MEDICAL FACILITIES CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF CONSOLIDATED FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021

August 11, 2021

The following Management's Discussion and Analysis ("MD&A") is intended to assist readers in understanding Medical Facilities Corporation (the "Corporation"), its business environment, strategies, performance, outlook and the risks applicable to the Corporation. It is supplemental to and should be read in conjunction with the unaudited interim condensed consolidated financial statements and accompanying notes (the "financial statements") of the Corporation for the three and six months ended June 30, 2021, which have been prepared in accordance with IAS 34 *Interim Financial Reporting*, the audited consolidated financial statements and accompanying notes of the Corporation for the year ended December 31, 2020 ("annual financial statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and the Corporation's annual MD&A for the year ended December 31, 2020 ("annual MD&A").

Substantially all of the Corporation's operating cash flows are in U.S. dollars and all amounts presented in the financial statements and herein are stated in thousands of U.S. dollars, unless indicated otherwise.

Additional information about the Corporation and its annual information form are available on SEDAR at www.sedar.com.

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1. CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

Certain information in this MD&A may constitute "forward-looking information" within the meaning of applicable securities legislation. All information contained in this MD&A, other than statements of current and historical fact, is forward-looking information. Forward-looking information includes, but is not limited to, the discussion of the Corporation's business and operating initiatives, focuses and strategies, expectations of future performance and consolidated financial results, and expectations with respect to cash flows and level of liquidity. Generally, forward-looking information can be identified by use of words such as "may", "will", "could", "should", "would", "expect", "believe", "plan", "anticipate", "intend", "forecast", "objective" and "continue" (or the negative thereof) and other similar terminology. All of the forward-looking information in this MD&A is qualified by this cautionary statement.

Forward-looking information is not, and cannot be, a guarantee of future results or events. Forward-looking information is based on, among other things, opinions, assumptions, estimates and analyses that, while considered reasonable at the date the forward-looking information is provided, inherently are subject to significant risks, uncertainties, contingencies and other factors that may cause actual results, performance or achievements, industry results or events to be materially different from those expressed or implied by the forward-looking information. The material factors or assumptions that were identified and applied in drawing conclusions or making forecasts or projections set out in the forward-looking information include, but are not limited to: the successful execution of business strategies, consistent and stable economic conditions and conditions in the financial markets, and the consistent and stable legislative environment in which the Corporation operates.

Inherent in the forward-looking information are known and unknown risks, uncertainties and other factors that could cause actual results, performance or achievements, or industry results, to differ materially from any results, performance or achievements expressed or implied by such forward-looking information. Those risks, uncertainties and other factors that could cause actual results to differ materially from the forward-looking information include, but are not limited to: the duration and impact of the novel coronavirus SARS-CoV-2 ("COVID-19") on the Corporation's financial position and operations, ability to obtain and maintain contractual arrangements with insurers and other payors, ability to attract and retain qualified physicians, availability of qualified personnel or management, legislative and regulatory changes, capital expenditures, general state of the economy, competition in the industry, opportunity to acquire accretive businesses, integration of acquisitions, currency risk, interest rate risk, success of new service lines introductions, ability to maintain profitability and manage growth, revenue and cash flow volatility, credit risk, operating risks, performance of obligations/maintenance of client satisfaction, information technology governance and security, risk of future legal proceedings, insurance limits, income tax matters, ability to meet solvency requirements to pay dividends, leverage and restrictive covenants, unpredictability and volatility of common share price, and issuance of additional common shares diluting existing shareholders' interests, and other factors set forth under the heading "Risk Factors" in the annual MD&A and under the heading "Risk Factors" in the Corporation's most recently filed annual information form (which is available on SEDAR at www.sedar.com).

Given these risks, uncertainties and other factors, investors should not place undue reliance on forward-looking information as a prediction of actual results. The forward-looking information reflects management's current expectations and beliefs regarding future events and operating performance and is based on information currently available to management. Although management has attempted to identify important factors that could cause actual results to differ materially from the forward-looking information contained herein, there are other factors that could cause results not to be as anticipated, estimated or intended. The forward-looking information contained herein is current as of the date of this MD&A and, except as required under applicable law, the Corporation does not undertake the obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances.

