

Interim Condensed Consolidated Financial Statements of

**MEDICAL FACILITIES
CORPORATION**

For the three months ended March 31, 2025

(Unaudited)

(In U.S. dollars)

TABLE OF CONTENTS

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	Page
Interim Condensed Consolidated Balance Sheets	2
Interim Condensed Consolidated Statements of Changes in Equity	3
Interim Condensed Consolidated Statements of Income and Comprehensive Income	4
Interim Condensed Consolidated Statements of Cash Flows	5

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	Page
1. Reporting entity	6
2. Statement of compliance	6
3. Basis of preparation	6
4. Discontinued operations	7
5. Earnings (loss) per share	8
6. Normal course issuer bids	9
7. Substantial issuer bid	10
8. Obligation for purchase of common shares	10
9. Net changes in non-cash working capital	10
10. Financial instruments	11
11. Income taxes	12
12. Interest expense, net of interest income	12
13. Related party transactions	13
14. Commitments and contingencies	14
15. Share-based compensation	14
16. Material accounting policies	17

MEDICAL FACILITIES CORPORATION

Interim Condensed Consolidated Balance Sheets
(In thousands of U.S. dollars)

	Note	March 31, 2025 \$ (Unaudited)	December 31, 2024 \$
ASSETS			
Current assets			
Cash and cash equivalents		65,724	108,496
Accounts receivable		39,682	45,468
Supply inventory		6,104	5,805
Prepaid expenses and other receivables		4,300	5,479
Income tax receivable		138	87
Total current assets		115,948	165,335
Non-current assets			
Deferred income tax asset		16	129
Property and equipment		49,647	50,522
Right-of-use assets		30,541	32,482
Goodwill		90,600	90,600
Other intangibles		7,093	7,226
Total non-current assets		177,897	180,959
TOTAL ASSETS		293,845	346,294
LIABILITIES AND EQUITY			
Current liabilities			
Dividends payable		1,218	1,441
Accounts payable		13,410	16,940
Accrued liabilities		17,287	20,809
Income tax payable		14,254	13,766
Obligation for purchase of common shares	8	14,910	16,694
Current portion of long-term debt		10,273	10,390
Current portion of lease liabilities		8,708	8,909
Total current liabilities		80,060	88,949
Non-current liabilities			
Long-term debt		23,102	23,833
Lease liabilities		29,023	30,805
Deferred income tax liability		15,111	15,952
Exchangeable interest liability		41,833	39,303
Total non-current liabilities		109,069	109,893
Total liabilities		189,129	198,842
Equity			
Share capital		272,926	316,927
Contributed surplus		470	470
Accumulated deficit		(192,868)	(195,378)
Equity attributable to owners of the Corporation		80,528	122,019
Non-controlling interest		24,188	25,433
Total equity		104,716	147,452
TOTAL LIABILITIES AND EQUITY		293,845	346,294

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

MEDICAL FACILITIES CORPORATION

Interim Condensed Consolidated Statements of Changes in Equity

(In thousands of U.S. dollars)

(Unaudited)

	Note	Attributable to Owners of the Corporation			Total	Non-controlling Interest	Total Equity
		Share Capital	Contributed Surplus	Accumulated Deficit			
		\$	\$	\$	\$	\$	\$
2025							
Balance at January 1, 2025		316,927	470	(195,378)	122,019	25,433	147,452
Net income and comprehensive income for the period		-	-	3,728	3,728	5,252	8,980
Dividends to owners of the Corporation		-	-	(1,218)	(1,218)	-	(1,218)
Distributions to non-controlling interest		-	-	-	-	(6,497)	(6,497)
Purchase of common shares under a normal course issuer bid	6	(2,036)	-	-	(2,036)	-	(2,036)
Purchase of common shares under a substantial issuer bid	7	(43,749)	-	-	(43,749)	-	(43,749)
Change in obligation for purchase of common shares	8	1,784	-	-	1,784	-	1,784
Balance at March 31, 2025		272,926	470	(192,868)	80,528	24,188	104,716
2024							
Balance at January 1, 2024		348,099	716	(262,827)	85,988	32,315	118,303
Net income and comprehensive income for the period		-	-	1,770	1,770	6,691	8,461
Stock options expense	15.1	-	14	-	14	-	14
Dividends to owners of the Corporation		-	-	(1,455)	(1,455)	-	(1,455)
Distributions to non-controlling interest		-	-	-	-	(7,357)	(7,357)
Purchase of common shares under a normal course issuer bid	6	(1,766)	-	-	(1,766)	-	(1,766)
Change in obligation for purchase of common shares	8	(7,557)	-	-	(7,557)	-	(7,557)
Balance at March 31, 2024		338,776	730	(262,512)	76,994	31,649	108,643

