MEDICAL FACILITIES CORPORATION	**MANAGEMENT'S DISCUSSION AND ANALYSIS OF CONSOLIDATED FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2025**

August 6, 2025

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 and six months ended June 30, 2025 (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, 2024 ("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, 2024 ("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 growth, revenue and cash flow volatility, credit risk, operating risks, performance of obligations/maintenance of client 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 Corporation's 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 Adjusted 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, (v) amortization of other intangibles, and (vi) non-operating (gains) losses. 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.

- **Adjusted EBITDA** is a non-IFRS financial measure defined as EBITDA before impairment of goodwill.

- **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/or controls by virtue of retaining approval rights over certain significant governance matters, and derives substantially all of its income from, four limited liability entities (each a "Facility" and, collectively, the "Facilities"), each of which own either a specialty surgical hospital (an "SSH") or an ambulatory surgery center (an "ASC"). The four Facilities are comprised of three SSHs located in Arkansas, Oklahoma, and South Dakota, and one ASC located in California. ASCs are specialized surgical centers that only provide outpatient procedures, whereas SSHs are licensed for both inpatient and outpatient surgeries. The SSHs and ASC 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.

During 2023, the Corporation completed the divestiture of five ASCs (the "MFC Nueterra ASCs") which it indirectly owned through a partnership between its wholly-owned U.S. subsidiary and Nueterra MF Holdings, LLC. On June 2, 2025, MFC Nueterra Holding Company, LLC, which owned the MFC Nueterra ASCs under this partnership, was also wound-up.

On November 15, 2024, Black Hills Surgical Hospital, LLP ("BHSH"), a Facility located in Rapid City, South Dakota, was sold to Sanford Health for cash proceeds of $96.1 million for the Corporation's 54.2% ownership share, subject to customary adjustments.

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, Oklahoma, and South Dakota, the non-controlling interest holders were granted the right to exchange up to 14% (5% in the case of Arkansas Surgical Hospital) of the ownership interest in their respective Facilities for common shares of the Corporation. The liability associated with this derivative instrument is recorded on the consolidated balance sheet. To date, the non-controlling interest holders of one of the eligible Facilities have exercised portions of their exchangeable interests.

Summary of Facility Information as of June 30, 2025

	Arkansas Surgical Hospital ("ASH")	**Oklahoma Spine Hospital ("OSH")**	**Sioux Falls Specialty Hospital ("SFSH")**	**The Surgery Center of Newport Coast ("SCNC")**
Location	North Little Rock Arkansas	Oklahoma City Oklahoma	Sioux Falls South Dakota	Newport Beach California
Year Opened	2005	1999	1985	2004
Year Acquired by the Corporation	2012	2005	2004	2008
Ownership Interest	51.0%	64.0%	51.0%	51.0%
Non-controlling Interest	49.0%	36.0%	49.0%	49.0%
Exchangeable Interest	5.0%	1.0%	14.0%	-
Size	126,000 sq ft	61,000 sq ft	97,000 sq ft	7,000 sq ft
Operating/Procedure Rooms	13/2	7/2	15/1	3/0
Overnight Rooms	41(1)	25	33	-

(1) *Licensed for 47 beds.*

4. FINANCIAL AND PERFORMANCE HIGHLIGHTS

Selected Financial Information from Continuing Operations

Unaudited	Three Months Ended June 30,				Six Months Ended June 30,			
In thousands of U.S. dollars, except per share amounts and as indicated otherwise		**2025**		**2024[(1)]**		**2025**		**2024[(1)]**
Facility service revenue		80,557		81,656		162,271		163,631
Operating expenses		68,579		69,045		137,292		137,995
Income from operations		11,978		12,611		24,979		25,636
Net income for the period from continuing operations		9,639		2,029		18,619		6,778
Attributable to:								
Owners of the Corporation [(2)]		4,631		(2,599)		8,359		(2,600)
Non-controlling interest [(2)]		5,008		4,628		10,260		9,378
Net income for the period from discontinued operations, net of tax		-		4,615		-		8,327
Earnings (loss) per share from continuing operations attributable to owners of the Corporation								
Basic		$0.24		($0.11)		$0.40		($0.10)
Fully diluted		$0.20		($0.11)		$0.40		($0.10)
EBITDA [(3)]		15,993		16,777		33,262		33,924
Cash available for distribution [(3)] [(4)]	C$	5,262	C$	9,281	C$	14,286	C$	18,792
Distributions [(3)]	C$	1,697	C$	2,164	C$	3,449	C$	4,134
Cash available for distribution per common share [(3)] [(4)]	C$	0.275	C$	0.382	C$	0.692	C$	0.769
Distributions per common share [(3)]	C$	0.089	C$	0.089	C$	0.167	C$	0.169
Payout ratio [(3)] [(4)]		32.4%		23.3%		24.1%		22.0%

(1) *The comparative results for the three and six months ended June 30, 2024 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 Adjusted 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, but have been restated for market value adjustments on share-based compensation, and stock options expense.*

Selected Financial Information for the Three Months Ended June 30, 2025 compared to the Three Months Ended June 30, 2024

For the three months ended June 30, 2025, revenue from continuing operations of $80.6 million decreased by 1.3% from $81.7 million for the same period in 2024, caused primarily by the shortfall at SFSH due to the impact of case and payor mix, partially driven by the relocation of its main physician group's clinic. This was partly offset by increases at all other Facilities.

EBITDA for the three months ended June 30, 2025 was $16.0 million or 19.9% of revenue from continuing operations compared to $16.8 million or 20.5% of revenue from continuing operations for the same period last year, mainly due to the decline in revenue which exceeded the decrease in operating expenses before depreciation and amortization.

Net income from continuing operations for the three months ended June 30, 2025 was $9.6 million compared to $2.0 million for the same period in 2024, 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”), partly offset by higher income tax expense.

Net income from discontinued operations, net of tax, for the three months ended June 30, 2024 of $4.6 million was reclassified out of continuing operations due to the sale of BHSH in 2024.

The Corporation generated cash available for distribution of Cdn$5.3 million for the three months ended June 30, 2025, representing a decrease of Cdn$4.0 million or 43.3% from Cdn$9.3 million for the same period in 2024, primarily due to lower income from Facilities as a result of the sale of BHSH in the fourth quarter of 2024. Distributions per common share remained unchanged between the periods at Cdn$0.089, while the payout ratio was 32.4% for the three months ended June 30, 2025 compared to 23.3% 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”.

Selected Financial Information for the Six Months Ended June 30, 2025 compared to the Six Months Ended June 30, 2024

For the six months ended June 30, 2025, revenue from continuing operations of $162.3 million decreased by 0.8% from $163.6 million for the same period in 2024, caused primarily by the shortfall at SFSH due to the impact of case and payor mix, partially driven by the relocation of its main physician group’s clinic, as well as one less operating day in the current period compared to the same period last year. This was partly offset by the combined impact of case and payor mix at the other Facilities, and higher surgical case volume.

EBITDA for the six months ended June 30, 2025 was $33.3 million or 20.5% of revenue from continuing operations, compared to $33.9 million or 20.7% of revenue from continuing operations for the same period last year, mainly due to the decline in revenue which exceeded the decrease in operating expenses before depreciation and amortization.

