Interim Condensed Consolidated Financial Statements of

MEDICAL FACILITIES CORPORATION

For the three and six months ended June 30, 2026
(Unaudited)
(In U.S. dollars)

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MEDICAL FACILITIES CORPORATION

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

	Note	June 30, 2026 $ (Unaudited)	December 31, 2025 $
ASSETS			
Current assets			
Cash and cash equivalents		64,119	43,449
Accounts receivable		32,761	35,081
Supply inventory		8,496	5,834
Prepaid expenses and other receivables		3,253	3,903
Income tax receivable		492	240
Assets held for sale		-	34,051
Total current assets		**109,121**	**122,558**
Non-current assets			
Deferred income tax asset		241	172
Property and equipment		47,644	48,255
Right-of-use assets		19,401	21,800
Goodwill		75,853	75,853
Other intangibles		3,729	3,997
Total non-current assets		**146,868**	**150,077**
TOTAL ASSETS		**255,989**	**272,635**
LIABILITIES AND EQUITY			
Current liabilities			
Dividends payable		1,028	1,172
Accounts payable		11,339	15,369
Accrued liabilities		19,302	15,365
Income tax payable		2,735	304
Obligation for purchase of common shares	8	516	16,029
Current portion of long-term debt		3,068	3,346
Current portion of lease liabilities		5,914	5,858
Liabilities directly associated with assets held for sale		-	11,155
Total current liabilities		**43,902**	**68,598**
Non-current liabilities			
Long-term debt		25,753	26,950
Lease liabilities		19,949	22,689
Deferred income tax liability		17,767	14,299
Exchangeable interest liability		34,439	39,542
Total non-current liabilities		**97,908**	**103,480**
Total liabilities		**141,810**	**172,078**
Equity			
Share capital		248,482	253,930
Contributed surplus		233	470
Accumulated deficit		(155,357)	(178,944)
Equity attributable to owners of the Corporation		**93,358**	**75,456**
Non-controlling interest		20,821	25,101
Total equity		**114,179**	**100,557**
TOTAL LIABILITIES AND EQUITY		**255,989**	**272,635**

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

MEDICAL FACILITIES CORPORATION

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

		Attributable to Owners of the Corporation				Non-controlling Interest	Total Equity
	Note	Share Capital $	Contributed Surplus $	Accumulated Deficit $	Total $	$	$
2026							
Balance at January 1, 2026		253,930	470	(178,944)	75,456	25,101	100,557
Net income and comprehensive income for the period		-	-	25,750	25,750	9,275	35,025
Stock options gain on expiration	15.1	-	(237)	-	(237)	-	(237)
Dividends to owners of the Corporation		-	-	(2,163)	(2,163)	-	(2,163)
Distributions to non-controlling interest		-	-	-	-	(9,667)	(9,667)
Investment in Oklahoma Spine Hospital, LLC by non-controlling interest		-	-	-	-	141	141
Sale of Oklahoma Spine Hospital, LLC	4.1	-	-	-	-	(4,029)	(4,029)
Purchase of common shares under a normal course issuer bid	6	(20,961)	-	-	(20,961)	-	(20,961)
Change in obligation for purchase of common shares	8	15,513	-	-	15,513	-	15,513
Balance at June 30, 2026		**248,482**	**233**	**(155,357)**	**93,358**	**20,821**	**114,179**
2025							
Balance at January 1, 2025		316,927	470	(195,378)	122,019	25,433	147,452
Net income and comprehensive income for the period		-	-	8,359	8,359	10,260	18,619
Dividends to owners of the Corporation		-	-	(2,465)	(2,465)	-	(2,465)
Distributions to non-controlling interest		-	-	-	-	(11,205)	(11,205)
Purchase of common shares under a normal course issuer bid	6	(9,043)	-	-	(9,043)	-	(9,043)
Purchase of common shares under a substantial issuer bid	7	(43,749)	-	-	(43,749)	-	(43,749)
Change in obligation for purchase of common shares	8	1,086	-	-	1,086	-	1,086
Balance at June 30, 2025		**265,221**	**470**	**(189,484)**	**76,207**	**24,488**	**100,695**