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

MEDICAL FACILITIES CORPORATION

Interim Condensed Consolidated Statements of Income and Comprehensive Income
(In thousands of U.S. dollars, except per share amounts)
(Unaudited)

	Note	Three Months Ended March 31,	
		2025 \$	2024 ⁽¹⁾ \$
Revenue and other income			
Facility service revenue		81,714	81,975
		81,714	81,975
Operating expenses			
Salaries and benefits		22,418	21,749
Drugs and supplies		27,474	27,946
General and administrative expenses		14,553	15,133
Depreciation of property and equipment		1,660	1,687
Depreciation of right-of-use assets		2,475	2,302
Amortization of other intangibles		133	133
		68,713	68,950
Income from operations		13,001	13,025
Finance costs			
Change in value of exchangeable interest liability		2,530	5,186
Interest expense on exchangeable interest liability		1,700	2,048
Interest expense, net of interest income	12	(18)	1,150
Loss on foreign currency		130	43
		4,342	8,427
Income before income taxes		8,659	4,598
Income tax recovery	11	(321)	(151)
Net income for the period from continuing operations		8,980	4,749
Discontinued operations			
Net income for the period from discontinued operations, net of tax	4.1	-	3,712
Net income and comprehensive income for the period		8,980	8,461
Attributable to:			
Owners of the Corporation		3,728	1,770
Non-controlling interest		5,252	6,691
		8,980	8,461
Earnings (loss) per share attributable to owners of the Corporation			
From continuing and discontinued operations			
Basic	5	\$ 0.17	\$ 0.07
Fully diluted	5	\$ 0.17	\$ 0.07
From continuing operations			
Basic	5	\$ 0.17	\$ (0.01)
Fully diluted	5	\$ 0.17	\$ (0.01)

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

⁽¹⁾ The comparative results for the three-months ended March 31, 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 current period's interim condensed consolidated statements of income and comprehensive income to provide a clear comparison.

MEDICAL FACILITIES CORPORATION

Interim Condensed Consolidated Statements of Cash Flows

(In thousands of U.S. dollars)

(Unaudited)

	Note	Three Months Ended March 31,	
		2025	2024
		\$	\$
Cash flows from operating activities			
Net income for the period		8,980	8,461
Adjustments for:			
Depreciation of property and equipment		1,660	2,268
Depreciation of right-of-use assets		2,475	2,473
Amortization of other intangibles		133	133
Change in value of exchangeable interest liability		2,530	5,186
Interest expense on exchangeable interest liability		1,700	2,048
Interest expense, net of interest income		(18)	1,287
Loss on foreign currency		130	43
Income tax (recovery) expense		(321)	377
Stock options expense	15.1	-	14
Other non-cash gain		(19)	-
		17,250	22,290
Net changes in non-cash operating working capital	9	(386)	4,967
		16,864	27,257
Interest paid, net of received		(1,139)	(2,741)
Income and withholding taxes received (paid)		30	(1)
Net cash provided by operating activities		15,755	24,515
Cash flows from investing activities			
Purchase of property and equipment		(785)	(1,772)
Net cash used in investing activities		(785)	(1,772)
Cash flows from financing activities			
Net repayments of revolving credit facilities and issuance of notes payable		-	(6,401)
Repayments of notes payable by the Facilities		(848)	(1,294)
Payment of lease liabilities		(3,041)	(2,838)
Distributions to non-controlling interest		(6,497)	(7,357)
Dividends paid		(1,441)	(1,503)
Purchase of common shares under normal course issuer bids	6	(2,036)	(1,766)
Purchase of common shares under a substantial issuer bid	7	(43,749)	-
Net cash used in financing activities		(57,612)	(21,159)
(Decrease) increase in cash and cash equivalents		(42,642)	1,584
Effect of exchange rate fluctuations on cash balances held		(130)	(43)
Cash and cash equivalents, beginning of the period		108,496	24,113
Cash and cash equivalents, end of the period		65,724	25,654

