MEDICAL FACILITIES CORPORATION	**MANAGEMENT'S DISCUSSION AND ANALYSIS OF CONSOLIDATED FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2026**

May 6, 2026

The following Management's Discussion and Analysis ("MD&A") is intended to assist readers in understanding Medical Facilities Corporation (the "Corporation"), its business environment, strategies, performance, outlook and the risks applicable to the Corporation. It is supplemental to and should be read in conjunction with the unaudited interim condensed consolidated financial statements and accompanying notes of the Corporation for the three months ended March 31, 2026 (the "financial statements"), which have been prepared in accordance with IAS 34 *Interim Financial Reporting*, the audited consolidated financial statements and accompanying notes of the Corporation for the year ended December 31, 2025 ("annual financial statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS Accounting Standards"), and the Corporation's annual MD&A for the year ended December 31, 2025 ("annual MD&A").

Substantially all of the Corporation's operating cash flows are in U.S. dollars and all amounts presented in the financial statements and herein, except per share amounts, are stated in thousands of U.S. dollars, unless indicated otherwise.

Additional information about the Corporation and its annual information form are available on SEDAR+ at www.sedarplus.ca.

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1. CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

Certain information in this MD&A may constitute “forward-looking information” within the meaning of applicable securities legislation. All information contained in this MD&A, other than statements of current and historical fact, is forward-looking information. Forward-looking information includes, but is not limited to, the discussion of the Corporation’s business and operating initiatives, focuses and strategies, expectations of future performance and consolidated financial results, and expectations with respect to cash flows and level of liquidity. Generally, forward-looking information can be identified by use of words such as “may”, “will”, “could”, “should”, “would”, “expect”, “believe”, “plan”, “anticipate”, “intend”, “forecast”, “objective” and “continue” (or the negative thereof) and other similar terminology. All of the forward-looking information in this MD&A is qualified by this cautionary statement.

Forward-looking information is not, and cannot be, a guarantee of future results or events. Forward-looking information is based on, among other things, opinions, assumptions, estimates and analyses that, while considered reasonable at the date the forward-looking information is provided, inherently are subject to significant risks, uncertainties, contingencies and other factors that may cause actual results, performance or achievements, industry results or events to be materially different from those expressed or implied by the forward-looking information. The material factors or assumptions that were identified and applied in drawing conclusions or making forecasts or projections set out in the forward-looking information include, but are not limited to: the successful execution of business strategies, consistent and stable economic conditions and conditions in the financial markets, and the consistent and stable legislative environment in which the Corporation operates.

Inherent in the forward-looking information are known and unknown risks, uncertainties and other factors that could cause actual results, performance or achievements, or industry results, to differ materially from any results, performance or achievements expressed or implied by such forward-looking information. Those risks, uncertainties and other factors that could cause actual results to differ materially from the forward-looking information include, but are not limited to: ability to obtain and maintain contractual arrangements with insurers and other payors, ability to attract and retain qualified physicians, availability of qualified personnel or management, legislative and regulatory changes, capital expenditures, general state of the economy, global supply chain disruptions, enactment of import tariffs or other restrictive trade policies and measures, competition in the industry, currency risk, interest rate risk, success of new service lines introductions, ability to maintain profitability and manage organic growth, revenue and cash flow volatility, credit risk, operating risks, performance of obligations/maintenance of patient satisfaction, public health crises or outbreaks of infectious diseases, information technology governance and security, occurrences of natural and man-made disasters and similar events, risk of future legal proceedings, insurance limits, income tax matters, ability to meet solvency requirements to pay dividends, leverage and restrictive covenants, unpredictability and volatility of common share price, and issuance of additional common shares diluting existing shareholders’ interests, and other factors set forth under the heading “Risk Factors” in this MD&A and under the heading “Risk Factors” in the Corporation’s most recently filed annual information form (which is available on SEDAR+ at www.sedarplus.ca).

Given these risks, uncertainties and other factors, investors should not place undue reliance on forward-looking information as a prediction of actual results. The forward-looking information reflects management’s current expectations and beliefs regarding future events and operating performance and is based on information currently available to management. Although management has attempted to identify important factors that could cause actual results to differ materially from the forward-looking information contained herein, there are other factors that could cause results not to be as anticipated, estimated or intended. The forward-looking information contained herein is current as of the date of this MD&A and, except as required under applicable law, the Corporation does not undertake the obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances.

2. NON-IFRS FINANCIAL MEASURES

The Corporation uses certain non-IFRS financial measures which it believes provide useful measures for evaluation and assessment of the Corporation's performance. They are presented on a uniform basis from period to period, thereby allowing for consistent comparability. Management believes that the non-IFRS financial measures presented in this MD&A (i) are relevant for users of the financial statements to assess the Corporation's performance and ability to pay dividends, and (ii) may be used to calculate certain ongoing rights and obligations of the Corporation. Non-IFRS financial measures do not have any standard meaning prescribed by IFRS Accounting Standards, are unlikely to be comparable to similar measures presented by other issuers, and should not be considered as alternatives to comparable measures determined in accordance with IFRS Accounting Standards as indicators of the Corporation's financial performance, including its liquidity, cash flows, and profitability.

The Corporation uses the following non-IFRS financial measures which are presented in Sections 5 and 6 of this MD&A under the heading "Reconciliation of net income for the period from continuing operations to EBITDA" and in Section 7 of this MD&A under the heading "Reconciliation of Non-IFRS Financial Measures", and reconciled to the applicable IFRS measures:

- **Cash available for distribution** is a non-IFRS financial measure of cash generated from operations during a reporting period which is available for distribution to common shareholders. Cash available for distribution is derived from net cash provided by operating activities, before certain non-cash adjustments, including (i) net changes in non-cash operating working capital, (ii) market value adjustments on share-based compensation, (iii) interest expense on exchangeable interest liability, and (iv) the difference between accrual-based amounts and actual cash flows related to interest and taxes, less (v) maintenance capital expenditures, (vi) payment of lease liabilities, (vii) repayments of notes payable by the Facilities, and (viii) non-controlling interest in cash flows of the Facilities. The Corporation calculates cash available for distribution in U.S. dollars and translates it into Canadian dollars using the average exchange rate applicable during the period per the Bank of Canada. Management believes that cash available for distribution is relevant in understanding the Corporation's ability to earn cash and pay dividends to its common shareholders.

- **Cash available for distribution per common share** is a non-IFRS financial measure calculated as the cash available for distribution divided by the basic weighted average number of common shares outstanding during the period.

- **Distributions** is a non-IFRS financial measure of cash distributed to holders of common shares, more commonly referred to as dividends declared.

- **Distributions per common share** is a non-IFRS financial measure calculated as the distributions divided by the basic weighted average number of common shares outstanding during the period.

- **Earnings before interest, taxes, depreciation and amortization** ("EBITDA") is a non-IFRS financial measure defined as net income for the period from continuing operations before (i) finance costs, (ii) income taxes, (iii) depreciation of property and equipment, (iv) depreciation of right-of-use assets, and (v) amortization of other intangibles. Management believes that EBITDA is relevant in understanding the Corporation's ability to service its debt, finance capital expenditures and pay dividends to its common shareholders.

- **Payout ratio** is a non-IFRS financial measure calculated as distributions per common share in Canadian dollars divided by cash available for distribution per common share in Canadian dollars. Management monitors the payout ratio to ensure the Corporation can adhere to its dividend policy.

3. BUSINESS OVERVIEW

The Corporation is a British Columbia corporation. The capital of the Corporation is in the form of publicly traded common shares. The common shares of the Corporation are listed on the Toronto Stock Exchange under the ticker symbol “DR”. The Corporation’s current quarterly dividend on its common shares is Cdn$0.09 per common share (refer to Section 10 “Share Capital and Dividends” of this MD&A under the heading “Dividends”).

The Corporation’s operations are based in the United States. Through its wholly-owned U.S.-based subsidiaries, Medical Facilities America, Inc. (“MFA”) and Medical Facilities (USA) Holdings, Inc. (“MFH”), the Corporation owns controlling interests in, and controls by virtue of retaining approval rights over certain significant governance matters, and derives substantially all of its income from, two limited liability entities (each a “Facility” and, collectively, the “Facilities”), each of which own a specialty surgical hospital (an “SSH”). The two SSHs are located in Arkansas and South Dakota. SSHs are licensed for both inpatient and outpatient surgeries, and provide facilities, including staffing, surgical materials and supplies, and other support necessary for scheduled surgical, pain management, imaging, and diagnostic procedures, and derive their revenue primarily from the fees charged for the use of these facilities. The Facilities mainly focus on a limited number of clinical specialties such as orthopedics, neurosurgery, pain management and other non-emergency elective procedures. In addition, one of the SSHs provides urgent care services.

On December 31, 2025, the Corporation sold its 51.0% ownership share in The Surgery Center of Newport Coast, LLC ("SCNC"), an ambulatory surgery center located in Newport Beach, California, to Newport Center GK, LLC for cash proceeds of $1.5 million. The sale of SCNC aligned with the Corporation’s previously stated strategy of divestiture of non-core assets.

On January 30, 2026, the Corporation completed the sale of its 64.0% ownership interest in Oklahoma Spine Hospital, LLC ("OSH"), a Facility located in Oklahoma City, Oklahoma, to SSM Health Care of Oklahoma, Inc. and an entity owned by OSH's physician partners, for net cash proceeds of $45.7 million, subject to customary adjustments. In connection with this transaction, the Corporation recorded a post-tax gain of $16.8 million in the results of discontinued operations. The sale of OSH has strengthened the Corporation’s consolidated balance sheet, enabling the return of capital to the Corporation’s common shareholders.

