MEDICAL FACILITIES CORPORATION

FOURTH QUARTER AND FISCAL 2024 YEAR END

MEDICAL FACILITIES CORPORATION	**MANAGEMENT'S DISCUSSION AND ANALYSIS OF CONSOLIDATED FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2024**

March 12, 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 audited consolidated financial statements and accompanying notes of the Corporation for the year ended December 31, 2024 ("financial statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS Accounting Standards").

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, competition in the industry, opportunity to acquire accretive businesses, integration of acquisitions, 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 (loss) 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) stock options expense, net of gain on forfeitures, (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 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 November 13, 2024, Black Hills Surgical Hospital, LLP ("BHSH"), a Facility located in Rapid City, South Dakota, entered into a definitive agreement to sell BHSH to Sanford Health. The transaction was completed on November 15, 2024 for cash proceeds of $96.1 million, net of transaction costs of $0.9 million, and a net receivable for working capital adjustments and escrow reserve of $0.7 million (collected subsequent to the year end), for the Corporation's 54.2% ownership share. In connection with this transaction, the Corporation incurred further transaction costs of $2.4 million and recorded a post-tax gain of $33.6 million in the results of discontinued operations.

The sale of BHSH was concluded at a material premium, strengthening the Corporation's consolidated balance sheet and creating value for its common shareholders.

Government Stimulus

The *Coronavirus Aid, Relief, and Economic Security (CARES) Act* (the "CARES Act") was signed into law on March 27, 2020 in response to COVID-19. The CARES Act included provisions for financial assistance to healthcare providers via, among other provisions, the Paycheck Protection Program ("PPP").

The PPP expanded the guaranteed lending program under Section 7(a) of the Small Business Act administered by the U.S. Small Business Administration ("SBA"). To the extent the recipient was eligible to receive the loan, the loan amounts received were eligible for forgiveness to the extent they were used for certain qualifying expenses and to maintain payroll levels and related expenses during the 8 to 24-week period following loan origination.

The Facilities recognized income for the PPP loans received during prior periods based on reasonable assurance that they had met the forgiveness requirements. However, due to the denial or additional review of certain loan forgiveness applications by the SBA in prior periods, the Corporation no longer had reasonable assurance of meeting the forgiveness requirements for PPP loans of $12.0 million, which were recorded as a liability under government stimulus funds repayable in the consolidated balance sheet as of December 31, 2023.

During the year ended December 31, 2024, the SBA concluded the Post Payment Loan Reviews on all of the Facilities' outstanding PPP loans of $12.0 million, closing the reviews with no findings and confirming full forgiveness. As a result, the respective Facilities recorded government stimulus income from continuing operations of $12.0 million in the consolidated statements of income and comprehensive income for the year ended December 31, 2024, and the related liability under government stimulus funds repayable in the consolidated balance sheet was reversed.

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 December 31, 2024

	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

In thousands of U.S. dollars, except per share amounts and as indicated otherwise	Year Ended December 31, 2024	2023 (1)	2022 (1)
Facility service revenue	331,529	339,576	326,237
Government stimulus income, net of reversals	11,957	-	(10,162)
Revenue and other income	343,486	339,576	316,075
Operating expenses	281,847	290,400	296,261
Income from operations	61,639	49,176	19,814
Net income for the year from continuing operations	56,794	28,846	5,009
Attributable to:			
Owners of the Corporation (2)	32,568	11,322	(4,992)
Non-controlling interest (2)	24,226	17,524	10,001
Net income for the year from discontinued operations, net of tax	48,768	15,153	7,286
Earnings (loss) per share from continuing operations attributable to owners of the Corporation			
Basic	$1.36	$0.45	($0.17)
Fully diluted	$1.36	$0.45	($0.17)
EBITDA (3)	78,457	67,481	44,595
Adjusted EBITDA (3)	80,722	67,481	61,144
Cash available for distribution (3) (4)	C$ 33,420	C$ 30,302	C$ 27,536
Distributions (3)	C$ 8,321	C$ 8,085	C$ 9,302
Cash available for distribution per common share (3) (4)	C$ 1.392	C$ 1.200	C$ 0.938
Distributions per common share (3)	C$ 0.347	C$ 0.320	C$ 0.317
Payout ratio (3) (4)	24.9%	26.7%	33.8%

	December 31, 2024	December 31, 2023	December 31, 2022
Total assets	346,294	354,885	377,791
Total long-term financial liabilities	54,638	93,300	123,042

(1) *Comparative results have been restated for discontinued operations.*

(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, impairment of goodwill, impairment loss on loans receivable, 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.*

Selected Financial Information for the Year Ended December 31, 2024 compared to the Year Ended December 31, 2023

For the year ended December 31, 2024, revenue and other income from continuing operations was $343.5 million, an increase of 1.2% from $339.6 million for the prior year, including the $12.0 million increase in government stimulus income from the recognition of PPP income in the current year. Facility service revenue from continuing operations of $331.5 million decreased by 2.4% from $339.6 million for the prior year. Excluding the divested MFC Nueterra ASCs, facility service revenue from continuing operations increased from the prior year by $3.6 million or 1.1%, mainly due to higher surgical case volume and the combined positive impact of case and payor mix.

EBITDA for the year ended December 31, 2024 was $78.5 million or 22.8% of revenue and other income from continuing operations compared to $67.5 million or 19.9% of revenue and other income from continuing operations for the prior year. Excluding the divested MFC Nueterra ASCs and the current year PPP government stimulus income, EBITDA increased from the prior year by $0.5 million or 0.7%, mainly due to higher facility service revenue, mostly offset by a non-cash impairment charge against goodwill of $2.3 million relating to the SCNC cash-generating unit recorded in the current year ("CY Impairment Charge").

Excluding the impact of the CY Impairment Charge, Adjusted EBITDA for the year ended December 31, 2024 was $80.7 million or 23.5% of revenue and other income from continuing operations.

Net income from continuing operations for the year ended December 31, 2024 was $56.8 million compared to net income from continuing operations of $28.8 million for the prior year, with the increase mostly attributable to the higher income from operations at the Facilities, inclusive of the current year recognition of PPP government stimulus income, along with lower finance costs driven by the variance in the change in value of exchangeable interest liability versus the prior year (refer to Section 5 "Consolidated Operating and Financial Review" of this MD&A under the heading "Change in Value of Exchangeable Interest Liability"), and lower income tax expense. This was partly offset by the impact of the CY Impairment Charge, as well as the prior year gain recorded on the sale of the MFC Nueterra ASCs.

Net income from discontinued operations, net of tax, for the year ended December 31, 2024 of $48.8 million and $15.2 million for the prior year was reclassified out of continuing operations due to the sale of BHSH. The increase from prior year is mainly due to the post-tax gain of $33.6 million on the sale of BHSH, recognized in the results of discontinued operations in the current year.

The Corporation generated cash available for distribution of Cdn$33.4 million for the year ended December 31, 2024, representing an increase of Cdn$3.1 million or 10.3% from Cdn$30.3 million for the prior year. Distributions per common share increased between the years by Cdn$0.027 to Cdn$0.347, while the payout ratio was 24.9% for the year ended December 31, 2024 compared to 26.7% for the prior 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 Year Ended December 31, 2023 compared to the Year Ended December 31, 2022

For the year ended December 31, 2023, revenue and other income from continuing operations was $339.6 million, an increase of 7.4% from $316.1 million for the same period in 2022, including the $10.2 million net reversal of government stimulus income in 2022 driven mainly by the reversal of PPP income of $12.3 million. Facility service revenue from continuing operations of $339.6 million increased by 4.1% from $326.2 million for the same period in 2022, primarily due to the combined positive impact of case and payor mix, along with higher surgical case volume, partly offset by the impact of the divestiture of the MFC Nueterra ASCs in 2023.

EBITDA for the year ended December 31, 2023 was $67.5 million or 19.9% of revenue and other income from continuing operations compared to $44.6 million or 14.1% of revenue and other income from continuing operations for the same period in 2022, up mainly due to the non-cash impairment charge against goodwill, other intangibles and equipment of $16.5 million relating to the MFC Nueterra ASCs cash-generating unit recorded in 2022 ("2022 Impairment Charge"), along with the reversal of PPP government stimulus income in 2022, and higher facility service revenue which exceeded the increase in operating expenses.

Excluding the impact of the 2022 Impairment Charge, Adjusted EBITDA for the year ended December 31, 2022 was $61.1 million or 19.3% of revenue and other income from continuing operations.

Net income from continuing operations for the year ended December 31, 2023 was $28.8 million compared to net loss from continuing operations of $5.0 million for the same period in 2022, with the increase mostly attributable to the 2022 Impairment Charge, as well as higher income from operations at the Facilities inclusive of the reversal of PPP government stimulus income in 2022, along with cost saving initiatives at the corporate level, and the gain recorded on the sale of the MFC Nueterra ASCs in 2023, partly offset by higher income tax expense.

Net income from discontinued operations, net of tax, for the year ended December 31, 2023 of $15.2 million and $7.3 million for the same period in 2022 was reclassified out of continuing operations due to the sale of BHSH.

The Corporation generated cash available for distribution of Cdn$30.3 million for the year ended December 31, 2023, representing an increase of Cdn$2.8 million or 10.0% from Cdn$27.5 million for the same period in 2022. Distributions per common share increased between the years by Cdn$0.003 to Cdn$0.320, while the payout ratio was 26.7% for the year ended December 31, 2023 compared to 33.8% for the same period in 2022. 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 December 31, 2024

The following table and discussion compare operating and financial results from continuing operations of the Corporation for the three months ended December 31, 2024 to the three months ended December 31, 2023:

Unaudited	**Three Months Ended December 31,**			
In thousands of U.S. dollars, except per share amounts	**2024**	**2023**	**$ Change**	**% Change**
Revenue and other income				
Facility service revenue	91,077	92,084	(1,007)	(1.1%)
	91,077	**92,084**	**(1,007)**	**(1.1%)**
Operating expenses				
Salaries and benefits	24,355	23,245	1,110	4.8%
Drugs and supplies	30,348	31,626	(1,278)	(4.0%)
General and administrative expenses (1)	15,178	14,826	352	2.4%
Impairment of goodwill	2,265	-	2,265	100.0%
Depreciation of property and equipment	1,637	1,694	(57)	(3.4%)
Depreciation of right-of-use assets	2,589	2,382	207	8.7%
Amortization of other intangibles	135	136	(1)	(0.7%)
	76,507	**73,909**	**2,598**	**3.5%**
Income from operations	**14,570**	**18,175**	**(3,605)**	**(19.8%)**
Finance costs (income)				
Change in value of exchangeable interest liability	(19,464)	(1,277)	(18,187)	(1,424.2%)
Interest expense on exchangeable interest liability	1,972	2,017	(45)	(2.2%)
Interest expense, net of interest income	454	1,373	(919)	(66.9%)
Gain on foreign currency	(9)	(8)	(1)	(12.5%)
	(17,047)	**2,105**	**(19,152)**	**(909.8%)**
Income before income taxes	**31,617**	**16,070**	**15,547**	**96.7%**
Income tax expense (recovery)	(4,413)	2,121	(6,534)	(308.1%)
Net income for the period from continuing operations	**36,030**	**13,949**	**22,081**	**158.3%**
Attributable to:				
Owners of the Corporation	29,560	7,818	21,742	278.1%
Non-controlling interest	6,470	6,131	339	5.5%
Basic earnings per share attributable to owners of the Corporation	$1.27	$0.32	0.95	296.9%
Fully diluted earnings per share attributable to owners of the Corporation	$0.59	$0.29	0.30	103.4%
Reconciliation of net income for the period from continuing operations to EBITDA and Adjusted EBITDA (2)				
Net income for the period from continuing operations	36,030	13,949	22,081	158.3%
Income tax expense (recovery)	(4,413)	2,121	(6,534)	(308.1%)
Finance costs (income)	(17,047)	2,105	(19,152)	(909.8%)
Depreciation of property and equipment	1,637	1,694	(57)	(3.4%)
Depreciation of right-of-use assets	2,589	2,382	207	8.7%
Amortization of other intangibles	135	136	(1)	(0.7%)
EBITDA (2)	**18,931**	**22,387**	**(3,456)**	**(15.4%)**
Impairment of goodwill	2,265	-	2,265	100.0%
Adjusted EBITDA (2)	**21,196**	**22,387**	**(1,191)**	**(5.3%)**

(1) *General and administrative expenses include non-controllable, non-cash corporate level charges related to share-based compensation plans of $0.5 million for the three months ended December 31, 2024 and $nil for the three months ended December 31, 2023.*

(2) *Non-IFRS financial measures. 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 December 31,			
In thousands of U.S. dollars	**2024**	**2023**	**$ Change**	**% Change**
ASH	24,396	24,360	36	0.1%
OSH	19,691	21,572	(1,881)	(8.7%)
SFSH	44,753	43,646	1,107	2.5%
SCNC	2,237	2,475	(238)	(9.6%)
MFC Nueterra ASCs	-	31	(31)	(100.0%)
Revenue and other income	**91,077**	**92,084**	**(1,007)**	**(1.1%)**

For the three months ended December 31, 2024, facility service revenue decreased from the same period in 2023 by $1.0 million or 1.1%, mainly due to lower surgical case volume ($1.8 million), including the current period impact at certain Facilities of the intravenous saline fluids ("IV fluids") shortage due to Hurricane Helene (refer to Section 8 "Outlook" of this MD&A under the heading "Healthcare Industry"), partly offset by the combined impact of case and payor mix ($0.8 million).

Total surgical cases decreased by 0.2%, as inpatient cases decreased by 5.3%, and observation cases decreased by 4.3%, but outpatient cases increased by 2.0%. Surgical case volume was down due to the decline at OSH, mostly offset by increases at SFSH and SCNC. Surgical case volume changes by payor over the same period last year came predominantly from Blue Cross Blue Shield, which decreased by 5.9%, and Medicare, which increased by 2.5%. Pain management case volume was up by 2.4% compared to the same period last year, with an increase at OSH, partly offset by a decrease at ASH.

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

- ASH's revenue increased marginally as increases due to the combined impact of case and payor mix, which included higher acuity cases, were almost fully offset by lower surgical case volume, and a decrease in pain management cases.

- OSH's revenue decreased mainly due to lower surgical case volume, partly offset by the combined impact of case and payor mix, and an increase in pain management cases.

- SFSH's revenue increased mainly due to higher surgical case volume, as well as the combined impact of case and payor mix, driven by higher acuity orthopedic cases.

- SCNC's revenue decreased mainly due to the combined impact of case and payor mix, which reflected fewer orthopedic procedures, partly offset by higher surgical case volume.

- MFC Nueterra ASCs' revenue decreased due to the Corporation's divestiture of the ASCs in 2023.

Operating Expenses

For the three months ended December 31, 2024, operating expenses, including salaries and benefits, drugs and supplies, general and administrative expenses ("G&A"), impairment of goodwill, depreciation of property and equipment, depreciation of right-of-use assets, and amortization of other intangibles (collectively "operating expenses"), increased by $2.6 million or 3.5% from the same period last year to $76.5 million. As a percentage of revenue and other income, operating expenses increased to 84.0% from 80.3% in the same period last year.

Unaudited	Three Months Ended December 31,					
In thousands of U.S. dollars	**2024**	**Percentage of Revenue**	**2023**	**Percentage of Revenue**	**$ Change**	**% Change**
ASH	19,220	78.8%	18,977	77.9%	243	1.3%
OSH	18,092	91.9%	19,262	89.3%	(1,170)	(6.1%)
SFSH	32,245	72.1%	31,453	72.1%	792	2.5%
SCNC	2,154	96.3%	2,305	93.1%	(151)	(6.6%)
MFC Nueterra ASCs	35	n/a	148	477.4%	(113)	(76.4%)
Corporate	4,761	n/a	1,764	n/a	2,997	169.9%
Operating expenses	**76,507**	**84.0%**	**73,909**	**80.3%**	**2,598**	**3.5%**

Consolidated salaries and benefits increased by $1.1 million or 4.8%, primarily due to the cash-settlement of stock options relating to the Chief Financial Officer ("CFO") in the current period ($0.4 million), as well as higher benefit costs from increased health plan utilization ($0.4 million), and increases in clinical and non-clinical salaries and wages ($0.3 million) as a result of annual merit increases, and market wage pressures. As a percentage of revenue and other income, consolidated salaries and benefits increased to 26.7% from 25.2% a year earlier.

Consolidated drugs and supplies decreased by $1.3 million or 4.0%, primarily due to the impact of case mix ($0.9 million), which reflected less orthopedic and spine cases and improved cost savings at certain Facilities, along with lower surgical volume ($0.2 million), and higher vendor rebates ($0.2 million). As a percentage of revenue and other income, the consolidated cost of drugs and supplies decreased to 33.3% from 34.3% a year earlier.

Consolidated G&A increased by $0.4 million or 2.4%. The increase in G&A was primarily due to higher corporate level costs related to share-based compensation plans driven by the increase in the Corporation's share price in the current period as compared to the same period last year ($0.5 million), and an increase in contracted services ($0.1 million). This was partly offset by decreases in equipment rentals ($0.1 million), and repairs and maintenance ($0.1 million). As a percentage of revenue and other income, consolidated G&A increased to 16.7% from 16.1% a year earlier.

In the current period, the Corporation recorded an impairment charge against goodwill of $2.3 million relating to the SCNC cash-generating unit (refer to Section 13 "Critical Accounting Judgements and Estimates" of this MD&A under the heading "Impairment of Non-Financial Assets").

Consolidated depreciation of property and equipment decreased by $0.1 million or 3.4%, 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 remained unchanged from a year earlier at 1.8%.

Consolidated depreciation of right-of-use assets increased by $0.2 million or 8.7%, 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 2.8% from 2.6% a year earlier.

Consolidated amortization of other intangibles remained consistent with the same period in 2023. As a percentage of revenue and other income, consolidated amortization of other intangibles remained unchanged from a year earlier at 0.1%.

Income from Operations

Consolidated income from operations for the three months ended December 31, 2024 of $14.6 million was $3.6 million or 19.8% lower than the consolidated income from operations of $18.2 million recorded in the same period last year, representing 16.0% of revenue and other income, compared to 19.7% in the same period in 2023. The decrease is mainly due to the CY Impairment Charge, and higher non-controllable, non-cash corporate level charges related to share-based compensation plans, along with lower income from operations at the Facilities as a result of the decrease in facility service revenue.

Unaudited	Three Months Ended December 31,					
In thousands of U.S. dollars	**2024**	**Percentage of Revenue**	**2023**	**Percentage of Revenue**	**$ Change**	**% Change**
ASH	5,176	21.2%	5,383	22.1%	(207)	(3.8%)
OSH	1,599	8.1%	2,310	10.7%	(711)	(30.8%)
SFSH	12,508	27.9%	12,193	27.9%	315	2.6%
SCNC	83	3.7%	170	6.9%	(87)	(51.2%)
MFC Nueterra ASCs	(35)	n/a	(117)	(377.4%)	82	70.1%
Corporate	(4,761)	n/a	(1,764)	n/a	(2,997)	(169.9%)
Income from operations	**14,570**	**16.0%**	**18,175**	**19.7%**	**(3,605)**	**(19.8%)**

Finance Costs (Income)

Change in Value of Exchangeable Interest Liability

The liability for the exchangeable interest is recorded at fair value, and re-measured at each reporting date, and the changes in fair value are included in net income 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 December 31, 2024 of $19.5 million decreased by $18.2 million from the same period in 2023, 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 (as of September 30, 2024: 1,579,818 common shares) upon the sale of BHSH in the current period.

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	**December 31, 2024**	**September 30, 2024** *Unaudited*	**Change**	**December 31, 2023**	**September 30, 2023** *Unaudited*	**Change**
Number of common shares to be issued for exchangeable interest liability	3,621,847	5,892,420	(2,270,573)	5,913,560	5,937,372	(23,812)
Closing price of the Corporation's common shares	C$15.61	C$13.49	C$2.12	C$8.98	C$9.46	(C$0.48)
Closing exchange rate of U.S. dollar to Canadian dollar	$1.4385	$1.3526	$0.0859	$1.3247	$1.3579	($0.0332)
Exchangeable interest liability	**39,303**	**58,767**	**(19,464)**	**40,087**	**41,364**	**(1,277)**

Interest Expense on Exchangeable Interest Liability

Interest expense on the exchangeable interest liability decreased marginally, reflecting 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 $0.9 million, mainly due to lower corporate credit facility interest expense driven by the lower average outstanding balance, as well as 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 the current period.