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

MEDICAL FACILITIES CORPORATION

Notes to the Interim Condensed Consolidated Financial Statements
(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)
For the three months ended March 31, 2025
(Unaudited)

1. REPORTING ENTITY

Medical Facilities Corporation (the “Corporation”) is a British Columbia corporation. The address of the Corporation’s head office is 4576 Yonge Street, Suite 701, Toronto, Ontario, Canada. The common shares of the Corporation are listed on the Toronto Stock Exchange under the ticker symbol “DR”.

The Corporation’s operations are based in the United States. Through its wholly-owned subsidiaries, the Corporation owns controlling interests in three specialty surgical hospitals and one ambulatory surgery center (“ASC”) (collectively the “Facilities”).

The Corporation’s ownership interest in, and the location of, its operating subsidiaries are as follows:

Subsidiary	Location	Ownership Interest March 31,	
		2025	2024
Arkansas Surgical Hospital, LLC (“ASH”)	North Little Rock, Arkansas	51.0%	51.0%
Oklahoma Spine Hospital, LLC (“OSH”)	Oklahoma City, Oklahoma	64.0%	64.0%
Sioux Falls Specialty Hospital, LLP (“SFSH”)	Sioux Falls, South Dakota	51.0%	51.0%
The Surgery Center of Newport Coast (“SCNC”)	Newport Beach, California	51.0%	51.0%
Black Hills Surgical Hospital, LLP (“BHSH”) ⁽¹⁾	Rapid City, South Dakota	-	54.2%

⁽¹⁾ The Corporation completed the sale of BHSH during the year ended December 31, 2024.

2. STATEMENT OF COMPLIANCE

These unaudited interim condensed consolidated financial statements (“consolidated financial statements”) have been prepared in accordance with International Accounting Standard IAS 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board (“IASB”) using the accounting policies as described in the audited consolidated financial statements for the year ended December 31, 2024 (“annual financial statements”).

These consolidated financial statements were approved for issue by the Corporation’s Board of Directors on May 7, 2025.

3. BASIS OF PREPARATION

These consolidated financial statements do not contain all of the disclosures that are required in annual financial statements prepared under International Financial Reporting Standards (“IFRS Accounting Standards”) and should be read in conjunction with the Corporation’s annual financial statements, which include information necessary or useful to understand the Corporation’s business and financial statement presentation.

MEDICAL FACILITIES CORPORATION

Notes to the Interim Condensed Consolidated Financial Statements
(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)
For the three months ended March 31, 2025
(Unaudited)

3. BASIS OF PREPARATION (Continued)

Income from operations for the interim period is not necessarily indicative of the results for the full year. Facility service 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.

The Corporation's consolidated financial statements are reported in U.S. dollars which is its functional and presentation currency. All financial information presented in U.S. dollars has been rounded to the nearest thousand, unless otherwise indicated.

4. DISCONTINUED OPERATIONS

On November 13, 2024, BSHS entered into a definitive agreement to sell BSHS to Sanford Health for cash proceeds of \$96,136 for the Corporation's 54.2% ownership share, subject to customary adjustments. The transaction was completed on November 15, 2024.