Other Information

Facility service revenue (“revenue”) and certain directly related expenses are subject to seasonal fluctuations due to the timing of case scheduling, which can be impacted by the vacation schedules of surgeons, as well as the extent to which patients have remaining deductibles on their insurance coverage, based on the time of year. Occupancy related expenses, certain operating expenses, depreciation and amortization, and interest expense remain relatively steady throughout the year.

Revenue for any given period is dependent on the volume of the procedures performed as well as the acuity and complexity of the procedures (“case mix”) and composition of payors (“payor mix”), including federal and state agencies (under the Medicare and Medicaid programs), managed care health plans, commercial insurance companies and employers. Various payors have different reimbursement rates for the same type of procedure which are generally based on either predetermined rates per procedure or discounted fee-for-service rates. Medicare and Medicaid typically have lower reimbursement rates than other payors.

Revenue is recorded in the period when healthcare services are provided based upon established billing rates less adjustments required by contractual arrangements with the payors. Estimates of contractual adjustments under payor arrangements are based upon the payment terms specified in the related contractual agreements and payment history.

The volume of procedures performed at the Facilities depends on, among other things: (i) the Facilities' ability to deliver high quality care and superior services to patients and their family members; (ii) the Facilities' success in encouraging physicians to perform procedures at the Facilities through, among other things, maintenance of an efficient work environment for physicians as well as availability of facilities; and (iii) the Facilities' establishment and maintenance of strong relationships with major third-party payors in the geographic areas served. The case mix at each Facility is a function of the clinical specialties of the physicians and medical staff and is also dependent on the equipment and infrastructure at each Facility.

Non-controlling interests in the Facilities are indirectly owned, primarily by physicians practicing at the Facilities. Upon acquisition by the Corporation of indirect controlling interests in the SSHs located in Arkansas and South Dakota, the non-controlling interest holders were granted the right to exchange ownership interest in their respective Facilities of up to 5% in the case of Arkansas Surgical Hospital and 14% for Sioux Falls Specialty Hospital, for common shares of the Corporation. The liability associated with this derivative instrument is recorded on the Corporation's consolidated balance sheet. To date, the non-controlling interest holders of the eligible Facilities have not exercised any portion of their exchangeable interests.

<u>Summary of Facility Information as of March 31, 2026</u>

	Arkansas Surgical Hospital ("ASH")	**Sioux Falls Specialty Hospital ("SFSH")**
Location	North Little Rock Arkansas	Sioux Falls South Dakota
Year Opened	2005	1985
Year Acquired by the Corporation	2012	2004
Ownership Interest	51.0%	51.0%
Non-controlling Interest	49.0%	49.0%
Exchangeable Interest	5.0%	14.0%
Size	126,000 sq ft	97,000 sq ft
Operating/Procedure Rooms	13/2	15/1
Overnight Rooms	41[1]	33

[1] *Licensed for 47 beds.*

4. FINANCIAL AND PERFORMANCE HIGHLIGHTS

Selected Financial Information from Continuing Operations

Unaudited	Three Months Ended March 31,			
In thousands of U.S. dollars, except per share amounts and as indicated otherwise		2026		2025[(1)]
Facility service revenue		67,110		60,557
Operating expenses		54,725		49,899
Income from operations		12,385		10,658
Net income for the period from continuing operations		13,133		7,052
Attributable to:				
Owners of the Corporation [(2)]		7,908		2,641
Non-controlling interest [(2)]		5,225		4,411
Net income for the period from discontinued operations, net of tax		16,816		1,928
Earnings per share from continuing operations attributable to owners of the Corporation				
Basic		$0.45		$0.12
Fully diluted		$0.21		$0.12
EBITDA [(3)]		15,310		13,590
Cash available for distribution [(3)] [(4)]	C$	6,812	C$	9,091
Distributions [(3)]	C$	1,580	C$	1,752
Cash available for distribution per common share [(3)] [(4)]	C$	0.385	C$	0.410
Distributions per common share [(3)]	C$	0.089	C$	0.079
Payout ratio [(3)] [(4)]		23.1%		19.3%

(1) *The comparative results for the three months ended March 31, 2025 include the results of continuing operations and discontinued operations. In accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, the results of discontinued operations for the prior period are presented separately in the Corporation's current period interim condensed consolidated statements of income and comprehensive income to provide a clear comparison.*

(2) *Net income from continuing operations attributable to owners of the Corporation fluctuates significantly between the periods due to variations in finance costs, primarily in the value of the exchangeable interest liability, and income taxes. These charges are incurred at the corporate level rather than at the Facility level. On the other hand, net income from continuing operations attributable to non-controlling interest represents the interest of the Facilities' non-controlling interest holders in the net income of the Facilities on a stand-alone basis and, therefore, does not vary as significantly between the periods.*

(3) *Non-IFRS financial measures. Please refer to Section 2 under the heading "Non-IFRS Financial Measures", Sections 5 and 6 under the heading "Reconciliation of net income for the period from continuing operations to EBITDA", and Section 7 under the heading "Reconciliation of Non-IFRS Financial Measures".*

(4) *Cash available for distribution, cash available for distribution per common share, and payout ratio are not restated for discontinued operations and therefore include the results of SCNC and OSH, which were sold in the fourth quarter of 2025 and the first quarter of 2026, respectively.*

Selected Financial Information for the Three Months Ended March 31, 2026 compared to the Three Months Ended March 31, 2025

For the three months ended March 31, 2026, revenue from continuing operations of $67.1 million increased by 10.8% from $60.6 million for the same period in 2025, mainly due to the combined positive impact of case and payor mix.

EBITDA for the three months ended March 31, 2026 was $15.3 million or 22.8% of revenue from continuing operations compared to $13.6 million or 22.4% of revenue from continuing operations for the same period last year, mainly due to the increase in revenue which exceeded the corresponding increase in operating expenses before depreciation and amortization.

Net income from continuing operations for the three months ended March 31, 2026 was $13.1 million compared to net income from continuing operations of $7.1 million for the same period in 2025, with the increase mainly attributable to lower finance costs at the corporate level, driven by the variance in the change in value of exchangeable interest liability versus the prior period (refer to Section 5 "Consolidated Operating and Financial

Review" of this MD&A under the heading "Change in Value of Exchangeable Interest Liability"), and higher income from operations at the Facilities, partly offset by higher income tax expense.

Net income from discontinued operations, net of tax, for the three months ended March 31, 2026 of $16.8 million and $1.9 million for the same period in 2025 was reclassified out of continuing operations due to the sales of SCNC and OSH. The increase from the prior period is mainly due to the post-tax gain of $16.8 million on the sale of OSH recognized in the results of discontinued operations in the current period.

The Corporation generated cash available for distribution of Cdn$6.8 million for the three months ended March 31, 2026, representing a decrease of Cdn$2.3 million or 25.1% from Cdn$9.1 million for the same period in 2025, primarily because the prior period included the results of SCNC and OSH, which were sold in the fourth quarter of 2025 and the first quarter of 2026, respectively. Distributions per common share increased between the periods by Cdn$0.010 to Cdn$0.089, while the payout ratio was 23.1% for the three months ended March 31, 2026 compared to 19.3% for the same period last year. For a reconciliation of the foregoing non-IFRS financial measures to the applicable IFRS measures, see Section 7 under the heading "Reconciliation of Non-IFRS Financial Measures".

5. CONSOLIDATED OPERATING AND FINANCIAL REVIEW

Continuing Operations for the Three Months Ended March 31, 2026

The following table and discussion compare operating and financial results from continuing operations of the Corporation for the three months ended March 31, 2026 to the three months ended March 31, 2025:

Unaudited	Three Months Ended March 31,			
In thousands of U.S. dollars, except per share amounts	**2026**	**2025**	**$ Change**	**% Change**
Revenue and other income				
Facility service revenue	67,110	60,557	6,553	10.8%
	67,110	**60,557**	**6,553**	**10.8%**
Operating expenses				
Salaries and benefits	17,817	16,335	1,482	9.1%
Drugs and supplies	20,769	18,302	2,467	13.5%
General and administrative expenses (1)	13,214	12,330	884	7.2%
Depreciation of property and equipment	1,371	1,358	13	1.0%
Depreciation of right-of-use assets	1,421	1,441	(20)	(1.4%)
Amortization of other intangibles	133	133	-	-
	54,725	**49,899**	**4,826**	**9.7%**
Income from operations	**12,385**	**10,658**	**1,727**	**16.2%**
Finance costs (income)				
Change in value of exchangeable interest liability	(6,925)	2,530	(9,455)	(373.7%)
Interest expense on exchangeable interest liability	1,736	1,700	36	2.1%
Interest expense, net of interest income	164	(120)	284	236.7%
Loss (gain) on foreign currency	(52)	130	(182)	(140.0%)
	(5,077)	**4,240**	**(9,317)**	**(219.7%)**
Income before income taxes	**17,462**	**6,418**	**11,044**	**172.1%**
Income tax expense (recovery)	4,329	(634)	4,963	782.8%
Net income for the period from continuing operations	**13,133**	**7,052**	**6,081**	**86.2%**
Attributable to:				
Owners of the Corporation	7,908	2,641	5,267	199.4%
Non-controlling interest	5,225	4,411	814	18.5%
Basic earnings per share attributable to owners of the Corporation	$0.45	$0.12	0.33	275.0%
Fully diluted earnings per share attributable to owners of the Corporation	$0.21	$0.12	0.09	75.0%
Reconciliation of net income for the period from continuing operations to EBITDA (2)				
Net income for the period from continuing operations	13,133	7,052	6,081	86.2%
Income tax expense (recovery)	4,329	(634)	4,963	782.8%
Finance costs (income)	(5,077)	4,240	(9,317)	(219.7%)
Depreciation of property and equipment	1,371	1,358	13	1.0%
Depreciation of right-of-use assets	1,421	1,441	(20)	(1.4%)
Amortization of other intangibles	133	133	-	-
EBITDA (2)	**15,310**	**13,590**	**1,720**	**12.7%**

