

Consolidated Financial Statements of

**MEDICAL FACILITIES
CORPORATION**

December 31, 2025 and 2024
(In U.S. dollars)

TABLE OF CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS

	Page
Management's Responsibility for Financial Reporting	2
Independent Auditor's Report	3
Consolidated Balance Sheets	7
Consolidated Statements of Changes in Equity	8
Consolidated Statements of Income and Comprehensive Income	9
Consolidated Statements of Cash Flows	10

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Page
1. Reporting entity	11
2. Statement of compliance	11
3. Basis of preparation	12
4. Government stimulus	12
5. Discontinued operations	12
6. Property and equipment	16
7. Goodwill and other intangibles	17
8. Long-term debt, corporate credit facility and lease liabilities	19
9. Share capital	21
10. Non-controlling interest	24
11. Net changes in non-cash working capital	26
12. Financial instruments and risk management	26
13. Capital	33
14. Employee future benefits	34
15. Income taxes	34
16. Interest expense, net of interest income	36
17. Related party transactions	36
18. Leases	38
19. Commitments and contingencies	39
20. Share-based compensation	39
21. Material accounting policies	42
22. Subsequent event	55

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 11, 2026

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 sheets as at December 31, 2025 and 2024, and the consolidated statements of income and comprehensive income, changes in equity, and cash flows for the years 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, 2025 and 2024, and its financial performance and its cash flows for the years 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.

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 LLP¹

Montreal
March 11, 2026

¹ CPA auditor, public accountancy permit no. A121855

MEDICAL FACILITIES CORPORATION

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

		December 31, 2025	December 31, 2024
	Note	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		43,449	108,496
Accounts receivable	12.4.2	35,081	45,468
Supply inventory		5,834	5,805
Prepaid expenses and other receivables		3,903	5,479
Income tax receivable		240	87
Assets held for sale	5.1	34,051	-
Total current assets		122,558	165,335
Non-current assets			
Deferred income tax asset	15	172	129
Property and equipment	6	48,255	50,522
Right-of-use assets	18.1	21,800	32,482
Goodwill	7.1	75,853	90,600
Other intangibles	7.2	3,997	7,226
Total non-current assets		150,077	180,959
TOTAL ASSETS		272,635	346,294
LIABILITIES AND EQUITY			
Current liabilities			
Dividends payable		1,172	1,441
Accounts payable		15,369	16,940
Accrued liabilities		15,365	20,809
Income tax payable		304	13,766
Obligation for purchase of common shares	9.5	16,029	16,694
Current portion of long-term debt	8	3,346	10,390
Current portion of lease liabilities	8	5,858	8,909
Liabilities directly associated with assets held for sale	5.1	11,155	-
Total current liabilities		68,598	88,949
Non-current liabilities			
Long-term debt	8	26,950	23,833
Lease liabilities	8	22,689	30,805
Deferred income tax liability	15	14,299	15,952
Exchangeable interest liability	12.1	39,542	39,303
Total non-current liabilities		103,480	109,893
Total liabilities		172,078	198,842
Equity			
Share capital	9.1	253,930	316,927
Contributed surplus		470	470
Accumulated deficit		(178,944)	(195,378)
Equity attributable to owners of the Corporation		75,456	122,019
Non-controlling interest		25,101	25,433
Total equity		100,557	147,452
TOTAL LIABILITIES AND EQUITY		272,635	346,294

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)

	Note	Attributable to Owners of the Corporation			Non-controlling Interest	Total Equity
		Share Capital	Contributed Surplus	Accumulated Deficit		
		\$	\$	\$	\$	\$
2025						
Balance at January 1, 2025		316,927	470	(195,378)	122,019	25,433
Net income and comprehensive income for the year		-	-	21,256	21,256	23,162
Dividends to owners of the Corporation		-	-	(4,822)	(4,822)	-
Distributions to non-controlling interest	10	-	-	-	(22,729)	(22,729)
Sale of The Surgery Center of Newport Coast, LLC	5.2	-	-	-	(765)	(765)
Purchase of common shares under normal course issuer bids	9.3	(19,913)	-	-	(19,913)	-
Purchase of common shares under a substantial issuer bid	9.4	(43,749)	-	-	(43,749)	-
Change in obligation for purchase of common shares	9.5	665	-	-	665	-
Balance at December 31, 2025		253,930	470	(178,944)	75,456	25,101
2024						
Balance at January 1, 2024		348,099	716	(262,827)	85,988	32,315
Net income and comprehensive income for the year		-	-	73,490	73,490	32,072
Stock options expense, net of settlement	20.1	-	(246)	-	(246)	-
Dividends to owners of the Corporation		-	-	(6,041)	(6,041)	-
Distributions to non-controlling interest	10	-	-	-	(28,726)	(28,726)
Sale of Black Hills Surgical Hospital, LLP	5.3	-	-	-	(10,228)	(10,228)
Purchase of common shares under normal course issuer bids	9.3	(16,614)	-	-	(16,614)	-
Change in obligation for purchase of common shares	9.5	(14,558)	-	-	(14,558)	-
Balance at December 31, 2024		316,927	470	(195,378)	122,019	25,433

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,	
		2025 \$	2024 ⁽¹⁾ \$
Revenue and other income			
Facility service revenue		254,166	246,088
Government stimulus income	4	-	7,285
		254,166	253,373
Operating expenses			
Salaries and benefits		69,380	65,747
Drugs and supplies		76,548	72,945
General and administrative expenses		49,850	50,843
Depreciation of property and equipment	6	5,475	5,398
Depreciation of right-of-use assets	18.1	5,715	5,530
Amortization of other intangibles	7.2	540	540
		207,508	201,003
Income from operations		46,658	52,370
Finance costs			
Change in value of exchangeable interest liability	12.1	239	(784)
Interest expense on exchangeable interest liability		5,344	7,653
Interest expense, net of interest income	16	1,322	3,191
Loss on foreign currency		165	59
		7,070	10,119
Income before income taxes		39,588	42,251
Income tax expense (recovery)	15	4,973	(6,014)
Net income for the year from continuing operations		34,615	48,265
Discontinued operations			
Net income for the year from discontinued operations, net of tax	5.4	9,803	57,297
Net income and comprehensive income for the year		44,418	105,562
Attributable to:			
Owners of the Corporation		21,256	73,490
Non-controlling interest	10	23,162	32,072
		44,418	105,562
Earnings per share attributable to owners of the Corporation			
From continuing and discontinued operations			
Basic	9.2	\$ 1.09	\$ 3.06
Fully diluted	9.2	\$ 1.09	\$ 3.06
From continuing operations			
Basic	9.2	\$ 0.79	\$ 1.17
Fully diluted	9.2	\$ 0.79	\$ 1.17

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

⁽¹⁾ The comparative results for the year ended December 31, 2024 include the results of continuing operations and discontinued operations. In accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, the results of discontinued operations for the prior year are presented separately in the current year's consolidated statements of income and comprehensive income to provide a clear comparison.