Gain on Foreign Currency

The Corporation’s reporting currency is U.S. dollars; however, certain public company expenses and payments to holders of common shares are made in Canadian dollars. Foreign currency gain increased 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 December 31,**			
In thousands of U.S. dollars	**2024**	**2023**	**$ Change**	**% Change**
Current income tax expense	1,916	940	976	103.8%
Deferred income tax expense (recovery)	(6,329)	1,181	(7,510)	(635.9%)
Income tax expense (recovery)	**(4,413)**	**2,121**	**(6,534)**	**(308.1%)**

The increase in current income tax expense versus the prior period was primarily due to book to tax timing differences in the current period. The variance in deferred income tax expense versus the prior period was due to the change in the exchangeable interest liability and a tax basis update.

Net Income from Continuing Operations

The $22.1 million increase in net income from continuing operations for the three months ended December 31, 2024 was mainly attributable to lower finance costs driven by the variance in the change in value of exchangeable interest liability versus the prior year (refer to Section 5 “Consolidated Operating and Financial Review” of this MD&A under the heading “Change in Value of Exchangeable Interest Liability”), as well as lower income taxes, partly offset by lower income from operations at the Facilities, and the CY Impairment Charge.

EBITDA

EBITDA of $18.9 million for the three months ended December 31, 2024 decreased by $3.5 million from $22.4 million recorded in the same period last year, representing 20.8% of revenue and other income compared to 24.3% a year earlier. The decrease is mainly due to the CY Impairment Charge, along with lower income from operations at the Facilities, as a result of the decrease in facility service revenue. 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 and Adjusted EBITDA”.

Adjusted EBITDA

Adjusted EBITDA of $21.2 million for the three months ended December 31, 2024 decreased by $1.2 million from $22.4 million in the same period a year earlier, representing 23.3% of revenue and other income, versus 24.3% a year earlier. For a reconciliation of Adjusted EBITDA to an applicable IFRS measure, see Section 5 under "Reconciliation of net income for the period from continuing operations to EBITDA and Adjusted EBITDA".

Continuing Operations for the Year Ended December 31, 2024

The following table and discussion compare operating and financial results from continuing operations of the Corporation for the year ended December 31, 2024 to the year ended December 31, 2023:

	Year Ended December 31,			
In thousands of U.S. dollars, except per share amounts	**2024**	**2023**	**$ Change**	**% Change**
Revenue and other income				
Facility service revenue	331,529	339,576	(8,047)	(2.4%)
Government stimulus income	11,957	-	11,957	100.0%
	343,486	**339,576**	**3,910**	**1.2%**
Operating expenses				
Salaries and benefits	90,466	88,948	1,518	1.7%
Drugs and supplies	111,646	120,365	(8,719)	(7.2%)
General and administrative expenses (1)	60,652	62,782	(2,130)	(3.4%)
Impairment of goodwill	2,265	-	2,265	100.0%
Depreciation of property and equipment	6,664	7,028	(364)	(5.2%)
Depreciation of right-of-use assets	9,614	9,969	(355)	(3.6%)
Amortization of other intangibles	540	1,308	(768)	(58.7%)
	281,847	**290,400**	**(8,553)**	**(2.9%)**
Income from operations	**61,639**	**49,176**	**12,463**	**25.3%**
Finance costs				
Change in value of exchangeable interest liability	(784)	2,733	(3,517)	(128.7%)
Interest expense on exchangeable interest liability	7,653	7,243	410	5.7%
Interest expense, net of interest income	3,602	5,637	(2,035)	(36.1%)
Impairment loss on loans receivable	-	786	(786)	(100.0%)
Loss on foreign currency	59	34	25	73.5%
	10,530	**16,433**	**(5,903)**	**(35.9%)**
Non-operating (gains) losses				
Gain on sale of subsidiaries and equity investments	-	(2,487)	2,487	100.0%
Share of equity loss in associates	-	320	(320)	(100.0%)
	-	**(2,167)**	**2,167**	**100.0%**
Income before income taxes	**51,109**	**34,910**	**16,199**	**46.4%**
Income tax expense (recovery)	(5,685)	6,064	(11,749)	(193.8%)
Net income for the year from continuing operations	**56,794**	**28,846**	**27,948**	**96.9%**
Attributable to:				
Owners of the Corporation	32,568	11,322	21,246	187.7%
Non-controlling interest	24,226	17,524	6,702	38.2%
Basic earnings per share attributable to owners of the Corporation	$1.36	$0.45	0.91	202.2%
Fully diluted earnings per share attributable to owners of the Corporation	$1.36	$0.45	0.91	202.2%
Reconciliation of net income for the year from continuing operations to EBITDA and Adjusted EBITDA (2)				
Net income for the year from continuing operations	56,794	28,846	27,948	96.9%
Income tax expense (recovery)	(5,685)	6,064	(11,749)	(193.8%)
Non-operating (gains) losses	-	(2,167)	2,167	100.0%
Finance costs	10,530	16,433	(5,903)	(35.9%)
Depreciation of property and equipment	6,664	7,028	(364)	(5.2%)
Depreciation of right-of-use assets	9,614	9,969	(355)	(3.6%)
Amortization of other intangibles	540	1,308	(768)	(58.7%)
EBITDA (2)	**78,457**	**67,481**	**10,976**	**16.3%**
Impairment of goodwill	2,265	-	2,265	100.0%
Adjusted EBITDA (2)	**80,722**	**67,481**	**13,241**	**19.6%**

(1) *General and administrative expenses include non-controllable, non-cash corporate level charges related to share-based compensation plans of $2.5 million for the year ended December 31, 2024 and $0.4 million for the year ended December 31, 2023.*

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

Revenue and Other Income

	Year Ended December 31,			
In thousands of U.S. dollars	**2024**	**2023**	**$ Change**	**% Change**
ASH	95,547	90,983	4,564	5.0%
OSH	79,645	80,033	(388)	(0.5%)
SFSH	157,826	147,183	10,643	7.2%
SCNC	9,909	9,698	211	2.2%
MFC Nueterra ASCs	559	11,679	(11,120)	(95.2%)
Revenue and other income	**343,486**	**339,576**	**3,910**	**1.2%**

For the year ended December 31, 2024, revenue and other income increased from the prior year by $3.9 million or 1.2%, with the increase primarily attributable to the $12.0 million increase in government stimulus income from the recognition of PPP income in the current year. Facility service revenue decreased from the prior year by $8.0 million or 2.4%. Excluding the divested MFC Nueterra ASCs, facility service revenue increased from the prior year by $3.6 million or 1.1%, mainly due to the combined impact of case and payor mix ($2.2 million), and higher surgical case volume ($1.4 million).

Excluding the divested MFC Nueterra ASCs, total surgical cases increased by 0.8%, as outpatient cases increased by 3.6%, and observation cases increased by 3.1%, but inpatient cases decreased by 15.2%. Surgical case volume was up at SFSH, partly offset by decreases at OSH and ASH. Surgical case volume changes by payor over the prior year came predominantly from Medicare, which increased by 4.4%, and Blue Cross Blue Shield, which decreased by 4.2%. Pain management case volume was down by 2.0% compared to the prior year, with decreases at ASH and SFSH, partly offset by an increase at OSH.

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

- ASH's revenue and other income increased mainly due to the current year recognition of PPP government stimulus income of $3.2 million, as well as the combined impact of case and payor mix, which included higher acuity cases. This was partly offset by lower surgical case volume, and a decrease in pain management cases.

- OSH's revenue and other income decreased mainly due to lower surgical case volume, and the combined impact of case and payor mix, resulting in lower reimbursements per surgical case. This was partly offset by the current year recognition of PPP government stimulus income of $3.3 million, as well as an increase in pain management cases.

- SFSH's revenue and other income increased mainly due to higher surgical case volume, and the impact of case mix, as well as the current year recognition of PPP government stimulus income of $4.1 million. This was partly offset by the impact of payor mix, which included more government payors, and a decrease in pain management cases.

- SCNC's revenue and other income increased mainly due to the current year recognition of PPP government stimulus income of $0.8 million. This was partly offset by the combined impact of case and payor mix, which reflected less orthopedic procedures.

- MFC Nueterra ASCs' revenue and other income decreased due to the Corporation's divestiture of the ASCs in 2023. The current year amount relates to the recognition of PPP government stimulus income of $0.6 million.

Operating Expenses

For the year ended December 31, 2024, operating expenses decreased by $8.6 million or 2.9% from the prior year to $281.8 million. As a percentage of revenue and other income, operating expenses decreased to 82.1% from 85.5% in the prior year. Excluding the divested MFC Nueterra ASCs, operating expenses increased from the prior year by $2.8 million or 1.0%.

	Year Ended December 31,					
In thousands of U.S. dollars	**2024**	**Percentage of Revenue**	**2023**	**Percentage of Revenue**	**$ Change**	**% Change**
ASH	74,066	77.5%	72,265	79.4%	1,801	2.5%
OSH	69,624	87.4%	75,321	94.1%	(5,697)	(7.6%)
SFSH	117,390	74.4%	113,059	76.8%	4,331	3.8%
SCNC	8,701	87.8%	8,779	90.5%	(78)	(0.9%)
MFC Nueterra ASCs	254	45.4%	11,574	99.1%	(11,320)	(97.8%)
Corporate	11,812	n/a	9,402	n/a	2,410	25.6%
Operating expenses	**281,847**	**82.1%**	**290,400**	**85.5%**	**(8,553)**	**(2.9%)**

Consolidated salaries and benefits increased by $1.5 million or 1.7%, primarily due to increases in clinical and non-clinical salaries and wages ($2.7 million) as a result of annual merit increases, full-time equivalent increases, and market wage pressures, as well as higher physician salaries ($0.9 million), the forfeiture of stock options relating to the former Chief Development Officer (“Former CDO”) in the prior year ($0.5 million), the cash-settlement of stock options relating to the CFO in the current year ($0.4 million), higher benefit costs from increased health plan utilization ($0.3 million), and an increase in share-based compensation vesting expense ($0.3 million). This was partly offset by the impact of the divestiture of the MFC Nueterra ASCs in 2023 ($2.9 million), along with the separation costs for the Former CDO in the prior year ($0.8 million). As a percentage of revenue and other income, consolidated salaries and benefits increased to 26.3% from 26.2% a year earlier.

Consolidated drugs and supplies decreased by $8.7 million or 7.2%, primarily due to the impact of the divestiture of the MFC Nueterra ASCs in 2023 ($4.6 million), as well as the impact of case mix ($4.1 million), which reflected less orthopedic and spine cases and improved cost savings at certain Facilities, and higher vendor rebates ($0.2 million). This was partly offset by higher surgical case volume ($0.2 million). As a percentage of revenue and other income, the consolidated cost of drugs and supplies decreased to 32.5% from 35.4% a year earlier.

Consolidated G&A decreased by $2.1 million or 3.4%. The decrease in G&A was primarily due to the impact of the divestiture of the MFC Nueterra ASCs in 2023 ($3.0 million), along with cost saving initiatives at the corporate level ($1.0 million), lower physician guarantees ($0.5 million), a decrease in equipment purchases and rentals ($0.5 million), and lower professional fees ($0.3 million). This was partly offset by higher corporate level costs related to share-based compensation plans driven by the increase in the Corporation’s share price in the current year as compared to the prior year ($2.1 million), as well as increases in costs for contracted services ($0.9 million), and repairs and maintenance ($0.3 million). As a percentage of revenue and other income, consolidated G&A decreased to 17.7% from 18.5% a year earlier.

In the current year, the Corporation recorded an impairment charge against goodwill of $2.3 million relating to the SCNC cash-generating unit (refer to Section 13 “Critical Accounting Judgements and Estimates” of this MD&A under the heading “Impairment of Non-Financial Assets”).

Consolidated depreciation of property and equipment decreased by $0.4 million or 5.2%, mainly due to the impact of the divestiture of the MFC Nueterra ASCs in 2023, and 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 decreased by $0.4 million or 3.6%, mainly due to the impact of the divestiture of the MFC Nueterra ASCs in 2023, and the expiration and termination of certain other leases, partly offset by new lease additions. As a percentage of revenue and other income, consolidated depreciation of right-of-use assets decreased to 2.8% from 2.9% a year earlier.

Consolidated amortization of other intangibles decreased by $0.8 million or 58.7%, mainly due to the impact of the divestiture of the MFC Nueterra ASCs in 2023. As a percentage of revenue and other income, consolidated amortization of other intangibles decreased to 0.2% from 0.4% a year earlier.

Income from Operations

Consolidated income from operations for the year ended December 31, 2024 of $61.6 million was $12.5 million or 25.3% higher than the consolidated income from operations of $49.2 million recorded in the prior year, representing 17.9% of revenue and other income, compared to 14.5% in the prior year. Excluding the divested MFC Nueterra ASCs, consolidated income from operations increased from the prior year by $12.3 million, mainly due to the current year recognition of PPP government stimulus income, along with higher income from operations at the Facilities driven by higher facility service revenue, as well as cost saving initiatives at the corporate level, partly offset by the CY Impairment Charge, and higher non-controllable, non-cash corporate level charges related to share-based compensation plans.

	Year Ended December 31,					
In thousands of U.S. dollars	**2024**	**Percentage of Revenue**	**2023**	**Percentage of Revenue**	**$ Change**	**% Change**
ASH	21,481	22.5%	18,718	20.6%	2,763	14.8%
OSH	10,021	12.6%	4,712	5.9%	5,309	112.7%
SFSH	40,436	25.6%	34,124	23.2%	6,312	18.5%
SCNC	1,208	12.2%	919	9.5%	289	31.4%
MFC Nueterra ASCs	305	54.6%	105	0.9%	200	190.5%
Corporate	(11,812)	n/a	(9,402)	n/a	(2,410)	(25.6%)
Income from operations	**61,639**	**17.9%**	**49,176**	**14.5%**	**12,463**	**25.3%**

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 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 year ended December 31, 2024 of $0.8 million decreased by $3.5 million from the same period in 2023, 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 (as of December 31, 2023: 1,446,419 common shares) upon the sale of BHSH in the current year.

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	**December 31, 2024**	**December 31, 2023**	**Change**	**December 31, 2023**	**December 31, 2022**	**Change**
Number of common shares to be issued for exchangeable interest liability	3,621,847	5,913,560	(2,291,713)	5,913,560	6,297,268	(383,708)
Closing price of the Corporation's common shares	C$15.61	C$8.98	C$6.63	C$8.98	C$8.04	C$0.94
Closing exchange rate of U.S. dollar to Canadian dollar	$1.4385	$1.3247	$0.1138	$1.3247	$1.3554	($0.0307)
Exchangeable interest liability	**39,303**	**40,087**	**(784)**	**40,087**	**37,354**	**2,733**

Interest Expense on Exchangeable Interest Liability

Interest expense on the exchangeable interest liability increased by $0.4 million, mainly due to the variation in distributions from the Facilities between the reporting periods.

Interest Expense, Net of Interest Income

Interest expense, net of interest income decreased by $2.0 million, mainly due to lower corporate credit facility interest expense driven by the lower average outstanding balance, as well as 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 the current year.

Impairment Loss on Loans Receivable

Impairment loss of $0.8 million was recorded in the prior year to fully impair a loan receivable from an associate as a result of re-evaluating the impairment loss allowance reserved.

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.

Non-Operating (Gains) Losses

Gain on Sale of Subsidiaries and Equity Investments

A gain of $2.5 million was recorded on the sale of the MFC Nueterra ASCs in the prior year.

Share of Equity Loss in Associates

Share of equity loss in associates of $0.3 million recorded in the prior year pertains to a certain Facility's share of losses from an associate, subsequent to which the investment balance was nil.

Income Tax

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

In thousands of U.S. dollars	Year Ended December 31, 2024	2023	$ Change	% Change
Current income tax expense	4,365	2,024	2,341	115.7%
Deferred income tax expense (recovery)	(10,050)	4,040	(14,090)	(348.8%)
Income tax expense (recovery)	**(5,685)**	**6,064**	**(11,749)**	**(193.8%)**

The increase in current income tax expense versus the prior year was primarily due to higher income from operations at the Facilities. The variance in deferred income tax expense versus the prior year was due to the impact of the change in the exchangeable interest liability and a tax basis update.

Net Income from Continuing Operations

The $28.0 million increase in net income from continuing operations for the year ended December 31, 2024 was mainly attributable to the higher income from operations at the Facilities, inclusive of the current year recognition of PPP government stimulus income, along with lower finance costs driven by the variance in the change in value of exchangeable interest liability versus the prior year (refer to Section 5 “Consolidated Operating and Financial Review” of this MD&A under the heading “Change in Value of Exchangeable Interest Liability”), and lower income tax expense. This was partly offset by the impact of the CY Impairment Charge, as well as the prior year gain recorded on the sale of the MFC Nueterra ASCs.

EBITDA

EBITDA of $78.5 million for the year ended December 31, 2024 increased by $11.0 million from $67.5 million recorded a year earlier, representing 22.8% of revenue and other income compared to 19.9% a year earlier. Excluding the divested MFC Nueterra ASCs and the current year PPP government stimulus income, EBITDA increased from the same period last year by $0.5 million or 0.7%, mainly due to higher facility service revenue, mostly offset by the CY Impairment Charge. For a reconciliation of EBITDA to an applicable IFRS measure, see Section 5 under “Reconciliation of net income for the year from continuing operations to EBITDA and Adjusted EBITDA”.

Adjusted EBITDA

Adjusted EBITDA of $80.7 million for the year ended December 31, 2024 increased by $13.2 million from $67.5 million in the prior year, representing 23.5% of revenue and other income, versus 19.9% a year earlier. For a reconciliation of Adjusted EBITDA to an applicable IFRS measure, see Section 5 under “Reconciliation of net income for the year from continuing operations to EBITDA and Adjusted EBITDA”.

