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, 2013 and June 30, 2012, and the audited annual financial statements for the years ended December 31, 2012 and December 31, 2011 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, 2012, 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, 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 including the gain on sale of Partner company interests.

The Corporation has provided a reconciliation of earnings to EBITDA and Normalized EBITDA in this MD&A. These Non-IFRS measures 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**") in exchange for long-term revenue streams. 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 eight employees.

RESULTS OF OPERATIONS

Three Months Ended June 30, 2013 Compared to Three Months Ended June 30, 2012

Revenues for the three months ended June 30, 2013 reflect distributions from transactions involving each of Alaris' eleven Partners for that period (2012 – eight). In the three months ended June 30, 2013, revenues from the Partners totaled $11.36 million compared to $7.34 million in the three months ended June 30, 2012. The increase of 54.9% compared to the same prior year 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 summarized in the following table. See "Private Company Partner Update" for more information on the individual Partners' performance.

Partner	3 months ending June 30, 2013	3 months ending June 30, 2012	Change	Comment
KMH	$2,067	$1,051	+96.7%	Further contributions into KMH of $27 million in the last half of 2012
Labstat	1,545	424	+264.1%	Contribution closed in June 2012, no reset until Jan 1/14
Killick	1,442	1,075	+34.1%	+3.1% based on gross revenue increase July 1/12, further contribution in Dec 2012
LifeMark	1,237	1,688	-26.7%	+4% fixed increase July 1/12, reduced interest by $30 million current quarter
Quetico	1,196	1,073	+11.4%	Max +10% increase on gross profit Jan 1/13, currency difference
Solowave	1,166	1,240	-6.0%	-6% Same customer sales decline Jan 1/13 due to softness in US market
SCR	674	-	N/A	Contribution closed in May 2013
SHS	625	-	N/A	Contribution closed in March 2013
LMS	624	508	+22.9%	+22.9% increase in gross profit Jan 1/13 due to increased volumes
Agility Health	512	-	N/A	Contribution closed in Dec 2012
End of the Roll	277	279	-0.8%	-0.8% same store sales decrease May 1/12
Total	$11,364	$7,338	+54.9%	

Finance costs of $351,577 in the period were lower compared to $496,846 in the prior year period because renewal fees on the senior debt credit facility were paid in the first quarter in 2013 and in the second quarter in 2012. Debt levels were much higher at June 30, 2013 as the Corporation drew down $70 million to fund the Sequel contribution in the last few days of June so it didn't materially impact the finance costs for the period.

In the three months ending June 30, 2013, non-cash stock based compensation expenses increased 114.0% to $748,061 (2012 - $349,488) that included: $356,066 to amortize the fair value of the RSU Plan (2012 – $97,975); $391,995 to recognize the fair value of outstanding stock options (2012 – $210,114); and $0 to recognize the fair value of shares issued to management in lieu of dividends under the RSU Plan (2012 - $41,400). The amount increased in the period because management Restricted Share Units ("RSUs") were fully amortized in the prior year period and new RSUs weren't issued until later in 2012. Additionally, new options were issued in September 2012 that increased the expense in the current period. Also in the period, the Corporation made cash payments based on current dividend rates of $64,631 to employees and directors in lieu of dividends under the RSU Plan (2012 - $68,149).

Salaries and benefits were $1,775,414 in the period compared to $1,218,740 in the prior year period. The increase of 45.7% was due to the estimate for the annual management bonus of $1.5 million compared to an estimate of $1.0 million in 2012.

Additionally, salary increases effective September 2012 based on an executive compensation review completed by a third party consultant and a new administrative hire, the eighth Alaris employee in September 2012, contributed to the increase.

Corporate and office expenses were $403,769 compared to $216,745 in the prior year period and include office rent, travel and corporate administrative expenses. The 86% increase was due to increased travel expenses consistent with an increase in deal flow, administrative expenses around the Corporation's increased market capitalization, and additional expenses relating to foreign subsidiaries. Additionally, the annual conference with Alaris partner company management has grown with the addition of new partners.

Legal and accounting expenses were $430,137 for the period compared to $343,672 for the prior year period. The 25.2% increase was due to additional legal costs incurred in the current period associated with a transaction that did not move ahead as well as additional accounting fees due to increased fees from the Corporation's tax advisor due to growth in the business.

Depreciation and amortization 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 $26,427 (2012 - $26,818) in the three months ended June 30, 2013.