MEDICAL FACILITIES CORPORATION

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

		Year Ended December 31,	
		2025	2024
	Note	\$	\$
Cash flows from operating activities			
Net income for the year		44,418	105,562
Adjustments for:			
Impairment of goodwill	7.1, 7.3	-	2,265
Depreciation of property and equipment	6	5,923	8,580
Depreciation of right-of-use assets	18.1	9,201	10,249
Amortization of other intangibles	7.2	540	540
Change in value of exchangeable interest liability	12.1	239	(784)
Interest expense on exchangeable interest liability		5,344	7,653
Interest expense, net of interest income		1,644	4,146
Loss on foreign currency		165	59
Income tax expense (recovery)		6,542	(3,672)
Gain on sale of The Surgery Center of Newport Coast, LLC, net of tax	5.2	(536)	-
Gain on sale of Black Hills Surgical Hospital, LLP, net of tax	5.3	-	(33,643)
Stock options expense, net of settlement	20.1	-	(246)
Other non-cash (gain) loss		(109)	23
		73,371	100,732
Net changes in non-cash operating working capital	11	(3,891)	(1,644)
		69,480	99,088
Interest paid, net of received		(5,011)	(9,481)
Income and withholding taxes paid		(19,308)	(6,323)
Net cash provided by operating activities		45,161	83,284
Cash flows from investing activities			
Purchase of property and equipment	6	(4,879)	(7,068)
Proceeds from sale of The Surgery Center of Newport Coast, LLC, net of cash disposed and transaction costs	5.2	812	-
Proceeds from sale of Black Hills Surgical Hospital, LLP, net of cash disposed and transaction costs	5.3	-	92,487
Net cash (used in) provided by investing activities		(4,067)	85,419
Cash flows from financing activities			
Net issuance of notes payable and repayments of revolving credit facilities	8	1,029	(15,384)
Repayments of notes payable by the Facilities	8	(3,606)	(5,054)
Payment of lease liabilities	8, 18.3	(11,395)	(12,380)
Distributions to non-controlling interest	10	(22,729)	(28,726)
Dividends paid		(5,091)	(6,103)
Purchase of common shares under normal course issuer bids	9.3	(19,913)	(16,614)
Purchase of common shares under a substantial issuer bid	9.4	(43,749)	-
Net cash used in financing activities		(105,454)	(84,261)
(Decrease) increase in cash and cash equivalents		(64,360)	84,442
Effect of exchange rate fluctuations on cash balances held		(165)	(59)
Classification of Oklahoma Spine Hospital, LLC's cash as assets held for sale	5.1	(522)	-
Cash and cash equivalents, beginning of the year		108,496	24,113
Cash and cash equivalents, end of the year		43,449	108,496

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

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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

For the Years Ended December 31, 2025 and 2024

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 (the "Facilities").

On December 31, 2025, the Corporation sold its 51.0% ownership share in The Surgery Center of Newport Coast, LLC, an ambulatory surgery center located in Newport Beach, California, to Newport Center GK, LLC for cash proceeds of \$1,500. In connection with this transaction, the Corporation recorded a post-tax gain of \$536 in the results of discontinued operations.

On January 30, 2026, subsequent to the year end, the Corporation completed the sale of its 64.0% ownership interest in Oklahoma Spine Hospital, LLC ("OSH"), a Facility located in Oklahoma City, Oklahoma, to SSM Health Care of Oklahoma, Inc. and an entity owned by OSH's physician partners, for cash proceeds of \$46,048, subject to customary adjustments. Negotiations to sell OSH began before December 31, 2025 and its assets are classified as assets held for sale in the consolidated balance sheet as of December 31, 2025 (Note 5.1).

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

Subsidiary	Location	Ownership Interest December 31,	
		2025	2024
Arkansas Surgical Hospital, LLC ("ASH")	North Little Rock, Arkansas	51.0%	51.0%
Sioux Falls Specialty Hospital, LLP ("SFSH")	Sioux Falls, South Dakota	51.0%	51.0%
Oklahoma Spine Hospital, LLC ("OSH") ⁽¹⁾	Oklahoma City, Oklahoma	64.0%	64.0%
The Surgery Center of Newport Coast ("SCNC") ⁽²⁾	Newport Beach, California	-	51.0%

⁽¹⁾ The Corporation sold its ownership interest in OSH subsequent to the year end.

⁽²⁾ The Corporation completed the sale of SCNC during the year ended December 31, 2025.

2. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS Accounting Standards") as issued by the International Accounting Standards Board ("IASB") 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 11, 2026.

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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

For the Years Ended December 31, 2025 and 2024

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").

During the year ended December 31, 2024, the U.S. Small Business Administration 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 of \$11,957 in the consolidated statement of income and comprehensive income for the year ended December 31, 2024. Of this, \$7,285 related to continuing operations, while the remaining \$4,672 related to discontinued operations.

5. DISCONTINUED OPERATIONS

5.1 Assets and liabilities held for sale

Prior to December 31, 2025, management was committed to a plan to sell the Corporation's 64.0% ownership interest in OSH, which was subsequently completed on January 30, 2026 (Note 22). In accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, the effected assets and liabilities are presented as "Assets held for sale" and "Liabilities directly associated with assets held for sale" in the consolidated balance sheet as of December 31, 2025, and OSH's financial results are presented as discontinued operations in the consolidated statements of income and comprehensive income for the years ended December 31, 2025 and December 31, 2024.

The sale of OSH has strengthened the Corporation's subsequent consolidated balance sheet, enabling the return of capital to the Corporation's common shareholders.