6. QUARTERLY OPERATING AND FINANCIAL RESULTS

Summary of Quarterly Operating and Financial Results from Continuing Operations

Unaudited	2024				2023			
In thousands of U.S. dollars, except per share amounts	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue and other income								
Facility service revenue	91,077	76,821	81,656	81,975	92,084	79,178	83,984	84,330
Government stimulus income	-	11,957	-	-	-	-	-	-
	91,077	**88,778**	**81,656**	**81,975**	**92,084**	**79,178**	**83,984**	**84,330**
Operating expenses								
Salaries and benefits	24,355	22,182	22,180	21,749	23,245	21,639	21,922	22,142
Drugs and supplies	30,348	25,679	27,673	27,946	31,626	28,086	30,409	30,244
General and administrative expenses	15,178	15,315	15,026	15,133	14,826	15,254	16,147	16,555
Impairment of goodwill	2,265	-	-	-	-	-	-	-
Depreciation of property and equipment	1,637	1,670	1,670	1,687	1,694	1,719	1,810	1,805
Depreciation of right-of-use assets	2,589	2,363	2,360	2,302	2,382	2,503	2,567	2,517
Amortization of other intangibles	135	136	136	133	136	137	518	517
	76,507	**67,345**	**69,045**	**68,950**	**73,909**	**69,338**	**73,373**	**73,780**
Income from operations	**14,570**	**21,433**	**12,611**	**13,025**	**18,175**	**9,840**	**10,611**	**10,550**
Finance costs (income)								
Change in value of exchangeable interest liability	(19,464)	4,935	8,559	5,186	(1,277)	3,298	2,015	(1,303)
Interest expense on exchangeable interest liability	1,972	1,926	1,707	2,048	2,017	1,645	1,731	1,850
Interest expense, net of interest income	454	919	1,079	1,150	1,373	1,317	1,441	1,506
Impairment loss on loans receivable	-	-	-	-	-	786	-	-
Loss (gain) on foreign currency	(9)	14	11	43	(8)	28	10	4
	(17,047)	**7,794**	**11,356**	**8,427**	**2,105**	**7,074**	**5,197**	**2,057**
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	**31,617**	**13,639**	**1,255**	**4,598**	**16,070**	**4,933**	**5,414**	**8,493**
Income tax expense (recovery)	(4,413)	(347)	(774)	(151)	2,121	2,315	393	1,235
Net income for the period from continuing operations	**36,030**	**13,986**	**2,029**	**4,749**	**13,949**	**2,618**	**5,021**	**7,258**
Attributable to:								
Owners of the Corporation	29,560	5,608	(2,599)	(1)	7,818	(1,113)	1,321	3,296
Non-controlling interest	6,470	8,378	4,628	4,750	6,131	3,731	3,700	3,962
Earnings (loss) per share attributable to owners of the Corporation:								
Basic	$1.27	$0.24	($0.11)	($0.01)	$0.32	($0.04)	$0.05	$0.13
Fully diluted	$0.59	$0.24	($0.11)	($0.01)	$0.29	($0.04)	$0.05	$0.13
Reconciliation of net income for the period from continuing operations to EBITDA and Adjusted EBITDA (1)								
Net income for the period from continuing operations	36,030	13,986	2,029	4,749	13,949	2,618	5,021	7,258
Income tax expense (recovery)	(4,413)	(347)	(774)	(151)	2,121	2,315	393	1,235
Non-operating (gains) losses	-	-	-	-	-	(2,167)	-	-
Finance costs (income)	(17,047)	7,794	11,356	8,427	2,105	7,074	5,197	2,057
Depreciation of property and equipment	1,637	1,670	1,670	1,687	1,694	1,719	1,810	1,805
Depreciation of right-of-use assets	2,589	2,363	2,360	2,302	2,382	2,503	2,567	2,517
Amortization of other intangibles	135	136	136	133	136	137	518	517
EBITDA (1)	**18,931**	**25,602**	**16,777**	**17,147**	**22,387**	**14,199**	**15,506**	**15,389**
Impairment of goodwill	2,265	-	-	-	-	-	-	-
Adjusted EBITDA (1)	**21,196**	**25,602**	**16,777**	**17,147**	**22,387**	**14,199**	**15,506**	**15,389**

(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:

- Facility service 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 CARES Act and other stimulus legislation in response to the COVID-19 pandemic, the Facilities received financial assistance, from which the Facilities' outstanding PPP loans were recognized as government stimulus income in the third quarter of 2024 (refer to Section 3 of this 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 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 and 2024, 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. As of December 31, 2023, the loans were fully impaired.
- 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 December 31, *Unaudited*		Year Ended December 31,	
In thousands of U.S. dollars, except as indicated otherwise		2024 $	2023 $	2024 $	2023 $
NET CASH PROVIDED BY OPERATING ACTIVITIES	**USD**	**21,968**	**19,830**	**83,284**	**72,714**
Non-controlling interest in cash flows of the Facilities (1) (2)		(10,697)	(11,653)	(35,940)	(32,931)
Interest expense on exchangeable interest liability (3)		1,972	2,017	7,653	7,243
Payment of lease liabilities (4)		(3,311)	(3,273)	(12,380)	(12,751)
Maintenance capital expenditures (5)		(608)	(1,830)	(2,853)	(5,650)
Difference between accrual-based amounts and actual cash flows related to interest and taxes (6)		(999)	(1,699)	(245)	(78)
Net changes in non-cash operating working capital (7) (8)		(111)	7,791	(10,313)	488
Stock options expense, net of settlement and gain on forfeitures (9)		272	(14)	246	476
Repayments of notes payable by the Facilities (10)		(1,065)	(1,795)	(5,054)	(7,060)
CASH AVAILABLE FOR DISTRIBUTION	**USD**	**7,421**	**9,374**	**24,398**	**22,451**
	CDN	**10,376**	**12,769**	**33,420**	**30,302**
DISTRIBUTIONS	**CDN**	**2,072**	**1,991**	**8,321**	**8,085**
CASH AVAILABLE FOR DISTRIBUTION PER COMMON SHARE (11)	**CDN**	**$0.444**	**$0.512**	**$1.392**	**$1.200**
DISTRIBUTIONS PER COMMON SHARE (11)	**CDN**	**$0.089**	**$0.080**	**$0.347**	**$0.320**
PAYOUT RATIO		**20.0%**	**15.6%**	**24.9%**	**26.7%**
Average exchange rate of Cdn$ to US$ for the period		1.3982	1.3622	1.3698	1.3497
Basic weighted average number of common shares outstanding		23,358,435	24,916,232	24,000,877	25,254,834

(1) *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.*

(2) *Year ended December 31, 2024 excludes the non-cash impact of PPP income recorded under government stimulus income of $5.4 million, which represents the non-controlling interest share, for comparability with the prior year.*

(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 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 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 consolidated statements of cash flows.*

(6) *Cash flows from operating activities, as presented in the Corporation's 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 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) *Year ended December 31, 2024, as presented in the Corporation's consolidated statements of cash flows, excluding the non-cash impact of PPP income recorded under government stimulus income of $12.0 million, for comparability with the prior year.*

(9) *Stock options expense, net of settlement and gain on forfeitures, represents a charge included in salaries and benefits in the period which does not have a cash impact until the underlying stock options 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 consolidated statements of changes in equity.*

(10) *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 consolidated statements of cash flows.*

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

Cash available for distribution in the three months ended December 31, 2024 (Cdn$10.4 million) decreased by Cdn$2.4 million compared to the cash available for distribution the same period last year (Cdn$12.8 million). On a per common share basis, cash available for distribution of Cdn$0.444 decreased by Cdn$0.068, or 13.3% from the same period last year of Cdn$0.512. The distributions per common share of Cdn$0.089 increased by Cdn$0.009, or 11.3% from the same period last year of Cdn$0.080, resulting in a payout ratio of 20.0% as compared to a payout ratio of 15.6% in the same period in 2023.

Cash available for distribution in the year ended December 31, 2024 (Cdn$33.4 million) increased by Cdn$3.1 million compared to the cash available for distribution the prior year (Cdn$30.3 million). On a per common share basis, cash available for distribution of Cdn$1.392 increased by Cdn$0.192, or 16.0% from the prior year of Cdn$1.200. The distributions per common share of Cdn$0.347 increased by Cdn$0.027, or 8.4% from the prior year of Cdn$0.320, resulting in a payout ratio of 24.9% as compared to a payout ratio of 26.7% in the prior year.

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 December 31, *Unaudited*		**Year Ended December 31,**	
In thousands of U.S. dollars	**2024 $**	**2023 $**	**2024 $**	**2023 $**
Cash flows from the Facilities:				
Income before interest expense, depreciation and amortization (1)	27,850	32,197	98,346	96,532
Debt service costs:				
Interest	(427)	(539)	(1,902)	(1,874)
Repayment of non-revolving debt	(1,065)	(1,795)	(5,054)	(7,060)
Maintenance capital expenditures	(608)	(1,830)	(2,853)	(5,650)
Payment of lease liabilities	(3,300)	(3,261)	(12,335)	(12,573)
Non-cash loss	17	40	23	18
Cash available for distribution at the Facility level	**22,467**	**24,812**	**76,225**	**69,393**
Non-controlling interest in cash available for distribution at the Facility level (2)	(10,697)	(11,653)	(35,940)	(32,931)
Corporation's share of the cash available for distribution at the Facility level	**11,770**	**13,159**	**40,285**	**36,462**
Corporate expenses	(1,992)	(1,693)	(9,042)	(8,124)
Interest on corporate credit facility	(48)	(376)	(501)	(1,862)
Provision for current income taxes	(2,309)	(1,716)	(6,344)	(4,025)
Cash available for distribution	**7,421**	**9,374**	**24,398**	**22,451**

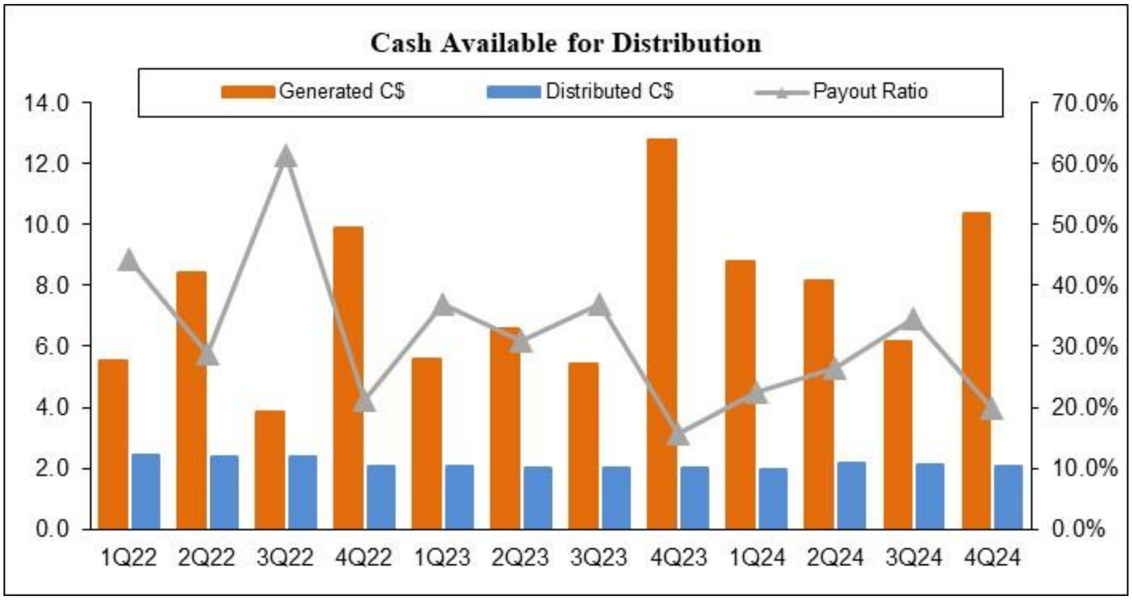
(1) *Year ended December 31, 2024 excludes the non-cash impact of PPP income recorded under government stimulus income of $12.0 million, for comparability with the prior year.*

(2) *Year ended December 31, 2024 excludes the non-cash impact of PPP income recorded under government stimulus income of $5.4 million, which represents the non-controlling interest share, for comparability with the prior year.*

Compared to the three months ended December 31, 2023, the cash available for distribution in U.S. dollars for the same period this year decreased by $2.0 million or 20.8% mainly due to lower income from Facilities, primarily as a result of the sale of BHSH during the current period, an increase in corporate expenses related to share-based compensation plans, and higher current taxes, partly offset by lower debt service costs and maintenance capital expenditures at the Facilities, and lower interest on the corporate credit facility.

Compared to the year ended December 31, 2023, the cash available for distribution in U.S. dollars for this year increased by $1.9 million or 8.7% mainly due to lower debt service costs and maintenance capital expenditures at the Facilities, and lower interest on the corporate credit facility, partly offset by an increase in corporate expenses related to share-based compensation plans, and higher 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 this 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.

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 IV fluids to healthcare providers in the U.S., announced that its manufacturing facility in North Carolina was affected by flooding due to the impact of Hurricane Helene, resulting in the facility being temporarily closed for production. As a result, Baxter restricted its supply of certain IV fluids to 60% of normal allocation levels for most U.S. healthcare providers.

Baxter worked with the U.S. government to mitigate supply disruption to healthcare providers, including bringing in supplies from overseas. Other manufacturers of IV fluids also ramped up production to help cover the shortage. Baxter returned to a range between 90% and 100% of normal allocation levels for certain IV fluids by the end of 2024. On January 28, 2025, Baxter announced that IV fluids production has been restarted on all manufacturing lines at its North Carolina facility impacted by Hurricane Helene.

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. Although the overall shortage of IV fluids has carried into 2025, it is not expected to continue beyond March 2025, as production capacity has been fully restored, and allocation levels continue to increase, returning to normal levels for most IV fluids.

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, bonus is limited to 80%, after which eligibility will be further reduced to 60% in 2024, 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. Proposals have been introduced by the new U.S. administration suggesting a return to 100% bonus depreciation along with a reduction in the corporate income tax rate from 21% to 20%.

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 this 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:

In thousands of U.S. dollars	**December 31, 2024**	**December 31, 2023**
Cash and cash equivalents at the Facility level	13,756	19,339
Cash and cash equivalents at the corporate level	94,740	4,774
Cash and cash equivalents	**108,496**	**24,113**

Cash Flow Activity

Cash Flow

	Year Ended December 31,			
In thousands of U.S. dollars	**2024**	**2023**	**$ Change**	**% Change**
Cash provided by operating activities	83,284	72,714	10,570	14.5%
Cash provided by (used in) investing activities	85,419	(13,667)	99,086	725.0%
Cash used in financing activities	(84,261)	(69,826)	(14,435)	(20.7%)
Increase (decrease) in cash and cash equivalents	**84,442**	**(10,779)**	**95,221**	**883.4%**
Effect of exchange rate fluctuations on cash balances held	(59)	(34)	(25)	(73.5%)
Cash and cash equivalents, beginning of the year	24,113	34,926	(10,813)	(31.0%)
Cash and cash equivalents, end of the year	**108,496**	**24,113**	**84,383**	**349.9%**

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 year ended December 31, 2024 increased by $10.6 million compared to the prior year, primarily due to higher income from the Facilities' operations.

As of December 31, 2024, the Corporation had consolidated net working capital of $76.4 million compared to $19.8 million as of December 31, 2023. The change in consolidated net working capital compared to prior year was mainly due to the impact of the sale of BHSH in the current year, resulting in a reduction in current assets and current liabilities due to the removal of BHSH's balances, and an increase in cash and cash equivalents from the sale proceeds received. The other significant variances were an increase in the obligation for purchase of common shares, partly offset by a decrease in government stimulus funds repayable. 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 December 31, 2024, accounts receivable were $45.5 million (December 31, 2023: $61.8 million), accounts payable and accrued liabilities totaled $37.7 million (December 31, 2023: $43.8 million), total assets were $346.3 million (December 31, 2023: $354.9 million) and total long-term liabilities, excluding exchangeable interest liability, were $70.6 million (December 31, 2023: $113.5 million).

Investing Activities

The $99.1 million increase in cash provided by investing activities for the year ended December 31, 2024 compared to the prior year was mostly due to the proceeds from the sale of BHSH in the current year, net of cash disposed and transaction costs ($92.5 million), and a decrease in purchases of property and equipment ($9.0

million), partly offset by the proceeds from the sale of the MFC Nueterra ASCs in the prior year, net of cash disposed ($2.4 million).

Financing Activities

The $14.4 million increase in cash used in financing activities for the year ended December 31, 2024 compared to the prior year was mainly due to the increases in the purchase of common shares under normal course issuer bids ($9.2 million), higher net repayments of credit facilities and other borrowings at both the Facility and corporate levels ($4.4 million), and higher Facility distributions to non-controlling interest ($1.2 million), partly offset by a decrease in payment of lease liabilities ($0.4 million).

The Facilities have available credit facilities in place in the aggregate amount of $26.9 million, of which $8.3 million was drawn as of December 31, 2024. The balances available under the credit facilities, combined with cash and cash equivalents as of December 31, 2024, 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 which matures on August 31, 2025 ("Credit Facility"). The Credit Facility can be used for general corporate purposes, including working capital and capital expenditures, and/or repurchase of the Corporation's common shares. As of December 31, 2024, there was no amount drawn or remained outstanding for the Credit Facility. The Corporation repaid $16.0 million of its outstanding balance during the year ended December 31, 2024. During the years ended and as of December 31, 2024 and 2023, the Corporation was in compliance with all of its debt covenants.

Contractual Obligations

The mandatory repayments under the credit facilities and other contractual obligations and commitments including expected interest payments, on a non-discounted basis, as of December 31, 2024, are as follows:

		Future payments (including principal and interest)				
In thousands of U.S. dollars **Contractual Obligations**	**Carrying values at December 31, 2024 $**	**Total $**	**Less than 1 year $**	**2-3 years $**	**4-5 years $**	**After 5 years $**
Dividends payable	1,441	1,441	1,441	-	-	-
Accounts payable	16,940	16,940	16,940	-	-	-
Accrued liabilities	20,809	20,809	20,809	-	-	-
Obligation for purchase of common shares	16,694	16,694	16,694	-	-	-
Facilities' revolving credit facilities	8,304	8,624	7,237	1,387	-	-
Notes payable	25,919	29,446	4,613	6,666	18,167	-
Lease liabilities	39,714	45,840	10,816	16,631	12,486	5,907
Total contractual obligations	**129,821**	**139,794**	**78,550**	**24,684**	**30,653**	**5,907**

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 this MD&A and the Corporation's most recently filed annual information form, which could cause results to differ materially from those described or anticipated in the forward-looking statements.

The following table summarizes the outstanding number of stock options as of December 31, 2024:

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 December 31, 2024, all of the Options are vested. During the year ended December 31, 2024, 300,000 Options relating to the CFO were exercised and cash-settled.

As of December 31, 2024, the Corporation had 23,023,762 common shares outstanding.

Normal Course Issuer Bids

The Corporation has a normal course issuer bid ("NCIB"), allowing the Corporation to repurchase up to 2,339,066 of its common shares, in effect from December 1, 2024 to November 30, 2025. A previous NCIB for up to 2,481,256 of the Corporation's common shares was in effect from December 1, 2023 to November 30, 2024. During the year ended December 31, 2024, the Corporation purchased 1,700,700 of its common shares for a total consideration of $16.6 million from the open market. During the year ended December 31, 2023, the Corporation purchased 1,191,500 of its common shares for a total consideration of $7.4 million from the open market.

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 year from January 1, 2024 to December 31, 2024 totaled Cdn$0.3505 per common share, reflecting the 11.8% increase to the quarterly dividend, commencing from the second quarter, as approved by the Corporation's board of directors.

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 consolidated balance sheet as of December 31, 2024 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.

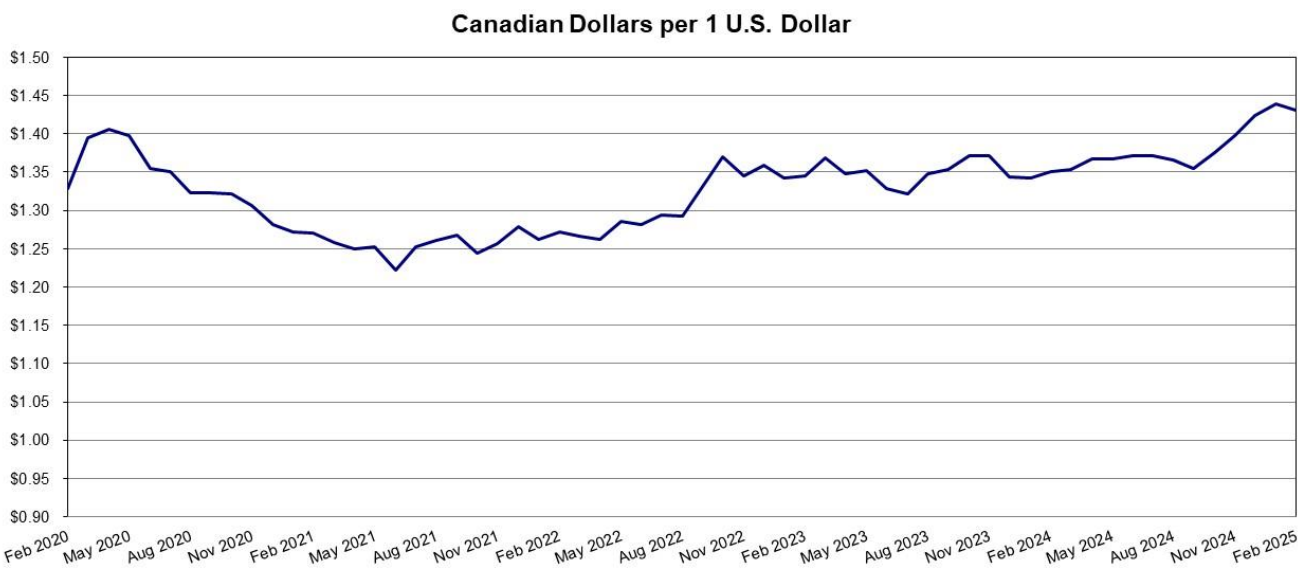
The fair value of the exchangeable interest liability is determined based on the closing trading price of the Corporation's common share price at each reporting period. The fair values of long-term debt (notes payable and term loans) are not significantly different than their carrying values, as these 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 February 2020:



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 December 31, 2024, 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

A member of the Corporation's board of directors 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 year ended December 31, 2024 of $4.5 million (December 31, 2023: $4.5 million).