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

MEDICAL FACILITIES CORPORATION

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

	Note	Three Months Ended June 30, 2026 $	Three Months Ended June 30, 2025(1) $	Six Months Ended June 30, 2026 $	Six Months Ended June 30, 2025(1) $
Revenue and other income					
Facility service revenue		63,081	58,497	130,191	119,054
		63,081	**58,497**	**130,191**	**119,054**
Operating expenses					
Salaries and benefits		17,992	16,909	35,809	33,244
Drugs and supplies		19,860	17,654	40,629	35,956
General and administrative expenses		13,110	12,354	26,324	24,684
Depreciation of property and equipment		1,376	1,378	2,747	2,736
Depreciation of right-of-use assets		1,432	1,426	2,853	2,867
Amortization of other intangibles		135	135	268	268
		53,905	**49,856**	**108,630**	**99,755**
Income from operations		**9,176**	**8,641**	**21,561**	**19,299**
Finance costs (income)					
Change in value of exchangeable interest liability		1,822	(1,241)	(5,103)	1,289
Interest expense on exchangeable interest liability		974	845	2,710	2,545
Interest expense, net of interest income	12	263	441	427	321
Loss (gain) on foreign currency		32	29	(20)	159
		3,091	**74**	**(1,986)**	**4,314**
Income before income taxes		**6,085**	**8,567**	**23,547**	**14,985**
Income tax expense	11	426	1,704	4,755	1,070
Net income for the period from continuing operations		**5,659**	**6,863**	**18,792**	**13,915**
Discontinued operations					
Net income for the period from discontinued operations, net of tax	4.3	-	2,776	16,233	4,704
Net income and comprehensive income for the period		**5,659**	**9,639**	**35,025**	**18,619**
Attributable to:					
Owners of the Corporation		1,601	4,631	25,750	8,359
Non-controlling interest		4,058	5,008	9,275	10,260
		5,659	**9,639**	**35,025**	**18,619**
Earnings per share attributable to owners of the Corporation					
From continuing and discontinued operations					
Basic	5	$ 0.09	$ 0.24	$ 1.48	$ 0.41
Fully diluted	5	$ 0.09	$ 0.20	$ 1.20	$ 0.41
From continuing operations					
Basic	5	$ 0.09	$ 0.16	$ 0.55	$ 0.28
Fully diluted	5	$ 0.09	$ 0.13	$ 0.41	$ 0.28

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

(1) *The comparative results for the three and six months ended June 30, 2025 include the results of continuing operations and discontinued operations. In accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, the results of discontinued operations for the prior period are presented separately in the current period's interim condensed consolidated statements of income and comprehensive income to provide a clear comparison.*

MEDICAL FACILITIES CORPORATION

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

		Six Months Ended June 30,	
		2026	2025
	Note	$	$
Cash flows from operating activities			
Net income for the period		35,025	18,619
Adjustments for:			
Depreciation of property and equipment		2,747	3,080
Depreciation of right-of-use assets		2,853	4,935
Amortization of other intangibles		268	268
Change in value of exchangeable interest liability		(5,103)	1,289
Interest expense on exchangeable interest liability		2,710	2,545
Interest expense, net of interest income		451	511
(Gain) loss on foreign currency		(20)	159
Income tax expense		4,741	1,856
Gain on sale of Oklahoma Spine Hospital, LLC net of tax	4.1	(16,242)	-
Stock options gain on expiration	15.1	(237)	-
Other non-cash loss (gain)		17	(12)
		27,210	**33,250**
Net changes in non-cash operating working capital	9	854	3,199
		28,064	**36,449**
Interest paid, net of received		(2,386)	(2,003)
Income and withholding taxes paid		(7,033)	(17,231)
Net cash provided by operating activities		**18,645**	**17,215**
Cash flows from investing activities			
Purchase of property and equipment		(2,136)	(1,991)
Investment in Oklahoma Spine Hospital, LLC by non-controlling interest		141	-
Proceeds from sale of Oklahoma Spine Hospital, LLC, net of transaction costs	4.1	43,161	-
Net cash provided by (used in) investing activities		**41,166**	**(1,991)**
Cash flows from financing activities			
Net repayments of revolving credit facilities		(1,033)	-
Repayments of notes payable by the Facilities		(1,792)	(1,806)
Payment of lease liabilities		(3,984)	(6,072)
Distributions to non-controlling interest		(9,667)	(11,205)
Dividends paid		(2,307)	(2,659)
Purchase of common shares under normal course issuer bids	6	(20,961)	(9,043)
Purchase of common shares under a substantial issuer bid	7	-	(43,749)
Net cash used in financing activities		**(39,744)**	**(74,534)**
Increase (decrease) in cash and cash equivalents		**20,067**	**(59,310)**
Effect of exchange rate fluctuations on cash balances held		20	(159)
Add back: Net decrease in Oklahoma Spine Hospital, LLC's cash, classified as assets held for sale		583	-
Cash and cash equivalents, beginning of the period		43,449	108,496
Cash and cash equivalents, end of the period		**64,119**	**49,027**