The Corporation recorded earnings of $17.60 million, EBITDA of $21.79 million and Normalized EBITDA of $8.73 million for three months ended June 30, 2013 compared to earnings of $4.16 million and EBITDA and Normalized EBITDA of $5.45 million for the three months ended June 30, 2012. The increase in Normalized EBITDA can be attributed to the addition of new Partners in Labstat (June 2012), Agility Health (December 2012), SHS (March 2013) and SCR (May 2013) and follow-on investments into KMH and Killick in the second half of 2012 while expenses remained relatively consistent compared to the same prior year period. The increase in earnings and EBITDA were also increased by the $13.05 million gain on the partial redemption of LifeMark units in the current quarter.

Reconciliation of Net Income to EBITDA (thousands)	3 months ending June 30, 2013	3 months ending June 30, 2012
Earnings	$17,597	$4,160
Adjustments to Net Income:		
Amortization and depreciation	26	27
Finance costs	352	497
Income tax expense	3,810	762
EBITDA	$21,785	$5,446
Normalizing Adjustments		
Gain on reduction of LifeMark interest	(13,052)	-
Normalized EBITDA	$8,733	$5,446

For the three months ended June 30, 2013, dividends were declared for April and May at $0.105 per common share and for June at $0.115 per common share totalling $8,192,949 for the period. 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.

A portion of the cash held at June 30, 2013 of $5.4 million was used to satisfy the dividend declared in June 2013 (payable July 15, 2013).

The Corporation has a $50.1 million interest only senior debt facility with a two-member Canadian bank syndicate that was temporarily extended to $100.1 million to facilitate the Sequel contribution, and was drawn to $96 million at June 30, 2013. Subsequent to June 30, 2013, the $96 million was repaid with proceeds from an equity offering.

The Corporation has recorded a $5.5 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, 2013 Compared to Six Months Ended June 30, 2012

Revenues for the six months ended June 30, 2013 reflect distributions from transactions involving each of Alaris' eleven Partners for that period (2012 – eight). In the six months ended June 30, 2013, revenues from the Partners totaled $22.14 million compared to $14.27 million in the six months ended June 30, 2012. The increase of 55.2% 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 summarized in the following table. See "Private Company Partner Update" for more information on the individual Partners' performance.

Partner	6 months ending June 30, 2013	6 months ending June 30, 2012	Change	Comment
KMH	$4,135	$2,099	+97.0%	Further contributions into KMH of $27 million in the last half of 2012
Labstat	3,090	424	+628.2%	Contribution closed in June 2012, no reset until Jan 1/14
LifeMark	2,992	3,375	-11.4%	+4% fixed increase July 1/12, reduced interest by $30 million current quarter
Killick	2,884	2,150	+34.1%	+3.1% based on gross revenue increase July 1/12, further contribution in Dec 2012
Quetico	2,374	2,137	+11.1%	Max +10% increase on gross profit Jan 1/13, currency difference
Solowave	2,331	2,480	-6.0%	-6% Same customer sales decline Jan 1/13 due to softness in US market
LMS	1,209	987	+22.5%	+22.9% increase in gross profit Jan 1/13 due to increased volumes
Agility Health	1,016	-	N/A	Contribution closed in Dec 2012
SHS	826	-	N/A	Contribution closed in March 2013
SCR	674	-	N/A	Contribution closed in May 2013
End of the Roll	612	617	-0.8%	-0.8% same store sales decrease May 1/12
Total	$22,142	$14,269	+55.2%	

Finance costs of $946,638 in the period were higher compared to $623,025 in the prior year period because of higher senior debt levels in 2013 that resulted from the contribution to SCR in May 2013.

In the six months ending June 30, 2013, non-cash stock based compensation expenses increased to $1,477,760 (2012 - $698,977) that included: $698,078 to amortize the fair value of the RSU Plan (2012 – $195,949); $779,682 to recognize the fair value of outstanding stock options (2012 – $420,228); and nil to recognize the fair value of shares issued to management in lieu of dividends under the RSU Plan (2012 - $82,800). The amount increased in the period because management RSUs were fully amortized in the prior year period and new RSUs weren't issued until later in 2012. Additionally, new options were issued in September 2012 that increased the expense in the current period. Also in the period, the Corporation made cash payments based on current dividend rates of $129,263 to employees and directors in lieu of dividends under the RSU Plan (2012 - $136,295).