(1) *General and administrative expenses include non-controllable, non-cash corporate level charges related to share-based compensation plans of $0.4 million for the three months ended March 31, 2026, and $0.2 million for the three months ended March 31, 2025.*

(2) *Non-IFRS financial measure. Please refer to Section 2 under the heading "Non-IFRS Financial Measures" for a discussion of such measures.*

Revenue and Other Income

Unaudited	Three Months Ended March 31,			
In thousands of U.S. dollars	**2026**	**2025**	**$ Change**	**% Change**
ASH	25,774	23,043	2,731	11.9%
SFSH	41,336	37,514	3,822	10.2%
Revenue and other income	**67,110**	**60,557**	**6,553**	**10.8%**

For the three months ended March 31, 2026, revenue increased from the same period in 2025 by $6.6 million or 10.8%, mainly due to the combined impact of case and payor mix ($5.2 million) which included more orthopedic and spine procedures, as well as higher surgical case volume when excluding the decline in low-margin dental cases ($1.0 million), and payor rate increases ($0.3 million).

Total surgical cases decreased by 0.6%, as observation cases decreased by 8.9%, and inpatient cases decreased by 2.7%, but outpatient cases increased by 2.6%. Excluding the impact of dental cases, surgical cases were up 1.3%. Surgical case volume was up at ASH and also up at SFSH when excluding dental cases. Surgical case volume changes by payor over the same period last year came predominantly from Medicare and Blue Cross Blue Shield, which increased by 5.0% and decreased by 5.4%, respectively. Pain management cases were down by 21.6% compared to the same period last year, with the decrease coming from ASH.

The above factors are reflected in each Facility's revenue as follows:

- ASH's revenue increased mainly due to the combined impact of case and payor mix, driven by more spine procedures, along with higher surgical case volume, and payor rate increases, partly offset by a decrease in pain management cases due to the departure of a pain physician in the second quarter of 2025.

- SFSH's revenue increased mainly due to the combined impact of case and payor mix, which included more orthopedic cases, as well as higher surgical case volume when excluding low-margin dental cases.

Operating Expenses

For the three months ended March 31, 2026, operating expenses, including salaries and benefits, drugs and supplies, general and administrative expenses ("G&A"), depreciation of property and equipment, depreciation of right-of-use assets, and amortization of other intangibles (collectively "operating expenses"), increased by $4.8 million or 9.7% from the same period last year to $54.7 million. As a percentage of revenue and other income, operating expenses decreased to 81.5% from 82.4% in the same period a year earlier.

Unaudited	Three Months Ended March 31,					
In thousands of U.S. dollars	**2026**	**Percentage of Revenue**	**2025**	**Percentage of Revenue**	**$ Change**	**% Change**
ASH	20,496	79.5%	18,439	80.0%	2,057	11.2%
SFSH	32,052	77.5%	29,554	78.8%	2,498	8.5%
Corporate	2,177	n/a	1,906	n/a	271	14.2%
Operating expenses	**54,725**	**81.5%**	**49,899**	**82.4%**	**4,826**	**9.7%**

Consolidated salaries and benefits increased by $1.5 million or 9.1%, primarily due to increases in clinical and non-clinical salaries and wages ($1.0 million) as a result of annual merit increases, as well as higher remuneration for anesthesia nurse practitioners ($0.4 million) caused by market wage pressures, and higher share-based compensation vesting expense at the corporate level ($0.2 million). As a percentage of revenue and other income, consolidated salaries and benefits decreased to 26.5% from 27.0% a year earlier.

Consolidated drugs and supplies increased by $2.5 million or 13.5%, primarily due to the impact of case mix ($1.6 million) which reflected more orthopedic and spine procedures, as well as higher surgical case volume when excluding dental cases ($0.5 million), and lower vendor rebates ($0.3 million). As a percentage of revenue and other income, the consolidated cost of drugs and supplies increased to 30.9% from 30.2% a year earlier.

Consolidated G&A increased by $0.9 million or 7.2%. The increase in G&A was primarily due to higher contracted service costs related to anesthesia ($0.4 million), higher corporate level costs related to share-based compensation plans ($0.2 million), along with increases in repairs and maintenance ($0.2 million), billing fees ($0.1 million), and physician guarantees ($0.1 million). As a percentage of revenue and other income, consolidated G&A decreased to 19.7% from 20.4% a year earlier.

Consolidated depreciation of property and equipment remained consistent with the same period in 2025, as increases from the purchase of fixed assets were offset by certain fixed assets being fully depreciated. As a percentage of revenue and other income, consolidated depreciation of property and equipment decreased to 2.0% from 2.2% a year earlier.

Consolidated depreciation of right-of-use assets remained consistent with the same period in 2025, as the expiration and termination of certain leases was offset by new lease additions. As a percentage of revenue and other income, consolidated depreciation of right-of-use assets decreased to 2.1% from 2.4% a year earlier.

Consolidated amortization of other intangibles was unchanged from the same period in 2025. As a percentage of revenue and other income, consolidated amortization of other intangibles also remained unchanged from a year earlier at 0.2%.

Income from Operations

Consolidated income from continuing operations for the three months ended March 31, 2026 of $12.4 million was 16.2% higher than the consolidated income from operations of $10.7 million recorded in the same period last year, representing 18.5% of revenue and other income, compared to 17.6% in the same period in 2025. The increase is mainly due to higher income from operations at the Facilities, driven by the increase in facility service revenue.

Unaudited	**Three Months Ended March 31,**					
In thousands of U.S. dollars	**2026**	**Percentage of Revenue**	**2025**	**Percentage of Revenue**	**$ Change**	**% Change**
ASH	5,278	20.5%	4,604	20.0%	674	14.6%
SFSH	9,284	22.5%	7,960	21.2%	1,324	16.6%
Corporate	(2,177)	n/a	(1,906)	n/a	(271)	(14.2%)
Income from operations	**12,385**	**18.5%**	**10,658**	**17.6%**	**1,727**	**16.2%**

Finance Costs (Income)

Change in Value of Exchangeable Interest Liability

The liability for the exchangeable interest is recorded at fair value, and re-measured at each reporting date, and the changes in fair value are included in net income from continuing operations for the respective periods. Changes in the recorded value of the exchangeable interest liability between the reporting periods are attributable to the (i) changes in the number of common shares to be issued for the exchangeable interest liability, which are driven by the distributions to the non-controlling interest holders during the trailing twelve-month period ending on the reporting date, (ii) changes in the market price of the Corporation's common shares, and (iii) fluctuations of the value of the Canadian dollar against the U.S. dollar. The change in value of the exchangeable interest liability for the three months ended March 31, 2026 of $6.9 million decreased by $9.5 million from the same period in 2025, attributable to variations in all three factors, including the forfeiture of common shares to be issued for the exchangeable interest liability relating to OSH's non-controlling interest holders (as of December 31, 2025: 42,331 common shares) upon the sale of OSH on January 30, 2026.

The following table provides a calculation of the change in value of the exchangeable interest liability for the reporting periods:

In thousands of U.S. dollars, except as indicated otherwise	**March 31, 2026** *Unaudited*	**December 31, 2025**	**Change**	**March 31, 2025** *Unaudited*	**December 31, 2024**	**Change**
Number of common shares to be issued for exchangeable interest liability	2,721,225	3,419,978	(698,753)	3,601,975	3,621,847	(19,872)
Closing price of the Corporation's common shares	C$16.68	C$15.87	C$0.81	C$16.71	C$15.61	C$1.10
Closing exchange rate of U.S. dollar to Canadian dollar	$1.3916	$1.3726	$0.0190	$1.4388	$1.4385	$0.0003
Exchangeable interest liability	**32,617**	**39,542**	**(6,925)**	**41,833**	**39,303**	**2,530**

Interest Expense on Exchangeable Interest Liability

Interest expense on the exchangeable interest liability increased marginally due to the variation in distributions from the Facilities between the reporting periods.

Interest Expense, Net of Interest Income

Interest expense, net of interest income, increased by $0.3 million, mainly due to lower interest income at the corporate level as a result of lower average cash balance and lower interest rates in the current period as compared to the same period in 2025.

Loss (Gain) on Foreign Currency

The Corporation's reporting currency is U.S. dollars; however, certain public company expenses and payments to holders of common shares are made in Canadian dollars. Foreign currency gain increased by $0.2 million due to the relative change in foreign exchange rates between the reporting periods.

Income Tax

Current and deferred tax components of the income tax expense (recovery) for the reporting periods are as follows:

Unaudited	**Three Months Ended March 31,**			
In thousands of U.S. dollars	**2026**	**2025**	**$ Change**	**% Change**
Current income tax expense	653	91	562	617.6%
Deferred income tax expense (recovery)	3,676	(725)	4,401	607.0%
Income tax expense (recovery)	**4,329**	**(634)**	**4,963**	**782.8%**

The increase in current income tax expense versus the same period last year was primarily due to higher income from operations at the Facilities. The increase in deferred income tax expense versus the prior period was mainly due to the impact of the change in the exchangeable interest liability.