2. NON-IFRS FINANCIAL MEASURES

The Corporation uses certain non-IFRS financial measures which it believes provide useful measures for evaluation and assessment of the Corporation's performance. Non-IFRS financial measures do not have any standard meaning prescribed by IFRS, are unlikely to be comparable to similar measures presented by other issuers, and should not be considered as alternatives to comparable measures determined in accordance with IFRS as indicators of the Corporation's financial performance, including its liquidity, cash flows, and profitability.

The Corporation uses the following non-IFRS financial measures which are presented in Section 7 of this MD&A under the heading "Reconciliation of Non-IFRS Financial Measures" and reconciled to the applicable IFRS measures:

- **Cash available for distribution** is a non-IFRS financial measure of cash generated from operations during a reporting period which is available for distribution to common shareholders. Cash available for distribution is derived from cash flows from operations before changes in non-cash working capital and certain non-cash adjustments, less maintenance capital expenditures, payments on lease liabilities, interest and principal repayments on non-revolving debt obligations, and non-controlling interest in cash flows at the Facility (defined below) level. The Corporation calculates cash available for distribution in U.S. dollars and translates it into Canadian dollars using the average exchange rate applicable during the period per the Bank of Canada.

- **Cash available for distribution per common share** is a non-IFRS financial measure calculated as the cash available for distribution divided by the weighted average number of common shares outstanding during the period.

- **Distributions** is a non-IFRS financial measure of cash distributed to holders of common shares, more commonly referred to as dividends.

- **Earnings before interest, taxes, depreciation and amortization** ("EBITDA") is a non-IFRS financial measure defined as income for the period before (i) finance costs, (ii) income taxes, (iii) depreciation of property and equipment, (iv) depreciation of right-of-use assets, (v) amortization of other intangibles, and (vi) share of equity loss (income) in associates.

- **Adjusted EBITDA** is a non-IFRS financial measure defined as EBITDA before impairment of goodwill, and transaction costs on the sale of controlling interest in Unity Medical and Surgical Hospital ("UMASH").

- **Payout ratio** is a non-IFRS financial measure calculated as total distributions per common share in Canadian dollars divided by cash available for distribution per common share in Canadian dollars.

3. BUSINESS OVERVIEW

The Corporation is a British Columbia corporation. The capital of the Corporation is in the form of publicly traded common shares. The Corporation's current quarterly dividend on its common shares is Cdn$0.07 per Common Share (refer to Section 10 "Share Capital and Dividends" of this MD&A under the heading "Dividends").

The Corporation's operations are based in the United States. Through its wholly-owned U.S.-based subsidiaries, Medical Facilities America, Inc. ("MFA") and Medical Facilities (USA) Holdings, Inc. ("MFH"), the Corporation owns controlling interests in, and/or controls by virtue of retaining approval rights over certain

significant governance matters, and derives substantially all of its income from, 10 limited liability entities (each a “Facility” and, collectively, the “Facilities”), each of which own either a specialty surgical hospital (an “SSH”) or an ambulatory surgery center (an “ASC”). The 10 Facilities are comprised of four SSHs located in Arkansas, Oklahoma, and South Dakota, and six ASCs located in California, Michigan, Missouri, Nebraska, Ohio and Pennsylvania. ASCs are specialized surgical centers that only provide outpatient procedures, whereas SSHs are licensed for both inpatient and outpatient surgeries. The SSHs and ASCs provide facilities, including staffing, surgical materials and supplies, and other support necessary for scheduled surgical, pain management, imaging, and diagnostic procedures and derive their revenue primarily from the fees charged for the use of these facilities. The Facilities mainly focus on a limited number of clinical specialties such as orthopedics, neurosurgery, pain management and other non-emergency elective procedures. In addition, two of the SSHs provide urgent care services.