Salaries and benefits were $2,066,187 in the period compared to $1,451,550 in the prior year period. The increase of 42.4% was due to the estimate for the annual management bonus of $1.5 million compared to an estimate of $1.0 million in 2012. Additionally, salary increases effective September 2012 and a new administrative hire contributed to the increase.

Corporate and office expenses were $789,017 compared to $513,372 in the prior year period and include office rent, travel and corporate administrative expenses. The 53.7% increase was due mostly to the increase in travel and administrative expenses consistent with the growth of the business as well as the increase in costs for the Corporation's annual conference. 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 $576,834 for the period compared to $528,998 for the prior year period. The 9.0% increase was due to the growth of the business and additional costs from a transaction that did not go ahead.

The Corporation recorded amortization and depreciation of $52,855 (2012 - $53,357) in the six months ended June 30, 2013.

The Corporation recorded earnings of $24.34 million, EBITDA of $31.51 million and Normalized EBITDA of $18.46 million for the six months ended June 30, 2013 compared to earnings of $8.14 million, and EBITDA and Normalized EBITDA of $11.11 million for the six months ended June 30, 2012. The increase in Normalized EBITDA can be attributed to the addition of new Partners in Labstat (June 2012), Agility Health (December 2012), SHS (March 2013) and SCR (May 2013) and follow-on investments into KMH and Killick in the second half of 2012 while expenses remained relatively consistent compared to the same prior year period. The increase in earnings and EBITDA were also increased by the $13.05 million gain on the partial redemption of LifeMark units in the April and June 2013.

Reconciliation of Net Income to EBITDA (thousands)	6 months ending June 30, 2013	6 months ending June 30, 2012
Earnings	$24,342	$8,135
Adjustments to Net Income:		
Amortization and depreciation	53	53
Interest expense	947	623
Income tax expense	6,171	2,300
EBITDA	$31,513	$11,111
Normalizing Adjustments		
Gain on reduction of LifeMark interest	(13,052)	-
Normalized EBITDA	$18,461	$11,111

For the six months ended June 30, 2013, dividends were declared for January through May at $0.105 per common share and for June at $0.115 per common share totalling $16,091,867 for the period. In the prior year period, dividends were declared for $0.095 per common share in each of the first five months and $0.10 per common share in the sixth month totalling $11,451,274.

PRIVATE COMPANY PARTNER UPDATE

The Corporation's interest in each of the Partners consist of a preferred partnership interest or limited liability company 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 has numerous positive and negative covenants in place with its Partners designed to protect is distributions and typically Alaris' prior consent is required for items outside of the ordinary course of business. Alaris generally does not have significant voting rights in its Partners and accordingly the Corporation's ability to exercise direct control over the operations of its Partners (except with respect to Alaris' consent rights and in circumstances where there has been an uncured event of default and payment to Alaris has not been made) is limited.

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, the LifeMark distribution now increases by 4% each period ending June 30. The distributions are supported by LifeMark's parent company, Centric Health Corporation ("Centric""), a Canadian public company. For the three months ended March 31, 2013, Centric's revenues are 8.7% ahead and EBITDA is 17.0% behind the prior year period results. During the current quarter, Centric redeemed $30 million of the remaining partnership units ($65.5 million at March 31, 2013). The new annualized distributions from LifeMark will be $3.96 million and the remaining redemption value of the units is $35.5 million. The distribution and the redemption value will increase on July 1st, 2014.

LMS – Volumes have continued to increase and are expected to continue 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. LMS recently changed its year-end to December 31 and based on unaudited financial statements for the five months ended May 31, 2013, total gross profit dollars were over 20% ahead of the prior year due to increased volume and consistent margins. A portion of the annual distributions from LMS reset on January 1, 2014 and the remainder on April 1, 2014 based on the December 2013 results. LMS management expects continued improvement into its 2013 fiscal year.

Including the interest on two short-term promissory notes issued in January 2013, revenues from LMS are currently scheduled at $2.92 million for 2013.

End of the Roll – End of the Roll completed its eighth fiscal year as an Alaris partner on April 30, 2013. Same store sales results are the top-line performance metric on which the annual payments to the Corporation are reset. Based on unaudited financial statements for the year ended April 30, 2013, revenues and EBITDA are only slightly behind prior year results as the renovation industry was relatively stable year over year. Distributions are currently scheduled at $1.17 million for 2013.