Net Income from Continuing Operations

The $6.1 million increase in net income from continuing operations for the three months ended March 31, 2026 was mainly attributable to lower finance costs, driven by the variance in the change in value of exchangeable interest liability versus the prior period (refer to Section 5 "Consolidated Operating and Financial Review" of this MD&A under the heading "Change in Value of Exchangeable Interest Liability"), and higher income from operations at the Facilities, partly offset by higher income tax expense.

EBITDA

EBITDA for the three months ended March 31, 2026 of $15.3 million increased by $1.7 million from $13.6 million recorded in the same period last year, representing 22.8% of revenue and other income compared to 22.4% a year earlier, mainly due to an increase in revenue which exceeded the corresponding increase in operating expenses before depreciation and amortization. For a reconciliation of EBITDA to an applicable IFRS measure, see Section 5 under "Reconciliation of net income for the period from continuing operations to EBITDA".

6. QUARTERLY OPERATING AND FINANCIAL RESULTS

Summary of Quarterly Operating and Financial Results from Continuing Operations

Unaudited	**2026**			**2025**			**2024**	
In thousands of U.S. dollars, except per share amounts	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Revenue and other income								
Facility service revenue	67,110	75,105	60,007	58,497	60,557	69,149	56,457	60,812
Government stimulus income	-	-	-	-	-	-	7,285	-
	67,110	**75,105**	**60,007**	**58,497**	**60,557**	**69,149**	**63,742**	**60,812**
Operating expenses								
Salaries and benefits	17,817	18,766	17,370	16,909	16,335	17,736	16,139	16,141
Drugs and supplies	20,769	22,964	17,628	17,654	18,302	20,545	16,870	17,737
General and administrative expenses	13,214	12,891	12,275	12,354	12,330	12,783	12,725	12,661
Depreciation of property and equipment	1,371	1,384	1,355	1,378	1,358	1,331	1,358	1,346
Depreciation of right-of-use assets	1,421	1,420	1,428	1,426	1,441	1,431	1,409	1,379
Amortization of other intangibles	133	136	136	135	133	135	136	136
	54,725	**57,561**	**50,192**	**49,856**	**49,899**	**53,961**	**48,637**	**49,400**
Income from operations	**12,385**	**17,544**	**9,815**	**8,641**	**10,658**	**15,188**	**15,105**	**11,412**
Finance costs (income)								
Change in value of exchangeable interest liability	(6,925)	4,575	(5,625)	(1,241)	2,530	(19,464)	4,935	8,559
Interest expense on exchangeable interest liability	1,736	1,534	1,265	845	1,700	1,972	1,926	1,707
Interest expense, net of interest income	164	552	449	441	(120)	359	832	981
Loss (gain) on foreign currency	(52)	(12)	18	29	130	(9)	14	11
	(5,077)	**6,649**	**(3,893)**	**74**	**4,240**	**(17,142)**	**7,707**	**11,258**
Income before income taxes	**17,462**	**10,895**	**13,708**	**8,567**	**6,418**	**32,330**	**7,398**	**154**
Income tax expense (recovery)	4,329	1,181	2,722	1,704	(634)	(4,394)	(764)	(677)
Net income for the period from continuing operations	**13,133**	**9,714**	**10,986**	**6,863**	**7,052**	**36,724**	**8,162**	**831**
Attributable to:								
Owners of the Corporation	7,908	2,739	7,010	3,035	2,641	30,828	2,144	(3,403)
Non-controlling interest	5,225	6,975	3,976	3,828	4,411	5,896	6,018	4,234
Earnings (loss) per share attributable to owners of the Corporation:								
Basic	$0.45	$0.15	$0.38	$0.16	$0.12	$1.32	$0.09	($0.14)
Fully diluted	$0.21	$0.15	$0.18	$0.13	$0.12	$0.64	$0.09	($0.14)
Reconciliation of net income for the period from continuing operations to EBITDA [1]								
Net income for the period from continuing operations	13,133	9,714	10,986	6,863	7,052	36,724	8,162	831
Income tax expense (recovery)	4,329	1,181	2,722	1,704	(634)	(4,394)	(764)	(677)
Finance costs (income)	(5,077)	6,649	(3,893)	74	4,240	(17,142)	7,707	11,258
Depreciation of property and equipment	1,371	1,384	1,355	1,378	1,358	1,331	1,358	1,346
Depreciation of right-of-use assets	1,421	1,420	1,428	1,426	1,441	1,431	1,409	1,379
Amortization of other intangibles	133	136	136	135	133	135	136	136
EBITDA [1]	**15,310**	**20,484**	**12,734**	**11,580**	**13,590**	**18,085**	**18,008**	**14,273**

(1) *Non-IFRS financial measure. Please refer to Section 2 under the heading "Non-IFRS Financial Measures" for a discussion of such measures.*

During the last eight quarters, the following items have had a significant impact on the Corporation's financial results:

- Revenue varies directly in relation to the number of cases performed as well as to the type of cases performed and the payor. For example, revenue for orthopedic cases will typically be higher than ear, nose and throat cases and cases funded by Medicare or Medicaid will be lower than those paid for by private insurance. Changes in case volumes, case mix and payor mix are normal and expected due to the nature of the Corporation's business. Surgical cases are mainly elective procedures and the volume of cases performed in any given period are subject to medical necessity and patient and physician preferences in scheduling (e.g., work schedules and vacations). The Corporation generally records higher revenue in the fourth quarter as many patients tend to seek medical procedures at the end of the year, primarily as a result of their inability to carry over unused insurance benefits into the following calendar year.

- As part of the *Coronavirus Aid, Relief, and Economic Security (CARES) Act* and other stimulus legislation in response to the COVID-19 pandemic, the Facilities received financial assistance, from which the Facilities' outstanding Paycheck Protection Program loans were recognized as government stimulus income in the third quarter of 2024 (refer to Section 3 of the annual MD&A under the heading "Government Stimulus").
- The changes in the recorded value of the exchangeable interest liability have been driven by (i) the changes in the number of common shares issuable for the exchangeable interest liability, which are in turn driven by the distributions to the non-controlling interest holders during the trailing twelve-month period ending on the reporting date, (ii) the changes in the market price of the Corporation's common shares, and (iii) the fluctuations of the value of the Canadian dollar against the U.S. dollar. During 2024, 2025 and 2026, the fluctuations in the change in value of the exchangeable interest liability were attributable to variations in all three factors, including the forfeiture of common shares to be issued for the exchangeable interest liability relating to certain Facilities' non-controlling interest holders upon the sale of said Facilities in the fourth quarter of 2024 and the first quarter of 2026.
- The fluctuations in interest expense on the exchangeable interest liability are due to the variation in distributions from the Facilities between the reporting periods.
- The fluctuations in foreign currency have been driven by the movements of exchange rate of the Canadian dollar in relation to U.S. dollar between the reporting periods.
- Fluctuations in current income taxes have been driven by the changes in operating performance of the Facilities, the deductibility of corporate expenses, intercompany interest expense deductions, and taxable (deductible) foreign exchange gains (losses). Fluctuations in deferred income taxes have been driven primarily by the changes in the exchangeable interest liability, along with the impact of U.S. tax reform pursuant to the recent U.S. federal tax law changes.

7. RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

The following table presents the reconciliation of cash available for distribution to net cash provided by operating activities:

		Three Months Ended March 31,	
Unaudited *In thousands of U.S. dollars, except as indicated otherwise*		2026 $	2025[1] $
NET CASH PROVIDED BY OPERATING ACTIVITIES	**USD**	**14,135**	**15,755**
Non-controlling interest in cash flows of the Facilities [2]		(6,506)	(6,676)
Interest expense on exchangeable interest liability [3]		1,736	1,700
Payment of lease liabilities [4]		(2,008)	(3,041)
Maintenance capital expenditures [5]		(901)	(653)
Difference between accrual-based amounts and actual cash flows related to interest and taxes [6]		(512)	(479)
Net changes in non-cash operating working capital [7]		(498)	386
Market value adjustments on share-based compensation [8]		371	190
Repayments of notes payable by the Facilities [9]		(851)	(848)
CASH AVAILABLE FOR DISTRIBUTION	**USD**	**4,966**	**6,334**
	CDN	**6,812**	**9,091**
DISTRIBUTIONS	**CDN**	**1,580**	**1,752**
CASH AVAILABLE FOR DISTRIBUTION PER COMMON SHARE [10]	**CDN**	**$0.385**	**$0.410**
DISTRIBUTIONS PER COMMON SHARE [10]	**CDN**	**$0.089**	**$0.079**
PAYOUT RATIO		**23.1%**	**19.3%**
Average exchange rate of Cdn$ to US$ for the period		1.3717	1.4352
Basic weighted average number of common shares outstanding		17,704,457	22,176,712

(1) *The comparative results for the three months ended March 31, 2025 include the results of SCNC and OSH, which were sold in the fourth quarter of 2025 and the first quarter of 2026, respectively.*

(2) *Non-controlling interest in cash flows of the Facilities is deducted in determining cash available for distribution as distributions from the Facilities to the non-controlling interest holders are required to be made concurrently with distributions from the Facilities to the Corporation. This is calculated by multiplying the distributable cash flows from each Facility with the respective ownership share of the non-controlling interest holders.*

(3) *Interest expense on exchangeable interest liability represents a notional amount of interest expense deducted in the determination of net income attributable to owners of the Corporation. It is added back to determine cash available for distribution as it is a non-cash charge and is not distributable to the holders of the non-controlling interest. It is included in the Corporation's interim condensed consolidated statements of income and comprehensive income.*

(4) *Payment of lease liabilities represents rent payments on principal portions of lease liabilities and is deducted in determining cash available for distribution as this is a cash item included in cash flows from financing activities in the Corporation's interim condensed consolidated statements of cash flows.*

