Unaudited Condensed Consolidated Interim Financial Statements of

ALARIS ROYALTY CORP.

For the three and six months ended June 30, 2015

Alaris Royalty Corp.

Condensed consolidated statement of financial position (unaudited)

	Note	June 30 2015	December 31 2014
Assets			
Cash and cash equivalents		$20,537,538	$13,483,524
Prepayments and deposits	9	8,272,708	1,467,872
Trade and other receivables		6,039,699	5,551,730
Income tax receivable		-	1,866,572
Promissory notes receivable	4	8,234,945	8,965,000
Investment tax credit receivable		5,743,189	-
Current Assets		48,828,079	31,334,698
Promissory notes receivable	4	3,500,000	3,500,000
Equipment		564,303	109,565
Intangible assets	4	6,342,860	6,388,328
Investments at Fair Value	4	647,114,611	527,641,735
Investment tax credit receivable		3,891,077	10,922,393
Non-current assets		661,412,851	548,562,021
Total Assets		$710,240,930	$579,896,719
Liabilities			
Accounts payable and accrued liabilities		$2,709,264	$1,453,661
Dividends payable		4,182,870	4,009,045
Income taxes payable		1,003,315	-
Loans and borrowings	6	69,200,000	-
Foreign exchange contracts		2,158,596	1,541,630
Current Liabilities		79,254,045	7,004,336
Deferred income taxes		12,074,650	7,712,668
Loans and borrowings	6	75,000,000	35,500,000
Non-current liabilities		87,074,650	43,212,668
Total Liabilities		$166,328,695	$50,217,004
Equity			
Share capital	5	$500,185,139	$498,363,066
Equity reserve		10,702,551	8,858,711
Fair value reserve		(3,951,731)	(2,637,352)
Translation reserve		12,486,028	7,071,417
Retained Earnings		24,490,248	18,023,873
Total Equity		$543,912,235	$529,679,715
Total Liabilities and Equity		$710,240,930	$579,896,719

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Alaris Royalty Corp.

Condensed consolidated statement of comprehensive income (unaudited)

	Note	Three months ended June 30		Six months ended June 30	
		2015	2014	2015	2014
Revenues and other income					
Royalties and distributions	4	$17,446,917	$15,920,210	$36,227,126	$31,407,252
Interest and other		239,990	314,505	476,596	626,078
Gain on reduction of partner interests	4	-	-	2,792,457	-
Gain/(loss) on foreign exchange contracts		47,375	675,535	(2,000,872)	315,906
Total Revenue and other income		17,734,282	16,910,250	37,495,307	32,349,236
Expenses					
Salaries and benefits		1,301,737	2,353,965	1,805,678	2,691,243
Corporate and office		827,639	429,606	1,600,298	923,079
Legal and accounting fees		591,690	453,204	894,473	762,663
Non-cash stock-based compensation	7	1,125,443	1,110,080	2,454,778	1,833,142
Depreciation and amortization		47,531	27,699	76,823	54,315
Subtotal		3,894,040	4,374,554	6,832,050	6,264,442
Earnings from operations		13,840,242	12,535,696	30,663,257	26,084,794
Finance cost		696,548	876,075	1,480,928	2,041,212
Unrealized foreign exchange (gain)/loss		1,212,492	3,559,064	(9,553,823)	661,442
Earnings before taxes		11,931,202	8,100,557	38,736,152	23,382,140
Current income tax expense	9	1,570,399	(123,912)	3,429,123	1,548,144
Deferred income tax expense	9	1,409,527	(520,700)	4,547,831	1,129,800
Earnings		$8,951,276	$8,745,169	$30,759,198	$20,704,196
Other comprehensive income					
Net change in fair value of Preferred LP Units	4	2,176,700	(73,940)	2,176,700	(73,940)
Tax impact of change in fair value		(1,102,806)	128,800	(1,102,806)	128,800
Realized gain on reduction of partnership interest					
Tax impact of realized gain					
Foreign currency translation differences		(990,910)	(1,959,871)	5,414,611	(143,281)
Other comprehensive income for the period, net of income tax		82,984	(1,905,011)	6,488,505	(88,421)
Total comprehensive income for the period		$9,034,262	$6,840,158	$37,247,703	$20,615,775
Earnings per share					
Basic earnings per share		$0.28	$0.30	$0.96	$0.72
Fully diluted earnings per share		$0.27	$0.30	$0.94	$0.70
Weighted average shares outstanding					
Basic		32,175,921	28,902,064	32,165,687	28,808,539
Fully Diluted		32,718,883	29,443,718	32,848,703	29,451,067