KMH – In the second half of 2012, the Corporation purchased additional preferred partnership units in KMH Limited Partnership for an aggregate acquisition cost of $27.4 million, on top of the $5 million in preferred partnership interests purchased in 2010, and the $22.4 million in preferred partnership interests in 2011. KMH is a private healthcare company operating twelve diagnostic clinics (nuclear medicine, cardiology and MRI) in Ontario and now nine clinics in the United States. Based on audited financial statements for the year ended November 30, 2012, total revenues were 6% ahead of prior year results and EBITDA was over 50% ahead of prior year results due to the successful integration of a number of acquisitions in 2012. Same clinic sales is the top-line performance metric on which the annual distributions to the Corporation are reset but due to a number of transactions with the Corporation, it was agreed to push the next reset date back until January 1, 2014. Based on unaudited financial statements for the five months ended April 30, 2013, revenues and EBITDA are well ahead of prior year results. Distributions on the KMH preferred units are currently scheduled at $8.27 million for 2013.

Solowave – 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 was October 31st and based on audited financial statements for the year ended October 31, 2012, revenues were 6% lower and EBITDA was 12% lower than prior year results. The decline in revenue and EBITDA were a result of softness in the American market that was partially offset by growth in Canadian and international business. 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 same customer net sales declined just over the maximum 6% for the 2012 period. Solowave recently changed its year end to December 31st and based on unaudited financial statements for the five months ended May 31, 2013, revenues and EBITDA are consistent with prior year results. Distributions on the Solowave preferred units are currently scheduled at $4.66 million for 2013.

Killick – In December 2012, the Corporation announced the purchase of $9 million of additional preferred partnership units in Killick Aerospace Partnership in addition to the initial acquisition of units for $22.4 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 financial statements for the year ended December 31, 2012, revenues were 28% ahead and EBITDA was 17% ahead of the prior year results as Killick has continued to find new opportunities, particularly in the parts sales business. 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%. The distributions increased by 4.0% effective July 1, 2013 based on the audited December 2012 results. Based on unaudited financial statements for the five months ended May 31, 2013, revenues and EBITDA are well over 50% ahead of prior year results. Effective July 1, 2013, the annual distributions are currently scheduled at $5.97 million.

Quetico – Quetico is a provider of wholesale, inventory management and third party logistic services. Quetico's year end is December 31st and based on audited financial statements for the year ended December 31, 2012, gross profit and EBITDA were over 30% 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 profit. There is also a maximum decline in the annual distributions of 20%. The increase in gross profit was well in excess of the 10% maximum so distributions from Quetico increased 10% effective January 1, 2013 and are scheduled at approximately $4.7 million in Canadian dollars for 2013. Based on unaudited financial statements for the four months ended April 30, 2013, revenues and EBITDA are lagging behind the prior year results but Quetico management expects improved results over the remainder of the 2013 fiscal year and April results reflect that expectation. The Corporation has purchased monthly forward contracts locking in the foreign exchange rate for all of 2013 and 75% of 2014.

Labstat – In June 2012, the Corporation announced the purchase of partnership units in Labstat International, Limited Partnership for an aggregate acquisition cost of $41.2 million. Labstat is the global leader in regulation-driven analysis of tobacco products. Annual growth in Labstat's distributions to Alaris is capped at 6% and is based on the change in gross revenues. There is also a maximum decline in the annual distributions of 6%. The first reset on distributions will not occur until January 1, 2014 based on the audited December 2013 results. Based on unaudited financial statements provided by management for the five months ended May 31, 2013, revenues and EBITDA are lagging behind the prior year results as their customers have slowed down product testing ahead of the 2013 launch of the new regulations in the United States. During the first six months of 2013, the Corporation created a short-term credit facility of $4.6 million (drawn to $3.6 million at June 30, 2013) to ensure Labstat has sufficient working capital throughout the transition period. Labstat Distributions are currently scheduled at $6.18 million for 2013.