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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

For the Years Ended December 31, 2025 and 2024

5. DISCONTINUED OPERATIONS (Continued)

As of December 31, 2025, the assets held for sale and the liabilities directly associated with assets held for sale comprised the following assets and liabilities:

	\$
Cash and cash equivalents	522
Accounts receivable	13,244
Supply inventory	107
Prepaid expenses and other receivables	989
Property and equipment	573
Right-of-use assets	1,180
Goodwill	14,747
Other intangibles	2,689
Assets held for sale	34,051
Accounts payable	2,366
Accrued liabilities	3,593
Long-term debt	1,350
Lease liabilities	1,217
Deferred income tax liability	2,629
Liabilities directly associated with assets held for sale	11,155

5.2 Sale of SCNC

On December 31, 2025, the Corporation sold its 51.0% ownership share in SCNC to Newport Center GK, LLC for cash proceeds of \$1,500, and incurred transaction costs of \$83 in connection with this transaction.

The sale of SCNC aligned with the Corporation's previously stated strategy of divestiture of non-core assets.

The net assets sold were as follows:

	\$
Cash and cash equivalents	605
Accounts receivable	1,090
Supply inventory	512
Prepaid expenses and other receivables	20
Deferred income tax asset	27
Property and equipment	650
Right-of-use assets	1,193
Total assets	4,097
Accounts payable	1,033
Accrued liabilities	160
Lease liabilities	1,315
Total liabilities	2,508
Net assets sold	1,589

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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

For the Years Ended December 31, 2025 and 2024

5. DISCONTINUED OPERATIONS (Continued)

The gain on sale was calculated as follows:

	\$
Net cash proceeds received	1,500
Non-controlling interest of SCNC	765
Less: Transaction costs	(83)
Less: Net assets sold	(1,589)
Gain on sale of SCNC, before tax	593
Tax on gain	57
Gain on sale of SCNC, net of tax	536

5.3 Sale of BSHS

On November 15, 2024, Black Hills Surgical Hospital, LLP ("BSHS"), a Facility located in Rapid City, South Dakota, was sold to Sanford Health for cash proceeds of \$96,136 for the Corporation's 54.2% ownership share, subject to customary adjustments.

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 BSHS	10,228
Less: Transaction costs	(2,421)
Less: Net assets sold	(56,597)
Gain on sale of BSHS, before tax	48,024
Tax on gain	14,381
Gain on sale of BSHS, net of tax	33,643

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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

For the Years Ended December 31, 2025 and 2024

5. DISCONTINUED OPERATIONS (Continued)

5.4 Results of discontinued operations

		Year Ended December 31,	
		2025	2024 ⁽¹⁾
	Note	\$	\$
Revenue and other income			
Facility service revenue		88,010	179,820
Government stimulus income	4	-	4,672
		88,010	184,492
Operating expenses			
Salaries and benefits		24,658	65,266
Drugs and supplies		38,815	62,598
General and administrative expenses		9,445	19,511
Impairment of goodwill	7.1, 7.3	-	2,265
Depreciation of property and equipment	6	448	3,182
Depreciation of right-of-use assets	18.1	3,486	4,719
		76,852	157,541
Income from operations		11,158	26,951
Finance costs			
Interest expense, net of interest income		322	955
		322	955
Income before income taxes		10,836	25,996
Income tax expense		1,569	2,342
Gain on sale of SCNC, net of tax	5.2	(536)	-
Gain on sale of BSHS, net of tax	5.3	-	(33,643)
Net income for the year from discontinued operations, net of tax		9,803	57,297

⁽¹⁾ The comparative results for the year ended December 31, 2024 have been restated to include the results of the Facilities classified as discontinued operations in the current year. This also includes the results of MFC Nueterra Holding Company, LLC, which owned five ambulatory surgery centers (the "MFC Nueterra ASCs") under the Corporation's partnership with Nueterra MF Holdings, LLC, until their divestiture in 2023. On June 2, 2025, MFC Nueterra Holding Company, LLC was also wound-up.

5.5 Cash flows from discontinued operations

	Year Ended December 31,	
	2025	2024 ⁽¹⁾
	\$	\$
Net cash provided by operating activities	7,314	22,686
Net cash provided by investing activities	67	89,117
Net cash used in financing activities	(8,291)	(19,960)
Net cash flow for the year	(910)	91,843

⁽¹⁾ The comparative cash flows for the year ended December 31, 2024 have been restated to include the cash flows of the Facilities classified as discontinued operations in the current year.

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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

For the Years Ended December 31, 2025 and 2024

6. PROPERTY AND EQUIPMENT

	Note	Land and Improvements	Construction in Progress	Building and Improvements	Equipment and Furniture	Total
		\$	\$	\$	\$	\$
Cost						
Balance at January 1, 2024		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 BSHH	5.3	(4,653)	(708)	(45,928)	(30,413)	(81,702)
Balance at December 31, 2024		9,374	196	48,327	45,881	103,778
Additions		-	608	218	4,053	4,879
Transfers		-	(535)	-	535	-
Disposals		-	-	-	(358)	(358)
Classification of OSH as assets held for sale	5.1	-	-	(4,623)	(17,039)	(21,662)
Sale of SCNC	5.2	-	-	(1,937)	(2,686)	(4,623)
Balance at December 31, 2025		9,374	269	41,985	30,386	82,014
Accumulated depreciation						
Balance at January 1, 2024		(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 BSHH	5.3	-	-	27,686	26,433	54,119
Balance at December 31, 2024		(265)	-	(29,239)	(23,752)	(53,256)
Charged for the year		(13)	-	(2,016)	(3,894)	(5,923)
Disposals		-	-	-	358	358
Classification of OSH as assets held for sale	5.1	-	-	4,623	16,466	21,089
Sale of SCNC	5.2	-	-	1,539	2,434	3,973
Balance at December 31, 2025		(278)	-	(25,093)	(8,388)	(33,759)
Carrying amounts						
At December 31, 2024		9,109	196	19,088	22,129	50,522
At December 31, 2025		9,096	269	16,892	21,998	48,255

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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

For the Years Ended December 31, 2025 and 2024

7. GOODWILL AND OTHER INTANGIBLES

7.1 Goodwill

	Note	\$
Gross amount		
Balance at January 1, 2024		120,623
Sale of BSHH	5.3	(27,758)
Balance at December 31, 2024		92,865
Classification of OSH as assets held for sale	5.1	(14,747)
Sale of SCNC	5.2	(2,265)
Balance at December 31, 2025		75,853
Accumulated impairment		
Balance at January 1, 2024		-
Charged for the year	7.3	(2,265)
Balance at December 31, 2024		(2,265)
Sale of SCNC	5.2	2,265
Balance at December 31, 2025		-
Carrying amounts		
At December 31, 2024		90,600
At December 31, 2025		75,853