Alaris Royalty Corp.

Condensed consolidated statement of changes in equity (unaudited)

For the six months ended June 30, 2014

	Notes	Share Capital	Equity Reserve	Fair Value Reserve	Translation Reserve	Retained Earnings	Total Equity
Balance at January 1, 2014		$413,237,576	$5,688,079	$(4,883,951)	$1,201,883	$14,515,589	$429,759,176
Total comprehensive income for the period							
Earnings for the period		-	-	-	-	20,704,196	20,704,196
Other comprehensive income							
Net change in fair value of Preferred units		-	-	(73,940)	-	-	(73,940)
Tax impact of change in fair value		-	-	128,800	-	-	128,800
Foreign currency translation differences		-	-	-	(143,281)	-	(143,281)
Total other comprehensive income		-	-	54,860	(143,281)	-	(88,421)
Total comprehensive income for the period		$-	$-	$54,860	(143,281)	$20,704,196	$20,615,775
Transactions with shareholders of the Company, recognized directly in equity							
Contributions by and distributions to shareholders of the Company							
Non-cash stock based compensation	7	$-	$1,833,142	$-	$-	$-	$1,833,142
Dividends to shareholders	5	-	-	-	-	(21,232,830)	(21,232,830)
Options exercised in the period	5	5,981	(528)	-	-	-	5,453
Shares issued in the period	5	87,417,135	-	-	-	-	87,417,135
Share issue costs, net of tax	5	(3,362,991)	-	-	-	-	(3,362,991)
Payments in lieu of dividends on RSUs	7	-	-	-	-	(174,595)	(174,595)
Total transactions with Shareholders of the Company		84,060,125	1,832,614	-	-	(21,407,425)	64,485,316
Balance at June 30, 2014		$497,297,701	$7,520,693	$(4,829,091)	$1,058,602	$13,812,360	$514,860,267

Alaris Royalty Corp.

Condensed consolidated statement of changes in equity (unaudited)

For the six months ended June 30, 2015

	Notes	Share Capital	Equity Reserve	Fair Value Reserve	Translation Reserve	Retained Earnings	Total Equity
Balance at January 1, 2015		$498,363,066	$8,858,711	$(2,637,352)	$7,071,417	$18,023,873	$529,679,715
Total comprehensive income for the period							
Earnings for the period		-	-	-	-	30,759,198	30,759,198
Other comprehensive income							
Net change in fair value of Preferred units				2,176,700			2,176,700
Tax impact of change in fair value				(1,102,806)			(1,102,806)
Gain on partner redemption		-	-	(2,792,457)	-	-	(2,792,457)
Tax impact on realized gain		-	-	404,184	-	-	404,184
Foreign currency translation differences		-	-	-	5,414,611	-	5,414,611
Total other comprehensive income		-	-	(1,314,379)	5,414,611	-	4,100,232
Total comprehensive income for the period		$-	$-	$(1,314,379)	$5,414,611	$30,759,198	$34,859,430
Transactions with shareholders of the Company, recognized directly in equity							
Contributions by and distributions to shareholders of the Company							
Non-cash stock based compensation	7	$-	$2,460,878	$-	$-	$-	$2,460,878
Dividends to shareholders	5	-	-	-	-	(24,292,823)	(24,292,823)
Options exercised in the period	5	1,466,073	(261,038)	-	-	-	1,205,035
Shares issued after Director RSU vesting	5	356,000	(356,000)	-	-	-	-
Total transactions with Shareholders of the Company		1,822,073	1,843,840	-	-	(24,292,823)	(20,626,910)
Balance at June 30, 2015		$500,185,139	$10,702,551	$(3,951,731)	$12,486,028	$24,490,248	$543,912,235

Alaris Royalty Corp.