(5) *Maintenance capital expenditures at the Facility level reflect expenditures incurred to maintain the current operating capacities of the Facilities and are deducted in the calculation of cash available for distribution. Maintenance capital expenditures, together with major capital expenditures, comprise the purchase of property and equipment, which is included in cash flows from investing activities in the Corporation's interim condensed consolidated statements of cash flows.*

(6) *Cash flows from operating activities, as presented in the Corporation's interim condensed consolidated statements of cash flows, represent actual cash inflows and outflows, while calculation of cash available for distribution is based on the accrued amounts and, therefore, the difference between the accrual-based amounts and actual cash inflows and outflows related to interest, and income and withholding taxes is included in the table above.*

(7) *While changes in non-cash operating working capital are included in the calculation of net cash provided by operating activities in the Corporation's interim condensed consolidated statements of cash flows, they are not included in the calculation of cash available for distribution as they represent only temporary sources or uses of cash due to the differences in timing of recording revenue and corresponding expenses and actual receipts and outlays of cash. Such changes in non-cash operating working capital are financed from the available cash or credit facilities of the Facilities.*

(8) *Market value adjustments on share-based compensation represent non-controllable, non-cash charges related to share-based compensation plans included in general and administrative expenses which do not have a cash impact until the underlying share units vest. As a non-cash item, this expense is added back in the calculation of cash available for distribution. It is included in the Corporation's interim condensed consolidated statements of income and comprehensive income.*

(9) *Repayments of notes payable by the Facilities, which is comprised of principal repayments on non-revolving debt obligations, reflects contractual obligations of the Facilities and is deducted in the calculation of cash available for distribution. It is included in cash flows from financing activities in the Corporation's interim condensed consolidated statements of cash flows.*

(10) *Calculated based on the basic weighted average number of common shares outstanding.*

Cash available for distribution for the three months ended March 31, 2026 (Cdn$6.8 million) decreased by Cdn$2.3 million compared to the cash available for distribution for the same period last year (Cdn$9.1 million), primarily because the prior period included the results of SCNC and OSH, which were sold in the fourth quarter of 2025 and the first quarter of 2026, respectively. On a per common share basis, cash available for distribution of Cdn$0.385 decreased by Cdn$0.025, or 6.1% from the same period last year of Cdn$0.410. The distributions per common share of Cdn$0.089 increased by Cdn$0.010, or 12.7% from the same period last year of Cdn$0.079, resulting in a payout ratio of 23.1% for the three months ended March 31, 2026 as compared to a payout ratio of 19.3% for the same period in 2025.

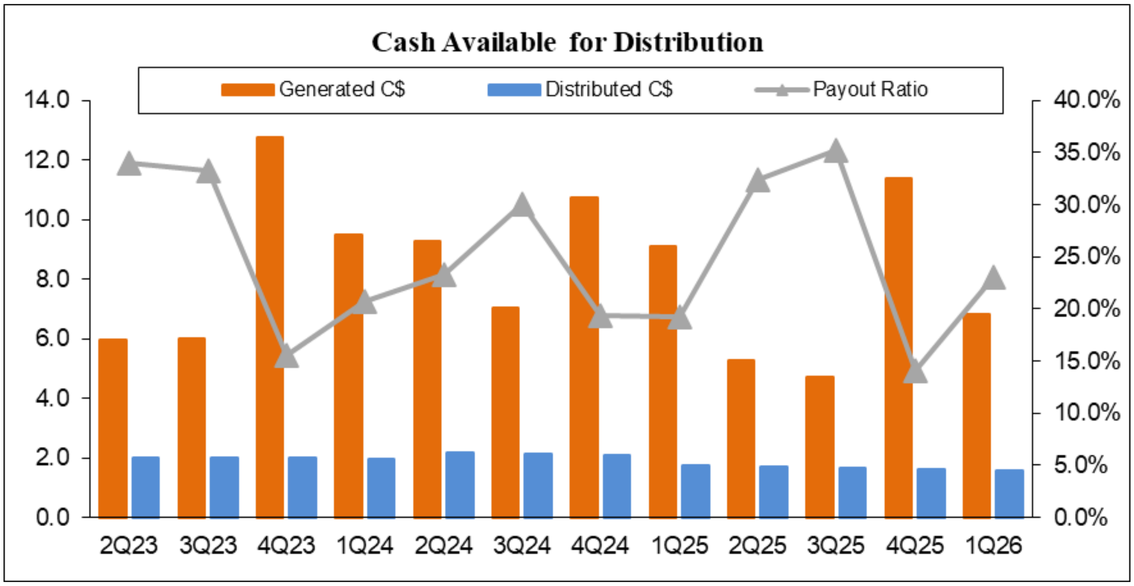
The Corporation's cash available for distribution is generated solely from the Facilities. The following table provides a reconciliation of cash generated at the Facility level to the Corporation's cash available for distribution:

	Three Months Ended March 31,	
Unaudited	**2026**	**2025[(1)]**
In thousands of U.S. dollars	**$**	**$**
Cash flows from the Facilities:		
Income before interest expense, depreciation and amortization	17,373	19,091
Debt service costs:		
Interest	(361)	(362)
Repayment of non-revolving debt	(851)	(848)
Maintenance capital expenditures	(901)	(653)
Payment of lease liabilities	(2,002)	(3,030)
Non-cash loss (gain)	4	(19)
Cash available for distribution at the Facility level	**13,262**	**14,179**
Non-controlling interest in cash available for distribution at the Facility level	(6,506)	(6,676)
Corporation's share of the cash available for distribution at the Facility level	**6,756**	**7,503**
Corporate expenses	(1,728)	(1,685)
Interest income, net of interest expense at the corporate level	577	923
Provision for current income taxes	(639)	(407)
Cash available for distribution	**4,966**	**6,334**

(1) *The comparative results for the three months ended March 31, 2025 include the results of SCNC and OSH, which were sold in the fourth quarter of 2025 and the first quarter of 2026, respectively.*

Compared to the three months ended March 31, 2025, the cash available for distribution in U.S. dollars for the same period this year decreased by $1.4 million or 21.6%, mainly due to lower income from Facilities as a result of the sales of SCNC and OSH in the fourth quarter of 2025 and the first quarter of 2026, respectively, as well as higher maintenance capital expenditures at the Facilities, and lower interest income at the corporate level, partly offset by lower lease liability payments.

The chart below shows the Corporation's cash available for distribution, distributions and payout ratios for the last twelve quarters:



8. OUTLOOK

As noted in the cautionary language concerning forward-looking disclosures in Section 1 of this MD&A under the heading "Caution Concerning Forward-Looking Statements", this section contains forward-looking statements including with respect to the overall impact of the U.S. and local economies, ongoing changes in the healthcare industry, management strategies of the Corporation, and U.S. tax reform. Such statements involve known and unknown risks, uncertainties and other factors outside of management's control, including the risk factors set forth under the heading "Risk Factors" in the annual MD&A and the Corporation's most recently filed annual information form, which could cause results to differ materially from those described or anticipated in the forward-looking statements.

The Economy

Management's expectations could be impacted by the general state of the U.S. economy. Interest rate changes, as well as consumer, business and government spending are all factors that may inadvertently impact the Corporation, including the increased likelihood of state and federal spending cuts under the current U.S. administration. There is uncertainty with respect to U.S. trade policies, which could increase supply costs and lead to supply disruptions or shortages, as tariffs and other protective measures continue to be enacted. There is also the possibility of further U.S. federal government shutdowns, which could disrupt the broader economy. The strength of the local economies of the areas served by the Corporation's Facilities is an important factor in the Corporation's outlook.

At the end of February 2026, geopolitical conflict in the Middle East sparked concerns about the global economy due to the disruption of critical shipping lanes which led to a spike in energy prices. Shipping, air cargo, and logistics are facing delays and higher premiums, leading to supply chain disruptions. A prolonged conflict could potentially trigger negative shocks to the U.S. economy. However, the full duration and impact of the situation is indeterminable at this time.

Healthcare Industry

While impossible to currently quantify, the potential modification of the *Patient Protection and Affordable Care Act* ("ACA"), demographic changes and growing healthcare costs present numerous challenges and opportunities, including:

- the challenge of continuing pressure on reimbursement levels from U.S. government-funded plans (Medicare, Medicaid and similar plans) and private insurance companies, combined with the increasing share of case volume that such plans represent;
- the opportunity for additional case volumes arising from ownership of, and participation in, accountable care organizations and the related challenge of payor mix shifting to Medicare plans;
- the opportunity arising from reimbursement incentives which reward healthcare entities that meet specified quality and operational goals and operate in the most efficient and cost-effective manner; and
- an increased demand for services provided by the Corporation's Facilities due to the increasing average age and life expectancy of the population in our existing markets, population growth in the areas we serve, and advances in science and technology.

Changes in the U.S. federal government's political priorities could have potential implications on the healthcare industry, including but not limited to potential modifications to the ACA, which could result in changes to healthcare coverage including case volume and reimbursement rates. The likelihood of a repeal of the ACA has increased with the current U.S. administration, while proposals for spending cuts could potentially impact Medicaid and other government-funded plans, if enacted. There is also a risk that lawmakers could advance legislation to impose site-neutral payments to reimburse certain outpatient procedures at lower rates regardless of surgical procedure setting.

On July 4, 2025, the *One Big Beautiful Bill Act* ("OBBBA") was signed into law. Among other provisions, the OBBBA legislates for significant changes to Medicaid, including restrictions on eligibility and the reduction of federal spending. The full impact of this legislation is indeterminable at this time.