Net income from continuing operations for the six months ended June 30, 2025 was $18.6 million compared to $6.8 million for the same period in 2024, 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”), partly offset by higher income tax expense.

Net income from discontinued operations, net of tax, for the six months ended June 30, 2024 of $8.3 million was reclassified out of continuing operations due to the sale of BHSH in 2024.

The Corporation generated cash available for distribution of Cdn$14.3 million for the six months ended June 30, 2025, representing a decrease of Cdn$4.5 million or 24.0% from Cdn$18.8 million for the same period in 2024, primarily due to lower income from Facilities as a result of the sale of BHSH in the fourth quarter of 2024. Distributions per common share decreased between the periods by Cdn$0.002 to Cdn$0.167, while the payout ratio was 24.1% for the six months ended June 30, 2025 compared to 22.0% 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 June 30, 2025

The following table and discussion compare operating and financial results from continuing operations of the Corporation for the three months ended June 30, 2025 to the three months ended June 30, 2024:

Unaudited	**Three Months Ended June 30,**			
In thousands of U.S. dollars, except per share amounts	**2025**	**2024**	**$ Change**	**% Change**
Revenue and other income				
Facility service revenue	80,557	81,656	(1,099)	(1.3%)
	80,557	**81,656**	**(1,099)**	**(1.3%)**
Operating expenses				
Salaries and benefits	23,049	22,180	869	3.9%
Drugs and supplies	27,001	27,673	(672)	(2.4%)
General and administrative expenses (1)	14,514	15,026	(512)	(3.4%)
Depreciation of property and equipment	1,420	1,670	(250)	(15.0%)
Depreciation of right-of-use assets	2,460	2,360	100	4.2%
Amortization of other intangibles	135	136	(1)	(0.7%)
	68,579	**69,045**	**(466)**	**(0.7%)**
Income from operations	**11,978**	**12,611**	**(633)**	**(5.0%)**
Finance costs				
Change in value of exchangeable interest liability	(1,241)	8,559	(9,800)	(114.5%)
Interest expense on exchangeable interest liability	845	1,707	(862)	(50.5%)
Interest expense, net of interest income	529	1,079	(550)	(51.0%)
Loss on foreign currency	29	11	18	163.6%
	162	**11,356**	**(11,194)**	**(98.6%)**
Income before income taxes	**11,816**	**1,255**	**10,561**	**841.5%**
Income tax expense (recovery)	2,177	(774)	2,951	381.3%
Net income for the period from continuing operations	**9,639**	**2,029**	**7,610**	**375.1%**
Attributable to:				
Owners of the Corporation	4,631	(2,599)	7,230	278.2%
Non-controlling interest	5,008	4,628	380	8.2%
Basic earnings (loss) per share attributable to owners of the Corporation	$0.24	($0.11)	0.35	318.2%
Fully diluted earnings (loss) per share attributable to owners of the Corporation	$0.20	($0.11)	0.31	281.8%
Reconciliation of net income for the period from continuing operations to EBITDA (2)				
Net income for the period from continuing operations	9,639	2,029	7,610	375.1%
Income tax expense (recovery)	2,177	(774)	2,951	381.3%
Finance costs	162	11,356	(11,194)	(98.6%)
Depreciation of property and equipment	1,420	1,670	(250)	(15.0%)
Depreciation of right-of-use assets	2,460	2,360	100	4.2%
Amortization of other intangibles	135	136	(1)	(0.7%)
EBITDA (2)	**15,993**	**16,777**	**(784)**	**(4.7%)**

(1) *General and administrative expenses include non-controllable, non-cash corporate level charges related to share-based compensation plans of $0.1 million for the three months ended June 30, 2025 and $0.8 million for the three months ended June 30, 2024.*

(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 June 30,			
In thousands of U.S. dollars	**2025**	**2024**	**$ Change**	**% Change**
ASH	24,465	22,832	1,633	7.2%
OSH	19,720	18,513	1,207	6.5%
SFSH	34,032	37,980	(3,948)	(10.4%)
SCNC	2,340	2,331	9	0.4%
Revenue and other income	**80,557**	**81,656**	**(1,099)**	**(1.3%)**

For the three months ended June 30, 2025, revenue decreased from the same period in 2024 by $1.1 million or 1.3%, mainly due to the combined impact of case and payor mix ($1.9 million) partially driven by the relocation of SFSH's main physician group's clinic, as well as lower surgical case volume ($0.1 million). This was partly offset by payor rate increases ($0.9 million) resulting in higher reimbursements per surgical case.

Total surgical cases decreased by 0.9%, as inpatient cases decreased by 8.6%, and observation cases decreased by 1.8%, but outpatient cases increased by 0.7%. Surgical case volume decreased at SCNC and SFSH, partly offset by increases at ASH and OSH. Surgical case volume decreases by payor versus the same period last year came predominantly from Medicare and Blue Cross Blue Shield, which decreased by 0.8% and 0.4%, respectively. Pain management cases were down by 4.5% compared to the same period last year, mainly due to a decline at ASH.

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

- ASH's revenue increased mainly due to case mix, which included higher acuity orthopedic procedures, along with payor rate increases resulting in higher reimbursements per surgical case, and higher surgical case volume. This was partly offset by a decrease in pain management cases due to the departure of a pain physician in the fourth quarter of 2024.

- OSH's revenue increased primarily due to higher surgical and pain management case volume, along with the combined impact of case and payor mix, and payor rate increases resulting in higher reimbursements per surgical case.

- SFSH's revenue decreased mostly due to the combined impact of case and payor mix, which included less spine cases and lower acuity procedures, and a higher proportion of government payors, partially driven by the relocation of its main physician group's clinic.

- SCNC's revenue increased marginally mainly due to the impact of payor mix, mostly offset by lower surgical case volume, as well as case mix, which included lower acuity orthopedic procedures.

Operating Expenses

For the three months ended June 30, 2025, 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"), decreased by $0.5 million or 0.7% from the same period last year to $68.6 million. As a percentage of revenue and other income, operating expenses increased to 85.1% from 84.6% in the same period a year earlier.

Unaudited	Three Months Ended June 30,					
In thousands of U.S. dollars	**2025**	**Percentage of Revenue**	**2024**	**Percentage of Revenue**	**$ Change**	**% Change**
ASH	19,525	79.8%	18,579	81.4%	946	5.1%
OSH	16,483	83.6%	17,429	94.1%	(946)	(5.4%)
SFSH	28,165	82.8%	28,442	74.9%	(277)	(1.0%)
SCNC	2,241	95.8%	2,105	90.3%	136	6.5%
MFC Nueterra ASCs	-	n/a	111	n/a	(111)	(100.0%)
Corporate	2,165	n/a	2,379	n/a	(214)	(9.0%)
Operating expenses	**68,579**	**85.1%**	**69,045**	**84.6%**	**(466)**	**(0.7%)**

Consolidated salaries and benefits increased by $0.9 million or 3.9%, mainly due to increases in clinical and non-clinical salaries and wages ($0.9 million) as a result of annual merit increases and market wage pressures, as well as higher benefit costs from increased health plan utilization ($0.6 million), and higher share-based compensation vesting expense at the corporate level ($0.2 million). This was partly offset by a reduction in salaried physicians at certain Facilities ($0.7 million). As a percentage of revenue and other income, consolidated salaries and benefits increased to 28.6% from 27.2% a year earlier.