Agility – In December 2012, the Corporation announced the purchase of partnership units in Agility Health, LLC for an aggregate acquisition cost of $12.5 million USD. Agility is a private health care company specializing in rehabilitation services across the United States. Agility's year end is December 31st and the distributions to the Corporation will not change until the completion of Agility's 2013 fiscal year. Annual growth in Agility's distributions to Alaris is capped at 6% and is based on the change in same clinic sales. There is also a maximum decline in the annual distributions of 6%. Based on unaudited financial statements provided by management for the five months ended May 31, 2013, revenue is marginally ahead of the prior year results while EBITDA is behind prior year results. Distributions are currently scheduled at $1.99 million in Canadian dollars for 2013. The Corporation has purchased monthly forward contracts locking in the foreign exchange rate for all of 2013 and 75% of 2014.

SHS – In March 2013, the Corporation announced the purchase of partnership units in SHS Services Management, LP for an aggregate acquisition cost of $15 million. SHS is a private home services company operating in Canada. SHS's year end is December 31st and the distributions to the Corporation will not change until the completion of SHS's 2014 fiscal year. Annual growth in SHS's distributions to Alaris is capped at 6% and is based on the change in same program sales. There is also a maximum decline in the annual distributions of 6%. Distributions are currently scheduled at $2.5 million in Canadian dollars for the first twelve months. Based on unaudited financial statements for the five months ended May 31, 2013, SHS' revenue is behind the prior year due to the transition of ownership but the first reset is not until January 1, 2015.

SCR – In May 2013, the Corporation announced the purchase of partnership units in SCR Mining and Tunneling, LP for an aggregate acquisition cost of $40 million. SCR provides mining, surface and underground construction, electrical and mechanical services to the Canadian mining industry. SCR's year end is December 31st and the distributions to the Corporation will not change until the completion of SHS's 2015 fiscal year. Annual growth in SCR's distributions to Alaris is capped at 6% and is based on the net revenue. There is also a maximum decline in the annual distributions of 6%. Distributions are currently scheduled at $6.4 million in Canadian dollars for the first twelve months. Based on unaudited financial statements for the five months ended May 31, 2013, SCR's revenue is slightly behind the prior year but the first reset is not until January 1, 2016.

Sequel – Only July 1, 2013, the Corporation announced the purchase of preferred units in Sequel Youth and Family Services, LLC for an aggregate acquisition cost of $66 million US. Sequel is a privately owned company founded in 1999 which develops and operates programs for people with behavioral, emotional, or physical challenges. The Sequel contribution is disclosed in the Corporation's financial statements as "Advance on acquisition of preferred units" since the transaction closed subsequent to June 30, 2013.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2013, the Corporation had a $50.1 million senior credit facility that was increased to $100.1 million from June 25, 2013 through July 31, 2013 provided by two Canadian chartered banks ($96 million drawn at June 30, 2013). The senior facility was renewed on December 31, 2012 at an interest rate of Canadian prime plus 3% (no change). The senior credit facility is an interest-only, 364-day revolving loan that is due December 31, 2013. The facility carries a three-year term out option in the event the loan is not renewed. Since $46 million of the $96 million drawn is due July 31, 2013, that portion is included in current as well as $8.33 million that represents six months of potential principal repayment only if the facility is not renewed in December 2013. At June 30, 2013, 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 (1.66:1 at June 30, 2013); minimum tangible net worth of $302.3 million ($336.7 million at June 30, 2013); and a minimum fixed charge coverage ratio of 1:1 (1.54:1 at June 30, 2013). During the six months ending June 31, 2013, the Corporation repaid a total of $72 million as follows: $44 million from proceeds from a share offering, $21 million from proceeds from a partial redemption of LifeMark units, $5 million from proceeds from a private placement relating to the SHS transaction and $2 million out of working capital. During the six months ending June 30, 2013, the Corporation drew down $118 million as follows: $15 million for the SHS transaction, $31 million for the SCR contribution, $70 million for the Sequel contribution and $2 million for a short-term loan to Labstat and transaction fees. Subsequent to June 30, 2013 and prior to July 31, 2013, the Corporation repaid the entire outstanding balance of $96 million using proceeds from an equity offering.

The Corporation had negative working capital of approximately ($51.71 million) at June 30, 2013 but that includes $54.3 million in potential principal repayments in the event the credit facility isn't renewed. Given that the entire debt facility was repaid subsequent to June 30, 2013, the net working capital is $2.62 million. 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, 2013 and December 31, 2012 is set forth in the tables below.