7.2 Other intangibles

	Note	Hospital Operating Licenses \$	Medical Charts and Records \$	Care Networks \$	Trade Names \$	Non- Compete \$	Total \$
Cost							
Balance at January 1, 2024		1,476	7,399	195,922	9,129	1,128	215,054
Sale of BSHH	5.3	(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
Classification of OSH as assets held for sale	5.1	-	(2,135)	(33,807)	(2,689)	-	(38,631)
Sale of SCNC	5.2	-	-	(19,051)	-	-	(19,051)
Balance at December 31, 2025		1,238	2,768	92,095	2,954	1,128	100,183
Accumulated amortization							
Balance at January 1, 2024		(1,476)	(7,399)	(193,799)	-	(1,128)	(203,802)
Charged for the year		-	-	(540)	-	-	(540)
Sale of BSHH	5.3	238	2,496	50,969	-	-	53,703
Balance at December 31, 2024		(1,238)	(4,903)	(143,370)	-	(1,128)	(150,639)
Charged for the year		-	-	(540)	-	-	(540)
Classification of OSH as assets held for sale	5.1	-	2,135	33,807	-	-	35,942
Sale of SCNC	5.2	-	-	19,051	-	-	19,051
Balance at December 31, 2025		(1,238)	(2,768)	(91,052)	-	(1,128)	(96,186)
Carrying amounts							
At December 31, 2024		-	-	1,583	5,643	-	7,226
At December 31, 2025		-	-	1,043	2,954	-	3,997

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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

For the Years Ended December 31, 2025 and 2024

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, 2025 and 2024. Based on the assessment, the Corporation did not record any impairment for the year ended December 31, 2025. 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 identified three CGUs for the year ended December 31, 2025, and four CGUs for the year ended December 31, 2024, 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, 2025 and 2024, 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% (2024: 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, 2025 and 2024:

	Goodwill		Other Intangibles ⁽¹⁾	
	2025	2024	2025	2024
	\$	\$	\$	\$
ASH	17,911	17,911	-	-
OSH ⁽²⁾	-	14,747	-	2,689
SFSH	57,942	57,942	2,954	2,954
Carrying amounts	75,853	90,600	2,954	5,643

⁽¹⁾ With indefinite useful lives.

⁽²⁾ OSH's goodwill and other intangibles are classified as assets held for sale in the consolidated balance sheet as of December 31, 2025.

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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

For the Years Ended December 31, 2025 and 2024

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

		December 31, 2025			December 31, 2024	
	Maturity	Authorized	Balance	Effective Interest Rate ⁽¹⁾	Balance	Effective Interest Rate ⁽¹⁾
		\$	\$	%	\$	%
Revolving credit facilities						
ASH	Oct 20, 2026	4,000	-	6.5	-	7.3
OSH ⁽²⁾	May 30, 2026	6,350	-	-	1,350	SOFR+2.2
SFSH	Jun 30, 2026	8,000	-	SOFR+1.1	6,954	SOFR+1.1
		18,350	-		8,304	
Corporate credit facility						
Corporate	Aug 4, 2028	40,000	-	SOFR+1.3	-	SOFR+1.4
Notes payable						
ASH	Aug 27, 2026		234	4.7	573	4.7
ASH	Jan 7, 2027		664	3.3	1,368	3.3
OSH	Nov 25, 2025		-	-	357	3.6
SFSH	Jun 1, 2025		-	-	94	2.2
SFSH	Feb 1, 2026		17	2.1	121	2.1
SFSH	Jun 1, 2026		106	2.4	209	2.4
SFSH	Sep 30, 2028		965	6.7	1,266	6.7
SFSH	Dec 31, 2028		18,910	4.7	19,929	4.7
SFSH	Dec 31, 2028		6,840	6.1	-	-
SFSH	Jun 30, 2029		1,153	6.9	1,435	6.9
SFSH	Jul 1, 2029		454	4.8	567	4.8
SFSH	Jun 1, 2030		953	5.5	-	-
			30,296		25,919	
Total long-term debt and corporate credit facility			30,296		34,223	
Less current portion			(3,346)		(10,390)	
			26,950		23,833	

⁽¹⁾ Interest rates are based on the lending agreements with various banks, and they include Prime and Secured Overnight Financing Rate ("SOFR").

⁽²⁾ OSH's long-term debt is classified as liabilities directly associated with assets held for sale in the consolidated balance sheet as of December 31, 2025.

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, 2025 and 2024, the Facilities were in compliance with their covenants.

		December 31, 2025		December 31, 2024	
	Maturity	Balance	Effective Interest Rate	Balance	Effective Interest Rate
		\$	%	\$	%
Lease liabilities					
ASH	2026 - 2030	24,187	2.1 - 6.3	28,332	2.1 - 6.3
OSH ⁽¹⁾	2026 - 2029	-	-	4,112	3.5 - 6.0
SFSH	2026 - 2032	4,297	4.1 - 6.1	5,383	2.0 - 6.1
SCNC	2026 - 2027	-	-	1,883	5.7 - 6.0
Corporate	2028	63	5.5	4	3.4
Total lease liabilities		28,547		39,714	
Less current portion		(5,858)		(8,909)	
		22,689		30,805	

⁽¹⁾ OSH's lease liability is classified as liabilities directly associated with assets held for sale in the consolidated balance sheet as of December 31, 2025.

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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

For the Years Ended December 31, 2025 and 2024

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

The following are the future maturities of long-term debt, corporate credit facility and lease liabilities as of December 31, 2025 and 2024:

For the years ending December 31	December 31, 2025		December 31, 2024	
	Long-term debt and corporate credit facility	Lease liabilities	Long-term debt and corporate credit facility	Lease liabilities
	\$	\$	\$	\$
2025	n/a	n/a	10,390	8,909
2026	3,346	5,858	4,188	7,295
2027	2,430	5,624	1,913	6,650
2028	18,017	5,463	17,470	5,719
2029	6,368	5,497	262	5,476
2030	135	5,225	n/a	n/a
Thereafter	-	880	-	5,665
Future maturities	30,296	28,547	34,223	39,714

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, 2024		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 BSHS	5.3	(14,438)	(3,426)
Balance at December 31, 2024		34,223	39,714
Changes from financing activities:			
Net proceeds from revolving credit facilities and issuance of notes payable		1,029	-
Repayments of notes payable by the Facilities		(3,606)	-
Payment of lease liabilities		-	(11,395)
Other changes:			
New lease agreements		-	1,176
Termination of lease agreements		-	(393)
Interest expense		-	1,977
OSH's liabilities classified as directly associated with assets held for sale	5.1	(1,350)	(1,217)
Sale of SCNC	5.2	-	(1,315)
Balance at December 31, 2025		30,296	28,547

