Unaudited Condensed Consolidated Interim Financial Statements of

AlliancePharma Inc.

For the three months ended October 31, 2016 and 2015

Management's Report

As at October 31, 2016 and 2015

Management's Statement of Responsibility for Financial Information

The condensed consolidated interim financial statements contained in this quarterly report are the responsibility of Management, and have been prepared in accordance with International Financial Reporting Standards. Where necessary, Management has made judgments and estimates of the outcome of events and transactions, with due consideration given to materiality. Management is also responsible for all other information in the annual report and for ensuring that this information is consistent, where appropriate, with the information and data included in the condensed consolidated interim financial statements.

The condensed consolidated interim financial statements are unaudited and have not been reviewed by the Corporation's independent auditor.

The Board of Directors is responsible for overseeing Management in the performance of its responsibilities for financial reporting. The Board of Directors exercises its responsibilities through the Audit Committee, which is comprised of a majority of independent directors. The Audit Committee meets from time to time with Management and the Corporation's independent auditor to review the consolidated financial statements and matters relating to the audit. The Corporation's independent auditor has full and free access to the Audit Committee. The unaudited condensed consolidated interim financial statements have been reviewed by the Audit Committee, who recommended their approval by the Board of Directors.

(signed)
Marc Lemieux
President and Chief Executive Officer

(signed)
Bruno Dumais, CPA, CA
Chief Financial Officer

AlliancePharma Inc.
Condensed consolidated interim statements of financial position

(unaudited, in Canadian dollars)	Note	**As at October 31, 2016**	As at July 31, 2016
ASSETS			
Current assets			
Cash		**1,562,230**	164,143
Trade and other receivables	**6**	**5,328,461**	1,244,617
Prepaid expenses		**372,174**	98,455
Inventories		**4,636,081**	-
Income taxes receivable		**343,684**	188,303
Loans receivable	**7**	**1,593**	120,942
		12,244,223	1,816,460
Non-current assets			
Property and equipment	**8**	**249,096**	89,767
Intangible assets	**9**	**5,639,702**	2,058,439
Goodwill	**9**	**16,532,099**	2,291,930
Deferred tax assets		**867,733**	712,455
		23,288,630	5,152,591
TOTAL ASSETS		**35,532,853**	6,969,051
LIABILITIES			
Current liabilities			
Bank indebtedness	**11**	**2,500,000**	240,688
Trade and other payables	**12**	**6,565,012**	1,933,091
Deferred revenue		**577,108**	-
Current portion of long-term debt	**12**	**2,619,596**	2,271,110
Demand loan presented under current liabilities	**12**	**-**	2,082,619
Note payable, without interest	**13**	**-**	140,000
		12,261,716	6,669,508
Non-current liabilities			
Interest rate swap	**12**	**45,757**	-
Long-term debt	**12**	**13,685,385**	583,220
Preferred shares	**14**	**5,370,402**	-
Deferred tax liabilities		**590,550**	579,550
		19,692,094	1,162,770
TOTAL LIABILITIES		**31,953,810**	7,832,278
EQUITY (DEFICIENCY)			
Equity (Deficiency) attributable to shareholders		**3,165,690**	(879,636)
Equity attributable to non-controlling interests		**413,353**	16,409
TOTAL EQUITY (DEFICIENCY)		**3,579,043**	(863,227)
TOTAL LIABILITIES AND EQUITY		**35,532,853**	6,969,051
Commitments	**21**		

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

On behalf of the Board:

(signed)
Marc Lemieux, Director

(signed)
Michael W. Kinley, Director

AlliancePharma Inc.

Condensed consolidated interim statements of income (loss) and comprehensive income (loss)

(unaudited, in Canadian dollars, except per share amounts)	**Note**	**Three months ended October 31, 2016**	Three months ended October 31, 2015
Revenues	**18**	**7,010,016**	2,677,551
Cost of revenues		**4,636,650**	2,124,639
		2,373,366	552,912
Selling and administrative expenses		**2,090,079**	361,131
Charges related to business combinations	**17**	**1,304,356**	-
		3,394,435	361,131
Income (loss) before depreciation, amortization, finance costs and income taxes:	**18**	**(1,021,069)**	191,781
Depreciation of property and equipment	**8**	**15,531**	3,143
Amortization of intangible assets	**9**	**300,538**	95,028
Income (loss) before the following:		**(1,337,138)**	93,610
Accreted interest	**14**	**474,662**	1,502
Fair value adjustment of the Conversion Option	**14**	**1,145,143**	-
Unrealized loss of derivative financial instruments	**12**	**45,757**	-
Finance costs	**17**	**296,353**	55,002
Net finance costs		**1,961,915**	56,504
Income (loss) before income tax		**(3,299,053)**	37,106
Income tax expense (recovery)		**(102,901)**	13,555
Net income (loss) and comprehensive income (loss) for the period		**(3,196,152)**	23,551
Net income (loss) attributable to:			
Equity holders of AlliancePharma Inc.		**(3,191,981)**	37,547
Non-controlling interests		**(4,171)**	(13,996)
		(3,196,152)	23,551
Earnings (loss) per share			
Basic earnings (loss) per share	**15**	**(0.09)**	0.00
Diluted earnings (loss) per share	**15**	**(0.07)**	0.00

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

AlliancePharma Inc.

Condensed consolidated interim statements of changes in Equity (unaudited)