Condensed consolidated statement of cash flows (unaudited)

For the six months ended June 30

	Note	2015	2014
Cash flows from operating activities			
Earnings from the period		$30,759,198	$20,704,196
Adjustments for:			
Finance costs		1,480,928	2,041,212
Deferred income tax expense		4,547,831	1,129,800
Depreciation and amortization		76,823	54,315
Unrealized foreign exchange loss/(gain)		(9,553,823)	133,017
(Gain)/Loss on forward contracts		616,966	(315,906)
(Gain)/Loss on reduction of partner interests		(2,792,457)	-
Non-cash stock based compensation	7	2,454,778	1,833,142
		27,590,244	25,579,776
Change in:			
-trade and other receivables		1,378,603	(1,745,412)
-prepayments		(6,804,836)	(1,192,740)
-trade and other payables		2,258,918	2,434,627
Cash generated from operating activities		24,422,929	25,076,251
Interest paid		(1,480,928)	(2,041,212)
Net cash from operating activities		$22,942,001	$23,035,039
Cash flows from investing activities			
Acquisition of equipment		(486,092)	(47,674)
Acquisition/disposition of Preferred LP Units	4	(146,918,721)	(38,872,862)
Proceeds from reduction in Preferred LP Units		44,300,000	-
Net cash used in investing activities		$(103,104,813)	$(38,920,536)
Cash flows from financing activities			
New share capital, net of share issue costs	5	-	82,933,144
Proceeds from exercise of options	5	1,205,035	5,453
Borrowing of senior debt	6	149,200,000	37,700,000
Repayment of senior debt	6	(40,500,000)	(82,200,000)
Promissory notes issued	4	(3,000,000)	(50,000)
Promissory notes repaid	4	3,230,055	1,000,000
Dividends paid	5	(24,118,995)	(20,676,546)
Payments in lieu of dividends on RSUs	7	-	(174,595)
Net cash from financing activities		$86,016,095	$18,537,456
Net increase in cash and cash equivalents		5,853,283	2,651,959
Impact of foreign exchange on cash balances		1,200,731	-
Cash and cash equivalents, Beginning of period		13,483,524	8,998,342
Cash and cash equivalents, End of period		$20,537,538	$11,650,301

1. **Reporting entity:**

Alaris Royalty Corporation is a company domiciled in Calgary, Alberta, Canada. The condensed consolidated interim financial statements of the Company as at and for the three and six months ended June 30, 2015 comprise the Company and its subsidiaries (together referred to as the "Corporation"). The Corporation's Canadian operations are conducted through a partnership. The Corporation's United States operations are conducted through a Delaware Corporation formed on October 21, 2011. The Corporation's operations consist primarily of investments in private operating entities, typically in the form of preferred limited partnership interests, preferred interest in limited liability corporations in the United States, or long-term license and royalty arrangements. The Corporation also has a wholly-owned subsidiary in the Netherlands, Alaris Cooperatief U.A. ("Alaris Cooperatief").

2. **Statement of compliance:**

(a) Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 - "Interim Financial Reporting". The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements. These interim financial statements should be read in conjunction with the audited financial statements and accompanying notes disclosed in the Corporation`s annual report for the year ended December 31, 2014. These interim financial statements were approved by the Board of Directors on July 28, 2015.