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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

For the Years Ended December 31, 2025 and 2024

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, 2025 and 2024:

	Note	Number of Common Shares	\$
Balance at January 1, 2024		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	9.5	-	(14,558)
Balance at December 31, 2024		23,023,762	316,927
Common shares purchased and cancelled under normal course issuer bids	9.3	(1,780,800)	(19,913)
Common shares purchased and cancelled under a substantial issuer bid	9.4	(3,374,313)	(43,749)
Change in obligation for purchase of common shares	9.5	-	665
Balance at December 31, 2025		17,868,649	253,930

9.2 Earnings per share

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

	Year Ended December 31,					
	2025			2024		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
Net income for the year attributable to owners of the Corporation	\$ 15,425	5,831	21,256	28,181	45,309	73,490
Divided by weighted average number of common shares outstanding for the year	19,481,353	19,481,353	19,481,353	24,000,877	24,000,877	24,000,877
Basic earnings per share	\$ 0.79	0.30	1.09	1.17	1.89	3.06

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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

For the Years Ended December 31, 2025 and 2024

9. SHARE CAPITAL (Continued)

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

	Year Ended December 31,					
	2025			2024		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
Net income for the year attributable to owners of the Corporation	\$ 15,425	5,831	21,256	28,181	45,309	73,490
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	\$ 15,425	5,831	21,256	28,181	45,309	73,490
Weighted average number of common shares:						
Outstanding for the year	19,481,353	19,481,353	19,481,353	24,000,877	24,000,877	24,000,877
Deemed to be issued on the exchange of the outstanding exchangeable interest liability	-	-	-	-	-	-
Dilutive weighted average number of common shares ⁽¹⁾	19,481,353	19,481,353	19,481,353	24,000,877	24,000,877	24,000,877
Fully diluted earnings per share	\$ 0.79	0.30	1.09	1.17	1.89	3.06

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

9.3 Normal course issuer bids

The Corporation has a normal course issuer bid for up to 1,805,324 of its common shares in effect from December 1, 2025 to November 30, 2026. A previous normal course issuer bid for up to 2,339,066 of the Corporation's common shares was in effect from December 1, 2024 to November 30, 2025. During the year ended December 31, 2025, the Corporation purchased 1,780,800 of its common shares (December 31, 2024: 1,700,700) for a total consideration of \$19,913 (December 31, 2024: \$16,614) from the open market.

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

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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

For the Years Ended December 31, 2025 and 2024

9. SHARE CAPITAL (Continued)

9.4 Substantial issuer bid

On March 11, 2025, the Corporation completed a substantial issuer bid, by way of a modified Dutch auction, to purchase, for cancellation, the common shares of the Corporation (the "Offer"). The Corporation purchased and cancelled 3,374,313 of its common shares at a price of C\$18.00 per common share under the Offer, representing an aggregate purchase price of \$43,145, including applicable buyback taxes, or approximately 14.7% of the Corporation's issued and outstanding common shares before giving effect to the Offer. The Corporation incurred transaction costs related to the Offer of \$604 which have been recorded against share capital for the year ended December 31, 2025.

Purchases under the normal course issuer bid ceased during the substantial issuer bid.

9.5 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 \$16,029 was recognized under the automatic share purchase plan as of December 31, 2025 (December 31, 2024: \$16,694), including applicable buyback taxes.

Subsequent to the year end, the Corporation purchased 244,600 of its common shares for a total consideration of \$2,881 under the automatic share purchase plan, through March 6, 2026. The Corporation purchased 99,600 of its common shares for a total consideration of \$1,102 from January 1, 2025 through the end of the blackout period on March 13, 2025, under a previous automatic share purchase plan.

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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

For the Years Ended December 31, 2025 and 2024

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, 2025	ASH \$	OSH ⁽¹⁾ \$	SFSH \$
Non-controlling interest percentage ⁽²⁾	44%	35%	35%
Current assets	15,875	14,862	37,224
Non-current assets	28,737	1,753	59,238
Current liabilities	12,075	5,959	11,248
Non-current liabilities	25,085	2,567	33,796
Equity attributable to owners of the Corporation	4,173	5,258	33,422
Non-controlling interest	3,279	2,831	17,996
Revenue and other income	98,026	78,260	156,140
Operating expenses, before depreciation	72,001	64,489	116,754
Net income attributable to owners of the Corporation	10,127	6,726	21,497
Net income attributable to non-controlling interest	7,957	3,621	11,575
Net income	18,084	10,347	33,072
Distributions to non-controlling interest	7,657	3,486	10,920
Cash flows from operating activities	22,073	10,252	34,013
Cash flows from investing activities	(1,265)	(581)	(3,078)
Cash flows from financing activities ⁽³⁾	(19,341)	(10,717)	(32,969)
Net cash inflow (outflow)	1,467	(1,046)	(2,034)

⁽¹⁾ The Corporation sold its ownership interest in OSH subsequent to the year end (Note 22).

⁽²⁾ Non-controlling interest percentages assume exchangeable interest is fully exercised where applicable.

⁽³⁾ Cash flows from financing activities include distributions paid to the Corporation and the holders of the non-controlling interest.

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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

For the Years Ended December 31, 2025 and 2024

10. NON-CONTROLLING INTEREST (Continued)

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.

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.

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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

For the Years Ended December 31, 2025 and 2024

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,	
	2025	2024
	\$	\$
Accounts receivable	(3,947)	5,228
Supply inventory	(648)	(476)
Prepaid expenses and other receivables	567	902
Accounts payable	1,828	(495)
Accrued liabilities	(1,691)	5,154
Government stimulus funds repayable	-	(11,957)
Net changes in non-cash working capital	(3,891)	(1,644)

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

12.1 Exchangeable interest liability

Concurrent with the acquisition of its interests in ASH, BSHS, 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 BSHS's non-controlling interest holders was forfeited upon the sale of BSHS on November 15, 2024 (Note 5.3), while that of OSH's non-controlling interest holders was forfeited upon the sale of OSH, subsequent to the year end, on January 30, 2026 (Note 22).

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.

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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

For the Years Ended December 31, 2025 and 2024

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, 2025 and 2024 are as follows:

	2025	2024
Number of common shares to be potentially issued for exchangeable interest liability	3,419,978	3,621,847
Fair value of the exchangeable interest liability in thousands of U.S. dollars	US\$ 39,542	US\$ 39,303
Fair value of the exchangeable interest liability in thousands of Canadian dollars	C\$ 54,275	C\$ 56,537

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 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.