For the three months ended October 31, 2016 and 2015

		Total Equity (Deficiency) attributable to shareholders											
	Note	Number of shares	Class "A" Common shares	Number of shares	Series A Preferred shares	Contributed surplus	Convertible Debenture in shares	Warrants reserve	Premium on convertible shares	Equity (Deficiency)	Total	Non-Controlling Interest	Total equity
(in Canadian dollars, except number of shares)													
Balance at July 31, 2016		25,568,935	2,907,570	-	-	349,179	43	98,173	(1,621,406)	(2,613,195)	(879,636)	16,409	**(863,227)**
Shares issued under a financing agreement	**14**	-	-	40,000	-	-	-	-	-	-	-	-	**-**
Warrants exercised		68,667	26,358	-	-	-	-	(4,518)	-	-	21,840	-	**21,840**
Shares issued for business acquisitions	**5**	12,722,222	7,215,467	-	-	-	-	-	-	-	7,215,467	401,115	**7,616,582**
Net loss and comprehensive loss for the period		-	-	-	-	-	-	-	-	(3,191,981)	(3,191,981)	(4,171)	**(3,196,152)**
Balance at October 31, 2016		**38,359,824**	**10,149,395**	**40,000**	**-**	**349,179**	**43**	**93,655**	**(1,621,406)**	**(5,805,176)**	**3,165,690**	**413,353**	**3,579,043**
Balance at July 31, 2015		24,472,934	2,480,037	-	-	349,179	43	134,947	(1,621,406)	(1,144,822)	197,978	47,503	245,481
Net income and comprehensive income for the period		-	-	-	-	-	-	-	-	37,547	37,547	(13,996)	23,551
Balance at October 31, 2015		24,472,934	2,480,037	-	-	349,179	43	134,947	(1,621,406)	(1,107,275)	235,525	33,507	269,032
Warrants exercised		540,001	171,773	-	-	-	-	(36,774)	-	-	134,999	-	134,999
Shares issued for business acquisitions		556,000	255,760	-	-	-	-	-	-	-	255,760	-	255,760
Net loss and comprehensive loss for the period		-	-	-	-	-	-	-	-	(1,505,920)	(1,505,920)	(17,098)	(1,523,018)
Balance at July 31, 2016		25,568,935	2,907,570	-	-	349,179	43	98,173	(1,621,406)	(2,613,195)	(879,636)	16,409	(863,227)

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

AlliancePharma Inc.
Condensed consolidated interim statements of cash flows
For the three months ended October 31, 2016 and 2015

(unaudited, in Canadian dollars)

	Note	2016	2015
Cash flows from operating activities:			
Net income (loss) for the period		**(3,196,152)**	23,551
Adjustments for:			
Depreciation of property and equipment	**8**	**15,534**	3,143
Amortization of intangible assets	**9**	**300,538**	95,028
Unrealized loss on derivative financial instruments	**12**	**45,757**	-
Deferred income tax		**(155,278)**	3,805
Accreted interest	**14**	**474,662**	-
Fair value adjustment of the Conversion Option	**14**	**1,145,143**	-
Issuance of shares in lieu of finder's fees	**17**	**1,108,800**	-
Financing fees		**-**	1,865
		(260,996)	127,392
Changes in non-cash elements of working capital		**(826,591)**	65,334
		(1,087,587)	192,726
Cash flows from investing activities:			
Additions to property and equipment	**8**	**(16,862)**	(7,749)
Additions to intangible assets	**9**	**(71,096)**	(38,739)
Increase in loan receivable	**7**	**119,349**	**-**
Business combinations	**5**	**(14,847,952)**	-
		(14,816,561)	(46,488)
Cash flows from financing activities:			
Proceeds from long-term debt	**12**	**15,679,666**	-
Repayment of long-term debt	**12**	**(2,969,556)**	(112,416)
Proceeds from issuance of units	**14**	**2,452,277**	-
Proceeds from issuance of shares	**14**	**21,840**	-
Repayment of note payable		**(141,304)**	-
(Decrease) Increase in the bank indebtedness	**10**	**2,259,312**	5,188
		17,302,235	(107,228)
Net increase in cash		**1,398,087**	39,010
Cash, beginning of the period		**164,143**	510,003
Cash, end of the period		**1,562,230**	549,013
Supplemental information			
Interest paid		**332,990**	(40,392)

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

(unaudited, tabular amounts in Canadian dollars, unless otherwise noted)

1. Reporting entity

AlliancePharma Inc. (the "**Corporation**") is incorporated under the Business Corporations Act (Québec). The Corporation is a publicly traded company listed on the TSX Venture Exchange ("**TSX.V**") under the symbol "APA". The Corporation's head office is 300-1197 Notre-Dame East, Thetford Mines, Québec, G6G 2V2.

The unaudited condensed consolidated interim financial statements of the Corporation for the three months period ended October 31, 2016 comprise the Corporation and its subsidiaries. The Corporation provides a range of solutions and services to pharmacies and pharmaceutical companies in Canada.

2. Basis of preparation

a) Statement of compliance

These unaudited condensed consolidated interim financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by International Accounting Standard Board ("**IASB**") and with IAS 34 Interim Financial Reporting. These unaudited condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the most recent audited annual consolidated financial statements and the notes thereto for the year ended July 31, 2016.

These unaudited condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on December 30, 2016.

b) Basis of measurement

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

- certain financial instruments and contingent considerations are measured at fair value;
- assets and liabilities acquired in business combinations are measured at fair value at acquisition date.

c) Functional and presentation currency

These unaudited condensed consolidated interim financial statements are presented in Canadian dollars ("$"), which is the Corporation's functional currency.

d) Use of estimates and judgments

The preparation of the accompanying unaudited consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions about future events. These estimates and the underlying assumptions affect the reported amounts of assets and liabilities, the disclosures about contingent assets and liabilities, and the reported amounts of revenues and expenses. These estimates and assumptions are based on management's best estimates and judgments.

Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Management adjusts such estimates and assumptions when facts and circumstances dictate. Actual results could differ from these estimates. Changes in those estimates and assumptions resulting from changes in the economic environment will be reflected in the financial statements of future periods.

In preparing these unaudited condensed interim consolidated financial statements, the significant judgments made by management applying the Corporation's accounting policies and the key sources of estimation uncertainty are the same as those described in the Corporation's audited consolidated financial statements for the year ended July 31, 2016.

Information about additional critical judgments, assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the current fiscal year consider:

- Establishing the value of inventories, the Corporation regularly reviews inventory quantities on hand and expiry dates and records a provision for those inventories no longer deemed to be fully recoverable. The cost of inventories may no longer be recoverable if those inventories have been subject to degradation or if their selling prices or forecasted product demand declines. If actual market conditions are less favorable than previously predicted, or if liquidation of the inventory no longer deemed to be fully recoverable is more difficult than anticipated, additional provisions may be required.