	June 30, 2013	December 31, 2012
Cash	5,446,762	3,638,255
Trade and other receivables	3,151,262	3,417,642
Prepayments	121,198	182,811
Total Current Assets	**$8,719,222**	**$7,238,708**
Accounts payable & accrued liabilities	3,200,143	1,805,561
Dividends payable	2,899,043	2,345,347
Income taxes payable	600	40,585
Loans and borrowings	54,333,333	-
Total Current Liabilities	**$60,433,119**	**$4,191,493**
Net Amount	**($51,713,897)**	**$3,047,215**
Loans and borrowings (repaid in full in July 2013)	$54,333,333	-
Net Amount after debt adjustment	**$2,619,436**	**$3,047,215**

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 investments in Quetico, Agility and Sequel, the Corporation's three foreign investments. The Corporation matched 100% of the 2013 scheduled distributions to the Canadian parent and approximately 75% of the expected 2014 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	$3,200,143	$3,200,143	$0	$0	$0
Dividends payable	2,899,043	2,899,043	0	0	0
Income taxes payable	600	600	0	0	0
Bank indebtedness	96,000,000	0	54,333,333	33,333,333	8,333,334
Total	$102,099,786	$6,099,786	$54,333,333	$333,333,333	$8,333,334

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, 2012.

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 seven-year lease at a new location that commenced in 2009. Annual leasing costs will be approximately $175,000.

Contractual Obligations	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Long term debt	96,000,000	54,333,333	41,666,667	0	0
Office lease	600,977	87,948	513,029	0	0
Total	96,600,977	54,421,281	42,179,696	0	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:

	Q2-13	Q1-13	Q4-12	Q3-12	Q2-12	Q1-12	Q4-11	Q3-11
Revenue	24,351	10,807	9,037	8,792	7,239	7,038	5,815	4,842
Earnings	17,597	6,689	4,931	4,868	4,160	3,957	6,369	2,721
Basic and Diluted Income (loss) per Share/Unit	$0.70 $0.68	$0.27 $0.26	$0.22 $0.22	$0.22 $0.21	$0.21 $0.20	$0.20 $0.20	$0.36 $0.35	$0.16 $0.16

All periods reflect the implementation of IFRS. Q4-2011 includes a recovery of deferred income taxes of $2.3 million. Q2-2013 includes the significant gains from the partial redemption of LifeMark units.

OUTSTANDING SHARES

At June 30, 2013, the Corporation had authorized, issued and outstanding, 25,209,113 voting common shares. In the three months ended June 30, 2013, the Corporation did not issue any shares. Subsequent to June 30, 2013, the Corporation issued 3,377,000 shares through a short form prospectus with net proceeds going to repay all outstanding debt and 15,000 shares under the RSU Plan. At July 25, 2013, the Corporation had authorized, issued and outstanding, 28,651,073 voting common shares.

At June 30, 2013, 205,181 restricted share units and 1,207,761 stock options were outstanding under the Corporation's long-term incentive compensation plans. The weighted average exercise price of the outstanding options is $17.77.

SUBSEQUENT EVENTS

Subsequent to June 30, 2013, the Corporation issued 3,427,000 common shares by short form prospectus for gross proceeds of $105,894,300. Net proceeds of $100,599,585 were used to repay all of the $96,000,000 in outstanding debt at June 30, 2013.

On July 1, 2013, the Corporation acquired 810,000 Class C limited liability company units in Sequel Youth Family Services for $66 million US. At June 30, 2013, the $66 million US is recorded as an advance on acquisition of Preferred LP units. Pursuant to the operating agreement dated July 1, 2013, the Sequel units entitle the Corporation to receive an annual preferred distribution in priority to distributions on Sequel's common units in an amount equal to the preferred distribution for the prior fiscal year multiplied by the percentage increase or decrease in Sequel's same program revenues for the previous fiscal year. Distributions on the Sequel units are receivable monthly and are scheduled to be $9.9 million in US$ for the first twelve months.

OUTLOOK

Alaris' agreements with the Partners provide for payments estimated to provide the Corporation approximately $51.7 million of revenues for 2013. For the third quarter of 2013, those same agreements call for revenues of approximately $14.8 million for the Corporation. Annual general and administrative expenses are currently estimated at $5.0 million annually and include all public company costs. The senior debt facility was drawn to $96 million and the annual interest rate on that debt was approximately 6.0% at June 30, 2013. As at July 26, 2013, the Corporation had repaid all of its debt. 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, 2012.

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 future financial position or results of the Corporation, business strategy, growth opportunities, 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, business prospects and opportunities 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 2013 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.