(b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Available-for-sale financial assets (Preferred LP units and Preferred LLC units) are measured at fair value with changes in fair value recorded in other comprehensive income
- Derivative financial instruments are measured at fair value

(c) Functional and presentation currency

These condensed consolidated interim financial statements are presented in Canadian dollars which is the Corporation's functional currency. Alaris USA has the United States dollar, while Alaris Cooperatief has the Canadian dollar as the functional currencies.

(d) Use of estimates and judgments

The preparation of the condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Information about assumptions, judgments and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next twelve months are as follows:

Key judgments

A key judgment relates to the consideration of control, joint control and significant influence. The Corporation has agreements with various partners and these agreements include not only clauses as to distributions but also various protective rights. The Corporation has assessed these rights under IFRS 10 and 11 and determined that consolidation is not required.

Key assumptions used in discounted cash flow projections

Key assumptions used in the calculation of the fair value of available for sale financial assets are discount rates, terminal value growth rates and annual performance metric growth rates. See note 8 for details in respect of the calculation.

Utilization of tax losses

Management makes estimates on future taxable income that generates the calculations for the deferred income tax expense, assets and liabilities.

Income taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. Management reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

3. Significant accounting policies:

There have been no changes to the Corporation's accounting policies from those disclosed in the consolidated financial statements of the Corporation for the years ended December 31, 2014 and 2013.

These condensed consolidated interim financial statements were prepared on the same basis of the audited financial statements for the year ending December 31, 2014.

4. Investments

June 30, 2015		Acquisition Cost		Capitalized Cost		Net Cost		Fair Value
LifeMark Health	$	19,502,159	$	499,894	$	20,002,053	$	38,397,000
LMS		54,228,822		333,280		54,562,102		33,028,822
Solowave		42,500,000		511,253		43,011,253		45,974,000
KMH		54,800,000		589,147		55,389,147		50,001,153
Labstat		47,200,000		518,944		47,718,944		46,998,944
Agility Health		25,112,940		777,718		25,890,658		24,981,095
SCR		40,000,000		487,339		40,487,339		37,988,339
Sequel		91,830,900		713,365		92,544,265		98,132,644
SMi		40,500,000		717,310		41,217,310		42,617,310
Kimco		36,482,480		1,043,210		37,525,690		36,950,967
Planet Fitness		43,729,000		784,793		44,513,793		44,513,793
DNT		87,458,000		703,393		88,161,393		88,161,393
Federal Resources		8,694,700		-		8,694,700		8,694,700
Total LP and LLC Units		592,039,001		7,679,647		599,718,648		596,440,160
FR Loan Receivable		49,684,000		698,451		50,382,451		50,674,451
Total Investments	$	641,723,001	$	8,378,097	$	650,101,098	$	647,114,611
December 31, 2014		**Acquisition Cost**		**Capitalized Cost**		**Net Cost**		**Fair Value**
LifeMark Health	$	19,502,159	$	499,894	$	20,002,053	$	36,920,000
LMS		54,228,822		333,280		54,562,102		33,028,822
Solowave		42,500,000		511,253		43,011,253		44,000,000
KMH		54,800,000		589,147		55,389,147		52,001,153
Killick		41,250,000		257,544		41,507,544		44,300,000
Labstat		47,200,000		518,944		47,718,944		46,998,944
Agility Health		23,358,210		723,376		24,081,586		24,081,586
SCR		40,000,000		487,339		40,487,339		40,487,339
Sequel		85,414,350		663,519		86,077,869		86,888,776
SMi		40,500,000		717,310		41,217,310		42,617,310
Kimco		33,933,320		970,317		34,903,637		34,903,637
Planet Fitness		40,673,500		713,855		41,387,355		41,387,355
Capitalized costs		-		26,813		26,813		26,813
	$	523,360,361	$	7,012,591	$	530,372,952	$	527,641,735

The difference in the acquisition cost of Agility, Sequel, Kimco and Planet Fitness at June 30, 2015 and December 31, 2014 is due to foreign currency translation.