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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

For the Years Ended December 31, 2025 and 2024

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, 2025 and 2024:

	December 31, 2025	December 31, 2024
	\$	\$
Financial assets		
Amortized cost		
Cash and cash equivalents	43,449	108,496
Accounts receivable	35,081	45,468
Financial liabilities		
Fair value through profit or loss		
Exchangeable interest liability	39,542	39,303
Amortized cost		
Dividends payable	1,172	1,441
Accounts payable	15,369	16,940
Accrued liabilities	15,365	20,809
Obligation for purchase of common shares	16,029	16,694
Long-term debt	30,296	34,223

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

	December 31, 2025			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial liabilities				
Exchangeable interest liability	-	39,542	-	39,542
Long-term debt	-	30,296	-	30,296
Total	-	69,838	-	69,838

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

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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

For the Years Ended December 31, 2025 and 2024

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	<i>Market comparison technique:</i> The number of the Corporation's common shares to issue is based on the contractual agreements with the holders of non-controlling interest that have exchange agreements with the Corporation and take into account the distributions to the non-controlling interest over the prior twelve months. The liability is valued based on the market price of the Corporation's common shares converted to the reporting currency as of the reporting date.
Long-term debt	<i>Market comparison technique:</i> Interest rates are based on the lending agreements with various banks and creditors of long-term debt, and they are Prime or 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, 2025 and 2024, 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	2025 \$	2024 \$
1% strengthening of the Canadian dollar	(446)	(475)
1% weakening of the Canadian dollar	446	475

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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

For the Years Ended December 31, 2025 and 2024

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 2025 and 2024:

	2025		2024	
	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)	41.5	24.4	40.1	24.7
Blue Cross and Blue Shield – category (ii)	28.7	32.9	29.1	28.1
Workers' compensation – category (ii)	6.0	6.5	5.7	10.3
Other private insurance – category (iii)	20.6	26.1	19.9	25.6
Other insurance and self-pay – categories (iv) and (v)	3.2	10.1	5.2	11.3
	100.0	100.0	100.0	100.0

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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

For the Years Ended December 31, 2025 and 2024

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, 2025 and 2024:

	2025	2024
	\$	\$
Accounts receivable		
Neither past due nor impaired	30,081	37,169
Past due 61-90 days	2,310	3,244
Past due 91-120 days	712	1,848
Past due 121-150 days	1,343	1,178
Past due more than 151 days	1,684	7,453
Allowance for non-collectible receivable balances	(1,049)	(5,424)
Net accounts receivable	35,081	45,468

The movement in allowance for non-collectible receivable balances for the years ended December 31, 2025 and 2024 was as follows:

	2025	2024
	\$	\$
Allowance for non-collectible receivable balances		
Balance at January 1	5,424	5,573
Provision for receivables during the year	2,765	3,707
Receivables written-off during the year	(2,524)	(3,253)
Classification of OSH as assets held for sale	(4,616)	-
Sale of BSHS	-	(603)
Balance at December 31	1,049	5,424

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.

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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

For the Years Ended December 31, 2025 and 2024

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 liabilities as of December 31, 2025 and 2024 was:

	2025 \$	2024 \$
Liabilities with fixed interest rates	58,843	65,633
Liabilities with variable interest rates	-	8,304
Total	58,843	73,937

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 \$42 (2024: \$182) on credit facilities with variable interest rates.

12.4.4 Share price risk

The Corporation's exchangeable interest liability is measured based 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.

A 1% change in the market price of the Corporation's common shares at each reporting date would have led to an increase or a decrease in the exchangeable interest liability of \$395 (2024: \$393).

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, 2025 and 2024, are as follows:

	Carrying values at December 31, 2025 \$	Future payments (including principal and interest)				
		Total	Less than 1 year	2-3 years	4-5 years	After 5 years
Contractual obligations	\$	\$	\$	\$	\$	\$
Dividends payable	1,172	1,172	1,172	-	-	-
Accounts payable	15,369	15,369	15,369	-	-	-
Accrued liabilities	15,365	15,365	15,365	-	-	-
Obligation for purchase of common shares	16,029	16,029	16,029	-	-	-
Notes payable	30,296	34,321	4,984	28,695	642	-
Lease liabilities	28,547	32,595	7,278	12,980	11,408	929
Total contractual obligations	106,778	114,851	60,197	41,675	12,050	929

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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

For the Years Ended December 31, 2025 and 2024

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Contractual obligations	Carrying values at December 31, 2024 \$	Future payments (including principal and interest)				
		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

The \$40,000 corporate credit facility, which matures on August 4, 2028, had all \$40,000 undrawn as of December 31, 2025.

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 achieve organic growth, and (iii) maximize the return of capital 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, 2025 and 2024, 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, 2025, the Corporation returned capital to shareholders through the repurchase and cancellation of 1,780,800 of its common shares (December 31, 2024: 1,700,700) for \$19,913 (December 31, 2024: \$16,614) under the terms of normal course issuer bids (Note 9.3), and also completed a substantial issuer bid (Note 9.4) to purchase and cancel 3,374,313 of its common shares (December 31, 2024: nil) for an aggregate purchase price of \$43,145 (December 31, 2024: \$nil). The dollar amounts quoted include applicable buyback taxes.

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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

For the Years Ended December 31, 2025 and 2024

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 2025, contributions made by the Corporation and the Facilities to such plans were \$2,497 (2024: \$2,764).

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

The *One Big Beautiful Bill Act* ("OBBBA"), signed into law on July 4, 2025, permanently reinstated 100% bonus depreciation for most qualified property. Also, beginning with tax year 2025, the OBBBA modifies the adjusted taxable income calculation by reinstating the add-back for depreciation and amortization. Overall, several key provisions that expired at the end of 2025 under the TCJA have been made permanent under the OBBBA for tax years beginning after December 31, 2025.