(unaudited, tabular amounts in Canadian dollars, unless otherwise noted)

3. Change in accounting policy

These unaudited condensed consolidated interim financial statements reflect the application of a change in accounting policy adopted at the end of fiscal 2016 to consider that the customer relationships intangible asset had a finite life. This intangible asset is now amortized on a straight-line basis over a 10 years useful life. Management considers this accounting policy to provide more reliable and relevant information and more clearly represents the estimated useful life of this intangible asset. The change in accounting policy has been adopted in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

For the three months ended October 31, 2016, the Corporation recognized an amortization expense of $29,650 related to the customer relationships.

4. Significant accounting policies

The accounting policies described in the annual audited consolidated financial statements for the year ended July 31, 2016 have been applied consistently to all periods presented in these condensed consolidated interim financial statements, unless otherwise indicated. The accounting policies have been applied consistently by all the subsidiaries. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Corporation's interim consolidated financial statements.

Major changes consider the followings:

Basis of consolidation
The Corporation's subsidiaries, as at October 31, 2016 and July 31, 2016 are:

Name	Nature of services	October 2016	July 2016	Type of arrangement	Accounting method
Campus Elitis Pharma Inc.	Pharmacy Services	80%	80%	Subsidiary	Consolidation
Elitis Pharma Inc.	Pharmacy Services	100%	100%	Subsidiary	Consolidation
Alliance Pharma Operations Inc.	Pharmacy Services	100%	100%	Subsidiary	Consolidation
Pro-J Pharma Inc.	Pharmacy Services	100%	100%	Subsidiary	Consolidation
9287396 Canada Inc.	Pharmacy Services	100%	100%	Subsidiary	Consolidation
9321-5317 Quebec Inc.	Pharmacy Services	100%	100%	Subsidiary	Consolidation
Alliance Pharma SENCRL	Pharmacy Services	99%	99%	Subsidiary	Consolidation
Agence L.I.V. Inc.	Pharmaceutical Solutions	100%	n.a.	Subsidiary	Consolidation
Pharmapar Inc.	Pharmacy Services	100%	n.a.	Subsidiary	Consolidation
Biomed (2002) Inc.	Pharmacy Services	90%	n.a.	Subsidiary	Consolidation

Financial instruments
The Corporation initially recognizes loans and receivables; investment in equity securities, debt issued, and subordinated liabilities on the date that they are originated. All other financial assets and liabilities (including assets designated at fair value through income or loss) are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Corporation is recognized as a separate asset or liability.

A financial liability is derecognized when its contractual obligations are discharged, cancelled or expired.

(unaudited, tabular amounts in Canadian dollars, unless otherwise noted)

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

The Corporation has classified non-derivative financial assets into the following categories: loans and receivables and available-for-sale financial assets.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise cash, trade and other receivables (excluding sales tax receivable) and loans receivable.

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an available-for-sale financial asset is derecognized, the gain or loss accumulated in the fair value reserve is reclassified to income or loss. The Company has not recorded any available-for-sale financial assets.

Non-derivative financial liabilities are comprised of bank indebtedness, trade and other payables (excluding sales tax payable), long-term debt, demand loans and acquisitions balance) and demand loan presented under current liabilities, note payable and preferred shares. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities at fair value through profit and loss include the derivative financial instruments, the Conversion Option and Make-Whole Amount related to the preferred shares (see note 14), which are initially recognized at fair value and carried subsequently at fair value with gains or losses recognized in the consolidated statements of comprehensive income (loss).

Derivative financial instruments

The Corporation may enter into non-speculative derivative financial instruments to manage risk. Derivative financial instruments are recorded at fair value with mark-to-market adjustments recorded in profit or loss.

Inventories

Inventories are composed of finished goods available for sale. Inventories are measured at the lower of cost and net realizable value, the cost being determined using the first in, first out method.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses. Allowances for slow-moving or obsolete inventory are recorded when considered appropriate.

Intangible assets

Other intangible assets consist of customer relationships, training courses, software and web sites. Other intangible assets that are acquired by the Corporation and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Intangible assets with finite lives are amortized on a straight-line basis over the following estimated useful lives:

Category	Useful lives
Customer relationships	10 years
Training courses	5 years
Software	5 years
Commercialization rights	Contractual period
Non-compete agreement	Contractual period
Web sites	3 years

(unaudited, tabular amounts in Canadian dollars, unless otherwise noted)

Deferred Revenue

Deferred revenue consists of payments received by the Corporation prior to their execution.

Revenue recognition

The Corporation recognizes revenue when it is realized or realizable and earned. The Corporation considers revenue realized or realizable and earned when there exists persuasive evidence or an arrangement, the goods and services have been provided to the customer, the sales price is fixed or determinable and collectability is reasonably assured. All revenues are recognized net of any related sales taxes, returns, trade discounts and professional allowances.

Segmented information

An operating segment is a component in the Corporation that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Corporation's other components. The Corporation's Chief Executive Officer regularly reviews all operating segments' operating results to decide which resources should be allocated to the segment and to assess its performance, for which specific financial information is available.

The Corporation has two reportable operating segments: pharmacy services and pharmaceutical solutions. The accounting policies that are used for the operating segment are the same as the one described in this note. The Corporation analyzes the performance of its pharmacy services and pharmaceutical solutions segments based on its operating income before depreciation, amortization, finance costs and income taxes . This is the measure reported to the Chief Executive Officer for the purposes of resource allocation and assessment of segment performance. The Corporation records intersegment operations, if any, at the amount agreed between the parties.

5. Business acquisitions

On August 19, 2016, the Corporation completed the acquisition of Pharmapar Inc. ("**Pharmapar**") and Agence L.I.V. Inc. ("**LIV**") and entered into a new credit facility of approximately $14.5 million. The Pharmapar and the LIV acquisitions will significantly expand the Corporation's scope of services, particularly in the Pharmacy Services and Pharmaceutical Solutions segments.

Acquisition of Agence L.I.V. Inc.

Effective August 19, 2016, the Corporation completed the acquisition of 100% of the shares of LIV for a total consideration of $6,840,000. The purchase was financed by the issuance of 3,833,333 common shares of the Corporation at a price of $0.48 per share and a cash consideration of $5,000,000.

The acquisition was in line with the Corporation's growth strategy to be a leading solution and services provider to pharmacies and pharmaceutical companies in Canada.