At December 31, 2014, the Corporation held 4,125,000 preferred partnership units ("Killick Units") in Killick Aerospace Limited Partnership ("Killick") acquired for an aggregate acquisition cost of $41.25 million. On January 29, 2015, Killick repurchased those units for $44.3 million. At the time of redemption, a previously unrecognized pre-tax gain on the value of these partnership units of $2.79 million was transferred from the fair value reserve in equity to the statement of comprehensive income.

Investment in DNT Construction, LLC (“DNT”)

The Corporation holds 2,500,000 Class B preferred LLC units, 30,000,000 Class C preferred LLC units, 37,500,000 Class D preferred units and 1 Class E preferred LLC unit (collectively the “DNT units”) in DNT acquired on June 1, 2015 for $70.0 million USD.

Pursuant to the LLC agreement dated June 1, 2015, the DNT units entitle the Corporation to receive an annual preferred distribution of $10,050,000 USD in priority to distributions on DNT's other LLC units in an amount equal to the preferred distribution for the prior fiscal year multiplied by the percentage increase or decrease in DNT's gross revenues for the previous fiscal year. Distributions on the DNT units are receivable monthly.

DNT has the option at any time after June 1, 2018 to repurchase $40.0 million USD of the units at a pre-negotiated premium to the original purchase price while $30.0 million USD of the units are redeemable at par up until June 1, 2018. Any unredeemed units after June 1, 2018 are subject to the pre-negotiated premium.

Investment in Federal Resources Supply Company ("FR")

On June 26, 2015, the Corporation loaned $40.0 million USD to FR and acquired 10,000 Class C preferred shares in FR for $7.0 million USD ("FR Preferred Shares").

Pursuant to the loan agreement dated June 26, 2015, in each fiscal year of the 15 year loan, the Corporation is entitled to receive interest payments of $7,050,000 USD in priority to distributions on Federal Resources' other common units. The Corporation is accounting for this loan as an available for sale financial asset. In addition, commencing in January, 2017, the FR Preferred Shares will entitle Alaris to receive an annual preferred dividend based on an increase to Federal Resources' gross revenues (subject to a 6% collar). Such annual dividend will be adjusted (up or down) each year based on any increases or decreases in Federal Resources "gross revenues" for its immediately preceding fiscal year, subject to a maximum increase or decrease of six percent (6%) per year. Interest payments and future dividends from FR are receivable monthly.

FR has the option at any time after June 26, 2018 to repurchase the units at a pre-negotiated premium to the original purchase price.

Intangible Assets:

The Corporation holds intangible assets in End of the Roll, net of accumulated amortization of $932,060 (December 31, 2014 - $886,592), of $6,342,860 (December 31, 2014 - $6,388,328).

4. Investments (continued):

The Corporation recognized royalties, distributions and interest as follows:

Royalties and distributions:

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Sequel	$ 3,455,161	$ 2,698,493	$ 6,943,485	$ 5,429,160
Group SM	1,692,000	1,200,000	3,411,097	2,400,000
Solowave	1,622,514	1,206,036	3,245,027	2,412,072
Planet Fitness	1,613,588	-	3,242,663	-
SCR	1,600,000	1,600,000	3,200,000	3,200,000
Labstat	1,500,000	1,355,501	3,000,000	2,211,002
Kimco	1,435,938	334,940	2,885,658	334,940
DNT	1,075,725	-	1,075,725	-
LMS	1,056,241	830,750	2,055,112	1,673,795
LifeMark	1,028,798	1,002,421	2,057,598	1,991,653
Agility	975,592	883,579	1,961,659	1,778,900
End of the Roll	272,631	269,854	602,658	596,329
Federal Resources	118,729	-	118,729	-
KMH	-	1,888,750	1,890,000	3,956,053
Killick	-	1,678,272	537,715	3,356,545
Quetico	-	971,614	-	2,066,803
	$ 17,446,917	$ 15,920,210	$ 36,227,126	$ 31,407,252