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

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

1. REPORTING ENTITY

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

The Corporation's operations are based in the United States. Through its wholly-owned subsidiaries, the Corporation owns a 51% controlling interest in two specialty surgical hospitals (the "Facilities").

On January 30, 2026, the Corporation completed the sale of its 64.0% ownership interest in Oklahoma Spine Hospital, LLC ("OSH"), a Facility located in Oklahoma City, Oklahoma, to SSM Health Care of Oklahoma, Inc. and an entity owned by OSH's physician partners, for net cash proceeds of $45,677, subject to customary adjustments. In connection with this transaction, the Corporation recorded a post-tax gain of $16,242 in the results of discontinued operations.

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

		Ownership Interest June 30,	
Subsidiary	**Location**	**2026**	**2025**
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%
The Surgery Center of Newport Coast, LLC ("SCNC") (2)	Newport Beach, California	-	51.0%

(1) *The Corporation sold its ownership interest in OSH during the six months ended June 30, 2026.*
(2) *The Corporation completed the sale of SCNC during the year ended December 31, 2025.*

2. STATEMENT OF COMPLIANCE

These unaudited interim condensed consolidated financial statements ("consolidated financial statements") have been prepared in accordance with International Accounting Standard IAS 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB") using the accounting policies as described in the audited consolidated financial statements for the year ended December 31, 2025 ("annual financial statements").

These consolidated financial statements were approved for issue by the Corporation's Board of Directors on August 5, 2026.

3. BASIS OF PREPARATION

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

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

3. BASIS OF PREPARATION (Continued)

Income from operations for the interim period is not necessarily indicative of the results for the full year. Facility service revenue and certain directly related expenses are subject to seasonal fluctuations due to the timing of case scheduling, which can be impacted by the vacation schedules of surgeons, as well as the extent to which patients have remaining deductibles on their insurance coverage, based on the time of year. Occupancy related expenses, certain operating expenses, depreciation and amortization, and interest expense remain relatively steady throughout the year.

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

4. DISCONTINUED OPERATIONS

4.1 Sale of OSH

On January 30, 2026, the Corporation completed the sale of its 64.0% ownership interest in 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 gross cash proceeds of $46,048, less transaction costs of $151 and escrow reserves receivable of $220. The Corporation incurred further transaction costs of $2,516 in connection with this transaction.

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

The net assets sold were as follows:

	$
Accounts receivable	12,243
Supply inventory	102
Prepaid expenses and other receivables	1,566
Property and equipment	573
Right-of-use assets	1,180
Goodwill	14,747
Other intangibles	2,689
Total assets	**33,100**
Bank overdraft	61
Accounts payable	3,181
Accrued liabilities	2,768
Lease liabilities	1,164
Deferred income tax liability	2,628
Total liabilities	**9,802**
Net assets sold	**23,298**

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

4. DISCONTINUED OPERATIONS (Continued)

The gain on sale was calculated as follows:

	$
Net cash proceeds received	45,677
Escrow reserves	220
Non-controlling interest of OSH	4,029
Less: Transaction costs [1]	(2,516)
Less: Net assets sold	(23,298)
Gain on sale of OSH, before tax	24,112
Tax on gain [1]	7,870
Gain on sale of OSH, net of tax	**16,242**

[1] *Restated for the three months ended March 31, 2026 to reflect the final calculation of the gain on sale of OSH.*

4.2 Sale of SCNC

On December 31, 2025, the Corporation sold its 51.0% ownership share in SCNC, an ambulatory surgery center located in Newport Beach, California, to Newport Center GK, LLC for cash proceeds of $1,500, incurring transaction costs of $83. The sale of SCNC aligned with the Corporation's previously stated strategy of divestiture of non-core assets.

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

4. DISCONTINUED OPERATIONS (Continued)

4.3 Results of discontinued operations

		Three Months Ended June 30,		Six Months Ended June 30,	
		2026	2025[1]	2026[2]	2025[1]
	Note	$	$	$	$
Revenue and other income					
Facility service revenue		-	22,060	5,688	43,217
		-	**22,060**	**5,688**	**43,217**
Operating expenses					
Salaries and benefits		-	6,140	1,742	12,223
Drugs and supplies		-	9,347	2,346	18,519
General and administrative expenses		-	2,160	1,599	4,383
Depreciation of property and equipment		-	42	-	344
Depreciation of right-of-use assets		-	1,034	-	2,068
		-	**18,723**	**5,687**	**37,537**
Income from operations		**-**	**3,337**	**1**	**5,680**
Finance costs					
Interest expense, net of interest income		-	88	24	190
		-	**88**	**24**	**190**
Income (loss) before income taxes		**-**	**3,249**	**(23)**	**5,490**
Income tax expense (recovery)		-	473	(14)	786
Gain on sale of OSH, net of tax	4.1	-	-	(16,242)	-
Net income for the period from discontinued operations, net of tax		**-**	**2,776**	**16,233**	**4,704**

(1) The comparative results for the three and six months ended June 30, 2025 have been restated to include the results of all Facilities classified as discontinued operations.
(2) The results of discontinued operations for the three months ended March 31, 2026 have been restated to reflect the final calculation of the gain on sale of OSH.

4.4 Cash flows from discontinued operations

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025[1]	2026[2]	2025[1]
	$	$	$	$
Net cash provided by operating activities	-	1,960	684	2,077
Net cash (used in) provided by investing activities	-	(23)	42,780	(23)
Net cash used in financing activities	-	(2,571)	(1,408)	(4,608)
Net cash flow for the period	**-**	**(634)**	**42,056**	**(2,554)**

(1) The comparative cash flows for the three and six months ended June 30, 2025 have been restated to include the cash flows of all Facilities classified as discontinued operations.
(2) The results of discontinued operations for the three months ended March 31, 2026 have been restated to reflect the final calculation of the gain on sale of OSH.

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

5. EARNINGS PER SHARE

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

		Three Months Ended June 30,					
		2026			2025		
		Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
Net income for the period attributable to owners of the Corporation	$	1,601	-	1,601	3,035	1,596	4,631
Divided by weighted average number of common shares outstanding for the period		17,049,975	17,049,975	17,049,975	19,130,567	19,130,567	19,130,567
Basic earnings per share	**$**	**0.09**	**-**	**0.09**	**0.16**	**0.08**	**0.24**

		Six Months Ended June 30,					
		2026			2025		
		Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
Net income for the period attributable to owners of the Corporation	$	9,509	16,241	25,750	5,676	2,683	8,359
Divided by weighted average number of common shares outstanding for the period		17,375,408	17,375,408	17,375,408	20,645,225	20,645,225	20,645,225
Basic earnings per share	**$**	**0.55**	**0.93**	**1.48**	**0.28**	**0.13**	**0.41**

