administrative expenses.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward looking statements included in this MD&A are made as of the date of this MD&A and Alaris does not undertake or assume any obligation to update or revise such statements to reflect new events or circumstances except as expressly required by applicable securities legislation.

ADDITIONAL INFORMATION

Additional information relating to the Corporation, including the Corporation's Annual Information Form, is on available on SEDAR at www.sedar.com.