As part of being a long-term partner with the companies the Corporation holds preferred interests in, from time to time the Corporation has offered alternative financing solutions to assist with short-term needs of the individual businesses. At June 30, 2015, the following is a summary of the outstanding promissory notes:

Partner	**June 30, 2015**	**December 31, 2014**
Current		
Labstat	$ 3,734,945	$ 6,915,000
Group SM	3,000,000	-
SHS	1,500,000	2,050,000
Total Current	$ 8,234,945	$ 8,965,000
Non-Current		
KMH	3,500,000	3,500,000
Total Non-current	3,500,000	3,500,000
Total	$ 11,734,945	$ 12,465,000

The terms of the various notes differ: the KMH notes (interest at 8%) can be converted to additional units at the Corporation's option; the Labstat note (interest at 7%) is due July 2016, the Group SM note (interest at 8%) is a demand note and is expected to be repaid in the next six months and the SHS note is secured against certain assets of the SHS business and the Corporation expects to be repaid as a secured creditor out of the current receivership process.

5. Share capital:

Issued Common Shares	Number of Shares	Amount
Balance at January 1, 2014	28,693,694	$413,237,576
Issued by short form prospectus	3,274,050	87,417,135
Short form prospectus costs, net of tax	-	(3,388,299)
Issued after director RSU vesting	26,250	698,775
Options exercised in the period	78,364	123,737
Fair value of options exercised in the period	-	274,142
Balance at December 31, 2014	32,072,358	$498,363,066
Issued after director RSU vesting	28,750	356,000
Options exercised in the period	74,813	1,205,035
Fair value of options exercised in the period	-	261,038
Balance at June 30, 2015	32,175,921	$500,185,139

The Corporation has authorized, issued and outstanding, 32,175,921 voting common shares as at June 30, 2015.

	2015	2014
Weighted average shares outstanding, basic	32,165,687	28,808,539
Effect of outstanding options	422,669	404,321
Effect of outstanding RSUs	260,935	238,207
Weighted average shares outstanding, fully diluted	32,849,291	29,451,067

604,515 options were excluded from the calculation as they were anti-dilutive at June 30, 2015 (June 30, 2014 – 605,387).

Dividends

The following dividends were declared and paid in the month following by the Corporation:

In each of the first five months of 2015, the Corporation declared a dividend of $0.125 per common share and in June the Corporation declared a dividend of $0.13 per common share ($0.755 per share and $24,292,821 in aggregate). For the six months ended June 30, 2014, dividends of $0.725 per share and $21,232,830 in aggregate were declared.

6. Debt:

The Corporation has a $90,100,000 secured revolving credit facility with a syndicate of Canadian chartered banks. The facility was temporarily extended to $150,100,000 through August 31, 2015. At December 31, 2014, the Corporation had $35.5 million in senior debt outstanding. The entire outstanding balance was repaid with proceeds from the Killick redemption on January 29, 2015. Following that repayment, $85.0 million was drawn to fund the DNT contribution in May 2015, $58.0 million was drawn to fund the Federal Resources contribution and $6.2 million was drawn to fund the Planet Fitness follow on contribution that closed on July 1, 2015 (see Note 10). A voluntary repayment was made in June 2015 of $5 million leaving a balance of $144.2 million at June 30, 2015. Interest is payable at the lenders' prime rate plus 2.75% (5.60% at June 30, 2015). The term out date under the credit facility is December 31, 2015. If monies are drawn, and if an extension is not received by December 31, 2015, the facility will be repaid in thirty-six equal monthly installments commencing January 31, 2016. There are financial covenants under this facility and at June 30, 2015, the Corporation is in compliance with each of the covenants.

7. Share-based payments:

The Corporation has a Restricted Share Unit Plan ("RSU Plan") and a Stock Option Plan as approved by shareholders at a special shareholders meeting on July 31, 2008 that authorizes the Board of Directors to grant awards of RSUs and Options subject to a maximum of ten percent of the issued and outstanding common shares of the Corporation.