Certain executive officers and a director of the Corporation were awarded transaction fees of $2.2 million during the year ended December 31, 2024, included in the calculation of the gain on sale of BHSH (as detailed in Note 5.1 to the Corporation's financial statements).

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.

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:

In thousands of U.S. dollars		**Year Ended December 31,**	
Entity	**Nature of services or goods received**	**2024 $**	**2023 $**
ASH	Lease of hospital building and office space, and physician clinic services.	2,762	4,451
OSH	Lease of hospital building and office space.	2,544	2,544
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.	12,734	12,576
MFC Nueterra ASCs	Provision of management services, and lease of ASC building.	-	810
Total		**18,040**	**20,381**

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 Corporation's 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 December 31, 2024, and recorded an impairment of goodwill of $2.3 million in the SCNC CGU.

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 annual 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.

Management, including the CEO and the CFO, performed an evaluation of the effectiveness of DC&P as of December 31, 2024, and has concluded that the design and effectiveness of these controls and procedures at December 31, 2024 provide reasonable assurance that material information relating to the Corporation, including its subsidiaries, was made known to the CEO and CFO on a timely basis to ensure adequate disclosure.

Management, including the CEO and the CFO, performed an evaluation of the effectiveness of its ICFR as of December 31, 2024 using the COSO framework. Management has concluded that the overall design and effectiveness of these controls at December 31, 2024 provide reasonable assurance of 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 October 1, 2024 and ended on December 31, 2024, that have materially affected, or are reasonably likely to materially affect, the Corporation's ICFR.

15. RISK FACTORS

The following information is a summary of risk factors and 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.

Risks Related to the Business and the Industry of the Corporation

The revenue and profitability of the Corporation and its subsidiaries, including the Facilities, depend heavily on payments from third-party payors, including government healthcare programs (Medicare and Medicaid) and managed care organizations, which are subject to frequent regulatory changes and cost containment initiatives. Changes in the terms and conditions of, or reimbursement levels under, insurance or healthcare programs, which are typically short-term agreements, could adversely affect the revenue and profitability of the Corporation. The Corporation's revenue and profitability could be impacted by its ability to obtain and maintain contractual arrangements with insurers and payors active in its service areas and by changes in the terms of such contractual arrangements.

The revenue and profitability of the Facilities is dependent upon physician relationships. There can be no assurance that physician groups performing procedures at the Facilities will maintain successful medical practices, or that one or more key members of a particular physician group will continue practicing with that group or that the members of that group will continue to perform procedures at the Facilities at current levels or at all. The Facilities face increasing competition to recruit and retain physicians, an effort which continues to be a challenge due to physician aging and retirement.

In some markets, the lack of availability of clinical personnel, such as nurses, has become a significant operating issue facing all healthcare providers. This shortage may require the Facilities to enhance wages and benefits to recruit and retain qualified personnel or to contract for more expensive temporary personnel. If labour costs increase, the Facilities may not be able to raise rates to offset these increased costs.

The trend of rising drug costs is currently challenging to counteract and puts downward pressure on the Facilities' operating margins as they have limited control over price increases.

Healthcare facilities, such as the Facilities, are subject to numerous legal, regulatory, professional and private licensing, certification and accreditation requirements. Receipt and renewal of such licenses, certifications and accreditations are often based on inspections, surveys, audits, investigations or other reviews, some of which may require affirmative compliance actions by the Facilities that could be burdensome and expensive.

There are a number of U.S. federal and state regulatory initiatives, which apply to healthcare providers, and in particular to SSHs, including the Facilities. Among the most significant are the federal Anti-Kickback Statute, the federal physician self-referral law (commonly referred to as the Stark Law), the PPACA, the *Bipartisan Budget Act of 2015* ("BBA"), the *False Claims Act* and the federal rules relating to management and protection of patient records and patient confidentiality.

The PPACA contains provisions that prohibit the formation or development of any new physician-owned hospitals in the United States after a specified date. However, the grandfathering provisions of the law permit existing physician-owned hospitals, such as the SSHs, to continue their operations and billings to government payors like Medicare and Medicaid for hospital services, provided they meet certain investment and patient transparency requirements. The law, among other things:

(a) prohibits the existing or grandfathered hospitals from expanding the baseline number of overnight beds, operating rooms or procedure rooms from the number of such rooms that the existing hospital had as of the date of enactment of the legislation, unless certain narrowly drawn growth criteria are met;

(b) prohibits increases in the aggregate percentage value of physician ownership or investment in physician-owned hospitals, or in entities whose investments include the hospitals;

(c) imposes restrictions on the manner of physician investment in physician-owned hospitals; and

(d) requires disclosure to patients of physician ownership and requires hospitals to obtain a signed patient acknowledgement as to whether the hospital has physicians present 24 hours a day, seven days a week.

The Corporation conducted an extensive review to ensure that the Facilities operating agreements and procedures are in compliance with the provisions and limitations of the PPACA. The Facilities have updated their operating agreements and procedures as necessary to ensure compliance with the requirements of the PPACA.

Under the BBA, Medicare lowered reimbursement rates for newly established off-campus hospital outpatient departments, with those that were billing Medicare before November 2015 exempt from this policy change. These are referred to as site-neutral payments, and are intended to make Medicare reimbursements for outpatient procedures at hospitals comparable to reimbursements for similar procedures at ASCs or physicians' offices. There have been multiple proposals since to expand the application of site-neutral payments to all hospital outpatient departments. If enacted, this could result in a significant reduction in Medicare reimbursement rates for certain outpatient procedures at hospitals, which could also lead to a spillover effect on reimbursement rates from commercial payors for similar procedures.

While the Facilities carry general and professional liability insurance against claims arising in the ordinary course of business, the insurance market is dynamic and there can be no assurance that adequate coverage will be available in the future or that any coverage in place will be adequate to cover claims.

Any major capital expenditures at the Facilities will require additional capital, which may be funded through additional debt or equity financings. These funding sources could result in significant additional interest expense or ownership dilution to current holders of the Corporation's securities.

There is significant competition in the healthcare business. The Facilities compete with other healthcare facilities in providing services to physicians and patients, contracting with managed care payors and recruiting qualified staff.

The Facilities may be vulnerable to economic downturns and may be limited in their ability to withstand such financial pressures. Increased unemployment or other adverse economic conditions may impact the volume of services performed, cause shifts to payors with lower reimbursements (e.g., Medicare) and/or result in higher uncollectible accounts.

Maintenance capital expenditures, which are deducted in the calculation of cash available for distribution (please refer to Section 2 under the heading "Non-IFRS Financial Measures" and Section 7 under the heading "Reconciliation of Non-IFRS Financial Measures"), represent expenditures that are required to maintain the productive capacity of the Facilities. Historically, such expenditures have represented on average 1.0% of revenue of the Facilities.

Public Health Crises and Disease Outbreaks

The Corporation's and the Facilities' operations and financial results could be materially adversely impacted by public health crises relating to viruses, flus, pandemics, epidemics, or outbreaks of infectious diseases.

A public health crisis, such as the COVID-19 pandemic, could result in a general or acute decline in economic activity in the regions where the Facilities operate, increased unemployment, staff shortages, mobility restrictions and other quarantine measures, supply shortages, increased government regulation, and the temporary closure of one or more of the Facilities in accordance with governmental restrictions and/or to protect patients, hospital staff and the communities in which they operate. In addition, treatment of patients with highly contagious diseases at the Facilities, or infection of physicians and/or hospital staff, or physical distancing or other precautionary measures, could result in patients cancelling or deferring elective procedures or otherwise avoiding medical treatment, leading to reduced patient volumes and revenues. All of these occurrences may have a material adverse effect on the Corporation's business, cash flows, financial condition and results of operations, and ability to pay dividends to its common shareholders.

Cyber Security Incidents

As providers of healthcare services, information technology is a critical component of the day-to-day operation of the Facilities. The Facilities rely on information technology to create, process, transmit and store sensitive and confidential data, including protected health information, personally identifiable information, and proprietary and confidential business performance data. The Facilities utilize electronic health records, payment processing platforms, and other health information technology, along with additional technology systems, in connection with their operations, including for, among other things, medical systems, billing and supply chain, and labour management. The Facilities' information systems and applications also require continual maintenance, upgrading and enhancement to meet their operational needs. If the Facilities experience difficulties with the transition and integration of information systems or are unable to implement, maintain, or expand their systems properly, the Facilities could suffer from, among other things, operational disruptions, regulatory problems and increases in administrative expenses. The Facilities have privacy and security processes in place to protect sensitive health and business information. The systems used by the Facilities, in turn, interface with and rely on third-party systems. Incident response policies and processes are in place at Facilities that strive to identify and provide for prompt identification and management of security incidents to facilitate maintenance and/or restoration of business continuity. The Corporation is not aware of the Facilities having experienced a material data breach, however, in July 2024, OSH experienced a data security incident that the Corporation does not consider financially material, in which it was confirmed that certain protected health information may have been accessed. OSH notified affected individuals and provided information and assistance in connection therewith.

The preventive actions taken to reduce the risk of such incidents and protect information and technology resources may not be sufficient. In general, Facilities' information systems are vulnerable to damage or interruption from fire, flood, power loss, telecommunications failure, human acts, cyber attacks, break-ins and similar events. Facilities' business is at risk from and may be impacted by information security incidents, including ransomware, malware, phishing, social engineering, distributed denial of service attacks, zero-day attacks, and other security events suffered by the Facilities or their business associates. Such incidents can range from individual attempts to gain unauthorized access to information technology systems to more sophisticated security threats. These events can also result from internal compromises, such as human error or malicious acts. These events can occur on Facilities' systems or on the systems of their partners and subcontractors. Problems with, or the failure of, Facilities' technology and systems or any system upgrades or programming changes associated with such technology and systems could have a material adverse effect on Facilities' operations, patient care, data capture, medical documentation, billing, collections, assessment of internal controls and management and reporting capabilities. The trade secrets or confidential business information of the Facilities could also be exposed as a result of a security incident.

Artificial intelligence and machine learning technologies also pose concerns with regard to the uses and disclosures of personal information, corporate information and even how operations run. The Corporation cannot predict the effect these technologies will have in the health care industry this year or in the coming years.

As cyber security threats continue to evolve, the Facilities may not be able to anticipate certain attack methods in order to implement effective protective measures, and may be required to expend significant additional resources to continue to modify and strengthen security measures, investigate and remediate any vulnerabilities in information systems and infrastructure, or invest in new technology designed to mitigate security risks. Third parties to whom the Facilities outsource certain functions, or with whom their systems interface, are also subject to the risks outlined above and may not have or use appropriate controls to protect confidential information. A breach or attack affecting a third-party service provider or partner could harm the Corporation's business even if the Corporation does not control the service that is attacked.

Although the Corporation and the Facilities have insurance against some cyber risks and attacks, it may not be sufficient to offset the impact of a material loss event. Any cyber security breach or system interruption could result in harm to patients, inability to service patients, inability to run day-to-day operations of the Facilities, or the unauthorized disclosure, misuse or loss of confidential, sensitive or proprietary information, could negatively impact the ability of the Facilities to conduct normal business operations (including the collection of revenues), and could result in investigations and potential liability under privacy, security, consumer protection or other applicable laws, regulatory penalties, class action litigation, negative publicity and damage to the Corporation's and Facilities' reputation, any of which could have a material adverse effect on the Corporation's and Facilities' business, financial position, results of operations or cash flows.

Disasters and Similar Events

The occurrences of natural and man-made disasters and similar events in the regions where the Facilities operate, including flooding, hurricanes, tornadoes, earthquakes, winter storms, wildfires, or other factors beyond the Corporation's control, may damage some or all of the Facilities, interrupt utility service to some or all of the Facilities, disrupt patient scheduling, displace patients, employees and physician partners, or otherwise impair the operation of some or all of the Facilities or the generation of revenues from the Facilities. Furthermore, the impact, or impending threat, of a natural disaster may require evacuation of one or more Facilities, which may be costly and may involve risks for the patients.

Risks induced by climate change may have future adverse effects on the Corporation's business. In addition to the physical risks mentioned above, these also include transition risks e.g. regulatory changes and reputational risks. The Facilities continuously look for ways to make their operations more sustainable, updating their infrastructure through various initiatives, which include:

(a) decreasing energy consumption by replacing lighting systems, older fixtures and equipment with more energy-efficient alternatives;

(b) increasing water conservation by changing vacuum pumps from water cooled to air cooled and installing water aerators on faucets; and

(c) implementing recycling programs for paper, plastic, and aluminum.

Although the Corporation has not identified significant risks induced by climate change that could negatively and materially affect its financial statements, management continues to assess the impact of climate-related matters.

Risks Related to the Structure of the Corporation

The Corporation is entirely dependent on the operations and assets of the Facilities through the indirect ownership of between 51.0% and 64.0% of these Facilities. Future dividend payments by the Corporation are not guaranteed and are totally dependent upon the operating results and related cash flows from the Facilities and the limitations of applicable laws.

The payout by the Facilities and the Corporation of a substantial majority of their operating cash flows will make additional capital and operating expenditures dependent on increased cash flows or additional financing in the future.

The Corporation's dividend payments to its common shareholders are denominated in Canadian dollars, whereas all of its revenue is denominated in U.S. dollars. To the extent that future dividend payments are not covered by foreign exchange forward contracts, the Corporation is exposed to currency exchange risk.

Non-compete agreements executed by physician owners of the non-controlling interests in the Facilities may not be enforceable. This lack of enforceability could impact the revenue and profitability of the Facilities.

The Corporation does not have the ability to direct day-to-day governance or management inputs in respect of the Facilities, except in certain limited circumstances.

The degree to which the Corporation is leveraged on a consolidated basis could have important consequences to the holders of the common shares, including:

(a) The Corporation's and Facilities' ability in the future to obtain additional financing for working capital, capital expenditures, acquisitions or other purposes may be limited;

(b) The Corporation or Facilities may be unable to refinance indebtedness on terms acceptable to them or at all; and

(c) A portion of the Corporation's cash flow (on a consolidated basis) from operations is likely to be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for future operations, capital expenditures, acquisitions and/or dividends on its common shares.

The Corporation has a credit facility that contains restrictive covenants which limit the discretion of the Corporation or its management with respect to certain matters. Furthermore, the Facilities have credit facilities that contain restrictive covenants which may limit the Facilities' abilities to make distributions.

Additional common shares may be issued by the Corporation pursuant to exchange agreements with the holders of the non-controlling interests in the Facilities, or in connection with future financing or acquisitions by the Corporation. The issuance of common shares may dilute an investor's investment in the Corporation and reduce distributable cash per common share.

MFA and MFH are organized under the laws of the State of Delaware. The Facility located in South Dakota is formed under the laws of the State of South Dakota, the Facility located in Oklahoma is formed under the laws of the State of Oklahoma, the Facility located in Arkansas is formed under the laws of the State of Arkansas, and the Facility located in California is formed under the laws of the State of Delaware. All of the assets of the Facilities are located outside of Canada and certain of the directors and officers of the Corporation and its subsidiaries are residents of the United States. As a result, it may be difficult or impossible for investors to effect service within Canada upon the Corporation's subsidiaries, the Facilities, or their directors and officers who are not residents of Canada, or to realize against them in Canada upon judgments of courts of Canada predicated upon the civil liability provisions of applicable Canadian provincial securities laws.

The market price of the common shares may be subject to general volatility.

Payment of Dividends is not Guaranteed

Dividends to common shareholders are paid at the discretion of the Corporation's board of directors and are not guaranteed. The Corporation may alter its dividend level and dividends from the Corporation, if any, will depend on, among other things, the results of operations, cash requirements, financial condition, contractual restrictions, business opportunities, provisions of applicable law, and other factors that the board of directors may deem relevant. The directors may decrease the level of dividends provided for in their existing dividend policies, or discontinue dividends at any time, and without prior notice.

Eligibility for Investment

There can be no assurance that the common shares will continue to be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, tax-free savings accounts and registered disability savings plans.

The Corporation is Subject to Canadian Tax

As a Canadian corporation, the Corporation is generally subject to Canadian federal, provincial and other taxes, including a 2% tax on the net value of equity repurchases. There can be no assurance that Canadian federal income tax laws and Canada Revenue Agency administrative policies respecting the Canadian federal income tax consequences generally applicable to the Corporation or to a holder of common shares will not be changed in a manner which adversely affects holders of the common shares.

The Corporation's Structure may be Subject to Additional U.S Federal Income Tax Liability

MFA is subject to U.S. federal income tax on its consolidated taxable income at the U.S. federal corporate tax rate (currently 21%) and is also subject to certain U.S. state and local taxes (which will not be addressed herein). MFA will claim certain deductions, including an interest deduction related to the interest paid on its debt and interest arising on other debt in the consolidated group, to the extent allowed by law, in computing its taxable income for U.S. federal income tax purposes.

Certain provisions in the *U.S. Internal Revenue Code* of 1986, as amended, (the "Code"), if applicable, may affect the U.S. federal tax liability of MFA and the interpretation of, and potential changes to, U.S. tax rules. For example, share repurchase programs that may be engaged in by the Corporation may cause MFA to be subject to a 1% "stock buyback" excise tax under Code section 4501. In addition, there are restrictions on the deductibility of interest, including generally limiting such deduction to 30% of "adjusted taxable income", although disallowed interest expense can be carried forward to future years. There may be other restrictions on use of interest deductions as well. There are limitations on the use of net operating losses (generally, those can only be utilized to the extent of 80% of taxable income in any given year, although unused net operating losses can be carried forward indefinitely). In addition, Code section 59A, known as "BEAT", which is the acronym for "base erosion anti-abuse tax", is designed to potentially limit the tax effectiveness of deductions for payments between U.S. and non-U.S. related parties by imposing a minimum tax on the U.S. corporation. The BEAT regime generally does not apply unless the payor U.S. corporation has average annual gross receipts for the 3-tax-year period ending with the preceding tax year that are at least $500 million.

If the stock buyback excise tax applies, interest deductibility is limited, the use of net operating losses is restricted, or the BEAT regime applies, the result is likely to be an increase in the U.S. federal tax liability of MFA. If the U.S. federal tax liability of MFA is increased, this may reduce the amount of after-tax cash generated by MFA that could otherwise be available to make distributions to the Corporation and thereafter to pay dividends to holders of common shares.

United States Investment Company Act of 1940

While the Corporation believes that through its subsidiaries and affiliates it is actively engaged in operating businesses and does not meet the definition of an investment company for purposes of the *United States Investment Company Act* of 1940, as amended (the "1940 Act"), depending on the composition and valuation of the Corporation's assets and the sources of the Corporation's income from time to time, the Corporation could fall within the technical definition of the term "investment company" in the 1940 Act. Moreover, the determination of whether a company, like the Corporation, is an "investment company" involves complex analysis of regulations and facts, and the Corporation has not sought and does not anticipate seeking confirmation from the Securities and Exchange Commission (the "SEC") that it agrees with the Corporation's analysis. If the SEC were to disagree with the Corporation's analysis or the Corporation otherwise were to determine that it is an "investment company" as defined in the 1940 Act, the Corporation may, among other steps, prudently acquire or sell assets or equity interests in order to avoid remaining an "investment company" as defined under the 1940 Act. Such acquisitions or sales could be on terms other than those on which the Corporation would otherwise acquire or sell such assets or equity interests or the timing of such transactions could be disadvantageous to the Corporation. If the Corporation were unable to avoid being an investment company and were therefore required to register as such under the 1940 Act, the Corporation would become subject to substantial regulation with respect to its capital structure (including its ability to use leverage), management, operations, transactions with affiliated persons, portfolio composition (including restrictions with respect to diversification), and other matters.