Consolidated drugs and supplies decreased by $0.7 million or 2.4%, primarily due to lower surgical case volume ($0.5 million), along with the impact of case mix ($0.3 million) which reflected lower acuity procedures and improved cost savings at certain Facilities. This was partly offset by lower vendor rebates ($0.1 million). As a percentage of revenue and other income, the consolidated cost of drugs and supplies decreased to 33.5% from 33.9% a year earlier.

Consolidated G&A decreased by $0.5 million or 3.4%. The decrease in G&A was mostly due to lower corporate level costs related to share-based compensation plans driven by the decrease in the Corporation's share price in the current period as compared to an increase in the same period last year ($0.7 million), as well as lower contracted services costs ($0.2 million). This was partly offset by increases in professional fees ($0.2 million) and various other Facility related expenses ($0.2 million). As a percentage of revenue and other income, consolidated G&A decreased to 18.0% from 18.4% a year earlier.

Consolidated depreciation of property and equipment decreased by $0.3 million or 15.0%, due to certain fixed assets being fully depreciated, partly offset by the purchase of fixed assets. As a percentage of revenue and other income, consolidated depreciation of property and equipment decreased to 1.8% from 2.0% a year earlier.

Consolidated depreciation of right-of-use assets increased by $0.1 million or 4.2%, due to new lease additions, partly offset by the expiration and termination of certain leases. As a percentage of revenue and other income, consolidated depreciation of right-of-use assets increased to 3.1% from 2.9% a year earlier.

Consolidated amortization of other intangibles remained consistent with the same period in 2024. As a percentage of revenue and other income, consolidated amortization of other intangibles remained unchanged from a year earlier at 0.2%.

Income from Operations

Consolidated income from operations for the three months ended June 30, 2025 of $12.0 million was $0.6 million or 5.0% lower than the consolidated income from operations recorded in the same period a year earlier, representing 14.9% of revenue and other income, compared to 15.4% in the same period in 2024. This was mainly due to lower income from operations at the Facilities as a result of the decrease in revenue.

Unaudited	Three Months Ended June 30,					
In thousands of U.S. dollars	**2025**	**Percentage of Revenue**	**2024**	**Percentage of Revenue**	**$ Change**	**% Change**
ASH	4,940	20.2%	4,253	18.6%	687	16.2%
OSH	3,237	16.4%	1,084	5.9%	2,153	198.6%
SFSH	5,867	17.2%	9,538	25.1%	(3,671)	(38.5%)
SCNC	99	4.2%	226	9.7%	(127)	(56.2%)
MFC Nueterra ASCs	-	n/a	(111)	n/a	111	100.0%
Corporate	(2,165)	n/a	(2,379)	n/a	214	9.0%
Income from operations	**11,978**	**14.9%**	**12,611**	**15.4%**	**(633)**	**(5.0%)**

Finance Costs

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 June 30, 2025 of negative $1.2 million decreased by $9.8 million from the same period in 2024, attributable to variations in all three factors.

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	**June 30, 2025** *Unaudited*	**March 31, 2025** *Unaudited*	**Change**	**June 30, 2024** *Unaudited*	**March 31, 2024** *Unaudited*	**Change**
Number of common shares to be issued for exchangeable interest liability	3,496,584	3,601,975	(105,391)	5,821,505	5,922,297	(100,792)
Closing price of the Corporation's common shares	C$15.80	C$16.71	(C$0.91)	C$12.65	C$10.35	C$2.30
Closing exchange rate of U.S. dollar to Canadian dollar	$1.3610	$1.4388	($0.0778)	$1.3680	$1.3539	$0.0141
Exchangeable interest liability	**40,592**	**41,833**	**(1,241)**	**53,832**	**45,273**	**8,559**

Interest Expense on Exchangeable Interest Liability

Interest expense on the exchangeable interest liability decreased by $0.9 million, driven by the variation in distributions from the Facilities between the reporting periods.

Interest Expense, Net of Interest Income

Interest expense, net of interest income, decreased by $0.6 million, primarily from higher interest income at the corporate level due to the higher average cash balance as a result of the cash proceeds received on the sale of

BHSH in 2024, as well as lower corporate credit facility interest expense due to the outstanding balance being fully repaid in the fourth quarter of 2024.

Loss 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 loss increased marginally 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 June 30,			
In thousands of U.S. dollars	**2025**	**2024**	**$ Change**	**% Change**
Current income tax expense	1,691	899	792	88.1%
Deferred income tax expense (recovery)	486	(1,673)	2,159	129.0%
Income tax expense (recovery)	**2,177**	**(774)**	**2,951**	**381.3%**

The increase in current income tax expense versus the prior period was primarily due to current year U.S. withholding taxes. 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 $7.6 million increase in net income from continuing operations for the three months ended June 30, 2025 was 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"), partly offset by higher income tax expense.

EBITDA

EBITDA for the three months ended June 30, 2025 of $16.0 million decreased by $0.8 million from $16.8 million recorded in the same period last year, representing 19.9% of revenue and other income compared to 20.5% a year earlier, mainly due to the decline in revenue which exceeded the decrease 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".

Continuing Operations for the Six Months Ended June 30, 2025

The following table and discussion compare operating and financial results of the Corporation for the six months ended June 30, 2025 to the six months ended June 30, 2024:

Unaudited	**Six Months Ended June 30,**			
In thousands of U.S. dollars, except per share amounts	**2025**	**2024**	**$ Change**	**% Change**
Revenue and other income				
Facility service revenue	162,271	163,631	(1,360)	(0.8%)
	162,271	**163,631**	**(1,360)**	**(0.8%)**
Operating expenses				
Salaries and benefits	45,467	43,929	1,538	3.5%
Drugs and supplies	54,475	55,619	(1,144)	(2.1%)
General and administrative expenses (1)	29,067	30,159	(1,092)	(3.6%)
Depreciation of property and equipment	3,080	3,357	(277)	(8.3%)
Depreciation of right-of-use assets	4,935	4,662	273	5.9%
Amortization of other intangibles	268	269	(1)	(0.4%)
	137,292	**137,995**	**(703)**	**(0.5%)**
Income from operations	**24,979**	**25,636**	**(657)**	**(2.6%)**
Finance costs				
Change in value of exchangeable interest liability	1,289	13,745	(12,456)	(90.6%)
Interest expense on exchangeable interest liability	2,545	3,755	(1,210)	(32.2%)
Interest expense, net of interest income	511	2,229	(1,718)	(77.1%)
Loss on foreign currency	159	54	105	194.4%
	4,504	**19,783**	**(15,279)**	**(77.2%)**
Income before income taxes	**20,475**	**5,853**	**14,622**	**249.8%**
Income tax expense (recovery)	1,856	(925)	2,781	300.6%
Net income for the period from continuing operations	**18,619**	**6,778**	**11,841**	**174.7%**
Attributable to:				
Owners of the Corporation	8,359	(2,600)	10,959	421.5%
Non-controlling interest	10,260	9,378	882	9.4%
Basic earnings (loss) per share attributable to owners of the Corporation	$0.40	($0.10)	0.50	500.0%
Fully diluted earnings (loss) per share attributable to owners of the Corporation	$0.40	($0.10)	0.50	500.0%
Reconciliation of net income for the period from continuing operations to EBITDA (2)				
Net income for the period from continuing operations	18,619	6,778	11,841	174.7%
Income tax expense (recovery)	1,856	(925)	2,781	300.6%
Finance costs	4,504	19,783	(15,279)	(77.2%)
Depreciation of property and equipment	3,080	3,357	(277)	(8.3%)
Depreciation of right-of-use assets	4,935	4,662	273	5.9%
Amortization of other intangibles	268	269	(1)	(0.4%)
EBITDA (2)	**33,262**	**33,924**	**(662)**	**(2.0%)**