The RSU Plan will settle in voting common shares which may be issued from treasury or purchased on the Toronto Stock Exchange. The Corporation has reserved 648,386 and issued 260,935 RSUs to management and Directors as of June 30, 2015. The RSUs issued to directors vest over a three-year period. The RSUs issued to management (172,413) do not vest until the end of the three year period (110,585 in September 2015; 43,026 in July 2016; and 13,802 in August 2017) and are subject to certain performance conditions relating to operating cash flow per share. The stock-based compensation expense relating to the RSU Plan is based on the issue price at the time of grant and management's estimate of the future performance conditions and was amortized over the thirty-six month vesting period.

For the three and six months ended June 30, 2015, the Corporation incurred stock-based compensation expenses of $1,125,443 and $2,454,778 (2014 - 1,110,080 and $1,833,142) which includes: $612,045 and $1,409,927 (non-cash expense) for the portion of the RSU Plan expense that is to be amortized over the thirty-six month vesting period of the plan (2014 - $442,666 and $878,692); and $513,398 and $1,044,851 (non-cash expense) for the portion of the amortization of the fair value of outstanding stock options (2014 - $667,414 and $954,450). The Corporation has reserved 2,223,305 and issued 1,865,045 options that vest over a four-year period and expire in five years.

The options outstanding at June 30, 2015, have an exercise price in the range of $11.56 to $33.87, a weighted average exercise price of $25.89 and a weighted average contractual life of 2.49 years (2014 – 2.95 years).

8. Fair Value of Financial Instruments and Financial Risk Management

The Corporation's financial instruments as at June 30, 2015 and December 31, 2014 include cash and cash equivalents, trade and other receivables, promissory notes receivable, Preferred LP and LLC units, loan receivable, foreign exchange forward contracts, accounts payable and accrued liabilities, and loans and borrowings. The fair value of cash and cash equivalents, trade and other receivables, promissory notes receivable accounts payable and accrued liabilities approximate their carrying amounts due to their short-terms to maturity. Loans and borrowings bear interest at a floating market rate and accordingly the fair market value approximates the carrying value. The fair values of the available for sale financial assets (Preferred LP and LLC Units, foreign exchange contracts) are estimated by evaluating a number of different methods:

(a) A going concern value was determined by calculating the discounted cash flow of the future expected distributions. Key assumptions used include the discount rate used in the calculation. For each individual Partner, the Corporation considered a number of different discount rate factors including what industry they operated in, the size of the company, the health of the balance sheet and the ability of the historical earnings to cover the future distributions. This was supported by the historical yield of the original investment, current investing yields, and the current yield of Alaris' publicly traded shares and of other similar public companies.

(b) A redemption or retraction value was calculated using the formula specified in each of the Partnership agreements alongside an assessment of the likelihood of a redemption of the Preferred Units.

(c) A liquidation value was calculated using the formula specified in each of the Partnership agreements while considering an estimate of the current value of the private company to determine if there would be sufficient value to cover the liquidation amount.

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within 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: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following items shown on the condensed consolidated statement of financial position as at June 30, 2015 and December 31, 2014, are measured at fair value on a recurring basis using level 1 or level 2 inputs. The Corporation has no level 3 items and during the period ended June 30, 2015 there were no transfers between level 1 or level 2 classified assets and liabilities.

June 30, 2015	**Level 1**	**Level 2**	**Total**
Foreign exchange contracts	$ -	$ (2,158,596)	$ (2,158,596)
Investments at Fair Value	-	647,114,611	647,114,611
	$ -	$ 644,956,015	$ 644,956,015
December 31, 2014	**Level 1**	**Level 2**	**Total**
Foreign exchange contracts	$ -	$ (1,541,630)	$ (1,541,630)
Investments at Fair Value	-	527,641,735	527,641,735
	$ -	$ 526,100,105	$ 526,100,105

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty fails to meet its contractual obligations, and arises principally from the Corporation's investments. At June 30, 2015 the Corporation's maximum exposure to credit risk is equal to the carrying amount of investments, trade and other receivables, promissory notes and cash and cash equivalents.