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

5. EARNINGS PER SHARE (Continued)

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

		Three Months Ended June 30,					
		2026			2025		
		Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
Net income for the period attributable to owners of the Corporation	$	1,601	-	1,601	3,035	1,596	4,631
Change in value of exchangeable interest liability (tax effected)		-	-	-	(943)	-	(943)
Interest expense on exchangeable interest liability		-	-	-	845	-	845
Modified net income for the period attributable to owners of the Corporation	$	1,601	-	1,601	2,937	1,596	4,533
Weighted average number of common shares:							
Outstanding for the period		17,049,975	17,049,975	17,049,975	19,130,567	19,130,567	19,130,567
Deemed to be issued on the exchange of the outstanding exchangeable interest liability		-	-	-	3,549,280	3,549,280	3,549,280
Dilutive weighted average number of common shares [(1)]		17,049,975	17,049,975	17,049,975	22,679,847	22,679,847	22,679,847
Fully diluted earnings per share	**$**	**0.09**	**-**	**0.09**	**0.13**	**0.07**	**0.20**

(1) *For the three months ended June 30, 2026, 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 June 30, 2026.*

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

5. EARNINGS PER SHARE (Continued)

		Six Months Ended June 30,					
		2026			2025		
		Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
Net income for the period attributable to owners of the Corporation	$	9,509	16,241	25,750	5,676	2,683	8,359
Change in value of exchangeable interest liability (tax effected)		(3,878)	-	(3,878)	-	-	-
Interest expense on exchangeable interest liability		2,710	-	2,710	-	-	-
Modified net income for the period attributable to owners of the Corporation	$	8,341	16,241	24,582	5,676	2,683	8,359
Weighted average number of common shares:							
Outstanding for the period		17,375,408	17,375,408	17,375,408	20,645,225	20,645,225	20,645,225
Deemed to be issued on the exchange of the outstanding exchangeable interest liability		3,075,709	3,075,709	3,075,709	-	-	-
Dilutive weighted average number of common shares (1)		20,451,117	20,451,117	20,451,117	20,645,225	20,645,225	20,645,225
Fully diluted earnings per share	**$**	**0.41**	**0.79**	**1.20**	**0.28**	**0.13**	**0.41**

(1) For the six months ended June 30, 2025, 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 June 30, 2025.

6. NORMAL COURSE ISSUER BIDS

The Corporation has a normal course issuer bid for up to 1,805,324 of its common shares in effect from December 1, 2025 to November 30, 2026. During the six months ended June 30, 2026, the Corporation purchased 1,655,900 of its common shares for a total consideration of $20,961 from the open market under this normal course issuer bid. During the six months ended June 30, 2025, the Corporation purchased 791,700 of its common shares for a total consideration of $9,043 from the open market under a previous normal course issuer bid.

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

On July 13, 2026, subsequent to the period end, the Corporation fully utilized the purchase limit of 1,805,324 of its common shares under the current normal course issuer bid.

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

7. SUBSTANTIAL ISSUER BID

On March 11, 2025, the Corporation completed a substantial issuer bid, by way of a modified Dutch auction, to purchase, for cancellation, the common shares of the Corporation (the “Offer”). The Corporation purchased and cancelled 3,374,313 of its common shares at a price of C$18.00 per common share under the Offer, representing an aggregate purchase price of $43,145, including applicable buyback taxes, or approximately 14.7% of the Corporation’s issued and outstanding common shares before giving effect to the Offer. The Corporation incurred transaction costs related to the Offer of $604 which were recorded against share capital during the six months ended June 30, 2025. Purchases under the normal course issuer bid ceased during the substantial issuer bid.

8. OBLIGATION FOR PURCHASE OF COMMON SHARES

The Corporation entered into an automatic share purchase plan with a broker that allows the purchase of common shares for cancellation under the normal course issuer bid, including block purchases, in accordance with certain prearranged trading parameters, at any time during predetermined trading blackout periods. An obligation for purchase of common shares of $516 was recognized under the automatic share purchase plan as of June 30, 2026 (December 31, 2025: $16,029), including applicable buyback taxes.

Subsequent to the period end, the Corporation purchased 39,424 of its common shares for a total consideration of $516 under the automatic share purchase plan, through July 13, 2026, fully utilizing the purchase limit of 1,805,324 of its common shares under the current normal course issuer bid.