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,	
	2025	2024
Provision for income taxes	\$	\$
Current	4,055	3,278
Deferred	918	(9,292)
Income tax expense (recovery) from continuing operations	4,973	(6,014)

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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

For the Years Ended December 31, 2025 and 2024

15. INCOME TAXES (Continued)

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,			
	2025		2024	
	\$	%	\$	%
Net income for the year from continuing operations attributable to the owners of the Corporation	15,425		28,181	
Income tax expense (recovery) from continuing operations	4,973		(6,014)	
Income before income taxes	20,398	100.0	22,167	100.0
Income taxes at the statutory rate in Canada	5,405	26.5	5,874	26.5
Effect of:				
Differences between statutory tax rates in Canada and U.S.	(872)	(4.3)	(1,024)	(4.6)
Change in recognition of unrecorded capital loss carryforwards	(853)	(4.2)	(4,992)	(22.5)
Deferred tax impact of the sales of SCNC and BSHH	(27)	(0.1)	(5,675)	(25.6)
Change in effective tax rate	-	-	(1,686)	(7.6)
Other including non-taxable and non-deductible amounts	1,074	5.3	1,167	5.3
Change in value of exchangeable interest liability	246	1.2	322	1.4
Income tax expense (recovery) from continuing operations	4,973	24.4	(6,014)	(27.1)

The components of deferred income tax balances as of December 31, 2025 and 2024 are as follows:

	2025 \$	2024 \$
Deferred income tax assets		
Allowance for non-collectible receivable balances	310	950
Accrued liabilities	1,405	1,515
Goodwill and other intangibles	837	2,042
Total deferred income tax assets	2,552	4,507
Deferred income tax liabilities		
Property and equipment	(1,716)	(1,305)
Prepaid expenses and other receivables	(203)	(173)
Goodwill and other intangibles	(12,939)	(16,978)
Cumulative change in the value of exchangeable interest liability	(1,821)	(1,874)
Total deferred income tax liabilities	(16,679)	(20,330)
Net deferred income tax liabilities	(14,127)	(15,823)

During the year ended December 31, 2024, the Corporation utilized unrecorded capital loss carryforwards of \$22,689 against the gain from the sale of BSHH. The remaining unrecorded capital loss carryforwards at December 31, 2025 of \$18,869 are set to expire from 2026 to 2030, and can only be utilized to the extent that capital gains exceed the original tax cost of the initial investment amount.

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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

For the Years Ended December 31, 2025 and 2024

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,	
	2025	2024
	\$	\$
Interest expense at the Facility level	1,604	1,578
Interest expense at the corporate level	4	501
Interest expense on lease liabilities	1,745	1,945
Corporate credit facility stand-by fees	175	244
Interest income at the Facility level	(249)	(258)
Interest income at the corporate level	(1,957)	(819)
Interest expense, net of interest income, from continuing operations	1,322	3,191

17. RELATED PARTY TRANSACTIONS

17.1 Key management and director compensation

Key management personnel are comprised of executive officers of the Corporation. Compensation for key management and the directors of the Corporation for the years ended December 31, 2025 and 2024 was as follows:

	2025	2024
	\$	\$
Salaries and other employee benefits for executive officers	3,075	3,686
Director compensation	754	835
Total key management and director compensation	3,829	4,521

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

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 (Note 5.3).

17.2 Other transactions

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

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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

For the Years Ended December 31, 2025 and 2024

17. RELATED PARTY TRANSACTIONS (Continued)

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

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

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

Subsidiary	Nature of services or goods received	Year Ended December 31,	
		2025 \$	2024 \$
ASH	Lease of hospital building and office space.	4,354	4,362
OSH	Lease of hospital building and office space.	2,627	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.	12,235	12,734
Total		19,216	19,640

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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

For the Years Ended December 31, 2025 and 2024

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

		Premises	Medical	Office	Total
	Note	\$	Equipment	Equipment	\$
Right-of-use assets ⁽¹⁾			\$	\$	
Balance at January 1, 2024		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 BSHS	5.3	(581)	(2,723)	-	(3,304)
Balance at December 31, 2024		26,922	4,842	718	32,482
New lease agreements		485	445	246	1,176
Termination of lease agreements		-	(284)	-	(284)
Depreciation of right-of-use assets		(6,701)	(2,092)	(408)	(9,201)
Classification of OSH as assets held for sale	5.1	(624)	-	(556)	(1,180)
Sale of SCNC	5.2	(1,188)	(5)	-	(1,193)
Balance at December 31, 2025		18,894	2,906	-	21,800

⁽¹⁾ See Note 8 for information on lease liabilities.

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

	Year Ended December 31,	
	2025	2024
	\$	\$
Interest expense on lease liabilities	1,745	1,945
Expenses relating to short-term leases	111	213
Expenses relating to leases of low-value assets, excluding short-term leases	12	7

18.3 Amounts recognized in the consolidated statements of cash flows

	Year Ended December 31,	
	2025	2024
	\$	\$
Payment of lease liabilities	(11,395)	(12,380)

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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

For the Years Ended December 31, 2025 and 2024

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.

20. SHARE-BASED COMPENSATION

20.1 Stock options

The following table summarizes the number of outstanding stock options as of December 31, 2025:

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

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, 2025, all of the Options are vested and exercisable.

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

Number of outstanding options	2025	2024
Balance at January 1	444,906	744,906
Options exercised during the year	-	(300,000)
Options forfeited during the year	-	-
Balance at December 31	444,906	444,906

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. The Corporation also recognized an additional expense of \$26 relating to the Options in salaries and benefits expense during the year ended December 31, 2024.

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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

For the Years Ended December 31, 2025 and 2024

20. SHARE-BASED COMPENSATION (Continued)

During the year ended December 31, 2025, the Corporation did not recognize any expense relating to the Options in salaries and benefits expense.

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

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, when they were replaced by a restricted share unit ("RSU") component, after which no additional DSUs are to be issued. The outstanding DSUs vested immediately upon issue, continue to accrue dividends, and can only be redeemed when a participant ceases to serve as a director of the Corporation. The participants' entitlement in respect of the DSUs then held will be settled in cash based on a formula tied to the value of the Corporation's common shares at the time of redemption.

During the year ended December 31, 2025, 321,787 DSUs were settled in cash for \$3,570, paid out to three directors, Mr. Yanick Blanchard, Ms. Erin Enright and Dr. Reza Shahim (collectively the "Outgoing Directors"), who resigned from the Corporation's Board of Directors in March 2025. For the year ended December 31, 2025, director compensation included no DSU grants (December 31, 2024: \$201), while the change in market value of outstanding DSUs for the same period was an expense of \$147 (December 31, 2024: \$1,635). As of December 31, 2025, accrued liabilities in the consolidated balance sheet included a liability for DSUs of \$772 (December 31, 2024: \$4,199).