4.1 Results of discontinued operations

	Three Months Ended March 31,	
	2025	2024
	\$	\$
Revenue and other income		
Facility service revenue	-	26,283
	-	26,283
Operating expenses		
Salaries and benefits	-	11,399
Drugs and supplies	-	6,880
General and administrative expenses	-	2,875
Depreciation of property and equipment	-	581
Depreciation of right-of-use assets	-	171
	-	21,906
Income from operations	-	4,377
Finance costs		
Interest expense, net of interest income	-	137
	-	137
Income before income taxes	-	4,240
Income tax expense	-	528
Net income for the period from discontinued operations, net of tax	-	3,712

MEDICAL FACILITIES CORPORATION

Notes to the Interim Condensed Consolidated Financial Statements
(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)
For the three months ended March 31, 2025
(Unaudited)

4. DISCONTINUED OPERATIONS (Continued)

4.2 Cash flows from discontinued operations

	Three Months Ended March 31,	
	2025	2024
	\$	\$
Net cash provided by operating activities	-	1,849
Net cash provided by investing activities	-	148
Net cash used in financing activities	-	(3,020)
Net cash flow for the period	-	(1,023)

5. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share attributable to owners of the Corporation are calculated as follows:

	Three Months Ended March 31,					
	2025			2024		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
Net income (loss) for the period attributable to owners of the Corporation	\$ 3,728	-	3,728	(1)	1,771	1,770
Divided by weighted average number of common shares outstanding for the period	22,176,712	-	22,176,712	24,580,394	24,580,394	24,580,394
Basic earnings (loss) per share	\$ 0.17	-	0.17	(0.01)	0.08	0.07

MEDICAL FACILITIES CORPORATION

Notes to the Interim Condensed Consolidated Financial Statements
(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)
For the three months ended March 31, 2025
(Unaudited)

5. EARNINGS (LOSS) PER SHARE (Continued)

Fully diluted earnings (loss) per share attributable to owners of the Corporation are calculated as follows:

	Three Months Ended March 31,					
	2025			2024		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
Net income (loss) for the period attributable to owners of the Corporation	\$ 3,728	-	3,728	(1)	1,771	1,770
Change in value of exchangeable interest liability (tax effected)	-	-	-	-	-	-
Interest expense on exchangeable interest liability	-	-	-	-	-	-
Modified net income (loss) for the period attributable to owners of the Corporation	\$ 3,728	-	3,728	(1)	1,771	1,770
Weighted average number of common shares:						
Outstanding for the period	22,176,712	-	22,176,712	24,580,394	24,580,394	24,580,394
Deemed to be issued on the exchange of the outstanding exchangeable interest liability	-	-	-	-	-	-
Dilutive weighted average number of common shares ⁽¹⁾	22,176,712	-	22,176,712	24,580,394	24,580,394	24,580,394
Fully diluted earnings (loss) per share	\$ 0.17	-	0.17	(0.01)	0.08	0.07

⁽¹⁾ For the three months ended March 31, 2025 and 2024, the impact of exchangeable interest liability was excluded from the dilutive weighted average number of common shares calculation because it was anti-dilutive based on the share price prevailing at March 31, 2025 and March 31, 2024, respectively.

6. 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 three months ended March 31, 2025, the Corporation purchased 182,600 of its common shares for a total consideration of \$2,036 from the open market under this normal course issuer bid. During the three months ended March 31, 2024, the Corporation purchased 253,900 of its common shares for a total consideration of \$1,766 from the open market under a previous normal course issuer bid.

The purchases under the normal course issuer bids are recorded in share capital and include applicable buyback taxes. All common shares acquired under the normal course issuer bids were cancelled.

MEDICAL FACILITIES CORPORATION

Notes to the Interim Condensed Consolidated Financial Statements
(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)
For the three months ended March 31, 2025
(Unaudited)

7. 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 C\$18.00 per common share under the Offer, representing an aggregate purchase price of \$43,145, including applicable buyback taxes, or approximately 14.7% of the Corporation's issued and outstanding common shares before giving effect to the Offer. For the three months ended March 31, 2025, the Corporation incurred transaction costs related to the Offer of \$604 which have been recorded against share capital.

8. OBLIGATION FOR PURCHASE OF COMMON SHARES

The Corporation entered into an automatic share purchase plan with a broker that allows the purchase of common shares for cancellation under the normal course issuer bid, including block purchases, in accordance with certain prearranged trading parameters, at any time during predetermined trading blackout periods. An obligation for purchase of common shares of \$14,910 was recognized under the automatic share purchase plan as of March 31, 2025 (December 31, 2024: \$16,694), including applicable buyback taxes.

Subsequent to the period end, the Corporation purchased 256,400 of its common shares for a total consideration of \$2,866 under the automatic share purchase plan, through May 2, 2025.