9. NET CHANGES IN NON-CASH WORKING CAPITAL

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

	Six Months Ended June 30,	
	2026 **$**	**2025** **$**
Accounts receivable	3,321	5,971
Supply inventory	(2,657)	(676)
Prepaid expenses and other receivables	293	2,791
Accounts payable	(3,215)	(3,145)
Accrued liabilities	3,112	(1,742)
Net changes in non-cash working capital	**854**	**3,199**

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

10. FINANCIAL INSTRUMENTS

10.1 Fair values and classification of financial instruments

The fair value of exchangeable interest liability is determined based on the closing trading price of common shares at each reporting date. The fair values of long-term debt approximate their carrying values as the interest rates are similar to prevailing market rates. The fair values of all other financial instruments of the Corporation approximate their carrying values due to the short-term nature of these instruments.

The following table presents the carrying values and classification of the Corporation's financial instruments as of June 30, 2026 and December 31, 2025:

	June 30, 2026 $	December 31, 2025 $
Financial assets		
Amortized cost		
Cash and cash equivalents	64,119	43,449
Accounts receivable	32,761	35,081
Financial liabilities		
Fair value through profit or loss		
Exchangeable interest liability	34,439	39,542
Amortized cost		
Dividends payable	1,028	1,172
Accounts payable	11,339	15,369
Accrued liabilities	19,302	15,365
Obligation for purchase of common shares	516	16,029
Long-term debt	28,821	30,296

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 June 30, 2026 and December 31, 2025. They do not include fair value information for financial instruments which are short-term in nature.

	June 30, 2026			
	Level 1 $	Level 2 $	Level 3 $	Total $
Financial liabilities				
Exchangeable interest liability	-	34,439	-	34,439
Long-term debt	-	28,821	-	28,821
Total	**-**	**63,260**	**-**	**63,260**

	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**

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

10. FINANCIAL INSTRUMENTS (Continued)

10.2 Measurement of fair values

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

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

11. INCOME TAXES

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

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
Provision for income taxes	**2026** **$**	**2025** **$**	**2026** **$**	**2025** **$**
Current	703	1,216	1,356	1,307
Deferred	(277)	488	3,399	(237)
Income tax expense from continuing operations	**426**	**1,704**	**4,755**	**1,070**

12. INTEREST EXPENSE, NET OF INTEREST INCOME

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026 **$**	**2025** **$**	**2026** **$**	**2025** **$**
Interest expense at the Facility level	383	392	767	788
Interest expense at the corporate level	-		-	3
Interest expense on lease liabilities	371	446	760	911
Corporate credit facility stand-by fees	11	55	45	110
Interest income at the Facility level	(32)	(62)	(64)	(120)
Interest income at the corporate level	(470)	(390)	(1,081)	(1,371)
Interest expense, net of interest income, from continuing operations	**263**	**441**	**427**	**321**

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

13. RELATED PARTY TRANSACTIONS

13.1 Other transactions

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

Certain of the physicians, who indirectly own the non-controlling interest in each of the Facilities, routinely provide professional services directly to patients utilizing the services of the Facilities and reimburse the Facilities for the space and staff utilized. Also, certain of the physicians serve on the boards of management of the Facilities, and two such individuals perform the duties of Medical Director at their respective Facilities and are compensated in recognition of their contribution to the Facilities. Also, Dr. R. Blake Curd, a physician with a non-controlling interest in SFSH, is its Chief Executive Officer and served as the Chief Medical Officer of the Corporation until his contract to serve in this position terminated on June 23, 2026.

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 three and six months ended June 30, 2026 and 2025:

		Three Months Ended June 30,		Six Months Ended June 30,	
Subsidiary	**Nature of services or goods received**	**2026 $**	**2025 $**	**2026 $**	**2025 $**
ASH	Lease of hospital building and office space.	1,085	1,090	2,171	2,176
SFSH	Provision of management services in relation to orthopedic service line and ACO, anesthesia services, billing and coding services, physical and occupational therapy services, lithotripter services, facility and related equipment, and lease of urgent care building.	3,215	3,112	6,608	6,483
Total		**4,300**	**4,202**	**8,779**	**8,659**