On November 21, 2025, the Centers for Medicare & Medicaid Services ("CMS") released the *Hospital Outpatient Prospective Payment System and Ambulatory Surgical Center Payment System Final Rule* (the "Final Rule") for the calendar year 2026, establishing broad policy, payment, quality and transparency changes that went into effect on January 1, 2026. Key changes under the Final Rule include:

- increase of the Medicare hospital outpatient rates by 2.6% in the calendar year 2026 compared to 2025;
- phase-out of the inpatient-only list over a three-year period, beginning with 285 surgical procedures removed for the calendar year 2026;
- expansion of the ambulatory surgical center-covered procedures list to add 547 surgical procedures;
- the application of the site-neutral rate, which is 40% of the hospital outpatient rate, to drug administration services furnished in off-campus hospital outpatient departments;
- revisions to hospital price transparency requirements, with enforcement starting April 1, 2026; and
- permanent adoption of virtual direct supervision via real-time audio/video for many outpatient therapeutic and diagnostic services.

While the Corporation is assessing the likely effects of such key changes, the full net impact of the changes enforced under the Final Rule, including the speed and extent to which ambulatory surgery centers will effectively compete for additional cases from the Facilities, is indeterminable at this time.

Import tariffs announced by the current U.S. administration against international trading partners could lead to significant price increases for certain implants, drugs, and medical supplies, and could further impact the supply chain with increased lead times, disruptions, and shortages. The impact could also intensify if further or reciprocal tariffs are implemented. The situation has been further exacerbated by recent conflict in the Middle East, which has led to a spike in energy prices and shipping costs, as well as supply chain delays and disruptions.

Hospitals throughout the U.S. continue to face a competitive healthcare labour market, which has led the Facilities to accelerate their hiring processes and offer enhanced salary and benefit packages to attract and retain staff. The full duration and impact of this competitive environment is indeterminable at this time.

Management Strategies

Management is committed to increasing shareholder value, primarily through continued organic growth at its current Facilities. The Corporation continues to focus on the evaluation and implementation of strategies to maximize the return of capital to its common shareholders.

In collaboration with local management and physicians, management will continue to differentiate and grow the Corporation's Facilities by:

- maintaining service lines of the highest quality;
- physician development, including continued recruitment and retention of physicians, based on community needs;
- expanding the complement of service offerings at the Facilities;
- expansion of ancillary businesses at the SSHs, within existing markets; and
- sharing and implementing best practices and cost reduction strategies, with emphasis on supply chain and implant costs.

Management will maintain its emphasis on continuation of these strategies, combined with a strong balance sheet, an experienced management team and continuing identification of suitable accretive opportunities to enhance the Corporation's operating performance.

U.S. Tax Reform

Pursuant to the *Tax Cuts and Jobs Act of 2017* ("TCJA"), MFA's deductions attributable to the interest expense on the promissory note (the interest paid by MFA on all debt, including the MFA promissory note, less its interest income) was limited to 30% of adjusted taxable income, beginning with tax year 2022. Any disallowed interest expense may be carried forward to future years. This limitation applies to newly issued loans as well as those originated before 2018. Moreover, other limitations on the deductibility of interest under U.S. federal income tax laws, potentially including limitations applicable to certain high-yield debt obligations, could apply under certain circumstances to defer and/or eliminate all or a portion of the interest deduction that MFA would otherwise be entitled to with respect to interest on such indebtedness.

Also, as part of the TCJA, capital outlays are no longer eligible for 100% bonus depreciation. Beginning in 2023, the bonus was limited to 80%, then 60% in 2024, 40% in 2025, and 20% in 2026, after which eligibility will be reduced to 0% in 2027. At the end of 2025, a significant portion of the TCJA expired.

The OBBBA, signed into law on July 4, 2025, permanently reinstated 100% bonus depreciation for most qualified property. Also, beginning with tax year 2025, the OBBBA modified the adjusted taxable income calculation by reinstating the add-back for depreciation and amortization. Overall, several key provisions that expired at the end of 2025 under the TCJA were made permanent under the OBBBA for tax years beginning after December 31, 2025.

9. LIQUIDITY AND CAPITAL RESOURCES

As noted in the cautionary language concerning forward-looking disclosures in Section 1 of this MD&A under the heading "Caution Concerning Forward-Looking Statements", this section contains forward-looking statements including with respect to cash flows and future contractual payments. Such statements involve known and unknown risks, uncertainties and other factors outside of management's control, including the risk factors set forth under the heading "Risk Factors" in the annual MD&A and the Corporation's most recently filed annual information form, which could cause results to differ materially from those described or anticipated in the forward-looking statements.

Cash Balances

The Corporation's cash and cash equivalents balances are as follows:

Unaudited *In thousands of U.S. dollars*	**March 31, 2026**	**December 31, 2025**
Cash and cash equivalents at the Facility level	8,170	9,791
Cash and cash equivalents at the corporate level	78,132	33,658
Cash and cash equivalents	**86,302**	**43,449**

Cash Flow Activity

Cash Flow

Unaudited	**Three Months Ended March 31,**			
In thousands of U.S. dollars	**2026**	**2025**	**$ Change**	**% Change**
Cash provided by operating activities	14,135	15,755	(1,620)	(10.3%)
Cash provided by (used in) investing activities	42,870	(785)	43,655	5,561.1%
Cash used in financing activities	(14,787)	(57,612)	42,825	74.3%
Increase (decrease) in cash and cash equivalents	**42,218**	**(42,642)**	**84,860**	**199.0%**
Effect of exchange rate fluctuations on cash balances held	52	(130)	182	140.0%
Add back: Net decrease in Oklahoma Spine Hospital, LLC's cash, classified as assets held for sale	583	-	583	100.0%
Cash and cash equivalents, beginning of the period	43,449	108,496	(65,047)	(60.0%)
Cash and cash equivalents, end of the period	**86,302**	**65,724**	**20,578**	**31.3%**

The Corporation expects to fund operations with cash derived from operating activities. Deficiencies arising from short-term working capital requirements and capital expenditures may be financed on a short-term basis with bank indebtedness, funds available from the corporate credit facility, as well as lines of credit at the Facility level, or on a permanent basis with offerings of securities of the Corporation. Negative changes in the general state of the U.S. economy could affect the Corporation's liquidity by reducing cash generated from operating activities or by limiting access to short-term financing as a result of tightening credit markets.

Operating Activities and Working Capital

Cash from operating activities in the three months ended March 31, 2026 decreased by $1.6 million compared to the same period in 2025, primarily due to lower income from the Facilities' operations as a result of the sales of SCNC and OSH in the fourth quarter of 2025 and the first quarter of 2026, respectively.

As of March 31, 2026, the Corporation had consolidated net working capital of $67.1 million compared to $54.0 million as of December 31, 2025. The change in consolidated net working capital was mainly due to the impact of the sale of OSH in the current period, resulting in an increase in cash and cash equivalents from the sale proceeds received, partly offset by a reduction in current assets and current liabilities due to the removal of OSH's balances which were classified as held for sale. The level of working capital, including financing required to cover any deficiencies, is dependent on the operating performance of the Facilities and fluctuates from period to period.

As of March 31, 2026, accounts receivable were $32.7 million (December 31, 2025: $35.1 million), accounts payable and accrued liabilities totaled $28.0 million (December 31, 2025: $30.7 million), total assets were $277.8 million (December 31, 2025: $272.6 million) and total long-term liabilities, excluding exchangeable interest liability, were $65.9 million (December 31, 2025: $63.9 million).

Investing Activities

The $43.7 million increase in cash provided by investing activities for the three months ended March 31, 2026 compared to the same period in 2025 was primarily due to the proceeds from the sale of OSH in the current period, net of transaction costs ($43.9 million), along with an investment in OSH by non-controlling interest in the current period ($0.1 million), partly offset by an increase in purchases of property and equipment ($0.4 million).

Financing Activities

The $42.8 million decrease in cash used in financing activities for the three months ended March 31, 2026 was mainly due to the completion of the substantial issuer bid in the prior period ($43.7 million), along with decreases in payment of lease liabilities ($1.0 million), Facility distributions to non-controlling interest ($0.7 million), and dividends paid ($0.3 million), partly offset by increases in the purchase of common shares under normal course issuer bids ($1.8 million) and repayments of credit facilities and other borrowings at the Facility level ($1.1 million).

The Facilities have available credit facilities in place in the aggregate amount of $12.0 million, of which $0.3 million was drawn as of March 31, 2026. The balances available under the credit facilities, combined with cash and cash equivalents as of March 31, 2026, are available to manage the Facilities' accounts receivable, supply inventory and other short-term cash requirements.

The partnership or operating agreements governing each of the respective Facilities do not permit the Corporation to access the assets of the Facilities to settle the liabilities of other subsidiaries of the Corporation, and the Facilities have no obligation to (and could not, without the approval of the holders of the non-controlling interest) take any steps to settle the liabilities of the Corporation or its other subsidiaries.

The Corporation has in place a $40.0 million line of credit, inclusive of a $25.0 million swingline facility, with a Canadian chartered bank which matures on August 4, 2028 ("Credit Facility"). The Credit Facility can be used for general corporate purposes, including working capital and capital expenditures, and/or repurchase of the Corporation's common shares. As of March 31, 2026, there was no amount drawn or outstanding for the Credit Facility. As of March 31, 2026 and 2025, the Corporation was in compliance with all of its debt covenants.