The Corporation is currently in the process of completing the purchase price allocation for the acquisitions which it expects to be included in the interim consolidated financial statements for the second quarter of fiscal 2017. Thus, the allocation of the purchase price was initially based on the Corporation's estimates, subject to the completion of the purchase price. The acquisition was accounted for by the Corporation using the acquisition method set out in IFRS 3, *Business Combinations* and the balance sheet and the results of operations of LIV have been consolidated with the Corporation as of August 19, 2016.

(unaudited, tabular amounts in Canadian dollars, unless otherwise noted)

The following is a summary of the net assets acquired at fair value:

Net assets acquired:	
Working capital	795,030
Property and equipment	25,300
Non-compete agreement	1,432,000
Customer relationships	1,125,000
Goodwill [(1)]	3,462,670
Total Net assets acquired	**6,840,000**
Consideration:	
Shares	1,840,000
Cash consideration	5,000,000
Total	**6,840,000**

(1) Goodwill represents the result of the price paid in excess of the net assets acquired. The results of the final purchase price allocation presented above could differ following the final purchase price allocation.

The Corporation recorded $292,710 as professional fees in conjunction with the acquisition.

The impact of the acquisition on revenue and the net income between August 19, 2016 and October 31, 2016 has been $1,178,673 and $25,885 respectively.

Acquisition of Pharmapar Inc. and Biomed (2002) Inc.

Effective August 19, 2016, the Corporation completed the acquisition of 100% of the shares of Pharmapar and 90% of the shares of Biomed (2002) Inc. for a total consideration of $14,100,000. The purchase was financed by the issuance of 8,888,889 common shares of the Corporation at a price of $0.48 per share, a cash consideration of $8,500,000 and a balance of sale of $1,600,000, payable in cash in five equal annual installments of $320,000.

The Corporation is currently in the process of completing the purchase price allocation for the acquisitions which it expects to be included in the interim consolidated financial statements for the second quarter of fiscal 2017. Thus, the allocation of the purchase price was initially based on the Corporation's estimates, subject to the completion of the purchase price. The acquisition was accounted for by the Corporation using the acquisition method set out in IFRS 3, *Business Combinations* and the balance sheet and the results of operations of Pharmapar have been consolidated with the Corporation as of August 19, 2016.

The following is a summary of the net assets acquired at fair value:

Net assets acquired:	
Working capital	2,351,828
Property and equipment	132,701
Software	145,203
Commercialization rights	444,200
Web site	40,307
Non-compete agreement	476,000
Customer relationships	148,000
Goodwill [(1)]	10,777,499
Non-controlling interest	(401,115)
Total Net assets acquired	**14,114,623**
Consideration:	
Shares	4,266,667
Cash consideration	8,500,000
Balance of purchase price [(2)]	1,347,956
Total	**14,114,623**

(1) Goodwill represents the result of the price paid in excess of the net assets acquired. The results of the final purchase price allocation presented above could differ following the final purchase price allocation.

(2) Calculated at fair current value using a discount rate of 6.0%.

(unaudited, tabular amounts in Canadian dollars, unless otherwise noted)

The Corporation recorded $332,070 as professional fees in conjunction with the acquisition.

The impact of the acquisition on revenues and the net income between August 19, 2016 and October 31, 2016 has been $3,221,229 and $132,919 respectively.

6. Trade and other receivables

	At October 31, 2016	At July 31, 2016
Trade receivables	**5,200,153**	1,080,470
Sales tax receivable	**104,997**	129,294
Other receivables	**23,311**	34,853
	5,328,461	1,244,617

The Corporation's exposure to credit risk related to trade and other receivables is disclosed in note 20.

7. Loans receivables

	At October 31, 2016	At July 31, 2016
Loans, non-interest bearing		
Company under common control	**-**	120,942
Other	**1,593**	-
	1,593	120,942

8. Property and equipment

	Note	**Leasehold improvements**	**Computer equipment**	**Furniture and fixtures**	**Vehicles**	**Total**
Cost						
Balance at July 31, 2016		5,634	56,141	31,547	23,995	117,317
Other additions		7,000	966	8,896	-	16,862
Additions through business acquisitions	**5**	-	52,080	100,789	5,132	158,001
Balance at October 31, 2016		**12,634**	**109,187**	**141,232**	**29,127**	**292,180**
Depreciation						
Balance at July 31, 2016		4,680	12,155	9,515	1,200	27,550
Depreciation for the period		2,300	4,715	7,062	1,453	15,531
Balance at October 31, 2016		**6,980**	**16,870**	**16,577**	**2,653**	**43,083**
Net carrying amounts						
At July 31, 2016		954	43,986	22,032	22,795	89,767
At October 31, 2016		**5,654**	**92,317**	**124,655**	**26,474**	**249,096**

(unaudited, tabular amounts in Canadian dollars, unless otherwise noted)

9. Intangible assets

	Note	Training courses	Software	Web site	Customer relation-ships	Commer-cializatio rights	Non-compete agree-ments	Total	Goodwill
Cost									
Balance at July 31, 2016		91,236	1,264,109	64,750	1,186,000	-	-	2,606,095	2,291,930
Additions through business acquisitions	**5**	-	145,203	40,307	1,273,000	444,200	1,908,000	3,810,710	14,240,169
Other additions		-	17,109	12,987	-	41,000	-	71,096	-
Balance at October 31, 2016		**91,236**	**1,426,421**	**118,044**	**2,459,000**	**485,200**	**1,908,000**	**6,487,901**	**16,532,099**
Amortization									
Balance at July 31, 2016		64,226	343,319	21,511	118,600	-	-	547,656	-
Amortization for the period		13,340	75,721	8,301	95,650	12,131	95,400	300,543	-
Balance at October 31, 2016		**77,566**	**419,040**	**29,812**	**214,250**	**12,131**	**95,400**	**848,199**	**-**
Net carrying amounts									
At October 31, 2016		27,010	920,790	43,239	1,067,400	-	-	2,058,439	2,291,930
At October 31, 2016		**13,670**	**1,007,381**	**88,232**	**2,244,750**	**473,069**	**1,812,600**	**5,639,702**	**16,532,099**

There was no impairment during the period.