At June 30, 2015, there is approximately $4.28 million (December 31, 2014 $2.4 million) in trade and other receivables and $3.5 million (December 31, 2014 $3.5 million) in promissory notes owing from one counterparty, KMH, all of which are over 90 days outstanding. In addition, the carrying value of the KMH investment at June 30, 2015 is approximately $50 million (December 31, 2014 - $52 million). As a result of KMH continuing to withhold all of Alaris' distributions throughout the second quarter, no revenue from KMH has been recognized since March 31, 2015. The on-going delay in paying the Alaris distribution resulted in KMH and Alaris evaluating strategic alternatives, which may result in the repurchase or restructuring of this investment. No allowance for doubtful accounts has been recorded at June 30, 2015 as the Corporation believes that all amounts recorded at June 30, 2015 will be realized through the strategic process.

9. Commitments and contingencies:

In 2009, the Corporation signed a seven-year lease that commenced December 1, 2009, ending November 30, 2016. In December 2014, the Corporation signed a five-year lease at a new location as the Corporation has outgrown the current space. The Corporation's annual commitments under both leases are as follows:

2015	$	260,695
2016		500,232
2017		410,494
2018		421,033
2019		431,572
2020		215,786
	$	2,239,812

Income taxes

In 2014, the Corporation received a notice of reassessment from the Canada Revenue Agency in respect of its taxation year ended July 14, 2009 (the "Reassessments"). In 2015, the Corporation received a notice of reassessment from the Canada Revenue Agency in respect of its taxation years ended December 31, 2009 through December 31, 2013. Pursuant to the Reassessments, the deduction of approximately $80 million of non-capital losses by the Corporation was denied, resulting in reassessed taxes and interest of approximately $24.5 million. Subsequent to filing the notice of objection for the July 14, 2009 taxation year, Alaris received an additional proposal from the CRA pursuant to which the CRA is proposing to apply the general anti avoidance rule to deny the use of non-capital losses, accumulated scientific research and experimental development expenditures and investment tax credits for taxation years from 2006 through to 2012. The proposal does not impact the Corporation's previously disclosed assessment of the total potential tax liability (including interest) or the deposits required to be paid in order to dispute the CRA's reassessment. The Corporation has received legal advice that it should be entitled to deduct the non-capital losses and as such, the Corporation remains of the opinion that its July 14, 2009 tax return, and each return filed after that date, were filed correctly and it will be successful in appealing such Reassessment. The Corporation intends to vigorously defend its tax filing position. In order to do that, the Corporation was required to pay 50% of the reassessed amount as a deposit to the Canada Revenue Agency. In 2014, the Corporation paid a deposit of $1,267,377 to the Canada Revenue Agency representing 50% of the Federal taxes assessed for the July 14, 2009 taxation year and in June 2015, the Corporation paid a deposit of $6,785,046 to the Canada Revenue Agency representing 50% of the Federal taxes assessed for the December 31, 2009 through December 31, 2013 taxation years. It is possible that the Corporation may be reassessed with respect to the deduction of its non-capital losses in respect of its tax filings subsequent to December 31, 2013, on the same basis. The Corporation anticipates that legal proceedings through the CRA and the courts will take considerable time to resolve.

10. Subsequent events:

On July 1, 2015, the Corporation made a $5 million USD contribution to current partner Planet Fitness for 500,000 Class C Preferred LLC units. Distributions for the first twelve months are set at $700,000 USD.

On July 16, 2015, the Corporation closed an equity offering that issued 3,771,655 common shares for net proceeds of $109.9 million. Substantially all of the proceeds went to repay debt and the facility is drawn to approximately $35.0 million at July 28, 2015.