Contractual Obligations

The mandatory repayments under the credit facilities and other contractual obligations and commitments including expected interest payments, on a non-discounted basis, as of March 31, 2026, are as follows:

Unaudited		Future payments (including principal and interest)				
In thousands of U.S. dollars **Contractual Obligations**	**Carrying values at March 31, 2026 $**	**Total $**	**Less than 1 year $**	**2-3 years $**	**4-5 years $**	**After 5 years $**
Dividends payable	1,135	1,135	1,135	-	-	-
Accounts payable	13,602	13,602	13,602	-	-	-
Accrued liabilities	14,395	14,395	14,395	-	-	-
Obligation for purchase of common shares	14,410	14,410	14,410	-	-	-
Facilities' revolving credit facilities	300	311	311	-	-	-
Notes payable	29,445	33,108	4,674	27,976	458	-
Lease liabilities	27,455	31,153	7,278	13,055	10,117	703
Total contractual obligations	**100,742**	**108,114**	**55,805**	**41,031**	**10,575**	**703**

The Corporation anticipates renewing, extending, repaying or replacing its credit facilities that are due over the next twelve months and expects that cash flows from operations and working capital will be adequate to meet future payments on other contractual obligations over the next twelve months.

10. SHARE CAPITAL AND DIVIDENDS

As noted in the cautionary language concerning forward-looking disclosures in Section 1 of this MD&A under the heading "Caution Concerning Forward-Looking Statements", this section contains forward-looking statements including with respect to the Corporation's expected payment of dividends. Such statements involve known and unknown risks, uncertainties and other factors outside of management's control, including the risk factors set forth under the heading "Risk Factors" in the annual MD&A and the Corporation's most recently filed annual information form, which could cause results to differ materially from those described or anticipated in the forward-looking statements.

The following table summarizes the outstanding number of stock options as of March 31, 2026:

Optionee	Number of Options Held	Number of Options Vested	Exercise Price	Grant Date
Former Chief Executive Officer	223,562	223,562	C$17.24	May 1, 2016
Former Chief Financial Officer	221,344	221,344	C$17.98	November 21, 2016
Total number of outstanding options	**444,906**	**444,906**		

Outstanding options (the "Options") vest after five years of employment. The Options must be exercised by the tenth anniversary of the respective grant dates, subject to blackout exceptions. As of March 31, 2026, all of the Options are vested and exercisable.

On May 1, 2026, subsequent to the quarter end, the 223,562 Options held by the Former Chief Executive Officer expired and were forfeited.

As of March 31, 2026, the Corporation had 17,550,249 common shares outstanding.

Normal Course Issuer Bids

The Corporation has a normal course issuer bid for up to 1,805,324 of its common shares in effect from December 1, 2025 to November 30, 2026. During the three months ended March 31, 2026, the Corporation purchased 318,400 of its common shares for a total consideration of $3.9 million from the open market under this normal course issuer bid. During the three months ended March 31, 2025, the Corporation purchased 182,600 of its common shares for a total consideration of $2.0 million from the open market under a previous normal course issuer bid.

The purchases under the normal course issuer bids include applicable buyback taxes. All common shares acquired under the normal course issuer bids were cancelled.

Substantial Issuer Bid

On March 11, 2025, the Corporation completed a substantial issuer bid, by way of a modified Dutch auction, to purchase, for cancellation, the common shares of the Corporation (the "Offer"). The Corporation purchased and cancelled 3,374,313 of its common shares at a price of Cdn$18.00 per common share under the Offer, representing an aggregate purchase price of $43.1 million, including applicable buyback taxes, or approximately 14.7% of the Corporation's issued and outstanding common shares before giving effect to the Offer. The Corporation incurred transaction costs related to the Offer of $0.6 million which were recorded against share capital during the three months ended March 31, 2025.

Dividends

Dividend declarations are determined based on periodic reviews of the Corporation's earnings, capital expenditures and related cash flows. Such declarations take into account that the cash generated in the period is to be distributed after considering (i) debt service obligations, (ii) other expense and tax obligations, (iii) reasonable reserves for working capital and capital expenditures, and (iv) financial flexibility. Cash distributions declared in the period from January 1, 2026 to March 31, 2026 totaled Cdn$0.09 per common share.

Dividend Reinvestment and Share Purchase Plan

The Corporation has a Dividend Reinvestment and Share Purchase Plan which allows common shareholders resident in Canada to automatically re-invest, in a cost-effective manner, the cash dividends on their common shares into additional common shares of the Corporation.

11. FINANCIAL INSTRUMENTS

Financial instruments held in the normal course of business included in the interim condensed consolidated balance sheet as of March 31, 2026 consist of cash and cash equivalents, accounts receivable, dividends payable, accounts payable, accrued liabilities, obligation for purchase of common shares, borrowings (including long-term debt) and exchangeable interest liability.

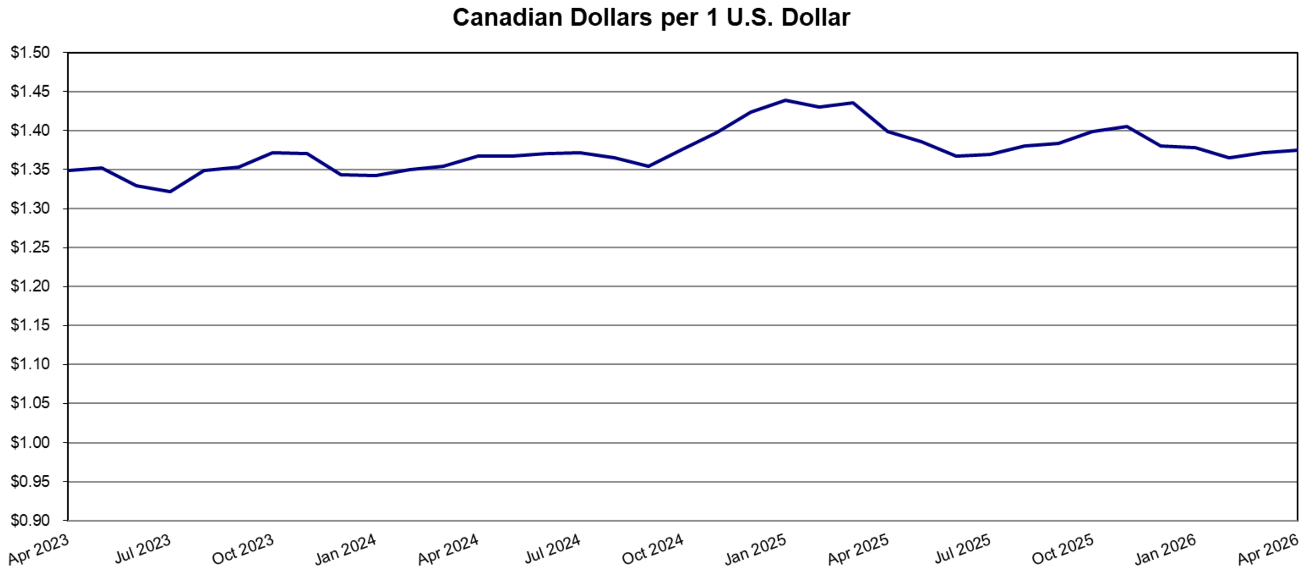
The fair value of the exchangeable interest liability is determined based on the closing trading price of the Corporation's common share price at each reporting period. The fair values of long-term debt (notes payable and term loans) are not significantly different than their carrying values, as these instruments bear interest at rates comparable to current market rates. The fair values of all other financial instruments of the Corporation approximate their carrying values due to the short-term nature of these instruments.

Foreign Exchange Risk

The Facilities derive revenue, incur expenses and make distributions to their owners, including the Corporation, in U.S. dollars. The Corporation pays dividends to common shareholders and incurs a portion of its expenses in Canadian dollars. The amounts of distributions from the Facilities to their owners, including the Corporation and non-controlling interest holders, are dependent on the results of the operations and cash flows generated by the Facilities in any particular period.

Strengthening of the Canadian dollar against the U.S. dollar negatively impacts currency translation differences with respect to the funds available for the Corporation's Canadian dollar denominated dividend and interest payments and expenses. A weakening Canadian currency in relation to U.S. currency has the opposite effect.

The graph below shows the movement of the monthly average exchange rates between Canadian and U.S. dollars since April 2023:



The Corporation may, from time to time, enter into foreign exchange forward contracts dependent upon actual or anticipated company performance and current market conditions. As of March 31, 2026, the Corporation did not hold any foreign exchange forward contracts.

Credit Risk

Cash and cash equivalents are held with highly-rated and reputable financial institutions in the U.S. and Canada, with minimal credit risk.

The substantial portion of the Corporation's accounts receivable balance is with U.S. governmental payors and health insurance companies which are assessed as having a low risk of default and is consistent with the Facilities' history with these payors. Management reviews reimbursement rates and aging of the accounts receivable to monitor its credit risk exposure. On an ongoing basis, management assesses the circumstances affecting the recoverability of its accounts receivable and adjusts allowances based on changes in those factors. Actual bad debts for a trailing period are compared with the allowance to support the estimate of recoverability. Considerations related to historical experience are also factored into the valuation of the current period accounts receivable.

From time to time, the Corporation may enter into foreign exchange forward contracts and may place excess funds for investment with certain financial institutions. Investment of excess funds is guided by the investment policy of the Corporation that, among other things, (i) prescribes the eligible types of investments and (ii) establishes limits on the amounts that can be invested with any one financial institution.

Interest Rate Risk

The Corporation and the Facilities are exposed to interest rate fluctuations which can impact their borrowing costs. The Facilities use floating rate credit facilities for operating lines of credit that fund short-term working capital needs and use fixed rate debt to fund investments and capital expenditures.

Share Price Risk

The Corporation's exchangeable interest liability is measured on quoted market prices of its common shares in active markets and, therefore, the Corporation is exposed to variability in net income as prices change. Share price risk includes the impact of foreign exchange because common shares are quoted in Canadian dollars. The Corporation does not have any hedges against price risk.