(1) *General and administrative expenses include non-controllable, non-cash corporate level charges related to share-based compensation plans of $0.3 million for the six months ended June 30, 2025 and $1.3 million for the six months ended June 30, 2024.*

(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	Six Months Ended June 30,			
In thousands of U.S. dollars	2025	2024	$ Change	% Change
ASH	47,508	45,339	2,169	4.8%
OSH	38,271	38,387	(116)	(0.3%)
SFSH	71,546	75,143	(3,597)	(4.8%)
SCNC	4,946	4,762	184	3.9%
Revenue and other income	**162,271**	**163,631**	**(1,360)**	**(0.8%)**

For the six months ended June 30, 2025, revenue decreased from the same period in 2024 by $1.4 million or 0.8%, mainly due to the combined impact of case and payor mix ($3.3 million) partially driven by the relocation of SFSH's main physician group's clinic, as well as one less operating day in the current period compared to the same period last year ($1.2 million). This was partly offset by payor rate increases ($1.9 million) resulting in higher reimbursements per surgical case, along with higher surgical case volume ($1.3 million).

Total surgical cases increased by 0.7%, as outpatient cases increased by 2.7%, and observation cases increased by 2.5%, but inpatient cases decreased by 13.0%. Surgical case volume was up at ASH and SFSH, partly offset by a decrease at SCNC, while OSH was flat. Surgical case volume increases by payor versus the same period last year came predominantly from Medicare and Blue Cross Blue Shield, which increased by 1.8% and 0.9%, respectively. Pain management cases were down by 6.3% compared to the same period last year, mainly due to a decline at ASH.

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

- ASH's revenue increased mainly due to higher surgical case volume, along with case mix, which included higher acuity orthopedic procedures, and payor rate increases resulting in higher reimbursements per surgical case. This was partly offset by a decrease in pain management cases due to the departure of a pain physician in the fourth quarter of 2024.

- OSH's revenue decreased primarily due to the combined impact of case and payor mix, mostly offset by payor rate increases resulting in higher reimbursements per surgical case, and an increase in pain management cases.

- SFSH's revenue decreased mostly due to the combined impact of case and payor mix, which included less spine cases and lower acuity procedures, along with a higher proportion of government payors, partially driven by the relocation of its main physician group's clinic. This was partly offset by higher surgical case volume.

- SCNC's revenue increased mainly due to the impact of payor mix, partly offset by case mix, which included lower acuity orthopedic procedures, and lower surgical case volume.

Operating Expenses

For the six months ended June 30, 2025, operating expenses decreased by $0.7 million or 0.5% from the same period last year to $137.3 million. As a percentage of revenue and other income, operating expenses increased to 84.6% from 84.3% in the same period a year earlier.

Unaudited	Six Months Ended June 30,					
In thousands of U.S. dollars	**2025**	**Percentage of Revenue**	**2024**	**Percentage of Revenue**	**$ Change**	**% Change**
ASH	37,964	79.9%	36,853	81.3%	1,111	3.0%
OSH	32,937	86.1%	34,929	91.0%	(1,992)	(5.7%)
SFSH	57,719	80.7%	57,050	75.9%	669	1.2%
SCNC	4,591	92.8%	4,461	93.7%	130	2.9%
MFC Nueterra ASCs	9	n/a	200	n/a	(191)	(95.5%)
Corporate	4,072	n/a	4,502	n/a	(430)	(9.6%)
Operating expenses	**137,292**	**84.6%**	**137,995**	**84.3%**	**(703)**	**(0.5%)**

Consolidated salaries and benefits increased by $1.5 million or 3.5%, primarily due to increases in clinical and non-clinical salaries and wages ($1.2 million) as a result of annual merit increases and market wage pressures, as well as higher benefit costs from increased health plan utilization ($0.9 million), and higher share-based compensation vesting expense at the corporate level ($0.3 million). This was partly offset by a reduction in salaried physicians at certain Facilities ($0.8 million). As a percentage of revenue and other income, consolidated salaries and benefits increased to 28.0% from 26.8% a year earlier.

Consolidated drugs and supplies decreased by $1.1 million or 2.1%, primarily due to the impact of case mix ($1.1 million) which reflected lower acuity procedures and improved cost savings at certain Facilities, along with one less operating day in the current period compared to the same period last year ($0.4 million), and higher vendor rebates ($0.2 million). This was partly offset by higher surgical case volume ($0.5 million). As a percentage of revenue and other income, the consolidated cost of drugs and supplies decreased to 33.6% from 34.0% a year earlier.

Consolidated G&A decreased by $1.1 million or 3.6%. The decrease in G&A was primarily due to lower corporate level costs related to share-based compensation plans driven by the smaller increase in the Corporation's share price in the current period as compared to the increase in the same period last year ($1.0 million), as well as decreases in contracted services costs ($0.5 million) and building and equipment rentals ($0.2 million). This was partly offset by increases in professional fees ($0.3 million) and various other Facility related expenses ($0.3 million). As a percentage of revenue and other income, consolidated G&A decreased to 17.9% from 18.4% a year earlier.

Consolidated depreciation of property and equipment decreased by $0.3 million or 8.3%, mainly due to certain fixed assets being fully depreciated, partly offset by the purchase of fixed assets. As a percentage of revenue and other income, consolidated depreciation of property and equipment decreased to 1.9% from 2.1% a year earlier.

Consolidated depreciation of right-of-use assets increased by $0.3 million or 5.9%, mainly due to new lease additions, partly offset by the expiration and termination of certain leases. As a percentage of revenue and other income, consolidated depreciation of right-of-use assets increased to 3.0% from 2.8% a year earlier.

Consolidated amortization of other intangibles remained consistent with the same period in 2024. As a percentage of revenue and other income, consolidated amortization of other intangibles remained unchanged from a year earlier at 0.2%.

Income from Operations

Consolidated income from operations for the six months ended June 30, 2025 of $25.0 million was $0.7 million or 2.6% lower than the consolidated income from operations recorded in the same period a year earlier, representing 15.4% of revenue and other income, compared to 15.7% in the same period in 2024. This was mainly due to lower income from operations at the Facilities as a result of the decrease in revenue.