10. Bank indebtedness

As part of the Corporation's credit facility (as more fully described in note 12), the Corporation has authorized operating credits totaling $2,500,000, bearing interest at prime rate plus a spread varying between 0.50% - 1.70% per annum based on certain leverage ratios. The loan is secured by a first mortgage on the Corporation's present and future accounts receivable, tangible and intangible properties, by a $1,000,000 guarantee from certain shareholders and by a $1,000,000 guarantee from the holders of Series A Preferred Shares.

11. Trade and other payables

	At October 31, 2016	At July 31, 2016
Trade payables and accrued expenses	**5,175,214**	1,128,499
Salaries and vacations payable	**760,394**	401,926
Sales tax payable	**173,718**	227,006
Advance from a shareholder, non-interest bearing	**210,685**	100,660
Dividend payable(1)	**245,000**	75,000
	6,565,012	1,933,091

(1) Recorded before the reverse takeover transaction in 2015 or prior business combination in the acquired entity.

The Corporation's exposure to liquidity risk related to trade and other payables is disclosed in note 20.

12. Long-term debt

On August 23, 2016, the Corporation completed a secured credit financing facility granted to the Corporation by the National Bank of Canada ("**National Bank**") and by a $2.5 million second pre-payment of the subscription agreement related with the Private Placement. The 5-year secured term loan from National Bank will bear interest at prime rate plus a spread varying between 0.50% - 1.70% per annum based on certain leverage ratios. The Corporation also repaid its existing loan from Bank of Montreal.

(unaudited, tabular amounts in Canadian dollars, unless otherwise noted)

This note provides information about the contractual terms of the Corporation's interest-bearing long-term debts, which are measured at amortized cost. The Corporation's exposure to interest rate and liquidity is disclosed in note 20.

	At October 31, 2016	At July 31, 2016
Long-term debt from Business Development Bank of Canada bearing interest at prime rate plus 1%, repayable monthly by installments of $3,125 and maturing in March 2017.	**15,625**	25,000
Long-term debt from Business Development Bank of Canada bearing interest at prime rate plus 1%, repayable monthly by installments of $1,560 and maturing in February 2021.	**75,000**	75,000
Promissory note, bearing interest at 24% calculated and compounded quarterly, converted in Series A Preferred Shares during the period, net of transaction costs of $249,403 (note 14).	**-**	1,298,320
Loan from Scotia Bank bearing interest at 5.73%, repayable by monthly installments of $401 including interest, and maturing in May 2023.	**26,334**	27,152
Long-term debt from Business Development Bank of Canada bearing interest at prime rate plus 4%, repayable monthly by installment of $830, and maturing in October 2021 with a first payment of $1,030 in November 2016	**50,000**	50,000
Loan from Bank of Montreal, bearing interest at prime rate plus 1.95%, repayable of $36,310, and repaid in August 2016, net of transaction costs of $33,595	**-**	2,513,477
Loan from National Bank[1] ("**NBF Loan**"), bearing interest at prime rate plus a spread varying between 0.50% - 1.70% per annum based on certain leverage ratios, repayable by quarterly installments varying between $453,125 and $634,375 and a final payment of $3,625,000, maturing in August 2021, net of transaction costs of $204,790.	**13,849,324**	-
Balance of purchase price bearing interest between 5% and 8% repayable by bi-annual installments varying between $225,000 and $250,000, maturing in May 2018	**950,000**	950,000
Balance of purchase price, not bearing interest and net of accreted interest of $270,183, repayable by annual installments of $320,000, maturing in June 2021	**1,347,956**	-
	16,314,239	4,938,949
Less: Current portion of long-term debt	**2,619,596**	2,273,110
Less: Demand loan presented under current liabilities	**-**	2,082,619
	13,685,385	583,220

(1) The loan is secured by a first mortgage on the Corporation's present and future accounts receivable, tangible and intangible properties, by a $1,000,000 guarantee from certain shareholders and by a $1,000,000 guarantee from the holders of Series A Preferred Shares. The loan is subject to certain covenants regarding the maintenance of financial ratios on a quarterly basis, and requires the Corporation to maintain hedging and interest rate swap arrangements that converts the variable rate of interest to a fixed annual rate of 4.66% for the hedged portion of the loan (see below). After giving effect to financing costs, the effective interest rate on this loan was 4.7%.

The amounts payable for the next five years, as of October 31, are as follows:

	At October 31, 2016	At July 31, 2016
Less than 1 year	**2,619,596**	4,355,729
Between 1 and 5 years	**13,684,616**	572,375
More than 5 years	**10,027**	10,845
	16,314,239	4,938,949

Interest rate swap (NBF Loan)

The NBF Loan requires the Corporation to enter into interest rate swaps to convert the variable rate to a fixed rate as described above for an amount at least of 50% of the NBF Loan. The Corporation has the following interest rate swaps at October 31, 2016, and July 31, 2016:

(unaudited, tabular amounts in Canadian dollars, unless otherwise noted)

	Notional amount	Maturity date	Floating rate	Fixed rate	October 31, 2016	July 31, 2016
Term loan	9,130,405	August 19, 2021	CDOR	1.11%	**(45,757)**	-
					(45,757)	-

Under the interest rate swap agreements, the notional amount declines at a similar rate as the principal reduction in the loans. During the period, an unrealized loss on $45,757 (2015 - $nil) was recognized in the statement of comprehensive loss.

13. Note Payable

The changes in the carrying value of the note payable are as follows:

	At October 31, 2016	At July 31, 2016
Beginning balance	**140,000**	138,696
Accreted interest	**-**	1,304
Reimbursement during the period	**(140,000)**	-
	-	140,000
Less: current portion of note payable	**-**	(140,000)
	-	-

14. Share capital and other components of equity

Share capital

The Corporation's share capital consists only of fully paid Class "A" common shares, voting and participating.

The common shares entitle the holders thereof to one vote per share. The holders of the common shares are entitled to receive dividends as declared from time to time. Subject to the rights, privileges, restrictions and conditions attached to any other class of shares of the Corporation, the holders of the common shares are entitled to receive the remaining property of the Corporation upon its dissolution, liquidation or winding-up.