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

	2025	2024
Opening balance of DSUs at January 1	386,960	351,882
DSUs granted on director fees	-	23,974
DSUs granted on dividend reinvestment	3,427	11,104
DSUs paid out	(321,787)	-
Total number of DSUs at December 31	68,600	386,960

20.3 Performance share unit plan

Until 2024, annual grants of share units ("SUs") in the form of deferred share units ("Executive DSUs") were awarded under the Corporation's Amended Performance Share Unit Plan ("Amended PSU Plan") but were then replaced by RSUs, after which no additional SU grants are to be made. Awards under the Amended 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 Executive DSUs participate in the Corporation's quarterly dividend and are settled in cash upon the Amended PSU Plan participants' departure from the Corporation.

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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

For the Years Ended December 31, 2025 and 2024

20. SHARE-BASED COMPENSATION (Continued)

20.3.1 Share units

SU grants were made annually, each March 31st, from 2020 to 2024, with a final grant on March 28, 2024 for 81,106 Executive DSUs. The value of the expense and liability associated with the outstanding SUs is determined based on the Corporation's share price at the end of each reporting period. For the year ended December 31, 2025, operating expenses included an SU expense of \$565 (December 31, 2024: \$1,307). As of December 31, 2025, accrued liabilities in the consolidated balance sheet included a liability for SUs of \$2,878 (December 31, 2024: \$2,313).

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

	2025	2024
Opening balance of SUs at January 1	290,472	201,533
SUs granted	-	81,106
SUs granted on dividend reinvestment	6,916	7,833
Total number of SUs at December 31	297,388	290,472

20.4 Restricted share units

The RSUs, granted at the discretion of the Corporation's Board of Directors, are settled in cash. RSU grants were made to directors on December 1, 2024 for 28,199 RSUs, which accrued dividends thereon of 233 RSUs. From this, \$177 was paid out in lieu of 16,108 RSUs to the Outgoing Directors in March 2025. The remaining 12,324 RSUs vested and were settled for \$136 on May 7, 2025.

On June 26, 2025, 30,473 RSUs which vest over one year were granted to directors, and 75,995 RSUs which vest over three years were granted to executives and other employees of the Corporation. These RSUs were awarded under the Corporation's Amended and Restated RSU Plan.

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, 2025, operating expenses included an RSU expense of \$492 (December 31, 2024: \$180). As of December 31, 2025, accrued liabilities in the consolidated balance sheet included a liability for RSUs of \$414 (December 31, 2024: \$180).

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

	2025	2024
Opening balance of RSUs at January 1	28,199	-
RSUs granted on dividend reinvestment	233	-
RSUs vested and settled	(12,324)	-
RSUs paid out	(16,108)	-
RSUs granted	106,468	28,199
Total number of RSUs at December 31	106,468	28,199

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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

For the Years Ended December 31, 2025 and 2024

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.

21.2 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.

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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

For the Years Ended December 31, 2025 and 2024

21. MATERIAL ACCOUNTING POLICIES (Continued)

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.

21.5 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.

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.

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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

For the Years Ended December 31, 2025 and 2024

21. MATERIAL ACCOUNTING POLICIES (Continued)

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.

21.12 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.

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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

For the Years Ended December 31, 2025 and 2024

21. MATERIAL ACCOUNTING POLICIES (Continued)

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.

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.

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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

For the Years Ended December 31, 2025 and 2024

21. MATERIAL ACCOUNTING POLICIES (Continued)

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.

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.

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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

For the Years Ended December 31, 2025 and 2024

21. MATERIAL ACCOUNTING POLICIES (Continued)

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).

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.

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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

For the Years Ended December 31, 2025 and 2024

21. MATERIAL ACCOUNTING POLICIES (Continued)

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.

21.18 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.

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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

For the Years Ended December 31, 2025 and 2024

21. MATERIAL ACCOUNTING POLICIES (Continued)

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.

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.

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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

For the Years Ended December 31, 2025 and 2024

21. MATERIAL ACCOUNTING POLICIES (Continued)

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.

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.

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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

For the Years Ended December 31, 2025 and 2024

21. MATERIAL ACCOUNTING POLICIES (Continued)

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.

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.

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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

For the Years Ended December 31, 2025 and 2024

21. MATERIAL ACCOUNTING POLICIES (Continued)

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.

21.23.1 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.

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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

For the Years Ended December 31, 2025 and 2024

21. MATERIAL ACCOUNTING POLICIES (Continued)

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.

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.

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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

For the Years Ended December 31, 2025 and 2024

21. MATERIAL ACCOUNTING POLICIES (Continued)

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 IFRS 7, *Financial Instruments: Disclosures* (“IFRS 7”) and IFRS 9, *Financial Instruments* (“IFRS 9”)

The amendments relate to the classification and measurement of financial instruments, introducing updates to: (i) permit the derecognition of a financial liability settled through electronic transfer, (ii) provide guidance on how an entity should assess whether contractual cash flows of a financial asset are consistent with a basic lending arrangement, (iii) enhance the description of a financial asset that has non-recourse features, (iv) clarify the characteristics of contractually linked instruments that distinguish them from other transactions, (v) require an entity to separately disclose the fair value gain or loss that relates to investments derecognised in the period and the investments held at the end of the period, and (vi) require an entity to disclose the contractual terms that could change the timing or amount of contractual cash flows on the occurrence (or non-occurrence) of a contingent event.

Further amendments have been introduced relating to contracts referencing nature-dependent electricity, including updates to the own-use requirements, the hedge accounting requirements, and the disclosure requirements.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026. Early application is permitted.

21.24.2 Annual Improvements to IFRS Accounting Standards

The IASB issued amendments to five IFRS Accounting Standards as part of its annual improvements process. These include amendments to: (i) IFRS 1, *First-time Adoption of IFRS*, relating to hedge accounting, (ii) IFRS 7, for various disclosures, (iii) IFRS 9, pertaining to derecognition of lease liabilities and transaction price, (iv) IFRS 10, *Consolidated Financial Statements*, regarding determination of ‘de facto agents’, and (v) IAS 7, *Statement of Cash Flows*, to replace the term ‘cost method’ with ‘at cost’.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026. Early application is permitted.

21.24.3 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.

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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

For the Years Ended December 31, 2025 and 2024

21. MATERIAL ACCOUNTING POLICIES (Continued)

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

21.24.4 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 February 2, 2026, the Corporation announced that it had completed the sale of its 64.0% ownership interest in OSH, effective January 30, 2026, to SSM Health Care of Oklahoma, Inc. and an entity owned by OSH's physician partners, for cash proceeds of \$46,048, subject to customary adjustments.