Unaudited	Six Months Ended June 30,					
In thousands of U.S. dollars	**2025**	**Percentage of Revenue**	**2024**	**Percentage of Revenue**	**$ Change**	**% Change**
ASH	9,544	20.1%	8,486	18.7%	1,058	12.5%
OSH	5,334	13.9%	3,458	9.0%	1,876	54.3%
SFSH	13,827	19.3%	18,093	24.1%	(4,266)	(23.6%)
SCNC	355	7.2%	301	6.3%	54	17.9%
MFC Nueterra ASCs	(9)	n/a	(200)	n/a	191	95.5%
Corporate	(4,072)	n/a	(4,502)	n/a	430	9.6%
Income from operations	**24,979**	**15.4%**	**25,636**	**15.7%**	**(657)**	**(2.6%)**

Finance Costs

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 six months ended June 30, 2025 of $1.3 million decreased by $12.5 million from the same period in 2024, attributable to variations in all three factors.

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	**June 30, 2025** *Unaudited*	**December 31, 2024**	**Change**	**June 30, 2024** *Unaudited*	**December 31, 2023**	**Change**
Number of common shares to be issued for exchangeable interest liability	3,496,584	3,621,847	(125,263)	5,821,505	5,913,560	(92,055)
Closing price of the Corporation's common shares	C$15.80	C$15.61	C$0.19	C$12.65	C$8.98	C$3.67
Closing exchange rate of U.S. dollar to Canadian dollar	$1.3610	$1.4385	($0.0775)	$1.3680	$1.3247	$0.0433
Exchangeable interest liability	**40,592**	**39,303**	**1,289**	**53,832**	**40,087**	**13,745**

Interest Expense on Exchangeable Interest Liability

Interest expense on the exchangeable interest liability decreased by $1.2 million, driven by the variation in distributions from the Facilities between the reporting periods.

Interest Expense, Net of Interest Income

Interest expense, net of interest income, decreased by $1.7 million, primarily from higher interest income at the corporate level due to the higher average cash balance as a result of the cash proceeds received on the sale of

BHSH in 2024, as well as lower corporate credit facility interest expense due to the outstanding balance being fully repaid in the fourth quarter of 2024.

Loss 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 loss increased by $0.1 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	**Six Months Ended June 30,**			
In thousands of U.S. dollars	**2025**	**2024**	**$ Change**	**% Change**
Current income tax expense	2,098	1,661	437	26.3%
Deferred income tax recovery	(242)	(2,586)	2,344	90.6%
Income tax expense (recovery)	**1,856**	**(925)**	**2,781**	**300.6%**

The increase in current income tax expense versus the prior period was primarily due to current year U.S. withholding taxes. The decrease in deferred income tax recovery versus the prior period was mainly due to the impact of the change in the exchangeable interest liability.

Net Income from Continuing Operations

The $11.8 million increase in net income from continuing operations for the six months ended June 30, 2025 was 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"), partly offset by higher income tax expense.

EBITDA

EBITDA for the six months ended June 30, 2025 of $33.3 million decreased by $0.6 million from $33.9 million recorded in the same period last year, representing 20.5% of revenue and other income compared to 20.7% a year earlier, mainly due to the decline in revenue which exceeded the decrease 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	2025		2024				2023	
In thousands of U.S. dollars, except per share amounts	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
Revenue and other income								
Facility service revenue	80,557	81,714	91,077	76,821	81,656	81,975	92,084	79,178
Government stimulus income	-	-	-	11,957	-	-	-	-
	80,557	**81,714**	**91,077**	**88,778**	**81,656**	**81,975**	**92,084**	**79,178**
Operating expenses								
Salaries and benefits	23,049	22,418	24,355	22,182	22,180	21,749	23,245	21,639
Drugs and supplies	27,001	27,474	30,348	25,679	27,673	27,946	31,626	28,086
General and administrative expenses	14,514	14,553	15,178	15,315	15,026	15,133	14,826	15,254
Impairment of goodwill	-	-	2,265	-	-	-	-	-
Depreciation of property and equipment	1,420	1,660	1,637	1,670	1,670	1,687	1,694	1,719
Depreciation of right-of-use assets	2,460	2,475	2,589	2,363	2,360	2,302	2,382	2,503
Amortization of other intangibles	135	133	135	136	136	133	136	137
	68,579	**68,713**	**76,507**	**67,345**	**69,045**	**68,950**	**73,909**	**69,338**
Income from operations	**11,978**	**13,001**	**14,570**	**21,433**	**12,611**	**13,025**	**18,175**	**9,840**
Finance costs (income)								
Change in value of exchangeable interest liability	(1,241)	2,530	(19,464)	4,935	8,559	5,186	(1,277)	3,298
Interest expense on exchangeable interest liability	845	1,700	1,972	1,926	1,707	2,048	2,017	1,645
Interest expense, net of interest income	529	(18)	454	919	1,079	1,150	1,373	1,317
Impairment loss on loans receivable	-	-	-	-	-	-	-	786
Loss (gain) on foreign currency	29	130	(9)	14	11	43	(8)	28
	162	**4,342**	**(17,047)**	**7,794**	**11,356**	**8,427**	**2,105**	**7,074**
Non-operating (gains) losses								
Gain on sale of subsidiaries and equity investments	-	-	-	-	-	-	-	(2,487)
Share of equity loss in associates	-	-	-	-	-	-	-	320
	-	**-**	**-**	**-**	**-**	**-**	**-**	**(2,167)**
Income before income taxes	**11,816**	**8,659**	**31,617**	**13,639**	**1,255**	**4,598**	**16,070**	**4,933**
Income tax expense (recovery)	2,177	(321)	(4,413)	(347)	(774)	(151)	2,121	2,315
Net income for the period from continuing operations	**9,639**	**8,980**	**36,030**	**13,986**	**2,029**	**4,749**	**13,949**	**2,618**
Attributable to:								
Owners of the Corporation	4,631	3,728	29,560	5,608	(2,599)	(1)	7,818	(1,113)
Non-controlling interest	5,008	5,252	6,470	8,378	4,628	4,750	6,131	3,731
Earnings (loss) per share attributable to owners of the Corporation:								
Basic	$0.24	$0.17	$1.27	$0.24	($0.11)	($0.01)	$0.32	($0.04)
Fully diluted	$0.20	$0.17	$0.59	$0.24	($0.11)	($0.01)	$0.29	($0.04)
Reconciliation of net income for the period from continuing operations to EBITDA and Adjusted EBITDA (1)								
Net income for the period from continuing operations	9,639	8,980	36,030	13,986	2,029	4,749	13,949	2,618
Income tax expense (recovery)	2,177	(321)	(4,413)	(347)	(774)	(151)	2,121	2,315
Non-operating (gains) losses	-	-	-	-	-	-	-	(2,167)
Finance costs (income)	162	4,342	(17,047)	7,794	11,356	8,427	2,105	7,074
Depreciation of property and equipment	1,420	1,660	1,637	1,670	1,670	1,687	1,694	1,719
Depreciation of right-of-use assets	2,460	2,475	2,589	2,363	2,360	2,302	2,382	2,503
Amortization of other intangibles	135	133	135	136	136	133	136	137
EBITDA (1)	**15,993**	**17,269**	**18,931**	**25,602**	**16,777**	**17,147**	**22,387**	**14,199**
Impairment of goodwill	-	-	2,265	-	-	-	-	-
Adjusted EBITDA (1)	**15,993**	**17,269**	**21,196**	**25,602**	**16,777**	**17,147**	**22,387**	**14,199**