On June 30, 2016, the Corporation entered into a subscription agreement that provided for the issuance of Series A Preferred Shares. The creation and issuance of the new preferred shares (the "**Preferred Shares**") were approved by the Shareholders of the Corporation at a special meeting of shareholders. The Series A Preferred Shares are convertible into Class A Shares of the Corporation anytime up to June 29, 2020 at a conversion price of $0.35 per share. Furthermore, the Series A Preferred Shares are entitled to vote as a separate class of shares and are also entitled to vote on an "as converted" basis at any special or general meeting of the shareholders of the Corporation. The Series A Preferred Shares shall not be entitled to any fixed dividend entitlement, but shall participate in all dividends declared on the Class A Shares on an "as converted" basis. The Corporation issued 40,000 series A preferred shares and 11,428,571 warrants for an aggregate purchase price of $4,000,000. The creation of the Preferred Shares allowed the conversion of the promissory notes and the issuance of the Series A Preferred Shares, in accordance with the terms of the subscription agreement.

In the event of a change of control of the Corporation, and at any time after June 29, 2020, the holder may demand that the Corporation redeem its Series A Preferred Shares at a redemption price equal to the greater of (i) the subscription price of the Series A Preferred Shares plus a preferred return equal to 24%, compounded annually from June 30, 2016, less any amounts previously distributed as dividends and (ii) their fair market value. In the event of liquidation, holders of Series A Preferred Shares will be entitled to receive, in priority to holders of other shares of the Corporation, an amount per Series A Preferred Share equal to the product of three times the subscription price less any amounts previously distributed as dividends.

In connection with the Preferred Shares issuance, the Corporation recorded $249,403 as professional fees. Net proceeds of the offering were used to contribute to the financing of Pharmapar and LIV's acquisitions.

(unaudited, tabular amounts in Canadian dollars, unless otherwise noted)

In accordance with IAS 32, "Financial Instruments: Presentation", the issuer of a non-derivative financial instrument shall evaluate the terms of the financial instrument to determine whether it contains both a liability and an equity component. In application of this standard, the issuer of a financial instrument shall classify the instrument, or its component parts, on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument.

Relative to the Preferred Shares referred to above and the application of IAS 32, the Corporation has determined that the conversion option together with the Make-Whole Amount feature (collectively the "**Conversion Option**") constitute an embedded derivative financial instrument. Upon a conversion, the carrying amount of the host debt instrument recorded at amortized cost and the fair value of the related embedded derivative will be transferred to Equity.

For the August 19, 2016 issue, the fair value attributed to the Conversion Option component was initially estimated at $2,732,441 using valuation techniques. Consequently the residual amount of $1,018,156 were allocated to the financial liability at amortized cost represented by the principal amount and compound 24% return of the preferred shares. An amount of $nil was allocated to the warrants. As at October 31, 2016, the Corporation reviewed the initial estimated fair value of the conversion option of the embedded derivatives and adjusted the initial fair value at $4,002,286 using the same valuation technique.

For the three-month period ended October 31, 2016 the change in fair value of derivatives resulted in a loss of $1,145,143 (October 31, 2015 - $nil) and was recorded in the Consolidated Statements of Comprehensive Loss.

The following summarizes the face value and carrying values of the liability and equity components of the preferred shares as at October 31, 2016:

		Liability Component			Equity
	Face value	Principal and compound interest Carrying value	Conversion Option Carrying value	Total Carrying value	Warrants Carrying value
Issuance, as of August 19, 2016 [1]	3,750,597	1,018,156	2,732,441	3,750,597	-
Accretion expense	-	474,662	-	474,662	-
Change in fair value of the derivative	-	-	1,145,143	1,145,143	-
	3,750,597	1,492,818	3,877,584	5,370,402	-

[1] Net of issuance fees of $249,403.

Escrowed shares

At October 31, 2016, a total of 12,600,000 outstanding Class A common shares are held under an escrow agreement and are to be released on a staged basis as follows: January 8, 2017: 2,700,000, July 8, 2017: 2,700,000, and January 8, 2018: 7,200,000.

Contributed surplus

The contributed surplus account is used to record amounts arising from the issuance of share-based payment awards and the value of the warrants issued in relation to various financings.

Convertible debentures

The convertible debentures issued at the time of the reverse takeover acquisition in 2015 with a face value of $750,000 and a fair value of $43 based on net assets being transferred, are automatically convertible into 5,000,000 Class A common shares at such time as the conversion of the debenture will result in at least 20% of issued and outstanding Class A common shares being held by holder other than a promoter, an insider, an associate or an affiliate with the debenture holder. The convertible debentures are held by key management personnel. As at October 31, 2016, $525,000 worth of convertible debentures remain held in escrow and are to be released in stages as follows: January 8, 2017: $112,500, July 8, 2017: $112,500, January 8, 2018: $300,000.

(unaudited, tabular amounts in Canadian dollars, unless otherwise noted)

Warrants

On August 19, 2016, the Corporation issued 11,428,571 warrants. Since the entire amount received from the issuance of Preferred Shares was allocated between the Conversion Option and the Preferred Shares, an amount of $nil was allocated to the warrants.

Each Warrant entitles its holder to purchase one common Share at a price of $0.69 at any time until the five year anniversary of the date of their issuance.

The following is a continuity of the warrants outstanding at October 31, 2016:

	Number of warrants	Weighted average exercisable price
Balance, beginning of the period	**1,491,599**	**0.25**
Issued	**11,428,571**	**0.69**
Exercised	**(18,072)**	**0.25**
Balance, end of the period	**12,902,098**	**0.64**

Of the warrants outstanding at October 31, 2016, a total of 1,000 (July 31, 2015 – 1,000) are held by key management personnel.

The following table presents the details of the issued and outstanding warrants as at:

	As at October 31, 2016		As at July 31, 2016	
Exercise price	**Expiry date**	**Number**	Expiry date	Number
0.25	**January 7, 2017**	**1,473,527**	January 7, 2017	2,031,600
0.69	**August 18, 2021**	**11,428,571**	-	-

Dividends

During the period, the Corporation did not declare any dividend.

15. Loss per share

Basic loss per share

The calculation of basic net loss per share was based on the net loss attributable to Class A common shareholders of $3,196,152 (October 31, 2015 – net income of $23,551) and a weighted average number of Class A common shares of 35,663,742 (October 31, 2015 – 24,389,434).