9. NET CHANGES IN NON-CASH WORKING CAPITAL

The net changes in non-cash working capital included in the interim condensed consolidated statements of cash flows consist of the following:

	Three Months Ended March 31,	
	2025	2024
	\$	\$
Accounts receivable	5,786	7,688
Supply inventory	(299)	(195)
Prepaid expenses and other receivables	1,179	1,404
Accounts payable	(3,530)	(2,226)
Accrued liabilities	(3,522)	(1,704)
Net changes in non-cash working capital	(386)	4,967

MEDICAL FACILITIES CORPORATION

Notes to the Interim Condensed Consolidated Financial Statements
(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)
For the three months ended March 31, 2025
(Unaudited)

10. FINANCIAL INSTRUMENTS

10.1 Fair values and classification of financial instruments

The fair value of exchangeable interest liability is determined based on the closing trading price of common shares at each reporting date. The fair values of long-term debt approximate their carrying values as the interest rates are similar to prevailing 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.

The following table presents the carrying values and classification of the Corporation's financial instruments as of March 31, 2025 and December 31, 2024:

	March 31, 2025	December 31, 2024
	\$	\$
Financial assets		
Amortized cost		
Cash and cash equivalents	65,724	108,496
Accounts receivable	39,682	45,468
Financial liabilities		
Fair value through profit or loss		
Exchangeable interest liability	41,833	39,303
Amortized cost		
Dividends payable	1,218	1,441
Accounts payable	13,410	16,940
Accrued liabilities	17,287	20,809
Obligation for purchase of common shares	14,910	16,694
Long-term debt	33,375	34,223

The following tables represent the fair value hierarchy of the Corporation's financial instruments that were recognized at amortized cost or fair value through profit or loss as of March 31, 2025 and December 31, 2024. They do not include fair value information for financial instruments which are short-term in nature.

	March 31, 2025			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial liabilities				
Exchangeable interest liability	-	41,833	-	41,833
Long-term debt	-	33,375	-	33,375
Total	-	75,208	-	75,208

	December 31, 2024			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial liabilities				
Exchangeable interest liability	-	39,303	-	39,303
Long-term debt	-	34,223	-	34,223
Total	-	73,526	-	73,526

MEDICAL FACILITIES CORPORATION

Notes to the Interim Condensed Consolidated Financial Statements
(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)
For the three months ended March 31, 2025
(Unaudited)

10. FINANCIAL INSTRUMENTS (Continued)

10.2 Measurement of fair values

The following are the valuation techniques used in measuring Level 2 fair values:

Financial Instrument	Valuation Technique
Exchangeable interest liability	<i>Market comparison technique:</i> The number of the Corporation's common shares to issue is based on the contractual agreements with the holders of non-controlling interest that have exchange agreements with the Corporation and take into account the distributions to the non-controlling interest over the prior twelve months. The liability is valued based on the market price of the Corporation's common shares converted to the reporting currency as of the reporting date.
Long-term debt	<i>Market comparison technique:</i> Interest rates are based on the lending agreements with various banks and creditors of long-term debt, and they are Prime or Secured Overnight Financing Rate ("SOFR") rates adjusted for the Facilities' risk rating, secured assets and other terms of agreements. The liability is valued based on debt principals and interest payments discounted to present value.

11. INCOME TAXES

The U.S. tax return for the Corporation is prepared on a consolidated basis for U.S. entities and includes balances and amounts attributable to these entities.

The Canadian income tax return for the Corporation is prepared on a stand-alone basis and includes non-consolidated balances attributable to the Canadian entity only.