(1) *Non-IFRS financial measures. 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 operating expenses are generally consistent with fluctuations in case volumes and case mix. Operating expenses have also been impacted by costs related to SFSH’s accountable care organization (“ACO”), as well as a management agreement for SFSH’s orthopedic service line (refer to Section 12 of this MD&A under the heading “Related Party Transactions”).
- Since the fourth quarter of 2022, the Corporation has executed its plan to reduce overhead costs primarily through a reorganization of executive staff, as well as reductions across all other departments, resulting in significant savings in salaries and benefits, and G&A at the corporate level.
- Due to SCNC's underperformance, management assessed and recorded an impairment of goodwill in the fourth quarter of 2024.
- In addition, revenue and operating expenses have been impacted by the divestiture of the MFC Nueterra ASCs in 2023, and the sale of BHSH in the fourth quarter of 2024.
- 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 2023, 2024 and 2025, 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 BHSH’s non-controlling interest holders upon the sale of BHSH in the fourth quarter of 2024.
- 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 changes in impairment loss on loans receivable are mainly a result of re-evaluating the impairment loss allowance reserved on the loans receivable from associates at the end of each reporting period. The loans were fully impaired in the third quarter of 2023.
- 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 and Canadian cumulative tax operating loss carryforwards, 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 June 30,		Six Months Ended June 30,	
Unaudited *In thousands of U.S. dollars, except as indicated otherwise*		2025 $	2024[(1)] $	2025 $	2024[(1)] $
NET CASH PROVIDED BY OPERATING ACTIVITIES	**USD**	**1,460**	**14,810**	**17,215**	**39,325**
Non-controlling interest in cash flows of the Facilities [(2)]		(6,103)	(8,958)	(12,779)	(17,795)
Interest expense on exchangeable interest liability [(3)]		845	1,707	2,545	3,755
Payment of lease liabilities [(4)]		(3,031)	(3,315)	(6,072)	(6,153)
Maintenance capital expenditures [(5)]		(485)	(1,070)	(1,138)	(1,843)
Difference between accrual-based amounts and actual cash flows related to interest and taxes [(6)]		15,533	1,855	15,054	523
Net changes in non-cash operating working capital [(7)]		(3,585)	2,313	(3,199)	(2,654)
Market value adjustments on share-based compensation [(8)]		126	804	316	1,331
Repayments of notes payable by the Facilities [(9)]		(958)	(1,363)	(1,806)	(2,657)
CASH AVAILABLE FOR DISTRIBUTION [(10)]	**USD**	**3,802**	**6,783**	**10,136**	**13,832**
	CDN	**5,262**	**9,281**	**14,286**	**18,792**
DISTRIBUTIONS	**CDN**	**1,697**	**2,164**	**3,449**	**4,134**
CASH AVAILABLE FOR DISTRIBUTION PER COMMON SHARE [(10) (11)]	**CDN**	**$0.275**	**$0.382**	**$0.692**	**$0.769**
DISTRIBUTIONS PER COMMON SHARE [(11)]	**CDN**	**$0.089**	**$0.089**	**$0.167**	**$0.169**
PAYOUT RATIO [(10)]		**32.4%**	**23.3%**	**24.1%**	**22.0%**
Average exchange rate of Cdn$ to US$ for the period		1.3841	1.3683	1.4094	1.3586
Basic weighted average number of common shares outstanding		19,130,567	24,304,598	20,645,225	24,442,496

(1) *The comparative results for the three and six months ended June 30, 2024 include the results of BHSH which was sold in the fourth quarter of 2024.*

(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 comprises of interest and 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) *Comparative figures for cash available for distribution, cash available for distribution per common share, and payout ratio have been restated for market value adjustments on share-based compensation, and stock options expense.*

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

Cash available for distribution for the three months ended June 30, 2025 (Cdn$5.3 million) decreased by Cdn$4.0 million compared to the cash available for distribution for the same period last year (Cdn$9.3 million), primarily due to lower income from Facilities as a result of the sale of BHSH in the fourth quarter of 2024. On a per common share basis, cash available for distribution of Cdn$0.275 decreased by Cdn$0.107, or 28.0% from the same period last year of Cdn$0.382. The distributions per common share remained unchanged between the periods at Cdn$0.089, resulting in a payout ratio of 32.4% for the three months ended June 30, 2025 as compared to a payout ratio of 23.3% in the same period in 2024.

Cash available for distribution for the six months ended June 30, 2025 (Cdn$14.3 million) decreased by Cdn$4.5 million compared to the cash available for distribution for the same period last year (Cdn$18.8 million), primarily due to lower income from Facilities as a result of the sale of BHSH in the fourth quarter of 2024. On a per common share basis, cash available for distribution of Cdn$0.692 decreased by Cdn$0.077, or 10.0% from the same period last year of Cdn$0.769. The distributions per common share decreased between the periods by Cdn$0.002 to Cdn$0.167, resulting in a payout ratio of 24.1% for the six months ended June 30, 2025 as compared to a payout ratio of 22.0% in the same period in 2024.

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 June 30,		Six Months Ended June 30,	
Unaudited	**2025**	**2024[(1)]**	**2025**	**2024[(1)]**
In thousands of U.S. dollars	**$**	**$**	**$**	**$**
Cash flows from the Facilities:				
Income before interest expense, depreciation and amortization	18,082	25,187	37,173	49,531
Debt service costs:				
Interest	(354)	(518)	(716)	(1,048)
Repayment of non-revolving debt	(958)	(1,363)	(1,806)	(2,657)
Maintenance capital expenditures	(485)	(1,070)	(1,138)	(1,843)
Payment of lease liabilities	(3,019)	(3,308)	(6,049)	(6,134)
Non-cash loss (gain)	7	-	(12)	-
Cash available for distribution at the Facility level	**13,273**	**18,928**	**27,452**	**37,849**
Non-controlling interest in cash available for distribution at the Facility level	(6,103)	(8,958)	(12,779)	(17,795)
Corporation's share of the cash available for distribution at the Facility level	**7,170**	**9,970**	**14,673**	**20,054**
Corporate expenses [(2)(3)]	(2,012)	(1,575)	(3,697)	(3,164)
Interest expense, net of interest income at the corporate level [(3)]	335	(126)	1,258	(290)
Provision for current income taxes	(1,691)	(1,486)	(2,098)	(2,768)
Cash available for distribution [(2)]	**3,802**	**6,783**	**10,136**	**13,832**

(1) *The comparative results for the three and six months ended June 30, 2024 include the results of BHSH which was sold in the fourth quarter of 2024.*