Diluted loss per share

The calculation of diluted loss per share was based on the loss attributable to Class A common shareholders of $3,196,152 (October 31, 2015 – net income of $23,551) and a weighted average number of Class A common shares outstanding after adjustment for the effects of all dilutive Class A common shares calculated as follows:

	2016	2015
Weighted average number of Class A common shares	**35,663,742**	24,389,434
Dilutive effect:		
Stock options and warrants	**13,067,001**	2,850,500
Weighted average number of diluted Class A common shares	**48,730,743**	27,239,934

16. Share-based payment arrangements

Stock option plan

The Corporation offers a stock option plan for the benefit of its directors, employees, consultants and persons conducting investor relations activities (the "**Plan**"). The total number of shares which may be issued under the Plan may not exceed 4,894,868 options. The exercise price payable for each option is determined by the Board at the date of grant, and may not be less than the market price of the common share at the closing price of the TSX-V the day preceding the grant date for a minimum amount of $0.10 per option. The options vest over periods ranging between 12 months and 2 years.

(unaudited, tabular amounts in Canadian dollars, unless otherwise noted)

The table below summarizes the changes in the outstanding stock options:

	At October 31, 2016		At July 31, 2016	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Balance, beginning of the period	**2,575,000**	**0.15**	2,575,000	0.15
Balance, end of the period	**2,575,000**	**0.15**	2,575,000	0.15
Options exercisable, end of the period	**2,575,000**	**0.15**	2,575,000	0.15

The following table summarizes information about stock options outstanding and exercisable at October 31, 2016:

		Options outstanding	**Options exercisable**
Exercise price	**Number of options**	**Weighted average remaining contractual life (in years)**	**Number of options**
0.15	**2,325,000**	**3.31**	**2,325,000**
0.20	**250,000**	**3.59**	**250,000**
	2,575,000	**3.34**	**2,575,000**

Of the options outstanding at October 31, 2016, a total of 900,000 (July 31, 2016 – 900,000) are held by key management personnel.

Broker's options units

The table below summarizes the changes in the outstanding broker's options units:

	At October 31, 2016		At July 31, 2016	
	Number of units	**Weighted average exercise price**	Number of units	Weighted average exercise price
Balance, beginning of the period	**192,000**	**0.15**	192,000	0.15
Balance, end of the period	**192,000**	**0.15**	192,000	0.15
Units exercisable, end of the period	**192,000**	**0.15**	192,000	0.15

The following table summarizes information about broker's options units outstanding and exercisable at October 31, 2016:

		Options outstanding	**Options exercisable**
Exercise price	**Number of units**	**Weighted average remaining contractual life (in years)**	**Number of options**
0.15	**192,000**	**0.19**	**192,000**
	192,000	**0.19**	**192,000**

(unaudited, tabular amounts in Canadian dollars, unless otherwise noted)

17. Charges related to business combinations

	2016	2015
Professional fees	**195,556**	-
Finder's fees paid in common shares	**1,108,800**	-
	1,304,356	-

18. Finance costs

	2016	2015
Interest expenses	**178,743**	38,890
Bank charges	**77,610**	16,112
	259,353	55,002

19. Segmented information

The Corporation provides information on two reporting segments: Pharmacy Services and Pharmaceutical Solutions. The profitability measure employed by the Corporation for assessing segment performance is segment income.

Information pertaining to each segment for the periods ended October 31:

	Pharmacy Services		**Pharmaceutical Solutions**		**Corporate and others**		**Total**	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
Revenues	**5,831,343**	2,677,551	**1,178,673**	-	-	-	**7,010,016**	2,677,551
Segment income (loss)[(1) (2)]	**603,086**	373,207	**27,781**	-	**(347,580)**	(181,426)	**283,289**	191,781
Transactions charges related to business combinations	-	-	-		**(1,304,356)**	-	**(1,304,356)**	-
Segment income (loss) [(2)]	**603,086**	373,207	**27,781**	-	**(1,651,936)**	(181,426)	**(1,021,069)**	191,781

[(1)] The chief executive officer uses primarily one measure of profit to make decisions and assess performance being gross margin less operating expenses.
[(2)] Per consolidated statements of Income (loss), corresponds to Income (loss) before depreciation, amortization, finance costs and income taxes.

20. Financial instruments and financial risk management

Classification of financial instruments

The carrying amounts of the Corporation's financial assets and liabilities by category are as follows:

Financial assets classified as loans and receivables

	At October 31, 2016	At July 31, 2016
Cash	**1,562,230**	164,143
Trade and other receivables (excluding sales tax receivable)	**5,223,464**	1,115,323
Loan receivable	**1,593**	120,942
	6,786,287	1,400,408

(unaudited, tabular amounts in Canadian dollars, unless otherwise noted)

Financial liabilities recognized at amortized cost

	At October 31, 2016	At July 31, 2016
Bank indebtedness	**2,500,000**	240,688
Trade and other payables (excluding sales tax payable)	**6,968,401**	1,706,085
Note payable	**-**	140,000
Long-term debt	**16,314,239**	4,938,949
Preferred shares	**1,492,818**	-
	27,275,458	7,025,722

Fair value

Fair value is the estimated amount that parties dealing at arm's length would accept to exchange in settlement of a financial instrument based on the current market for instruments with the same risk, principal and maturity date. These fair value estimates are affected by assumptions made about the amount and timing of estimated future cash flows, discount rates and terms of the contract. As a result, the fair values are not necessarily the net amounts that would be realized if such financial instruments were settled.

The Corporation has determined that the carrying amount of its short-term financial assets and liabilities, including, trade and other receivables, bank overdraft and, trade and other payables, approximates their fair value because of the relatively short periods to maturity of these instruments.

Management believes that no significant change occurred in the risk of these instruments.

Fair value hierarchy

Fair value estimates are made as of a specific point in time, using available information about the financial instrument. These estimates are subjective in nature and may not be determined with precision. A three-tier fair value hierarchy prioritizes the inputs used in measuring fair value. These tiers include:

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); and
Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The Corporation's cash and bank indebtedness are considered level 1.

Financial liabilities recognized at fair value

	At October 31, 2016	At July 31, 2016
Interest rate swap	**45,757**	-
Conversion Option	**3,877,584**	-
	3,923,341	-

Risks

In the normal course of its operations and through its financial assets and liabilities, the Corporation is exposed to the following risks:

- credit risk
- liquidity risk
- market risk.