Income taxes from continuing operations reported in these consolidated financial statements are as follows:

Provision for income taxes	Three Months Ended March 31,	
	2025	2024
	\$	\$
Current	407	762
Deferred	(728)	(913)
Total income tax recovery from continuing operations	(321)	(151)

12. INTEREST EXPENSE, NET OF INTEREST INCOME

Interest expense, net of interest income, from continuing operations included in the interim condensed consolidated statements of income and comprehensive income consists of the following:

	Three Months Ended March 31,	
	2025	2024
	\$	\$
Interest expense at the Facility level	421	477
Interest expense at the corporate level	3	219
Interest expense on lease liabilities	543	568
Corporate credit facility stand-by fees	55	62
Interest income at the Facility level	(59)	(59)
Interest income at the corporate level	(981)	(117)
Interest expense, net of interest income, from continuing operations	(18)	1,150

MEDICAL FACILITIES CORPORATION

Notes to the Interim Condensed Consolidated Financial Statements
(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)
For the three months ended March 31, 2025
(Unaudited)

13. RELATED PARTY TRANSACTIONS

13.1 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 three months ended March 31, 2025 of \$1,125 (March 31, 2024: \$1,125).

13.2 Other transactions

Certain Facilities routinely enter into transactions with related parties for provision of services relating to the use of facility space and equipment. These parties are considered related as the Facilities have significant influence over these parties. Such transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the 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 accountable care organization ("ACO") through a wholly-owned subsidiary that also provides management services to the ACO. The ACO was approved for participation in the Medicare Shared Savings Program, which is an incentive program established under the provisions of the Patient Protection and Affordable Care Act. 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.

MEDICAL FACILITIES CORPORATION

Notes to the Interim Condensed Consolidated Financial Statements
(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)
For the three months ended March 31, 2025
(Unaudited)

13. RELATED PARTY TRANSACTIONS (Continued)

The following is a summary of transactions at each Facility with their respective related parties during the three months ended March 31, 2025 and 2024:

Subsidiary	Nature of services or goods received	Three Months Ended March 31,	
		2025 \$	2024 \$
ASH	Lease of hospital building and office space, and physician clinic services.	937	926
OSH	Lease of hospital building and office space.	657	657
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.	3,371	3,316
Total		4,965	4,899

14. COMMITMENTS AND CONTINGENCIES

14.1 Commitments

In the normal course of operations, the Facilities lease certain equipment under non-cancellable long-term leases and enter into various commitments with third parties. In addition, certain Facilities lease their facility space from related and non-related parties.

14.2 Contingencies

In the normal course of business, the Facilities are, from time to time, subject to allegations that may result in litigation. Certain allegations may not be covered by the Facilities' commercial and liability insurance. The Facilities evaluate such allegations by conducting investigations to determine the validity of each potential claim. Based on the advice of legal counsel, management records an estimate of the amount of the ultimate expected loss for each of these matters. Events could occur that would cause the estimate of the ultimate loss to differ materially from the amounts recorded.

15. SHARE-BASED COMPENSATION

15.1 Stock options

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

MEDICAL FACILITIES CORPORATION

Notes to the Interim Condensed Consolidated Financial Statements
(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)
For the three months ended March 31, 2025
(Unaudited)

15. SHARE-BASED COMPENSATION (Continued)

Outstanding options (the “Options”) vest after five years of employment. The Options must be exercised by the tenth anniversary of the respective grant dates, subject to blackout exceptions. As of March 31, 2025, all of the Options are vested.

The movement in the outstanding number of stock options for the three months ended March 31, 2025 and 2024 was as follows:

Number of outstanding options	2025	2024
Balance at January 1	444,906	744,906
Options exercised during the period	-	-
Options forfeited during the period	-	-
Balance at March 31	444,906	744,906

During the three months ended March 31, 2025, the Corporation recognized no expense (March 31, 2024: \$14) relating to the Options in salaries and benefits expense.

The grant date fair values of the Options were measured based on the Black-Scholes model. Expected volatility is estimated by considering historic average share price volatility.

15.2 Deferred share units

Compensation for directors includes a deferred share unit (“DSU”) component, for which grants based on the value of the Corporation’s common shares were made quarterly until the end of the second quarter of 2024, when they were replaced by a restricted share unit (“RSU”) component, after which no additional DSUs are to be issued. The outstanding DSUs vested immediately upon issue, continue to accrue dividends, and can only be redeemed when a participant ceases to serve as a director of the Corporation. The participants’ entitlement in respect of the DSUs then held will be settled in cash based on a formula tied to the value of the Corporation’s common shares at the relevant time. For the three months ended March 31, 2025, director compensation included no DSU grants (March 31, 2024: \$100), while the change in market value of outstanding DSUs for the same period was an expense of \$117 (March 31, 2024: \$381). As of March 31, 2025, accrued liabilities in the interim condensed consolidated balance sheet included a liability for DSUs of \$750 (December 31, 2024: \$4,199).