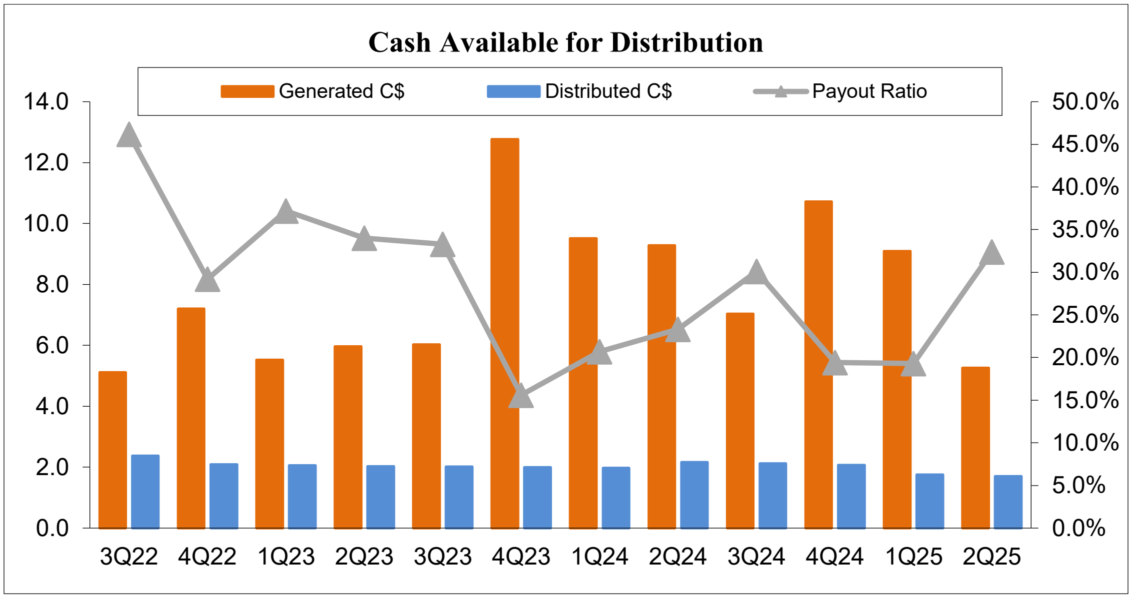
(2) *Comparative figures for corporate expenses and cash available for distribution have been restated for market value adjustments on share-based compensation, and stock options expense.*

(3) *Comparative figures for corporate expenses and interest expense, net of interest income, at the corporate level have been adjusted for the correct classification of interest income at the corporate level and corporate credit facility stand-by fees, to match the disclosure in Note 12 to the financial statements.*

Compared to the three months ended June 30, 2024, the cash available for distribution in U.S. dollars for the same period this year decreased by $3.0 million or 43.9%, primarily due to lower income from Facilities as a result of the sale of BHSH in the fourth quarter of 2024, partly offset by lower debt service costs and maintenance capital expenditures at the Facilities.

Compared to the six months ended June 30, 2024, the cash available for distribution in U.S. dollars for the same period this year decreased by $3.7 million or 26.7% primarily due to lower income from Facilities as a result of the sale of BHSH in the fourth quarter of 2024, partly offset by lower debt service costs and maintenance capital expenditures at the Facilities, along with lower interest expense, net of interest income, at the corporate level, and lower current taxes.

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 new U.S. administration. There is also uncertainty with respect to U.S. trade policies, which could increase supply costs and lead to supply disruptions or shortages, if tariffs or other protective measures are enacted. The strength of the local economies of the areas served by the Corporation's Facilities is an important factor in the Corporation's outlook.

Healthcare Industry

While impossible to currently quantify, the potential modification of the *Patient Protection and Affordable Care Act* ("PPACA"), 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, ACOs 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 PPACA, which could result in changes to healthcare coverage including case volume and reimbursement rates. The likelihood of a repeal of the PPACA has increased with the new 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 various new provisions become effective on different dates in the future, the earliest of which is October 1, 2026. The full impact of this legislation is indeterminable at this time.

Planned import tariffs announced by the new 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.

Hospitals throughout the U.S. continue to face a shortage of nurses and other healthcare workers, impacting the ability of hospitals to operate at full capacity. The shortage has led hospitals, including 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 shortage is indeterminable at this time.

On September 29, 2024, Baxter International Inc. ("Baxter"), the leading supplier of intravenous saline fluids ("IV fluids") to healthcare providers in the U.S., restricted supply of certain IV fluids as its manufacturing facility in North Carolina was affected by flooding. The Facilities acted quickly to implement conservation measures and also procure IV fluids from alternative suppliers, albeit at a premium. Despite these efforts, certain Facilities faced a shortfall of IV fluids, resulting in the deferment or cancelation of certain surgical procedures in the fourth quarter of 2024. On January 28, 2025, Baxter announced that IV fluids production had been fully restored. By March 2025, allocation to healthcare providers in the U.S. for most IV fluids returned to normal levels.

Management Strategies

Management is committed to increasing shareholder value, primarily through continued organic growth at its current Facilities. On September 13, 2022, the Corporation announced that it had made a determination to shift its focus away from deploying a growth strategy through acquisitions. This change in corporate strategy included the following:

- suspension of acquisitions;
- divestiture of non-core assets;
- pursuit of overhead cost reductions; and
- evaluation and implementation of strategies to return capital to its 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, after which eligibility will be further reduced to 40% in 2025, 20% in 2026, and 0% in 2027. At the end of 2025, a significant portion of the TCJA is set to expire.

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 modifies the adjusted taxable income calculation by reinstating the add-back for depreciation and amortization. Overall, several key provisions that were set to expire at the end of 2025 under the TCJA have been 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*	June 30, 2025 *Unaudited*	December 31, 2024
Cash and cash equivalents at the Facility level	13,435	13,756
Cash and cash equivalents at the corporate level	35,592	94,740
Cash and cash equivalents	**49,027**	**108,496**

Cash Flow Activity

Cash Flow

Unaudited	Six Months Ended June 30,			
In thousands of U.S. dollars	2025	2024	$ Change	% Change
Cash provided by operating activities	17,215	39,325	(22,110)	(56.2%)
Cash used in investing activities	(1,991)	(5,472)	3,481	63.6%
Cash used in financing activities	(74,534)	(39,931)	(34,603)	(86.7%)
Decrease in cash and cash equivalents	**(59,310)**	**(6,078)**	**(53,232)**	**(875.8%)**
Effect of exchange rate fluctuations on cash balances held	(159)	(54)	(105)	(194.4%)
Cash and cash equivalents, beginning of the period	108,496	24,113	84,383	349.9%
Cash and cash equivalents, end of the period	**49,027**	**17,981**	**31,046**	**172.7%**

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 six months ended June 30, 2025 decreased by $22.1 million compared to the same period in 2024, primarily due to lower income from the Facilities' operations as a result of the sale of BHSH in the fourth quarter of 2024, and an increase in taxes paid.

As of June 30, 2025, the Corporation had consolidated net working capital of $36.6 million compared to $76.4 million as of December 31, 2024. The change in consolidated net working capital was mainly due to the completion of the substantial issuer bid in March 2025, resulting in a decrease in cash and cash equivalents. 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 June 30, 2025, accounts receivable were $39.5 million (December 31, 2024: $45.5 million), accounts payable and accrued liabilities totaled $32.9 million (December 31, 2024: $37.7 million), total assets were $274.2 million (December 31, 2024: $346.3 million) and total long-term liabilities, excluding exchangeable interest liability, were $70.4 million (December 31, 2024: $70.6 million).

Investing Activities

The $3.5 million decrease in cash used in investing activities for the six months ended June 30, 2025 compared to the same period in 2024 was primarily due to a decrease in purchases of property and equipment.