This note presents information about the Corporation's exposure to each of the above risks, the Corporation's objectives and processes for managing risk, and the Corporation's capital management. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Corporation's management identifies and analyzes the risks faced by the Corporation, sets appropriate risk limits and controls, and monitors risks and adherence to limits. Risk management is reviewed regularly to reflect changes in market conditions and the Corporation's activities.

(unaudited, tabular amounts in Canadian dollars, unless otherwise noted)

The Board of Directors has overall responsibility of the Corporation's risk management framework. The Board of Directors monitors the Corporation's risks through its audit committee. The audit committee reports regularly to the Board of Directors on its activities. The Corporation's audit committee oversees how management monitors and manages the Corporation's risks.

a) Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligation, and arises principally from the Corporation's trade receivables. The Corporation grants credit to its customers in the ordinary course of business. Management believes that the credit risk of trade receivables is limited due to the following reasons:

- No single customer accounts for more than 10% of the Corporation's revenue;
- Approximately 91% (July 31, 2016 – 94%) of the Corporation's trade receivables are not past due or 30 days or less past due.

Impairment losses

The aging of trade receivables at the reporting date was:

	At October 31, 2016		At July 31, 2016	
	Total	**Impairment**	Total	Impairment
Not past due	**3,957,978**	**-**	898,373	-
Past due 1 – 30 days	**924,822**	**-**	118,238	-
Past due 31 – 60 days	**293,869**	**-**	40,649	-
Past due more than 60 days	**202,016**	**(178,532)**	23,210	-
	5,378,685	**(178,532)**	1,080,470	-

The impaired trade receivables are mostly due from customers that are experiencing financial difficulties.

b) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

Cash inflows and cash outflows requirements from Corporation's entities are monitored closely and separately to ensure the Corporation optimizes its cash return on investment. Typically, the Corporation ensures that it has sufficient cash to meet expected operational expenses; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted. The Corporation monitors its short and medium-term liquidity needs on an ongoing basis using forecasting tools.

The following are the contractual maturities of the financial liabilities, including estimated interest payment:

	Less than 1 year	**Between 1 and 5 years**	**More than 5 years**
Bank indebtedness	**2,500,000**	-	-
Trade and other payables	**6,565,012**	-	-
Derivative financial instrument	**-**	45,757	-
Long-term debt	**2,619,596**	13,684,616	10,027
	11,684,608	13,730,373	10,027

c) Market risk

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument held by the Corporation will fluctuate, because of changes in interest rates. The Corporation's financial liabilities other

(unaudited, tabular amounts in Canadian dollars, unless otherwise noted)

than current liabilities, is comprised of medium to long-term variable rate debt, concerning which the Corporation has mitigated its risk by entering into interest rate swap contracts for a contracted fixed interest rate (note 12). The interest rate swaps are measured at fair value and changes in interest rates will result in a change in fair value of the interest rate swaps. This change in recognized in earnings as a gain or loss in the year it occurs.

The Corporation's exposure to interest rate risk is summarized as follows:

Cash	Fixed interest rates
Trade and other receivables	Non-interest bearing
Loans receivables	Non-interest bearing
Bank indebtedness	Variable interest rates
Trade and other payables	Non-interest bearing
Long-term debt	Fixed and variable interest rates

d) Capital management

For the purposes of capital management, capital consists of share capital and retained earnings of the Corporation. The Corporation's objectives when managing capital are:

- To ensure proper capital investment in order to provide stability and competitiveness to its operations;
- To ensure sufficient liquidity to pursue its growth strategy and undertake selective acquisitions;
- To maintain an appropriate debt level so that there are no financial constraints on the use of capital; and
- To maintain investors, creditors and market confidence.

The Corporation seeks to maintain a balance between the highest returns that might be possible with higher level of borrowings and the advantages and security by a sound capital position.

The Corporation's loan agreement requires compliance with two ratios on a quarterly basis, starting August 19, 2016. The first is a ratio of Senior debt to earnings before interest, income taxes, depreciation, amortization and permitted expenses ("**Adjusted EBITDA**") calculated on a rolling four quarter basis. The second is a fixed charge coverage ratio. At October 31, 2016, the Corporation is in compliance with its financial covenants.

	Requirement	**As at October 31, 2016**
Senior debt ratio [ratio of adjusted EBITDA from acquisitions and extraordinary items divided by capital payments payable]	>5:1	4.97
Fixed charge coverage ratio [ratio of total debt plus unfinanced CAPEX to EBITDA, including last twelve months adjusted EBITDA]	>1:1	1.12

The Corporation has sufficient liquidity to continue its operations but for the acquisitions will require additional financing.

There were no changes in the Corporation's approach to capital management during the period.

21. Commitments

The Corporation entered into operating leases expiring on various dates through August 2021, with respect to leased premises and other leases. The total future minimum lease payments under non-cancellable operating leases are as follows:

	At October 31, 2016	At July 31,2015
Less than 1 year	**91,587**	88,679
Between 1 and 5 years	**204,786**	174,666
More than 5 years	**-**	2,070
	296,373	265,415

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The Corporation also rents part of the office which is under operating leases expiring on April 30, 2018 and which represent minimum lease revenues under a non-cancellable operating lease are as follows:

	At October 31, 2016	At July 31, 2016
Less than 1 year	**4,590**	4,590
Between 1 and 5 years	**2,298**	3,443
More than 5 years	**-**	-
	6,888	8,033

22. Related parties

The Corporation's related parties include companies under common control as well as key management personnel.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. The transactions are measured at value of the consideration given or received, which has been established and agreed by the parties. Outstanding balances are usually settled in cash.

Transactions with key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation as a whole. The Corporation has determined that key management personnel consist of the Corporation's Board of Directors and corporate officers. The key management personnel received a total remuneration of $153,722 (October 31, 2016 - $69,070).

The Corporation has the following amounts owing to key management personnel as at:

	October 31, 2016	July 31, 2016
Trade and other payables	**(420,004)**	(420,004)
Advance from a shareholder, without interest	**(210,685)**	(210,685)
	(630,689)	(630,689)