The following table summarizes changes in the number of DSUs for the three months ended March 31:

	2025	2024
Opening balance of DSUs at January 1	386,960	351,882
DSUs granted on director fees	-	12,991
DSUs paid out	(321,787)	-
DSUs granted on dividend reinvestment	2,215	3,166
Total number of DSUs at March 31	67,388	368,039

MEDICAL FACILITIES CORPORATION

Notes to the Interim Condensed Consolidated Financial Statements
(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)
For the three months ended March 31, 2025
(Unaudited)

15. SHARE-BASED COMPENSATION (Continued)

15.3 Restricted share units

Compensation for directors includes RSUs, for which grants based on the value of the Corporation's common shares were made on December 1, 2024 for 28,199 RSUs. The RSUs accrue dividends, vest over one year or less, at the discretion of the Corporation's Board of Directors, and are settled in cash. The value of the expense and liability associated with the RSUs is determined based on the Corporation's share price at the end of each reporting period. For the three months ended March 31, 2025, operating expenses included an RSU expense of \$5 (March 31, 2024: \$nil). As of March 31, 2025, accrued liabilities in the interim condensed consolidated balance sheet included a liability for RSUs of \$144 (December 31, 2024: \$nil).

The following table summarizes changes in the number of RSUs for the three months ended March 31:

	2025	2024
Opening balance of RSUs at January 1	28,199	-
RSUs paid out	(16,108)	-
RSUs granted on dividend reinvestment	161	-
Total number of RSUs at March 31	12,252	-

15.4 Performance share unit plan

Until 2020, annual grants of performance share units ("PSUs") were awarded under the Corporation's Performance Share Unit Plan ("PSU Plan"), which was amended in March 2020 to allow grants of share units ("SUs") in the form of PSUs or deferred share units ("Executive DSUs").

Awards under the PSU Plan vest three years following their grant date and are subject to achievement of performance objectives set at the time of the grant. The PSUs are settled in cash upon vesting while Executive DSUs are settled in cash upon the PSU Plan participants' departure from the Corporation. The SUs granted under the PSU Plan participate in the Corporation's quarterly dividend.

15.4.1 Share units

SU grants were made on March 31, 2020 for 346,638 Executive DSUs, on March 31, 2021 for 175,898 Executive DSUs, on March 31, 2022 for 150,348 Executive DSUs, on March 31, 2023 for 78,978 Executive DSUs, and on March 28, 2024 for 81,106 Executive DSUs, then replaced by RSUs later in 2024, after which no additional SU grants are to be made. The value of the expense and liability associated with the outstanding SUs is determined based on the Corporation's share price at the end of each reporting period. For the three months ended March 31, 2025, operating expenses included an SU expense of \$213 (March 31, 2024: \$212). As of March 31, 2025, accrued liabilities in the interim condensed consolidated balance sheet included a liability for SUs of \$2,526 (December 31, 2024: \$2,313).

MEDICAL FACILITIES CORPORATION

Notes to the Interim Condensed Consolidated Financial Statements
(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)
For the three months ended March 31, 2025
(Unaudited)

15. SHARE-BASED COMPENSATION (Continued)

The following table summarizes changes in the number of SUs for the three months ended March 31:

	2025	2024
Opening balance of SUs at January 1	290,472	201,533
SUs granted	-	81,106
SUs granted on dividend reinvestment	1,662	1,813
Total number of SUs at March 31	292,134	284,452

16. MATERIAL ACCOUNTING POLICIES

The accounting policies set out in Note 21 to the annual financial statements have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by the Facilities.

16.1 New and revised IFRS Accounting Standards not yet adopted

The new and revised IFRS Accounting Standards not yet adopted, as detailed in Note 21.24 to the annual financial statements, also apply to these consolidated financial statements. The Corporation continues to assess the impact of the adoption of these new and revised IFRS Accounting Standards on the consolidated 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.