Liquidity Risk

Liquidity risk is the risk that the Corporation, including its Facilities, will not be able to meet its financial obligations as they become due. The Corporation manages liquidity risk through the management of its capital structure and financial leverage. The Corporation also manages liquidity risk by continuously monitoring actual and projected cash flows and by taking into account the receipts and maturity profile of financial assets and liabilities. The board of directors of the Corporation reviews and approves operating and capital budgets, as well as any material transactions outside the ordinary course of business.

12. RELATED PARTY TRANSACTIONS

Other Transactions

Certain Facilities routinely enter into transactions with related parties for the provision of services relating to the use of facility space and equipment. These parties are considered related as the Facilities have significant influence over these parties. Such transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Certain of the physicians, who indirectly own the non-controlling interest in each of the Facilities, routinely provide professional services directly to patients utilizing the services of the Facilities and reimburse the Facilities for the space and staff utilized. Also, certain of the physicians serve on the boards of management of the Facilities, and two such individuals perform the duties of Medical Director at their respective Facilities and are compensated in recognition of their contribution to the Facilities. Also, Dr. R. Blake Curd, a physician with a non-controlling interest in SFSH, is its Chief Executive Officer and the Chief Medical Officer of the Corporation.

SFSH has a 50% ownership share in an accountable care organization ("ACO") through a wholly-owned subsidiary that also provides management services to the ACO. The ACO was approved for participation in the Medicare Shared Savings Program, which is an incentive program established under the provisions of the ACA. As one of the initiatives of the ACO, SFSH entered into an agreement with Great Plains Surgical, LLC ("Great Plains"), an entity controlled by certain indirect non-controlling owners of SFSH, for the provision of management services in relation to the orthopedic service line at SFSH to improve the quality of services provided and realize savings on implants and other supplies used in that service line. In addition to the payment of fees for providing management of the orthopedic service line, Great Plains is entitled to receive performance payments for realized cost savings and the attainment of quality levels.

The following is a summary of transactions at each Facility with their respective related parties during the reporting periods:

Unaudited *In thousands of U.S. dollars*		Three Months Ended March 31,	
Entity	**Nature of services or goods received**	**2026** **$**	**2025** **$**
ASH	Lease of hospital building and office space.	1,086	1,086
SFSH	Provision of management services in relation to orthopedic service line and ACO, anesthesia services, billing and coding services, physical and occupational therapy services, lithotripter services, facility and related equipment, and lease of urgent care building.	3,393	3,371
Total		**4,479**	**4,457**

13. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The Corporation estimates certain amounts reflected in its financial statements based on historical experience, current trends and other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates because of the uncertainties inherent in making assumptions and estimates regarding unknown future outcomes. Note 21.23 to the annual financial statements details significant accounting judgments and estimates used in the preparation of the financial statements.

The accounting estimates discussed below are highlighted because they require difficult, subjective, and complex management judgments. The Corporation believes that each of its assumptions and estimates is appropriate to the circumstances and represents the most likely future outcome.

Revenue

Significant management judgment is involved in applying the portfolio approach to major payor classes to estimate the explicit and implicit price concessions. Estimates of explicit price concessions are based on contractual agreements, discount policies and historical experience. Estimates of implicit price concessions are based on historical collection experience.

Allowance for Non-Collectible Receivable Balances

The Facilities maintain an allowance for non-collectible receivable balances for estimated losses resulting from the inability to collect on its accounts receivable. Estimation of allowance for non-collectible receivable balances involves uncertainty about future collections which could differ from the original estimates. The allowance for non-collectible receivable balances is subject to change as general economic, industry and customer specific conditions change.

Impairment of Non-Financial Assets

Non-financial assets that have an indefinite useful life, such as goodwill, certain trade names and certain hospital operating licenses, are tested at least annually for impairment and when events or changes in circumstances indicate that the carrying amount may not be recoverable. Non-financial assets that have a definite useful life which are subject to amortization are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

The methodology used to test for impairment includes significant judgment, estimates, and assumptions. Impairment exists when the carrying amount of an asset or cash-generating unit ("CGU") exceeds its recoverable amount, which is the higher of its value in use ("VIU") and fair value less costs of disposal ("FVLCD"). The two approaches are as follows: 1) VIU approach – the estimated future cash flows, discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, and 2) FVLCD approach – the trailing twelve months EBITDA multiplied by a market multiple relevant to the CGU. As a result, any impairment losses are a result of management's best estimates of expected revenues, expenses, cash flows, discount rates, and market multiples at a specific point in time. These estimates are subject to measurement uncertainty as they are dependent on factors outside of management's control. In addition, by their nature, impairment tests involve a significant degree of judgment as expectations concerning future cash flows and the selection of appropriate market inputs are subject to considerable risks and uncertainties.

Management has identified two CGUs for which impairment testing is performed annually and if a triggering event has occurred requiring an impairment test to be completed. The Facilities represent subsidiary operations which are independent of each other and are therefore identified as separate CGUs.

Management is required to use judgment in determining the grouping of assets to identify their CGUs for the purposes of testing property and equipment for impairment. Judgment is further required to determine appropriate groupings of CGUs for the level at which goodwill and indefinite life intangible assets are tested for impairment. In addition, judgment is used to determine whether a triggering event has occurred requiring an impairment test to be completed.

Factors considered by management in determining a triggering event include: deterioration in market and economic conditions, volatility in the financial markets causing declines in the Corporation's share price, increases in the Corporation's weighted-average cost of capital, changes in valuation multiples, changes to healthcare legislation in the United States both federally and in the jurisdictions in which the Facilities operate, changes to the physician complement at the Facilities, decreases in expected future reimbursement rates, declining patient referrals, physical conditions of facilities and equipment, and increased costs of inputs, such as drugs, supplies, and labour.

When considered significant, management incorporates changes to these factors in its estimated future cash flows to assess the impact on the recoverable amount of its non-financial assets.

Management calculates the recoverable amount of each CGU using EBITDA specific to each CGU by a multiple determined using market data, such as EBITDA to market capitalization ratios of comparable publicly traded companies and recent prices for capital transactions within the industry. Management has estimated cost to dispose to be 1% of the fair value of the CGUs, based on recent market data. To assess reasonableness of recoverable amounts, management reconciles the recoverable amounts of its CGUs to the enterprise value of the Corporation as of the reporting date based on (i) the market capitalization of the outstanding common shares, and (ii) the Corporation's portion of the Facilities' long-term debt and lease liabilities, less (iii) cash on hand.

Management performed an assessment of the impairment indicators mentioned above as of March 31, 2026, and determined that there has been no impairment of non-financial assets, including goodwill and other intangibles.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of deferred taxable income. The Corporation's income tax assets and liabilities are based on interpretations of income tax legislation across various jurisdictions in Canada and the United States. The Corporation's effective tax rate can change from year to year based on the mix of income among different jurisdictions, changes in tax laws in these jurisdictions, and changes in the estimated value of deferred tax assets and liabilities. The Corporation's income tax expense reflects an estimate of the cash taxes the Corporation is expected to pay for the current year and a provision for changes arising in the values of deferred tax assets and liabilities during the year. The carrying value of these assets and liabilities is impacted by factors such as accounting estimates inherent in these balances, management's expectations about future operating results, and previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authorities. Such differences in interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective legal entity's domicile. On a regular basis, management assesses the likelihood of recovering value from deferred tax assets, such as loss carryforwards, as well as from the depreciation of capital assets, and adjusts the tax provision accordingly.

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be used. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and the level of future taxable profits together with future tax-planning strategies. If management's estimates or assumptions change from those used in current valuation, management may be required to recognize an adjustment in future periods that would increase or decrease deferred income tax asset or liability and increase or decrease income tax expense.

14. DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for the financial information published by the Corporation. In accordance with National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have certified that the quarterly filings fairly present in all material respects the financial condition, results of operations and cash flows and have also certified regarding controls as described below.

Under the supervision of, and with the participation of the CEO and the CFO, management has designed disclosure controls and procedures ("DC&P") to provide reasonable assurance that (i) material information relating to the Corporation, including its consolidated subsidiaries, is made known to the CEO and the CFO by others within those entities for the period in which the annual and interim filings of the Corporation are being prepared, and (ii) information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in applicable securities legislation.

In addition to DC&P, under the supervision of, and with the participation of the CEO and the CFO, management has designed internal controls over financial reporting ("ICFR") using the 2013 Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS Accounting Standards.

There have been no changes in the Corporation's ICFR during the period beginning on January 1, 2026 and ending on March 31, 2026, that have materially affected, or are reasonably likely to materially affect, the Corporation's ICFR.

15. RISK FACTORS

The Corporation's annual MD&A contains a summary of risk factors pertaining to the Corporation, which is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing in the Corporation's most recently filed annual information form ("AIF") available on SEDAR+ at www.sedarplus.ca. The risk factors described in the AIF continue to apply. Any material changes to those risk factors are described in this MD&A, and the disclosures herein should be read in conjunction with the risk factors set out in the AIF, as supplemented or updated by this MD&A.

16. NEW AND REVISED IFRS ACCOUNTING STANDARDS NOT YET ADOPTED

The Corporation has not adopted certain new and revised IFRS Accounting Standards, as detailed in Note 21.24 to the annual financial statements, that also apply to the current period financial statements. The Corporation continues to assess the impact of the adoption of these new and revised IFRS Accounting Standards on the financial statements in future periods. There are no other new and revised IFRS Accounting Standards that have been issued but not yet adopted that would be expected to have a material impact on the Corporation.