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 Corporation's financial statements) that have been issued but are not yet effective. 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.

Consolidated Financial Statements of

MEDICAL FACILITIES CORPORATION

December 31, 2024 and 2023
(In U.S. dollars)

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CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Medical Facilities Corporation (the "Corporation") are the responsibility of management and have been approved by the Board of Directors of the Corporation. This responsibility includes the selection and consistent application of appropriate accounting principles and methods in addition to making judgments and estimates necessary to prepare the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Corporation maintains appropriate systems of internal control, policies and procedures, which provide management with reasonable assurance that assets are safeguarded from loss or unauthorized use and financial records are reliable and form a proper basis for the preparation of the consolidated financial statements.

The Board of Directors of the Corporation ensures that management fulfills its responsibilities for financial reporting and internal control through an Audit Committee. The Board of Directors appoints the Audit Committee, all members of which are independent members of the Board of Directors. The Audit Committee meets periodically with management and the Corporation's auditors to discuss the results of the audit, the adequacy of internal controls and financial reporting matters. On the recommendation of the Audit Committee, the consolidated financial statements are forwarded to the Board of Directors for its approval.

"Jason P. Redman"	*"David N.T. Watson"*
Jason P. Redman President and Chief Executive Officer	David N.T. Watson Chief Financial Officer

Toronto, Canada
March 12, 2025

Raymond Chabot Grant Thornton

Independent Auditor's Report

Raymond Chabot
Grant Thornton LLP
Suite 2000
600 De La Gauchetière Street West
Montréal, Quebec
H3B 4L8

T 514-878-2691

To the Shareholders of
Medical Facilities Corporation

Opinion

We have audited the consolidated financial statements of Medical Facilities Corporation (hereafter "the Company"), which comprise the consolidated balance sheet as at December 31, 2024 and the consolidated statements of income and comprehensive income, changes in equity, and cash flows for the year then ended, and notes to consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (hereafter "IFRS Accounting Standards").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report.

Other matter

The consolidated financial statements of the Company for the year ended December 31, 2023 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on March 13, 2024.

Information other than the consolidated financial statements and the auditor’s report thereon

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor’s report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Mario Venditti.

Raymond Chabot Grant Thornton LLP[1]

Montreal
March 12, 2025

[1] CPA auditor, public accountancy permit no. A121855

MEDICAL FACILITIES CORPORATION

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

	Note	December 31, 2024 $	December 31, 2023 $
ASSETS			
Current assets			
Cash and cash equivalents		108,496	24,113
Accounts receivable	12.4.2	45,468	61,766
Supply inventory		5,805	9,008
Prepaid expenses and other receivables		5,479	7,137
Income tax receivable		87	733
Total current assets		**165,335**	**102,757**
Non-current assets			
Deferred income tax asset	15	129	70
Property and equipment	6	50,522	79,617
Right-of-use assets	18.1	32,482	40,566
Goodwill	7.1	90,600	120,623
Other intangibles	7.2	7,226	11,252
Total non-current assets		**180,959**	**252,128**
TOTAL ASSETS		**346,294**	**354,885**
LIABILITIES AND EQUITY			
Current liabilities			
Dividends payable		1,441	1,503
Accounts payable		16,940	23,152
Accrued liabilities		20,809	20,694
Income tax payable		13,766	10
Obligation for purchase of common shares	9.4	16,694	2,136
Current portion of long-term debt	8	10,390	14,350
Current portion of lease liabilities	8	8,909	9,159
Government stimulus funds repayable	4	-	11,957
Total current liabilities		**88,949**	**82,961**
Non-current liabilities			
Long-term debt	8	23,833	38,749
Lease liabilities	8	30,805	38,551
Deferred income tax liability	15	15,952	20,234
Corporate credit facility	8	-	16,000
Exchangeable interest liability	12.1	39,303	40,087
Total non-current liabilities		**109,893**	**153,621**
Total liabilities		**198,842**	**236,582**
Equity			
Share capital	9.1	316,927	348,099
Contributed surplus		470	716
Accumulated deficit		(195,378)	(262,827)
Equity attributable to owners of the Corporation		**122,019**	**85,988**
Non-controlling interest		25,433	32,315
Total equity		**147,452**	**118,303**
TOTAL LIABILITIES AND EQUITY		**346,294**	**354,885**
Commitments and contingencies	19		

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

MEDICAL FACILITIES CORPORATION

Consolidated Statements of Changes in Equity
(In thousands of U.S. dollars)

		Attributable to Owners of the Corporation				Non-controlling Interest	Total Equity
	Note	Share Capital $	Contributed Surplus $	Accumulated Deficit $	Total $	$	$
2024							
Balance at January 1, 2024		348,099	716	(262,827)	85,988	32,315	118,303
Net income and comprehensive income for the year		-	-	73,490	73,490	32,072	105,562
Stock options expense, net of settlement	20.1	-	(246)	-	(246)	-	(246)
Dividends to owners of the Corporation		-	-	(6,041)	(6,041)	-	(6,041)
Distributions to non-controlling interest	10	-	-	-	-	(28,726)	(28,726)
Sale of Black Hills Surgical Hospital, LLP	5.1	-	-	-	-	(10,228)	(10,228)
Purchase of common shares under normal course issuer bids	9.3	(16,614)	-	-	(16,614)	-	(16,614)
Change in obligation for purchase of common shares	9.4	(14,558)	-	-	(14,558)	-	(14,558)
Balance at December 31, 2024		**316,927**	**470**	**(195,378)**	**122,019**	**25,433**	**147,452**
2023							
Balance at January 1, 2023		353,237	1,192	(275,295)	79,134	35,558	114,692
Net income and comprehensive income for the year		-	-	18,503	18,503	25,496	43,999
Stock options expense, net of gain on forfeitures	20.1	-	(476)	-	(476)	-	(476)
Dividends to owners of the Corporation		-	-	(6,035)	(6,035)	-	(6,035)
Distributions to non-controlling interest	10	-	-	-	-	(27,491)	(27,491)
Redemption of non-controlling interest in MFC Nueterra ASCs		-	-	-	-	(8)	(8)
Sale of MFC Nueterra ASCs	1	-	-	-	-	(1,240)	(1,240)
Purchase of common shares under normal course issuer bids	9.3	(7,422)	-	-	(7,422)	-	(7,422)
Change in obligation for purchase of common shares	9.4	2,284	-	-	2,284	-	2,284
Balance at December 31, 2023		**348,099**	**716**	**(262,827)**	**85,988**	**32,315**	**118,303**

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

MEDICAL FACILITIES CORPORATION

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

	Note	Year Ended December 31, 2024 $	2023[1] $
Revenue and other income			
Facility service revenue		331,529	339,576
Government stimulus income	4	11,957	-
		343,486	**339,576**
Operating expenses			
Salaries and benefits		90,466	88,948
Drugs and supplies		111,646	120,365
General and administrative expenses		60,652	62,782
Impairment of goodwill	7.1	2,265	-
Depreciation of property and equipment	6	6,664	7,028
Depreciation of right-of-use assets	18.1	9,614	9,969
Amortization of other intangibles	7.2	540	1,308
		281,847	**290,400**
Income from operations		**61,639**	**49,176**
Finance costs			
Change in value of exchangeable interest liability	12.1	(784)	2,733
Interest expense on exchangeable interest liability		7,653	7,243
Interest expense, net of interest income	16	3,602	5,637
Impairment loss on loans receivable		-	786
Loss on foreign currency		59	34
		10,530	**16,433**
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		**51,109**	**34,910**
Income tax expense (recovery)	15	(5,685)	6,064
Net income for the year from continuing operations		56,794	28,846
Discontinued operations			
Net income for the year from discontinued operations, net of tax	5.2	48,768	15,153
Net income and comprehensive income for the year		**105,562**	**43,999**
Attributable to:			
Owners of the Corporation		73,490	18,503
Non-controlling interest	10	32,072	25,496
		105,562	**43,999**
Earnings per share attributable to owners of the Corporation			
From continuing and discontinued operations			
Basic	9.2	$ 3.06	$ 0.73
Fully diluted	9.2	$ 3.06	$ 0.73
From continuing operations			
Basic	9.2	$ 1.36	$ 0.45
Fully diluted	9.2	$ 1.36	$ 0.45

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

[1] *2023 results have been restated for discontinued operations.*

MEDICAL FACILITIES CORPORATION

Consolidated Statements of Cash Flows
(In thousands of U.S. dollars)

	Note	Year Ended December 31, 2024 $	2023 $
Cash flows from operating activities			
Net income for the year		105,562	43,999
Adjustments for:			
Impairment of goodwill	7.1	2,265	-
Depreciation of property and equipment	6	8,580	9,528
Depreciation of right-of-use assets	18.1	10,249	10,701
Amortization of other intangibles	7.2	540	1,308
Change in value of exchangeable interest liability	12.1	(784)	2,733
Interest expense on exchangeable interest liability		7,653	7,243
Interest expense, net of interest income		4,146	6,156
Impairment loss on loans receivable		-	786
Loss on foreign currency		59	34
Gain on sale of subsidiaries and equity investments	1	-	(2,487)
Share of equity loss in associates		-	320
Income tax expense (recovery)		(3,672)	8,325
Gain on sale of Black Hills Surgical Hospital, LLP, net of tax	5.1	(33,643)	-
Stock options expense, net of settlement and gain on forfeitures	20.1	(246)	(476)
Other non-cash loss		23	18
		100,732	88,188
Net changes in non-cash operating working capital	11	(1,644)	(488)
		99,088	87,700
Interest paid, net of received		(9,481)	(10,825)
Income and withholding taxes paid		(6,323)	(4,161)
Net cash provided by operating activities		**83,284**	**72,714**
Cash flows from investing activities			
Purchase of property and equipment	6	(7,068)	(16,053)
Proceeds from sale of Black Hills Surgical Hospital, LLP, net of cash disposed and transaction costs	5.1	92,487	-
Redemption of non-controlling interest in MFC Nueterra ASCs		-	(8)
Proceeds from sale of MFC Nueterra ASCs, net of cash disposed	1	-	2,394
Net cash provided by (used in) investing activities		**85,419**	**(13,667)**
Cash flows from financing activities			
Net repayments of revolving credit facilities and issuance of notes payable	8	(15,384)	(9,031)
Repayments of notes payable by the Facilities	8	(5,054)	(7,060)
Payment of lease liabilities	8,18.3	(12,380)	(12,751)
Distributions to non-controlling interest	10	(28,726)	(27,491)
Dividends paid		(6,103)	(6,071)
Purchase of common shares under normal course issuer bids	9.3	(16,614)	(7,422)
Net cash used in financing activities		**(84,261)**	**(69,826)**
Increase (decrease) in cash and cash equivalents		**84,442**	**(10,779)**
Effect of exchange rate fluctuations on cash balances held		(59)	(34)
Cash and cash equivalents, beginning of the year		24,113	34,926
Cash and cash equivalents, end of the year		**108,496**	**24,113**

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

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

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").

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.

On November 13, 2024, Black Hills Surgical Hospital, LLP ("BHSH"), a Facility located in Rapid City, South Dakota, entered into a definitive agreement to sell BHSH 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. In connection with this transaction, the Corporation recorded a post-tax gain of $33,643 in the results of discontinued operations.

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

		Ownership Interest December 31,	
Subsidiary	**Location**	**2024**	**2023**
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%
Black Hills Surgical Hospital, LLP ("BHSH") (1)	Rapid City, South Dakota	-	54.2%
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%

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

2. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and Interpretations of the International Financial Reporting Interpretations Committee. The Corporation's material accounting policies are presented in Note 21 to these consolidated financial statements.

These consolidated financial statements were approved for issue by the Corporation's Board of Directors on March 12, 2025.

3. BASIS OF PREPARATION

These consolidated financial statements include the accounts of the Corporation and its subsidiaries and have been prepared on the historical cost basis except for certain financial instruments and share-based compensation, which are measured at fair value (Note 21.15).

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. GOVERNMENT STIMULUS

The *Coronavirus Aid, Relief, and Economic Security (CARES) Act* (the "CARES Act") was signed into law on March 27, 2020 in response to COVID-19. The CARES Act included provisions for financial assistance to healthcare providers via, among other provisions, the Paycheck Protection Program ("PPP").

The PPP expanded the guaranteed lending program under Section 7(a) of the *Small Business Act* administered by the U.S. Small Business Administration ("SBA"). For eligible recipients, the loan amounts received were eligible for forgiveness to the extent they were used for certain qualifying expenses and to maintain payroll levels and related expenses during the 8 to 24-week period following loan origination.

The Facilities recognized income for the PPP loans received during prior periods based on reasonable assurance that they had met the forgiveness requirements. However, due to the denial or additional review of certain loan forgiveness applications by the SBA in prior periods, the Corporation no longer had reasonable assurance of meeting the forgiveness requirements for PPP loans of $11,957, which were recorded as a liability under government stimulus funds repayable in the consolidated balance sheet as of December 31, 2023.

During the year ended December 31, 2024, the SBA concluded the Post Payment Loan Reviews on all of the Facilities' outstanding PPP loans of $11,957, closing the reviews with no findings and confirming full forgiveness. As a result, the respective Facilities recorded government stimulus income from continuing operations of $11,957 in the consolidated statements of income and comprehensive income for the year ended December 31, 2024, and the related liability under government stimulus funds repayable in the consolidated balance sheet was reversed.

5. DISCONTINUED OPERATIONS

5.1 Sale of BHSH

On November 13, 2024, BHSH, a Facility located in Rapid City, South Dakota, entered into a definitive agreement to sell BHSH to Sanford Health. The transaction was completed on November 15, 2024 for cash proceeds of $96,136, net of transaction costs of $910, and a net receivable for working capital adjustments and escrow reserve of $678 (collected subsequent to the year end), for the Corporation's 54.2% ownership share. The Corporation incurred further transaction costs of $2,421 in connection with this transaction.

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

5. DISCONTINUED OPERATIONS (Continued)

The sale of BHSH was concluded at a material premium, strengthening the Corporation's consolidated balance sheet and creating value for its common shareholders.

The net assets sold were as follows:

	$
Cash and cash equivalents	1,228
Accounts receivable	11,070
Supply inventory	3,679
Prepaid expenses and other receivables	1,434
Deferred income tax asset	5,675
Property and equipment	27,583
Right-of-use assets	3,304
Goodwill	27,758
Other intangibles	3,486
Total assets	**85,217**
Accounts payable	5,717
Accrued liabilities	5,039
Long-term debt	14,438
Lease liabilities	3,426
Total liabilities	**28,620**
Net assets sold	**56,597**

The gain on sale was calculated as follows:

	$
Net cash proceeds received	96,136
Working capital adjustments	406
Escrow reserve	272
Non-controlling interest of BHSH	10,228
Less: Transaction costs	(2,421)
Less: Net assets sold	(56,597)
Gain on sale of BHSH, before tax	48,024
Tax on gain	14,381
Gain on sale of BHSH, net of tax	**33,643**

The tax on gain amount includes the U.S. federal and state taxes on disposition at the U.S. subsidiary level, and does not include taxes related to the repatriation of proceeds to the Canadian corporation.

The marginal tax rate on the sale of BHSH is not indicative of the Corporation's effective tax rate, nor of tax treatments on any other past or future transactions by the Corporation. The proceeds received on the sale of BHSH exceeded its original tax cost, such that the excess amount was eligible to be offset by tax loss carryforwards of $22,689, directly reducing the effective tax rate on the sale transaction (see Note 15).

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

5. DISCONTINUED OPERATIONS (Continued)

5.2 Results of discontinued operations

		Year Ended December 31,	
		2024[(1)]	2023
	Note	$	$
Revenue and other income			
Facility service revenue		94,379	106,006
		94,379	**106,006**
Operating expenses			
Salaries and benefits		40,547	45,087
Drugs and supplies		23,897	28,535
General and administrative expenses		9,702	11,219
Depreciation of property and equipment	6	1,916	2,500
Depreciation of right-of-use assets	18.1	635	732
		76,697	**88,073**
Income from operations		**17,682**	**17,933**
Finance costs			
Interest expense, net of interest income		544	519
		544	**519**
Income before income taxes		**17,138**	**17,414**
Income tax expense		2,013	2,261
Gain on sale of BHSH, net of tax	5.1	(33,643)	-
Net income for the year from discontinued operations, net of tax		**48,768**	**15,153**

(1) *2024 results are for the period from January 1, 2024 to November 15, 2024, when the sale of BHSH was completed.*

5.3 Cash flows from discontinued operations

	Year Ended December 31,	
	2024[(1)]	2023
	$	$
Net cash provided by operating activities	13,331	10,260
Net cash provided by (used in) investing activities	89,435	(1,774)
Net cash used in financing activities	(10,642)	(8,430)
Net cash flow for the year	**92,124**	**56**

(1) *2024 cash flows are for the period from January 1, 2024 to November 15, 2024, when the sale of BHSH was completed.*

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

6. PROPERTY AND EQUIPMENT

	Note	Land and Improvements	Construction in Progress	Building and Improvements	Equipment and Furniture	Total
		$	$	$	$	$
Cost						
Balance at January 1, 2023		6,237	838	92,866	76,169	176,110
Additions		6,954	3,870	561	4,668	16,053
Transfers		75	(4,118)	1,089	2,954	-
Disposals		-	-	-	(1,370)	(1,370)
Divestiture of MFC Nueterra ASCs	1	-	-	(1,366)	(10,001)	(11,367)
Balance at December 31, 2023		13,266	590	93,150	72,420	179,426
Additions		761	807	1,551	3,949	7,068
Transfers		-	(493)	47	446	-
Disposals		-	-	(493)	(521)	(1,014)
Sale of BHSH	5.1	(4,653)	(708)	(45,928)	(30,413)	(81,702)
Balance at December 31, 2024		**9,374**	**196**	**48,327**	**45,881**	**103,778**
Accumulated depreciation						
Balance at January 1, 2023		(222)	-	(51,786)	(49,947)	(101,955)
Charged for the year		(25)	-	(3,153)	(6,350)	(9,528)
Disposals		-	-	-	1,370	1,370
Divestiture of MFC Nueterra ASCs	1	-	-	1,210	9,094	10,304
Balance at December 31, 2023		(247)	-	(53,729)	(45,833)	(99,809)
Charged for the year		(18)	-	(3,332)	(5,230)	(8,580)
Disposals		-	-	136	878	1,014
Sale of BHSH	5.1	-	-	27,686	26,433	54,119
Balance at December 31, 2024		**(265)**	**-**	**(29,239)**	**(23,752)**	**(53,256)**
Carrying amounts						
At December 31, 2023		13,019	590	39,421	26,587	79,617
At December 31, 2024		**9,109**	**196**	**19,088**	**22,129**	**50,522**

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

7. GOODWILL AND OTHER INTANGIBLES

7.1 Goodwill

	Note	$
Gross amount		
Balance at December 31, 2023		120,623
Sale of BHSH	5.1	(27,758)
Balance at December 31, 2024		**92,865**
Accumulated impairment		
Balance at December 31, 2023		-
Charged for the year	7.3	(2,265)
Balance at December 31, 2024		**(2,265)**
Carrying amounts		
At December 31, 2023		120,623
At December 31, 2024		**90,600**

7.2 Other intangibles

	Note	Hospital Operating Licenses $	Medical Charts and Records $	Care Networks $	Trade Names $	Non-Compete $	Total $
Cost							
Balance at January 1, 2023		2,016	7,399	195,922	11,090	2,208	218,635
Divestiture of MFC Nueterra ASCs	1	(540)	-	-	(1,961)	(1,080)	(3,581)
Balance at December 31, 2023		1,476	7,399	195,922	9,129	1,128	215,054
Sale of BHSH	5.1	(238)	(2,496)	(50,969)	(3,486)	-	(57,189)
Balance at December 31, 2024		**1,238**	**4,903**	**144,953**	**5,643**	**1,128**	**157,865**
Accumulated amortization							
Balance at January 1, 2023		(1,461)	(7,399)	(193,274)	(1,193)	(2,208)	(205,535)
Charged for the year		(15)	-	(525)	(768)	-	(1,308)
Divestiture of MFC Nueterra ASCs	1	-	-	-	1,961	1,080	3,041
Balance at December 31, 2023		(1,476)	(7,399)	(193,799)	-	(1,128)	(203,802)
Charged for the year		-	-	(540)	-	-	(540)
Sale of BHSH	5.1	238	2,496	50,969	-	-	53,703
Balance at December 31, 2024		**(1,238)**	**(4,903)**	**(143,370)**	**-**	**(1,128)**	**(150,639)**
Carrying amounts							
At December 31, 2023		-	-	2,123	9,129	-	11,252
At December 31, 2024		**-**	**-**	**1,583**	**5,643**	**-**	**7,226**

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

7. GOODWILL AND OTHER INTANGIBLES (Continued)

7.3 Impairment

The Corporation performed its annual impairment tests for goodwill and other intangibles with indefinite lives as of December 31, 2024 and 2023. Based on the assessment, the Corporation recorded an impairment charge against goodwill of $2,265 in the SCNC CGU for the year ended December 31, 2024, all of which pertained to the Corporation's controlling interest. The Corporation did not record any impairment for the year ended December 31, 2023.