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

14. COMMITMENTS AND CONTINGENCIES

14.1 Commitments

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

14.2 Contingencies

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

15. SHARE-BASED COMPENSATION

15.1 Stock options

The following table summarizes the number of outstanding stock options as of June 30, 2026:

Optionee	Number of Options Held	Number of Options Vested	Exercise Price	Grant Date
Former Chief Financial Officer	221,344	221,344	C$17.98	November 21, 2016
Total number of outstanding options	**221,344**	**221,344**		

Outstanding options (the "Options") vest after five years of employment. The Options must be exercised by the tenth anniversary of the respective grant dates, subject to blackout exceptions. As of June 30, 2026, all of the Options are vested and exercisable.

The movement in the number of outstanding stock options for the six months ended June 30, 2026 and 2025 was as follows:

Number of outstanding options	2026	2025
Balance at January 1	444,906	444,906
Options expired during the period	(223,562)	-
Balance at June 30	**221,344**	**444,906**

On May 1, 2026, the 223,562 Options held by the former Chief Executive Officer expired. During the six months ended June 30, 2026, the Corporation recognized a gain of $237 relating to the Options (June 30, 2025: $nil) in salaries and benefits expense based on recoveries from expired Options.

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

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

15. SHARE-BASED COMPENSATION (Continued)

15.2 Deferred share units

Compensation for directors includes a deferred share unit ("DSU") component, for which grants based on the value of the Corporation's common shares were issued 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 were 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.

For the six months ended June 30, 2026, the change in market value of outstanding DSUs was an expense of $113 (June 30, 2025: $148). As of June 30, 2026, accrued liabilities in the interim condensed consolidated balance sheet included a liability for DSUs of $885 (December 31, 2025: $772).

The following table summarizes changes in the number of DSUs for the six months ended June 30:

	2026	**2025**
Opening balance of DSUs at January 1	68,600	386,960
DSUs granted on dividend reinvestment	753	2,612
DSUs paid out	-	(321,787)
Total number of DSUs at June 30	**69,353**	**67,785**

15.3 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 were issued. 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.

15.3.1 Share units

SU grants were issued 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 six months ended June 30, 2026, operating expenses included an SU expense of $813 (June 30, 2025: $433). As of June 30, 2026, accrued liabilities in the interim condensed consolidated balance sheet included a liability for SUs of $3,676 (December 31, 2025: $2,878).

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

15. SHARE-BASED COMPENSATION (Continued)

The following table summarizes changes in the number of SUs for the six months ended June 30:

	2026	2025
Opening balance of SUs at January 1	297,388	290,472
SUs granted on dividend reinvestment	3,240	3,382
SUs forfeited	(2,161)	-
Total number of SUs at June 30	**298,467**	**293,854**

15.4 Restricted share units

The RSUs, granted at the discretion of the Corporation's Board of Directors, are settled in cash. RSU grants were issued to directors on December 1, 2024 for 28,199 RSUs. On June 26, 2025, 30,473 RSUs which vest over one year were granted to non-executive directors, and 75,995 RSUs which vest over three years were granted to executives and other employees of the Corporation. On May 15, 2026, 29,306 RSUs which vest over one year were granted to non-executive directors, and 66,991 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.

During the six months ended June 30, 2026, 30,473 RSUs granted to non-executive directors vested and were settled in cash for $381. For the six months ended June 30, 2026, operating expenses included an RSU expense of $347 (June 30, 2025: $227). As of June 30, 2026, accrued liabilities in the interim condensed consolidated balance sheet included a liability for RSUs of $419 (December 31, 2025: $414).

The following table summarizes changes in the number of RSUs for the six months ended June 30:

	2026	2025
Opening balance of RSUs at January 1	106,468	28,199
RSUs granted	96,297	106,468
RSUs granted on dividend reinvestment	-	233
RSUs vested and settled	(30,473)	(12,324)
RSUs paid out	-	(16,108)
RSUs forfeited	(2,880)	-
Total number of RSUs at June 30	**169,412**	**106,468**

16. MATERIAL ACCOUNTING POLICIES

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

16.1 New and revised IFRS Accounting Standards not yet adopted

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