Financing Activities

The $34.6 million increase in cash used in financing activities for the six months ended June 30, 2025 compared to the same period in 2024 was mainly due to the completion of the substantial issuer bid ($43.7 million), along with the increase in purchase of common shares under normal course issuer bids ($3.4 million), partly offset by lower net repayments of credit facilities and other borrowings at both the Facility and corporate levels ($9.2 million), as well as decreases in Facility distributions to non-controlling interest ($2.9 million) and dividends paid ($0.3 million).

The Facilities have available credit facilities in place in the aggregate amount of $20.9 million, of which $1.4 million was drawn as of June 30, 2025. The balances available under the credit facilities, combined with cash and cash equivalents as of June 30, 2025, 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 $50.0 million line of credit with a Canadian chartered bank, inclusive of a $25.0 million swingline facility, which matures on August 31, 2025 ("2022 Credit Facility"). As of June 30, 2025, no amount remained outstanding for the 2022 Credit Facility. As of June 30, 2025, the Corporation was in compliance with all of its debt covenants.

On August 6, 2025, subsequent to the end of the reporting period, the Corporation entered into an agreement with another Canadian chartered bank providing for a $40.0 million revolving credit facility, inclusive of a $25.0 million swingline facility ("2025 Credit Facility"). The 2025 Credit Facility matures on August 4, 2028, and replaces the 2022 Credit Facility.

Amounts drawn from the corporate credit facility can be used for general corporate purposes, including working capital and capital expenditures, and/or repurchase of the Corporation's common shares.

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 June 30, 2025, are as follows:

Unaudited		Future payments (including principal and interest)				
In thousands of U.S. dollars **Contractual Obligations**	**Carrying values at June 30, 2025 $**	**Total $**	**Less than 1 year $**	**2-3 years $**	**4-5 years $**	**After 5 years $**
Dividends payable	1,247	1,247	1,247	-	-	-
Accounts payable	13,795	13,795	13,795	-	-	-
Accrued liabilities	19,067	19,067	19,067	-	-	-
Obligation for purchase of common shares	15,608	15,608	15,608	-	-	-
Facilities' revolving credit facilities	1,350	1,432	1,432	-	-	-
Notes payable	31,067	36,265	4,965	8,210	23,090	-
Lease liabilities	35,216	40,345	9,802	15,485	12,096	2,962
Total contractual obligations	**117,350**	**127,759**	**65,916**	**23,695**	**35,186**	**2,962**

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 number of outstanding stock options as of June 30, 2025:

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 June 30, 2025, all of the Options are vested.

As of June 30, 2025, the Corporation had 18,857,749 common shares outstanding.

Normal Course Issuer Bids

The Corporation has a normal course issuer bid for up to 2,339,066 of its common shares in effect from December 1, 2024 to November 30, 2025. During the six months ended June 30, 2025, the Corporation purchased 791,700 of its common shares for a total consideration of $9.0 million from the open market under this normal course issuer bid. During the six months ended June 30, 2024, the Corporation purchased 675,700 of its common shares for a total consideration of $5.7 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 have been recorded against share capital for the six months ended June 30, 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, 2025 to June 30, 2025 totaled Cdn$0.18 per common share.

Cash distributions declared in the period from April 1, 2025 to June 30, 2025 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 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 June 30, 2025 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.

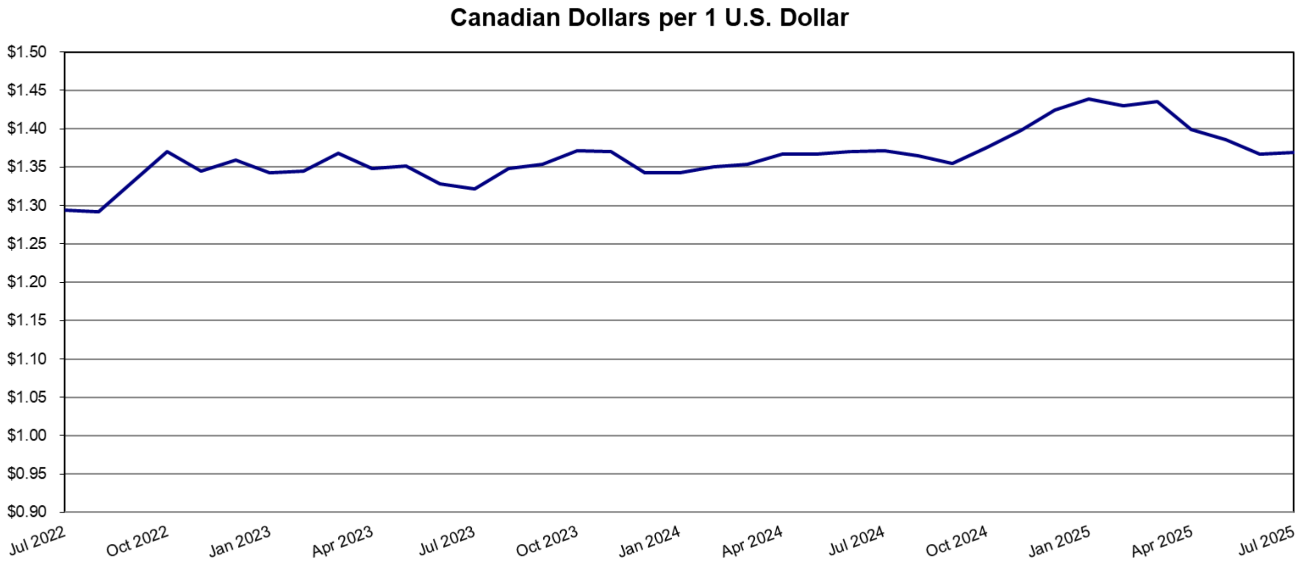
The fair value of the exchangeable interest liability is determined based on the closing trading price of the Corporation’s common share price at each reporting period. The fair values of long-term debt (notes payable and term loans) are not significantly different than their carrying values, as these 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 July 2022:



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 June 30, 2025, 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

Dr. Reza Shahim, who resigned from his role as a member of the Corporation's board of directors on March 27, 2025, is a minority owner of a Facility of the Corporation and a member of an ownership group that owns and leases hospital real estate to the Facility, for which the Facility paid rent for the six months ended June 30, 2025 of $2.3 million (June 30, 2024: $2.3 million).

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 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 three 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 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 PPACA. 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 June 30,**		**Six Months Ended June 30,**	
Entity	**Nature of services or goods received**	**2025 $**	**2024 $**	**2025 $**	**2024 $**
ASH	Lease of hospital building and office space, and physician clinic services.	1,027	1,025	1,964	1,951
OSH	Lease of hospital building and office space.	656	656	1,313	1,313
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.	3,112	3,121	6,483	6,437
Total		**4,795**	**4,802**	**9,760**	**9,701**

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 four 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 June 30, 2025, 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 April 1, 2025 and ending on June 30, 2025, 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 available on SEDAR+ at www.sedarplus.ca. There have been no changes in the nature or the number of risk factors pertaining to the Corporation since the date of the most recently filed annual information form (March 28, 2025). The disclosures in this MD&A are subject to the risk factors outlined in those materials.

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.