The Corporation identified four CGUs for the year ended December 31, 2024, and five CGUs for the year ended December 31, 2023, for which impairment testing was performed. The Facilities represent subsidiary operations which are independent of each other and are therefore identified as separate CGUs.

For the years ended December 31, 2024 and 2023, management calculated the recoverable amount of the CGUs by determining the fair value less costs of disposal ("FVLCD"). The FVLCD is determined by multiplying the earnings before interest, taxes, depreciation and amortization for the trailing twelve months ("TTM EBITDA") by a market multiple relevant to the CGU. The inputs used in the calculation of FVLCD are Level 3 inputs under IFRS 13, *Fair Value Measurement*. Management has estimated costs of disposal to be 1% (2023: 1%) of the fair value of the CGUs, based on recent market data.

Management has assessed the impact of reasonably possible variations in the key assumptions used in the calculation of the recoverable amount of the CGUs, and has determined that these will not have a significant impact on the recoverable amount calculated.

To ensure reasonableness of recoverable amounts, management reconciles the recoverable amounts of its CGUs to the enterprise value of the Corporation as of December 31 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.

The following carrying amounts for goodwill and other intangibles with indefinite useful lives were allocated to each of the CGUs as of December 31, 2024 and 2023:

	Goodwill		**Other Intangibles [1]**	
	2024 $	**2023 $**	**2024 $**	**2023 $**
ASH	17,911	17,911	-	-
OSH	14,747	14,747	2,689	2,689
BHSH	-	27,758	-	3,486
SFSH	57,942	57,942	2,954	2,954
SCNC	-	2,265	-	-
Carrying amounts	**90,600**	**120,623**	**5,643**	**9,129**

[1] *With indefinite useful lives.*

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

8. LONG-TERM DEBT, CORPORATE CREDIT FACILITY AND LEASE LIABILITIES

			December 31, 2024		December 31, 2023	
	Maturity	Authorized	Balance	Effective Interest Rate [(1)]	Balance	Effective Interest Rate [(1)]
		$	$	%	$	%
Revolving credit facilities						
ASH	Oct 20, 2025	4,000	-	7.3	-	8.3
OSH	May 30, 2026	6,350	1,350	SOFR+2.2	2,850	SOFR+2.2
BHSH	Dec 31, 2024	-	-	-	2,300	SOFR+1.4
SFSH	Jun 30, 2025	14,000	6,954	SOFR+1.1	6,955	BSBY+1.0
SCNC	Jul 31, 2025	2,500	-	SOFR+3.4	-	BSBY+3.3
		26,850	**8,304**		**12,105**	
Corporate credit facility						
Corporate	Aug 31, 2025	**50,000**	**-**	SOFR+1.4	**16,000**	SOFR+1.4
Notes payable						
ASH	Aug 27, 2026		573	4.7	895	4.7
ASH	Jan 7, 2027		1,368	3.3	2,049	3.3
OSH	Nov 25, 2025		357	3.6	733	3.6
BHSH	Feb 19, 2024		-	-	5	3.8
BHSH	Oct 31, 2024		-	-	594	3.1
BHSH	Nov 15, 2025		-	-	2,450	1.7
BHSH	Nov 15, 2025		-	-	4,527	1.8
BHSH	Dec 10, 2025		-	-	548	6.0
BHSH	Jun 1, 2026		-	-	2,777	2.3
BHSH	May 10, 2027		-	-	710	4.0
BHSH	Aug 1, 2027		-	-	1,622	3.8
BHSH	Aug 1, 2027		-	-	98	3.8
SFSH	Jan 1, 2024		-	-	19	4.3
SFSH	Apr 1, 2024		-	-	34	4.0
SFSH	Jun 1, 2025		94	2.2	279	2.2
SFSH	Feb 1, 2026		121	2.1	223	2.1
SFSH	Jun 1, 2026		209	2.4	310	2.4
SFSH	Sep 30, 2028		1,266	6.7	1,547	6.7
SFSH	Dec 31, 2028		19,929	4.7	20,899	4.7
SFSH	Jun 30, 2029		1,435	6.9	-	-
SFSH	Jul 1, 2029		567	4.8	675	4.8
			25,919		**40,994**	
Total long-term debt and corporate credit facility			**34,223**		**69,099**	
Less current portion			(10,390)		(14,350)	
			23,833		**54,749**	

[(1)] *Interest rates are based on the lending agreements with various banks, and they include Secured Overnight Financing Rate ("SOFR"), and Bloomberg Short-Term Bank Yield ("BSBY") rates.*

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

8. LONG-TERM DEBT, CORPORATE CREDIT FACILITY AND LEASE LIABILITIES (Continued)

Each credit facility and note payable is secured by an interest in all property and a mortgage on real property owned by the respective Facility. These credit facilities and notes payable contain certain restrictive financial and non-financial covenants. During the years ended and as of December 31, 2024 and 2023, the Facilities were in compliance with their covenants.

		December 31, 2024		December 31, 2023	
	Maturity	Balance	Effective Interest Rate	Balance	Effective Interest Rate
		$	%	$	%
Lease liabilities					
ASH	2025 - 2030	28,332	2.1 - 6.3	31,437	2.1 - 6.3
OSH	2025 - 2029	4,112	3.5 - 6.0	4,375	1.8 - 6.0
BHSH	2025 - 2032	-	-	4,236	2.4 - 7.3
SFSH	2025 - 2032	5,383	2.0 - 6.1	4,998	2.0 - 5.9
SCNC	2025 - 2027	1,883	5.7 - 6.0	2,396	5.7 - 6.0
MFC Nueterra ASCs	2025	-	-	206	3.6
Corporate	2025	4	3.4	62	3.4
Total lease liabilities		**39,714**		**47,710**	
Less current portion		(8,909)		(9,159)	
		30,805		**38,551**	

The following are the future maturities of long-term debt, corporate credit facility and lease liabilities as of December 31, 2024 and 2023:

	December 31, 2024		December 31, 2023	
	Long-term debt and corporate credit facility	Lease liabilities	Long-term debt and corporate credit facility	Lease liabilities
For the years ending December 31	$	$	$	$
2024	n/a	n/a	14,350	9,159
2025	10,390	8,909	26,617	7,212
2026	4,188	7,295	7,781	7,120
2027	1,913	6,650	3,146	6,901
2028	17,470	5,719	17,125	6,116
2029	262	5,476	n/a	n/a
Thereafter	-	5,665	80	11,202
Future maturities	**34,223**	**39,714**	**69,099**	**47,710**

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

8. LONG-TERM DEBT, CORPORATE CREDIT FACILITY AND LEASE LIABILITIES (Continued)

The movements of long-term debt, corporate credit facility and lease liabilities are reconciled to cash flows arising from financing activities as follows:

	Note	Long-term debt and corporate credit facility $	Lease liabilities $
Balance at January 1, 2023		85,593	57,361
Changes from financing activities:			
Net repayments of revolving credit facilities and issuance of notes payable		(9,031)	-
Repayments of notes payable by the Facilities		(7,060)	-
Payment of lease liabilities		-	(12,751)
Other changes:			
New lease agreements		-	4,404
Termination of lease agreements		-	(269)
Interest expense		-	2,574
Divestiture of MFC Nueterra ASCs	1	(403)	(3,609)
Balance at December 31, 2023		69,099	47,710
Changes from financing activities:			
Net repayments of revolving credit facilities and issuance of notes payable		(15,384)	-
Repayments of notes payable by the Facilities		(5,054)	-
Payment of lease liabilities		-	(12,380)
Other changes:			
New lease agreements		-	5,933
Termination of lease agreements		-	(441)
Interest expense		-	2,318
Sale of BHSH	5.1	(14,438)	(3,426)
Balance at December 31, 2024		**34,223**	**39,714**

9. SHARE CAPITAL

9.1 Share capital

The following table represents changes in the number and value of common shares issued and outstanding for the years ended December 31, 2024 and 2023:

	Note	Number of Common Shares	$
Balance at January 1, 2023		25,915,962	353,237
Common shares purchased and cancelled under normal course issuer bids	9.3	(1,191,500)	(7,422)
Change in obligation for purchase of common shares	9.4	-	2,284
Balance at December 31, 2023		24,724,462	348,099
Common shares purchased and cancelled under normal course issuer bids	9.3	(1,700,700)	(16,614)
Change in obligation for purchase of common shares	9.4	-	(14,558)
Balance at December 31, 2024		**23,023,762**	**316,927**

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

9. SHARE CAPITAL (Continued)

9.2 Earnings per share

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

		Year Ended December 31,					
		2024			2023		
		Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
Net income for the year attributable to owners of the Corporation	$	32,568	40,922	73,490	11,322	7,181	18,503
Divided by weighted average number of common shares outstanding for the year		24,000,877	24,000,877	24,000,877	25,254,834	25,254,834	25,254,834
Basic earnings per share	**$**	**1.36**	**1.70**	**3.06**	**0.45**	**0.28**	**0.73**

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

		Year Ended December 31,					
		2024			2023		
		Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
Net income for the year attributable to owners of the Corporation	$	32,568	40,922	73,490	11,322	7,181	18,503
Change in value of exchangeable interest liability (tax effected)		-	-	-	-	-	-
Interest expense on exchangeable interest liability		-	-	-	-	-	-
Modified net income for the year attributable to owners of the Corporation	$	32,568	40,922	73,490	11,322	7,181	18,503
Weighted average number of common shares:							
Outstanding for the year		24,000,877	24,000,877	24,000,877	25,254,834	25,254,834	25,254,834
Deemed to be issued on the exchange of the outstanding exchangeable interest liability		-	-	-	-	-	-
Deemed to be issued as stock options		-	-	-	-	-	-
Dilutive weighted average number of common shares [(1)]		24,000,877	24,000,877	24,000,877	25,254,834	25,254,834	25,254,834
Fully diluted earnings per share	**$**	**1.36**	**1.70**	**3.06**	**0.45**	**0.28**	**0.73**

[(1)] *For the years ended December 31, 2024 and 2023, the impact of exchangeable interest liability and stock options was excluded from the dilutive weighted average number of common shares calculation because it was anti-dilutive based on the share price prevailing at December 31, 2024 and December 31, 2023, respectively.*

9. SHARE CAPITAL (Continued)

9.3 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. A previous normal course issuer bid for up to 2,481,256 of the Corporation's common shares was in effect from December 1, 2023 to November 30, 2024. During the year ended December 31, 2024, the Corporation purchased 1,700,700 of its common shares (December 31, 2023: 1,191,500) for a total consideration of $16,614 (December 31, 2023: $7,422) from the open market.

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

9.4 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 $16,694 was recognized under the automatic share purchase plan as of December 31, 2024 (December 31, 2023: $2,136), including applicable buyback taxes.

Subsequent to the year end, the Corporation purchased 99,600 of its common shares for a total consideration of $990 under the automatic share purchase plan, through March 11, 2025. Purchases under the normal course issuer bid ceased during the substantial issuer bid (see Note 22). The Corporation purchased 209,800 of its common shares for a total consideration of $1,431 from January 1, 2024 through the end of the blackout period on March 14, 2024, under a previous automatic share purchase plan.

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

10. NON-CONTROLLING INTEREST

The following tables summarize financial information in respect of the non-controlling interest of each Facility. The summarized financial information below represents amounts before intercompany eliminations.

December 31, 2024	**ASH**	**OSH**	**SFSH**	**SCNC**	**MFC Nueterra ASCs**
	$	**$**	**$**	**$**	**$**
Non-controlling interest percentage [1]	**44%**	**35%**	**35%**	**49%**	**10%**
Current assets	13,517	15,498	35,904	3,150	676
Non-current assets	33,185	4,385	60,872	2,561	-
Current liabilities	9,787	6,694	10,991	1,529	76
Non-current liabilities	30,145	5,530	36,239	1,933	-
Equity attributable to owners of the Corporation	3,791	4,978	32,205	1,147	361
Non-controlling interest	2,979	2,681	17,341	1,102	239
Revenue and other income	95,547	79,645	157,826	9,909	559
Operating expenses, before depreciation	67,975	65,130	112,476	7,915	184
Net income attributable to owners of the Corporation	11,056	6,332	25,291	555	177
Net income attributable to non-controlling interest	8,687	3,409	13,618	533	117
Net income	**19,743**	**9,741**	**38,909**	**1,088**	**294**
Distributions to non-controlling interest	7,258	2,694	11,830	302	94
Cash flows from operating activities	19,118	10,585	38,150	1,597	13
Cash flows from investing activities	(1,381)	(104)	(2,131)	(211)	196
Cash flows from financing activities [2]	(17,964)	(10,334)	(34,737)	(1,251)	(123)
Net cash inflow (outflow)	**(227)**	**147**	**1,282**	**135**	**86**

[1] *Non-controlling interest percentages assume exchangeable interest is fully exercised where applicable.*
[2] *Cash flows from financing activities include distributions paid to the Corporation and the holders of the non-controlling interest.*

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

10. NON-CONTROLLING INTEREST (Continued)

December 31, 2023	ASH	OSH	BHSH	SFSH	SCNC	MFC Nueterra ASCs
	$	$	$	$	$	$
Non-controlling interest percentage [(1)]	**44%**	**35%**	**35%**	**35%**	**49%**	**37%**
Current assets	14,213	17,012	20,336	35,608	3,440	1,241
Non-current assets	37,176	5,616	30,421	61,548	3,133	209
Current liabilities	13,479	9,366	9,666	16,711	2,350	674
Non-current liabilities	34,387	7,646	19,873	36,002	2,447	205
Equity attributable to owners of the Corporation	1,973	3,650	13,792	28,888	906	410
Non-controlling interest	1,550	1,966	7,426	15,555	870	161
Revenue and other income	90,983	80,033	106,006	147,183	9,698	11,679
Operating expenses, before depreciation	66,485	71,119	84,841	108,409	8,011	10,401
Net income (loss) attributable to owners of the Corporation	9,372	2,028	11,319	21,336	399	(50)
Net income attributable to non-controlling interest	7,364	1,092	6,095	11,488	383	24
Net income (loss)	**16,736**	**3,120**	**17,414**	**32,824**	**782**	**(26)**
Distributions to non-controlling interest	7,021	2,288	5,724	11,536	687	235
Cash flows from operating activities	19,059	9,526	18,152	34,012	2,051	(420)
Cash flows from investing activities	(1,793)	(425)	(1,417)	(11,344)	(443)	4,649
Cash flows from financing activities [(2)]	(17,716)	(8,200)	(16,678)	(26,865)	(2,136)	(3,909)
Net cash inflow (outflow)	**(450)**	**901**	**57**	**(4,197)**	**(528)**	**320**

(1) *Non-controlling interest percentages assume exchangeable interest is fully exercised where applicable.*
(2) *Cash flows from financing activities include distributions paid to the Corporation and the holders of the non-controlling interest.*

10.1 Significant restrictions

The partnership or operating agreements governing each of the respective Facilities (each, a "Partnership Agreement") in certain circumstances 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's rights in respect of each Facility are limited to representation on the management committee and approval rights over certain fundamental decisions. The Partnership Agreements require that each Facility distribute its available cash to the maximum extent possible, subject to applicable law and compliance with their existing credit facilities, by way of monthly distributions on its partnership interests or other distributions on its securities, after (i) satisfying its debt service obligations under its credit facilities or any other agreements with third parties, (ii) satisfying its other expense obligations, including withholding and other applicable taxes, and (iii) retaining reasonable working capital or other reserves, including amounts on account of capital expenditures and such other amounts as may be considered appropriate by its management committee.

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

11. NET CHANGES IN NON-CASH WORKING CAPITAL

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

	Year Ended December 31,	
	2024	**2023**
	$	**$**
Accounts receivable	5,228	1,029
Supply inventory	(476)	(205)
Prepaid expenses and other receivables	902	2,105
Accounts payable	(495)	(2,483)
Accrued liabilities	5,154	(934)
Government stimulus funds repayable	(11,957)	-
Net changes in non-cash working capital	**(1,644)**	**(488)**

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

12.1 Exchangeable interest liability

Concurrent with the acquisition of its interests in ASH, BHSH, SFSH and OSH, the Corporation entered into exchange agreements with the owners who originally retained a 49% non-controlling interest in these Facilities. Pursuant to the terms of these exchange agreements, the non-controlling interest holders in each of these Facilities received the right to exchange a portion of their interest ("Exchangeable Interest") in their respective Facilities for common shares of the Corporation. Such exchanges may only take place quarterly and are based on the exchange formulae stipulated in the exchange agreements and are subject to certain limitations, including a limitation of exchanging not more than three percent per quarter. The Exchangeable Interest of BHSH's non-controlling interest holders was forfeited upon the sale of BHSH on November 15, 2024 (Note 5).

The number of common shares issuable under the Exchangeable Interest is determined by application of a formula which takes into account the number of partnership units being tendered for exchange and an exchange ratio based upon the distributions to non-controlling interest holders by the Facilities over the prior twelve months. The exchange agreements between the Corporation and the non-controlling interest holders in each of the Facilities contain the details of the exchange rights.

The Corporation accounts for the Exchangeable Interest as a financial liability. Under this method, the Exchangeable Interest is reflected in the consolidated financial statements as follows:

(i) The exchange right is considered to have been fully exchanged at the original dates of acquisition of each of the three Facilities in which Exchangeable Interest is held, resulting in the purchase of a further 14% interest in each such Facility, except for ASH where 5% can be purchased, for an amount (the "imputed purchase price") proportionate to the price paid for the original 51% interest in such Facilities. The imputed purchase price was allocated to the fair value of the assets acquired, including goodwill and other intangibles, consistent with the acquisition of the initial 51% interest.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(ii) The corresponding amount of the imputed purchase price relating to the 14% interest (5% in the case of ASH) is reflected as exchangeable interest liability. The exchangeable interest liability is carried at fair value, as determined at each reporting date by applying the closing common share price on the last trading day of the period, converted into U.S. dollars at the closing exchange rate, to the total number of common shares issuable under the outstanding Exchangeable Interest. Changes in the fair value of the exchangeable interest liability, including their effect on the deferred tax position, are included in net income.

(iii) Amortization of other intangibles and fair market value of property and equipment in excess of underlying carrying values are consistent with the amortization of the assets that arose on acquisition of the initial 51% interest in each Facility.

(iv) The distributions made by each Facility, that relate to the ownership interest therein that is the subject of the outstanding Exchangeable Interest, are treated as interest expense in the Corporation’s consolidated statements of income and comprehensive income.

(v) The calculation of fully diluted earnings per share involves certain modifications, if applicable, to net income as reported and the number of issued and outstanding common shares as set out in Note 9.1.

The number of common shares to be potentially issued for the exchangeable interest liability and the fair value of the exchangeable interest liability as of December 31, 2024 and 2023 are as follows:

	2024	2023
Number of common shares to be potentially issued for exchangeable interest liability	3,621,847	5,913,560
Fair value of the exchangeable interest liability in thousands of U.S. dollars	US$ 39,303	US$ 40,087
Fair value of the exchangeable interest liability in thousands of Canadian dollars	C$ 56,537	C$ 53,104

12.2 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 and corporate credit facility 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.

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

The following table presents the carrying values and classification of the Corporation's financial instruments as of December 31, 2024 and 2023:

	December 31, 2024 $	December 31, 2023 $
Financial assets		
Amortized cost		
Cash and cash equivalents	108,496	24,113
Accounts receivable	45,468	61,766
Financial liabilities		
Fair value through profit or loss		
Exchangeable interest liability	39,303	40,087
Amortized cost		
Dividends payable	1,441	1,503
Accounts payable	16,940	23,152
Accrued liabilities	20,809	20,694
Obligation for purchase of common shares	16,694	2,136
Corporate credit facility	-	16,000
Long-term debt	34,223	53,099

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 December 31, 2024 and 2023. They do not include fair value information for financial instruments which are short-term in nature.

	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**

	December 31, 2023			
	Level 1 $	Level 2 $	Level 3 $	Total $
Financial liabilities				
Exchangeable interest liability	-	40,087	-	40,087
Corporate credit facility	-	16,000	-	16,000
Long-term debt	-	53,099	-	53,099
Total	**-**	**109,186**	**-**	**109,186**

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

12.3 Measurement of fair values

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

Financial Instrument	Valuation Technique
Exchangeable interest liability	*Market comparison technique:* 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.
Corporate credit facility	*Market comparison technique:* Interest rates are based on the lending agreement with a Canadian chartered bank for the corporate credit facility, and they are SOFR rates adjusted for the Corporation's risk rating, secured assets and other terms of agreement. The liability is valued based on debt principals.
Long-term debt	*Market comparison technique:* Interest rates are based on the lending agreements with various banks and creditors of long-term debt, and they are Prime, BSBY, or 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.

12.4 Financial risk management

In the normal course of its operations, the Corporation faces a number of risks that might have an impact on results of its operations and values of the financial instruments presented in the consolidated financial statements. Financial risks are outlined below as well as policies and procedures established by the Corporation for monitoring and controlling these risks.

12.4.1 Foreign exchange risk

Dividends to common shareholders of the Corporation, exchangeable interest liability, and a portion of the Corporation's expenses are settled in Canadian dollars while all of its revenues are in U.S. dollars. To mitigate this risk, from time to time, the Corporation may enter into foreign exchange forward contracts to economically hedge its exposure to the fluctuation of the exchange rate between U.S. and Canadian dollars. The Corporation has a foreign exchange hedging policy in place and the execution of this policy is monitored by the Audit Committee of the Board of Directors. As of December 31, 2024 and 2023, no foreign exchange forward contracts existed.

The values of Canadian dollar cash and cash equivalents, interest paid and received, and exchangeable interest liability, as reported in the Corporation's consolidated financial statements, are dependent on the movement of the exchange rate between U.S. and Canadian dollars. A 1% change in the value of the Canadian dollar against the U.S. dollar would have had the following impact on net income and equity for the years reported:

Exchange rate change	2024 $	2023 $
1% strengthening of the Canadian dollar	(475)	(476)
1% weakening of the Canadian dollar	475	476

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

12.4.2 Credit risk

Cash and cash equivalents, which include unrestricted cash and liquid investments (with a maturity of three months or less from the purchase date), are held with highly-rated and reputable financial institutions in the U.S. and Canada, with minimal credit risk.

The Facilities receive payment for services rendered from U.S. federal and state agencies, private insurance carriers, employers, managed care programs and individual patients. As such, the Corporation's accounts receivable principally fall into five categories:

(i) governmental payors,

(ii) health and workers' compensation insurance companies,

(iii) recoveries from other responsible third parties such as automobile and general liability insurance,

(iv) recoveries for revision surgery from manufacturers of surgical devices subsequently found ineffective or defective, and

(v) co-pay and deductibles due from patients.

Revenue and accounts receivable from health insurance companies are further segregated between those that are independent members of the Blue Cross and Blue Shield System, workers' compensation lines and all others.

The majority of the Corporation's accounts receivable balance is from governmental payors and health insurance companies. Health insurance companies are regulated by State Insurance Departments in the U.S. and are assessed as having a low risk of default, consistent with the Facilities' history with these payors.

The table below summarizes the percentages of facility service revenue generated from, and accounts receivable balances with, each primary third-party payor group in 2024 and 2023:

	2024		2023	
	Facility Service Revenue by Payor	Accounts Receivable at December 31 by Payor	Facility Service Revenue by Payor	Accounts Receivable at December 31 by Payor
	%	%	%	%
Medicare and Medicaid – category (i)	40.1	24.7	39.9	21.6
Blue Cross and Blue Shield – category (ii)	29.1	28.1	28.6	28.5
Workers' compensation – category (ii)	5.7	10.3	6.3	11.2
Other private insurance – category (iii)	19.9	25.6	19.8	27.2
Other insurance and self-pay – categories (iv) and (v)	5.2	11.3	5.4	11.5
	100.0	**100.0**	**100.0**	**100.0**

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Recoverability of amounts due in respect of categories (iii) and (iv) above often involves insurance litigation and is difficult to determine, in which case the full amounts due may be reserved. A very small portion of the facility service revenue is received directly from patients (including those with no insurance and those paying deductibles or co-payments). Recoverability of amounts receivable directly from patients is assessed based on historical experience and amounts considered impaired are provided for in the allowance for non-collectible receivable.

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. Monthly, actual bad debts for a trailing period are compared with the Corporation's allowance to support the accuracy of the estimate of recoverability. Considerations related to historical experience are also factored into the valuation of the current period accounts receivable.

The table below summarizes the aging of the Corporation's accounts receivable and related allowance for non-collectible receivable balances as of December 31, 2024 and 2023:

Accounts receivable	**2024** **$**	**2023** **$**
Neither past due nor impaired	37,169	49,237
Past due 61-90 days	3,244	3,856
Past due 91-120 days	1,848	2,349
Past due 121-150 days	1,178	2,320
Past due more than 151 days	7,453	9,577
Allowance for non-collectible receivable balances	(5,424)	(5,573)
Net accounts receivable	**45,468**	**61,766**

The movement in allowance for non-collectible receivable balances for the years ended December 31, 2024 and 2023 was as follows:

Allowance for non-collectible receivable balances	**2024** **$**	**2023** **$**
Balance at January 1	5,573	7,268
Provision for receivables during the year	3,707	3,082
Receivables written-off during the year	(3,253)	(4,589)
Sale of BHSH	(603)	-
Divestiture of MFC Nueterra ASCs	-	(188)
Balance at December 31	**5,424**	**5,573**

A significant portion of the accounts receivable older than 151 days relates to auto insurance cases that have historically favourable reimbursement rates but may be subject to variations in the timing of collections and may involve insurance litigation.

Management believes that the unimpaired amounts that are past due by more than 60 days are still collectible, in full, based on the historical payment behaviour and extensive analysis of customer credit risk, including underlying customers' credit ratings, if they are available.

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

12.4.3 Interest rate risk

The Corporation and the individual Facilities enter into certain long-term credit facility agreements that expose them to the risk of interest rate fluctuations. The Corporation uses floating rate debt facilities for operating lines of credit that fund short-term working capital needs and uses fixed rate debt facilities to fund investments and capital expenditures.

The interest rate profile of the Corporation's interest-bearing financial liabilities as of December 31, 2024 and 2023 was:

	2024 $	2023 $
Credit facilities with fixed interest rates	65,633	88,704
Credit facilities with variable interest rates	8,304	28,105
Total	**73,937**	**116,809**

A change of 100 basis points in the interest rates in the reporting period would have led to an increase or a decrease in interest expense of $182 (2023: $342) on credit facilities with variable interest rates.

12.4.4 Price risk

The Corporation's exchangeable interest liability is measured based on quoted market prices in active markets and, therefore, the Corporation is exposed to variability in net income as prices change. Price risk includes the impact of foreign exchange because common shares are quoted in Canadian dollars.

12.4.5 Liquidity risk

The mandatory repayments under the credit facilities, notes payable, and other contractual obligations and commitments including expected interest payments, on a non-discounted basis, as of as of December 31, 2024 and 2023, are as follows:

		Future payments (including principal and interest)				
Contractual obligations	**Carrying values at December 31, 2024 $**	**Total $**	**Less than 1 year $**	**2-3 years $**	**4-5 years $**	**After 5 years $**
Dividends payable	1,441	1,441	1,441	-	-	-
Accounts payable	16,940	16,940	16,940	-	-	-
Accrued liabilities	20,809	20,809	20,809	-	-	-
Obligation for purchase of common shares	16,694	16,694	16,694	-	-	-
Revolving credit facilities	8,304	8,624	7,237	1,387	-	-
Notes payable	25,919	29,446	4,613	6,666	18,167	-
Lease liabilities	39,714	45,840	10,816	16,631	12,486	5,907
Total contractual obligations	**129,821**	**139,794**	**78,550**	**24,684**	**30,653**	**5,907**

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Contractual obligations	Carrying values at December 31, 2023 $	Future payments (including principal and interest) Total $	Less than 1 year $	2-3 years $	4-5 years $	After 5 years $
Dividends payable	1,503	1,503	1,503	-	-	-
Accounts payable	23,152	23,152	23,152	-	-	-
Accrued liabilities	20,694	20,694	20,694	-	-	-
Obligation for purchase of common shares	2,136	2,136	2,136	-	-	-
Government stimulus funds repayable	11,957	11,957	11,957	-	-	-
Corporate credit facility	16,000	17,790	1,075	16,715	-	-
Revolving credit facilities	12,105	12,732	9,625	3,107	-	-
Notes payable	40,994	46,098	6,625	17,847	21,546	80
Lease liabilities	47,710	56,021	11,400	17,693	14,970	11,958
Total contractual obligations	**176,251**	**192,083**	**88,167**	**55,362**	**36,516**	**12,038**

The $50,000 corporate credit facility, which matures on August 31, 2025, had all $50,000 undrawn as of December 31, 2024.

13. CAPITAL

The Corporation's objective when managing capital is to (i) safeguard the Corporation's ability to continue as a going concern, (ii) ensure sufficient liquidity to fund current operations and its growth strategy, and (iii) maximize the return to common shareholders.

The capital of the Corporation is defined to include common shares issued and outstanding (Note 9.1).

The Corporation manages its liquidity and capital structure by monitoring its cash and cash equivalents, current indebtedness, and future financing and funding needs.

In addition, the Corporation regularly monitors current and forecasted debt levels and key ratios to ensure compliance with debt covenants. During the years ended and as of December 31, 2024 and 2023, the Corporation and Facilities were in compliance with their covenants. The Corporation's long-term debt and revolving lines of credit require the maintenance of various financial ratios. Under the terms of the line of credit, the Corporation must meet two pro forma financial ratios at the time of incurring new debt.

In order to maintain or adjust the capital structure, the Corporation may enter into or repay credit facilities, adjust the amount of dividends paid to common shareholders, repurchase its publicly traded securities or issue new shares or convertible debt. During the year ended December 31, 2024, the Corporation returned capital to shareholders through the repurchase and cancellation of 1,700,700 of its common shares (December 31, 2023: 1,191,500) for $16,614 (December 31, 2023: $7,422) under the terms of normal course issuer bids (Note 9.3).

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

14. EMPLOYEE FUTURE BENEFITS

The Corporation's benefit programs include qualified 401(k) retirement plans which cover all employees who meet eligibility requirements. Each participating entity makes matching contributions subject to certain limits. In 2024, contributions made by the Corporation and the Facilities to such plans were $2,764 (2023: $2,624).

15. 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.

Under the terms of the CARES Act, $6,594 of PPP government stimulus income recognized, which represented MFC's share, was excluded from taxable income for the year ended December 31, 2024.

Under the *Tax Cuts and Jobs Act of 2017*, capital outlays are no longer eligible for 100% bonus depreciation. Beginning in 2023, bonus is limited to 80%, after which eligibility will be further reduced to 60% in 2024, 40% in 2025, 20% in 2026, and 0% in 2027.

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:

	Year Ended December 31,	
Provision for income taxes	**2024 $**	**2023 $**
Current	4,365	2,024
Deferred	(10,050)	4,040
Total income tax expense (recovery) from continuing operations	**(5,685)**	**6,064**

The following table reconciles income taxes, calculated at the U.S. combined federal and state tax rate and the Canadian combined federal and provincial income tax rate, to the income tax expense reported in the consolidated statements of income and comprehensive income:

	Year Ended December 31,			
	2024		**2023**	
	$	**%**	**$**	**%**
Net income for the year from continuing operations attributable to the owners of the Corporation	32,568		11,322	
Income tax expense (recovery) from continuing operations	(5,685)		6,064	
Income before income taxes	26,883	100.0	17,386	100.0
Income taxes at the statutory rate in Canada	7,124	26.5	4,607	26.5
Effect of:				
Differences between statutory tax rates in Canada and U.S.	(1,236)	(4.6)	(422)	(2.4)
Change in recognition of unrecorded capital loss carryforwards	(4,992)	(18.6)	586	3.4
Deferred tax impact of the sale of BHSH	(5,675)	(21.1)	-	-
Change in effective tax rate	(1,686)	(6.3)	-	-
Other including non-taxable and non-deductible amounts	458	1.7	635	3.6
Change in value of exchangeable interest liability	322	1.2	658	3.8
Income tax expense (recovery) from continuing operations	**(5,685)**	**(21.2)**	**6,064**	**34.9**

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

15. INCOME TAXES (Continued)

The components of deferred income tax balances as of December 31, 2024 and 2023 are as follows:

	2024 $	2023 $
Deferred income tax assets		
Allowance for non-collectible receivable balances	950	1,169
Accrued liabilities	1,515	1,878
Goodwill and other intangibles	2,042	4,708
Net operating losses and deductions carryforwards	-	12
Total deferred income tax assets	**4,507**	**7,767**
Deferred income tax liabilities		
Property and equipment	(1,305)	(4,116)
Prepaid expenses and other receivables	(173)	(219)
Goodwill and other intangibles	(16,978)	(21,740)
Cumulative change in the value of exchangeable interest liability	(1,874)	(1,856)
Total deferred income tax liabilities	**(20,330)**	**(27,931)**
Net deferred income tax liabilities	**(15,823)**	**(20,164)**

At December 31, 2023, the Corporation had unrecorded capital loss carryforwards totaling $40,225. During the year ended December 31, 2024, $22,689 of these carryforwards were utilized against the gain from the sale of BHSH. The remaining unrecorded capital loss carryforwards at December 31, 2024 of $17,536 are set to expire from 2025 to 2028, and can only be utilized to the extent that capital gains exceed the original tax cost of the initial investment amount.

16. INTEREST EXPENSE, NET OF INTEREST INCOME

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

	Year Ended December 31, 2024 $	2023 $
Interest expense at the Facility level	1,722	1,704
Interest expense at the corporate level	501	1,862
Interest expense on lease liabilities	2,218	2,442
Corporate credit facility stand-by fees	244	346
Interest income at the Facility level	(264)	(217)
Interest income at the corporate level	(819)	(500)
Interest expense, net of interest income, from continuing operations	**3,602**	**5,637**

17. RELATED PARTY TRANSACTIONS

17.1 Related party transactions

A member of the Corporation's Board of Directors 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 year ended December 31, 2024 of $4,501 (December 31, 2023: $4,501).

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

17. RELATED PARTY TRANSACTIONS (Continued)

Certain executive officers and a director of the Corporation were awarded transaction fees of $2,210 during the year ended December 31, 2024, included in the calculation of the gain on sale of BHSH (see Note 5.1).

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.

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.

The following is a summary of transactions at each Facility with their respective related parties during the years ended December 31, 2024 and 2023:

		Year Ended December 31,	
Subsidiary	**Nature of services or goods received**	**2024 $**	**2023 $**
ASH	Lease of hospital building and office space, and physician clinic services.	2,762	4,451
OSH	Lease of hospital building and office space.	2,544	2,544
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.	12,734	12,576
MFC Nueterra ASCs	Provision of management services, and lease of ASC building.	-	810
Total		**18,040**	**20,381**

17.2 Key management and governance compensation

Key management and governance personnel are comprised of executive officers and the directors of the Corporation. Key management and governance compensation for the years ended December 31, 2024 and 2023 was as follows:

	2024 $	**2023 $**
Salaries and other employee benefits for executive officers	3,686	3,065
Director compensation	835	794
Total key management and governance compensation	**4,521**	**3,859**

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

17. RELATED PARTY TRANSACTIONS (Continued)

Salaries and other employee benefits for executive officers include payments to executive officers for their base salaries, the Corporation’s portion of social security and Medicare taxes, medical insurance and short-term and long-term disability benefit payments, separation payments, 401(k) matching contributions, payments under the Corporation’s short-term incentive plan, and share-based compensation relating to stock options, deferred share units, restricted share units and performance share units. Director compensation consists of board, committee and travel retainers.

17.3 Other transactions

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, a physician with a non-controlling interest in SFSH is its Chief Executive Officer and the Chief Medical Officer of the Corporation.

18. LEASES

The Corporation leases some hospital and office premises, as well as medical and office equipment. These leases are negotiated and entered into locally at each of the Facilities, as well as at the corporate level.

18.1 Right-of-use assets

Right-of-use assets [1]	Note	Premises $	Medical Equipment $	Office Equipment $	Total $
Balance at January 1, 2023		42,343	7,313	908	50,564
New lease agreements		-	3,680	724	4,404
Termination of lease agreements		-	(278)	-	(278)
Depreciation of right-of-use assets		(7,905)	(2,392)	(404)	(10,701)
Divestiture of MFC Nueterra ASCs	1	(3,310)	(113)	-	(3,423)
Balance at December 31, 2023		31,128	8,210	1,228	40,566
New lease agreements		3,757	2,176	-	5,933
Termination of lease agreements		(358)	-	(106)	(464)
Depreciation of right-of-use assets		(7,024)	(2,821)	(404)	(10,249)
Sale of BHSH	5.1	(581)	(2,723)	-	(3,304)
Balance at December 31, 2024		**26,922**	**4,842**	**718**	**32,482**

[1] See Note 8 for information on lease liabilities.

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

18. LEASES (Continued)

18.2 Amounts from continuing operations recognized in the consolidated statements of income and comprehensive income

	Year Ended December 31, 2024 $	Year Ended December 31, 2023 $
Interest expense on lease liabilities	2,218	2,442
Expenses relating to short-term leases	213	706
Expenses relating to leases of low-value assets, excluding short-term leases	7	45

18.3 Amounts recognized in the consolidated statements of cash flows

	Year Ended December 31, 2024 $	Year Ended December 31, 2023 $
Payment of lease liabilities	(12,380)	(12,751)

18.4 Extension options

Some premises and equipment leases contain extension options exercisable by the Corporation before the end of the non-cancellable contract period. When practicable, the Corporation seeks to include extension options in new leases to provide operational flexibility. The Corporation assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Corporation reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

19. COMMITMENTS AND CONTINGENCIES

19.1 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.

19.2 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.

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

20. SHARE-BASED COMPENSATION

20.1 Stock options

The following table summarizes the number of outstanding stock options as of December 31, 2024:

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 December 31, 2024, all of the Options are vested.

The movement in the outstanding number of stock options for the years ended December 31, 2024 and 2023 was as follows:

Number of outstanding options	2024	2023
Balance at January 1	744,906	1,094,906
Options exercised during the year	(300,000)	-
Options forfeited during the year	-	(350,000)
Balance at December 31	**444,906**	**744,906**

On November 21, 2024, 300,000 Options relating to the Chief Financial Officer, with an exercise price of C$12.79, which fully vested on June 24, 2024, were exercised and cash-settled at a five-day weighted average price of C$15.98, amounting to $685. In connection with this, the Corporation recorded an expense of $413 under salaries and benefits, and reversed $272 of equity previously recorded under contributed surplus.

During the year ended December 31, 2024, the Corporation also recognized an additional expense of $26 relating to the Options (December 31, 2023: a net gain of $476) 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.

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

20. SHARE-BASED COMPENSATION (Continued)

20.2 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, replaced by a restricted share unit ("RSU") component, after which no additional DSUs are to be issued. The outstanding DSUs accrue dividends, vested immediately upon issue, and can be redeemed only 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 year ended December 31, 2024, director compensation included DSU grants of $201 (December 31, 2023: $619), while the change in market value of outstanding DSUs for the same period was an expense of $1,635 (December 31, 2023: income of $186). As of December 31, 2024, accrued liabilities in the consolidated balance sheet included a liability for DSUs of $4,199 (December 31, 2023: $2,363).

The following table summarizes changes in the number of DSUs for the years ended December 31:

	2024	2023
Opening balance of DSUs at January 1	351,882	243,770
DSUs granted on director fees	23,974	97,183
DSUs granted on dividend reinvestment	11,104	10,929
Total number of DSUs at December 31	**386,960**	**351,882**

20.3 Restricted share units

Compensation for directors now 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 year ended December 31, 2024, operating expenses included an RSU expense of $180 (December 31, 2023: $nil). As of December 31, 2024, accrued liabilities in the consolidated balance sheet included a liability for RSUs of $180 (December 31, 2023: $nil).

The following table summarizes changes in the number of RSUs for the years ended December 31:

	2024	2023
Opening balance of RSUs at January 1	-	-
RSUs granted	28,199	-
Total number of RSUs at December 31	**28,199**	**-**

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

20. SHARE-BASED COMPENSATION (Continued)

20.4 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"). Starting with the 2020 annual grant, awards under the PSU Plan are granted in the form of Executive DSUs until PSU Plan participants' minimum share ownership requirements have been met. PSU Plan participants can elect to receive PSUs once they have achieved their minimum share ownership requirements.

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.

20.4.1 Share units

To date, 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. The value of the expense and liability associated with the SUs is determined based on the Corporation's share price at the end of each reporting period. For the year ended December 31, 2024, operating expenses included an SU expense of $1,307 (December 31, 2023: $384). As of December 31, 2024, accrued liabilities in the consolidated balance sheet included a liability for SUs of $2,313 (December 31, 2023: $1,006).

The following table summarizes changes in the number of SUs for the years ended December 31:

	2024	**2023**
Opening balance of SUs at January 1	201,533	261,134
SUs granted	81,106	78,978
SUs granted on dividend reinvestment	7,833	9,715
SUs vested and settled	-	(96,760)
SUs forfeited	-	(51,534)
Total number of SUs at December 31	**290,472**	**201,533**

21. MATERIAL ACCOUNTING POLICIES

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

21.1 Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

21. MATERIAL ACCOUNTING POLICIES (Continued)

21.2 Functional presentation currency

The Corporation translates monetary assets and liabilities denominated in Canadian dollars, principally its exchangeable interest liability and certain of its cash balances, which are all denominated in Canadian dollars, at exchange rates in effect at the reporting date. Non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations were incurred. Revenue and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses, including translation adjustments, are included in the determination of net income and comprehensive income.

21.3 Basis of consolidation

Subsidiaries are entities controlled by the Corporation. Control exists when the Corporation (a) has the power over the entity, (b) is exposed, or has rights, to variable returns from its involvement with the entity, and (c) has the ability to use its power to affect its returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences, until the date that control ceases. Non-controlling interest represents the portion of a subsidiary's net earnings and net assets that are attributable to shares of such subsidiary not held by the Corporation.

The non-controlling interest in the equity of the Corporation's subsidiaries is included as a separate component of equity.

All intercompany balances and transactions have been eliminated in preparing these consolidated financial statements. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Corporation.

21.4 Segment information

The operations and productive capacity of the Facilities revolve around the provision of surgical procedures. Each Facility is organized as an individual entity and separate financial statements are prepared for each entity. The chief operating decision makers of the Corporation, being the Chief Executive Officer and the Chief Financial Officer, regularly review performance of each individual Facility to make decisions about resources to be allocated to each Facility and assess their performance. Therefore, each Facility represents a separate operating segment.

Management of the Corporation has concluded that the operating segments of the Corporation meet the criteria for aggregation pursuant to IFRS 8, *Operating Segments* and, therefore, discloses a single reportable segment. In forming its conclusion about the aggregation of the Facilities, management of the Corporation evaluated the long-term economic characteristics of each Facility, the comparative nature of the Facilities' operations, and the level of regulation of each Facility.

21. MATERIAL ACCOUNTING POLICIES (Continued)

The services delivered by each Facility and the patients who use those services are similar. The vast majority of patients are insured through private insurance or U.S. government insurance programs (i.e., Medicaid or Medicare), which allows for a wide group of patients electing to have their procedures performed at one of the Facilities. The Facilities principally provide surgical facilities, support staff and pre- and post-surgical care related to surgeries. Finally, the Facilities have similar economic characteristics, which management defines as comparable long-term operating margins, recognizing differences between the Facilities in payor mix, surgical specialties and local healthcare markets.

21.5 Discontinued operations

A discontinued operation is a component of the Corporation's business which can be clearly distinguished from the rest of the Corporation, both operationally and for financial reporting purposes. Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative consolidated statement of income and comprehensive income is re-presented as if the operation has been discontinued from the start of the comparative year. Discontinued operations are excluded from the results of continuing operations and are presented as a single net of tax amount as net income from discontinued operations in the consolidated statements of net income and comprehensive income.

21.6 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and all liquid investments purchased with a maturity of three months or less from the purchase date and which can be redeemed by the Corporation.

21.7 Accounts receivable

Accounts receivable are recorded at the time services are rendered at the amounts estimated to be recoverable from third-party payors and patients, by applying the following policies:

(i) As described in Note 21.19, amounts billed are reduced by adjustments for explicit and implicit price concessions.

(ii) An allowance for non-collectible receivable balances is recognized at a level management believes is adequate to absorb probable losses. Management determines the adequacy of the allowance based on historical data, current economic conditions, and other pertinent factors for the respective Facility. Patient receivables are written off as non-collectible when all reasonable collection efforts have been exhausted.

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

21. MATERIAL ACCOUNTING POLICIES (Continued)

Payments from third-party payors are generally received within 60 days of the billing date. However, accounts involving non-contracted payment sources, such as auto and general liability insurance, are subject to recovery efforts, including rebilling and insurance litigation, until they are collected or considered not collectible. Residual amounts due from patients, such as co-payments and deductibles, are considered past due 30 days after receiving payment from third-party payors.

21.8 Supply inventory

Supply inventory consists of medical supplies, including implants and pharmaceuticals. It is stated at the lower of cost or net realizable value, using the first-in, first-out valuation method.

21.9 Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets. Land is not depreciated. The estimated useful lives of property and equipment are as follows:

Building and improvements	3-40 years
Equipment and furniture	3-20 years

Depreciation methods, useful lives and residual values are reviewed on an annual basis.

21.10 Right-of-use assets

Depreciation of right-of-use assets is computed using the straight-line method over the shorter of the lease term and their useful lives unless it is reasonably certain that the Facilities will obtain ownership by the end of the lease term.

21.11 Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of cost over the fair value of identifiable net assets acquired. For business acquisitions occurring after the date of transition to IFRS Accounting Standards (January 1, 2010), goodwill is also recognized on non-controlling interest based on elections made independently for each acquisition. Goodwill is stated at cost less accumulated impairment losses. Goodwill is not amortized but is reviewed at least annually for impairment and when events or changes in circumstances indicate that the carrying amount may not be recoverable.

21. MATERIAL ACCOUNTING POLICIES (Continued)

21.12 Other intangibles

Other intangibles are recognized only when it is probable that the expected future economic benefits attributable to the assets will be realized by the Corporation and the cost can be reliably measured. Other intangibles represent the value of the hospital operating licenses, non-compete agreements, medical charts and records, care networks and trade names. Other intangibles are stated at cost less accumulated amortization and accumulated impairment losses, when applicable.

Upon recognition of an intangible asset, the Corporation determines if the asset has a definite or indefinite life. In making the determination, the Corporation considers the expected use, expiry of agreements, nature of assets, and whether the value of the assets decreases over time.

Amortization is recognized on a straight-line basis over the estimated useful lives of other intangibles from the date they are available for use. The estimated useful lives of other intangibles are as follows:

Hospital operating licenses	5 years - indefinite life
Non-compete agreements	3-5 years
Medical charts and records	5-7 years
Care networks	9-15 years
Trade names	20 years - indefinite life

Trade names represent the value assigned to the reputation of the hospitals and their standing in the business and local community which allow them to earn higher than average returns.

21.13 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.

For the purposes of assessing impairment, assets are grouped at the CGU level, which is the lowest level for which there are separately identifiable cash flows. Management considers each Facility as a CGU.

21. MATERIAL ACCOUNTING POLICIES (Continued)

An impairment loss is recognized for the amount by which the CGU's carrying amount exceeds its recoverable amount. The recoverable amount of a CGU is the higher of its VIU and FVLCD. The two approaches are described below:

1) VIU approach – The estimated future cash flows are 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 TTM EBITDA is multiplied by a market multiple relevant to the CGU.

An impairment loss is recognized in net income and comprehensive income. It is allocated first to reduce the carrying amount of any goodwill allocated to the respective CGU, and then to reduce the carrying amount of the other assets of the respective CGU on a pro-rata basis.

21.14 Financial assets and liabilities

The Corporation initially recognizes financial assets on the date that they originate or on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument. The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Corporation assesses financial assets for impairment at each reporting date.

Financial liabilities are classified as measured at amortized cost or fair value through profit or loss ("FVTPL"). A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Other financial liabilities are measured at amortized cost using the effective interest rate method.

21.14.1 Financial assets measured at amortized cost

The Corporation considers evidence of impairment for financial assets measured at amortized cost on both an individual and collective basis. In assessing impairment, the Corporation uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that actual losses are likely to be greater or lesser than suggested by historical trends.

The Corporation applies expected credit loss ("ECL") models to the assessment of impairment on accounts receivables, and other financial assets of the Corporation. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which is determined on a probability-weighted basis. The impairment model is applied, at each reporting date, to financial assets measured at amortized cost or those measured at fair value through other comprehensive income, except for investments in equity instruments.

21. MATERIAL ACCOUNTING POLICIES (Continued)

The Corporation adopts the practical expedient to determine ECL on accounts receivables using a provision matrix based on historical credit loss experiences to estimate lifetime ECL. The ECL model requires judgment, assumptions and estimations on changes in credit risks, forecasts of future economic conditions and historical information on the credit quality of the financial asset.

Impairment losses are presented under finance costs in the consolidated statements of income and comprehensive income with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts. In periods subsequent to the impairment where the impairment loss has decreased, and such a decrease can be related objectively to conditions and changes in factors occurring after the impairment was initially recognized, the previously recognized impairment loss is reversed through the consolidated statements of income and comprehensive income. The impairment reversal is limited to the lesser of the decrease in impairment or the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized, after the reversal.

21.15 Measurements of fair value

A number of the Corporation's accounting policies and disclosures require the measurement of fair value for both financial and non-financial assets and liabilities.

Management of the Corporation regularly reviews significant unobservable inputs and valuation adjustments. If third-party information, such as broker quotes or pricing services, is used to measure fair values, then management assesses the evidence obtained from these sources to support the conclusion that such valuations meet the requirements of IFRS Accounting Standards, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Corporation uses observable market data to the extent possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

- Level 1 – unadjusted quoted prices available in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

21. MATERIAL ACCOUNTING POLICIES (Continued)

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Corporation recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The following accounting policies apply to the subsequent measurement of relevant financial assets and liabilities:

(i) Financial assets and liabilities at FVTPL – These assets and liabilities are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in net income and comprehensive income.

(ii) Financial assets and liabilities at amortized cost – These assets and liabilities are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, impairment, and any gain or loss on derecognition are recognized in net income and comprehensive income.

21.16 Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the estimated expenditures required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted to their present values where the time value of money is material. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

21.17 Exchangeable interest liability

Exchangeable interest liability represents an estimated liability for the remaining portion of the interest in the Facilities held by the non-controlling interest which can be exchanged, subject to certain restrictions, for common shares of the Corporation. The exchangeable interest liability is measured at fair value. The fair value is measured at the end of each reporting period taking into account (i) the calculated amount of common shares potentially issuable for the remaining portion of the exchangeable interest in the Facilities held by the non-controlling interest, (ii) the market value of common shares, and (iii) the exchange rate between Canadian and U.S. dollars at the end of the reporting period. The change in value of the exchangeable interest liability is included in net income and comprehensive income for the respective periods.

21. MATERIAL ACCOUNTING POLICIES (Continued)

21.18 Leases

At the inception of a contract, the Corporation assesses whether a contract is or contains a lease. A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for considerations.

The Facilities' lease assets include premises, medical equipment and office equipment. The Corporation recognizes right-of-use assets and lease liabilities for most leases, except for those leases that are of low value or short term (such as certain office equipment). The Corporation recognizes the payments associated with these leases as an expense on a straight-line basis over the lease term.

The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Corporation by the end of the lease term or the cost of the right-of-use asset reflects that the Corporation will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the incremental borrowing rate. The Corporation determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the consolidated statement of income and comprehensive income if the carrying amount of the right-of-use asset has been reduced to zero.

21. MATERIAL ACCOUNTING POLICIES (Continued)

The Corporation has applied judgment to determine the lease term for some lease contracts that include renewal options. The assessment of whether the Corporation is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

21.19 Facility service revenue

Healthcare services promised in the contract with a patient represent a bundle of goods and services that are distinct and accounted for as a single performance obligation. The Facilities use a portfolio approach to account for categories of patient contracts as a collective group rather than recognizing revenue on an individual contract basis. The portfolio consists of major payor classes for inpatient revenue and outpatient revenue.

The performance obligation is measured from admission of the patient into the Facilities to the point when the services are no longer required to be provided to that patient, which is generally the time of discharge. Revenue for performance obligations satisfied at a point in time, which generally relates to patients receiving services, is recognized when goods or services are provided and the Facilities do not believe it is required to provide additional goods or services.

The Facilities determine the transaction price based on standard charges for goods and services provided, reduced by explicit price concessions (contractual adjustments provided to third-party payors) and implicit price concessions (discounts provided to uninsured and underinsured patients in accordance with the Facility's policy). Services to the beneficiaries of government payor programs (Medicare, Medicaid, other governmental insurance programs and independent members of the Blue Cross and Blue Shield System) are reimbursed primarily based on the established amounts, service codes and fees schedules subject to certain limitations. Services to beneficiaries of private insurance companies are reimbursed based on the discounts from the rate established at the Facilities in accordance with the contracts with such companies. The Facilities determine estimates of explicit price concessions based on contractual agreements, discount policies and historical experience. The Facilities determine their estimate of implicit price concession based on historical collection experience.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretations. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties and potential exclusions from the related programs. There can be no assurance that regulatory authorities will not challenge the Facilities' compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims and penalties would have on the Facilities.

21. MATERIAL ACCOUNTING POLICIES (Continued)

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment arrangement with the payor, correspondence from the payor, and the Facilities' historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of the cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustments is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known or as years are settled or are no longer subject to such audits, reviews, and investigations.

21.20 Government stimulus

The Facilities may receive financial grants from the government in return for past or future compliance with certain conditions relating to their operating activities. These financial grants are recorded as government stimulus income by the Corporation when there is reasonable assurance that the Facilities will comply with the relevant conditions and the financial grant is received. If subsequently, there is no longer reasonable assurance that the conditions of the government grant would be met, the repayable will be accounted for prospectively, as a change in estimate, and recognized as a liability under government stimulus funds repayable.

Grants are recognized in the same period as the expenses that they are intended to compensate. The Corporation recognizes government stimulus income received by the Facilities as other income in the consolidated statements of income and comprehensive income.

21.21 Income taxes

Income tax expense (recovery) consists of current and deferred taxes. Income tax expense (recovery) is recognized in the consolidated statements of income and comprehensive income except to the extent that it relates to a business combination or items recognized directly in equity, in which case it is recognized in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for reporting period, using tax rates enacted or substantively enacted on the reporting date, and any adjustment to tax payable in respect of previous years.

The Corporation calculates deferred income taxes using the asset and liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted at the end of the reporting period. The effect on tax assets and liabilities of a change in tax rates is recognized in net income and comprehensive income in the period that includes the date of enactment or substantive enactment.

21. MATERIAL ACCOUNTING POLICIES (Continued)

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax liabilities are always recognized in full. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Corporation intends to settle its current tax assets and liabilities on a net basis. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of temporary differences is controlled by the Corporation and it is probable that the temporary differences will not reverse in the foreseeable future.

21.22 Share-based payments

The Corporation has an equity settled stock option plan under which it receives services from key executives as consideration for the Options of the Corporation. The fair value of the services received in exchange for the grants of the Options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the Options granted.

Non-market vesting conditions are included in assumptions about the number of Options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. When the Options are exercised, the Corporation issues new common shares. The proceeds received, together with the amount recorded in contributed surplus, are credited to share capital when the Options are exercised. If the Options are cash-settled, when exercised, the amount recorded in contributed surplus is reversed, and the settlement amount paid in excess of this is debited to salaries and benefits expense.

The dilutive effect of outstanding Options is reflected as additional share dilution in the computation of fully diluted earnings per share.

21.23 Significant accounting judgments and estimates

The Corporation estimates certain amounts reflected in its consolidated 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.

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.

21. MATERIAL ACCOUNTING POLICIES (Continued)

21.23.1 Facility service revenue

Significant management judgment is involved in application of 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.

21.23.2 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.

21.23.3 Impairment of non-financial assets

In determining the recoverable amount of a CGU, various estimates are employed. The Corporation determines FVLCD by using estimates such as market multiple relevant to the CGU. The Corporation determines VIU by using estimates such as future cash flows and post-tax discount rates.

Management is required to use judgment in determining the grouping of assets to identify their CGUs for the purposes of testing fixed assets 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.

21.23.4 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.

21. MATERIAL ACCOUNTING POLICIES (Continued)

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 carry forwards, 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.

21.24 New and revised IFRS Accounting Standards not yet adopted

As of the reporting date of these consolidated financial statements, the Corporation has not adopted the following new and revised IFRS Accounting Standards that have been issued but are not yet effective:

21.24.1 Amendments to IAS 21, *The Effects of Changes in Foreign Exchange Rates* ("IAS 21")

The amendments to IAS 21 specify that the assessment of whether a currency is exchangeable into another currency depends on an entity's ability to obtain the other currency and not on its intention or decision to do so. When a currency is not exchangeable into another currency at a measurement date, an entity is required to estimate the spot exchange rate at that date. The entity is required to disclose information that enables users of its financial statements to understand how this affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments are effective for annual reporting periods beginning on or after January 1, 2025. Early application is permitted.

21.24.2 IFRS 18, *Presentation and Disclosures in Financial Statements* ("IFRS 18")

IFRS 18 replaces IAS 1, *Presentation of Financial Statements*, introducing new requirements to: (i) present specified categories and defined subtotals in the statement of profit or loss, (ii) provide disclosures on management-defined performance measures in the notes to the financial statements, and (iii) improve aggregation and disaggregation.

An entity is required to apply IFRS 18 for annual reporting periods beginning on or after January 1, 2027. Early application is permitted.

21. MATERIAL ACCOUNTING POLICIES (Continued)

21.24.3 IFRS 19, *Subsidiaries without Public Accountability: Disclosures* ("IFRS 19")

IFRS 19 permits an eligible subsidiary to provide reduced disclosures if it does not have public accountability and its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.

IFRS 19 is optional for subsidiaries that are eligible, and can be applied for reporting periods beginning on or after January 1, 2027. Early application is permitted.

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.

22. SUBSEQUENT EVENT

On January 17, 2025, the Corporation announced its intention to commence a Substantial Issuer Bid, by way of a modified Dutch auction, to purchase, for cancellation, a number of common shares of the Corporation for an aggregate purchase price not exceeding C$80,750 (the "Offer"). The Offer commenced on January 20, 2025, and was concluded on March 11, 2025, during which time purchases under the normal course issuer bid ceased. The Corporation announced the preliminary results of the Offer on March 12, 2025.