COVID-19

On March 11, 2020, the World Health Organization designated COVID-19 as a global pandemic. The outbreak began to impact the Corporation’s and Facilities’ operations in the latter half of March 2020. All Facilities were affected by the pandemic as elective cases were restricted, either voluntarily or by U.S. state or local government mandate, including the temporary closure of three of the MFC Nueterra ASCs, which reopened in May 2020. Management expects patient volumes and revenues to be negatively impacted until the effects of the pandemic have fully subsided and the economy stabilizes.

Management believes the extent of the COVID-19 pandemic’s adverse impact on the Corporation’s operating results and financial condition will be driven by many factors, most of which are beyond management’s control and ability to forecast. Such factors include, but are not limited to, the scope and duration of past and potential future stay-at-home policies and business closures, continued decreases in patient volumes for an indeterminable length of time, increases in the number of uninsured and underinsured patients as a result of higher unemployment, incremental expenses required for supplies and personal protective equipment, changes in professional and general liability exposure, the efficacy of the COVID-19 vaccines against the virus and its variants, and the overall vaccine acceptance rate. Because of these and other uncertainties, management cannot estimate the length or severity of the impact of the pandemic on the business. Decreases in cash flows and results of operations may have an impact on the inputs and assumptions used in significant accounting estimates, including management’s assessment of future compliance with financial covenants, estimated implicit price concessions related to uninsured patient accounts, professional and general liability reserves, and potential impairments of goodwill and long-lived assets.

The *Coronavirus Aid, Relief, and Economic Security (CARES) Act* (the “CARES Act”) was signed into law on March 27, 2020. The CARES Act includes provisions for financial assistance to hospitals, surgery centers and health care providers via, among other provisions, the Public Health and Social Services Emergency Fund (“PHSSEF”), the Paycheck Protection Program (“PPP”), the Employee Retention Credit (“ERC”), and expansion of an existing Centers for Medicare and Medicaid Services accelerated payment program.

The PHSSEF is administered by the Department of Health and Human Services (“HHS”) to provide eligible healthcare providers with relief funds to cover non-reimbursable expenses, including lost revenue, attributable to COVID-19. Funds not utilized for eligible expenses and not applied to lost revenues must be returned. The recognition of amounts received is conditioned upon receipt of the funds, the provision of care for individuals with possible or actual cases of COVID-19 after January 31, 2020, and certification that the payment will be used to prevent, prepare for and respond to COVID-19. For the six months ended June 30, 2021, certain Facilities have received $3.3 million in total funding from the HHS and recognized all of it in revenue as government stimulus income. The Facilities received $14.5 million in total funding from the HHS for the year ended December 31, 2020, of which $3.0 million may be repayable, and is recorded as a liability as at June 30, 2021.

The PPP expands the guaranteed lending program under Section 7(a) of the *Small Business Act* administered by the US Small Business Administration ("SBA"). The loan amounts received are eligible for forgiveness to the extent they are used for certain qualifying expenses and to maintain payroll levels and related expenses during the 8-week to 24-week period following loan origination. Under the PPP, certain Facilities have received $1.5 million for the six months ended June 30, 2021, all of which is recorded as a liability as at June 30, 2021. This is expected to be recognized as income in the following quarters of 2021.

Certain Facilities received loans of $12.2 million under the PPP for the year ended December 31, 2020, all of which have been forgiven in full by the SBA.

Under the expansion of the Medicare Accelerated and Advance Payment Program most providers and suppliers could request an advance of three to six months of Medicare payments. Certain Facilities received net advances of $23.2 million for the year ended December 31, 2020. Repayment of these accelerated/advance payments commences one year after issuance, upon which payments will be recouped against Medicare claims at a rate of 25% for eleven months, followed by a rate of 50% for the succeeding six months, after which any remaining balance will need to be repaid in full within one month. The initial 11-month recoupment period began in April 2021, such that $2.3 million has been recouped as at June 30, 2021. The remaining $20.8 million is recorded as a liability under payor advances and government stimulus funds repayable as at June 30, 2021.

The ERC is a refundable tax credit against certain employment taxes that can be claimed by eligible employers whose business has been financially impacted by COVID-19. The Facilities have not claimed any tax credits under this program, but may be eligible to do so moving forward.

In addition to the CARES Act, the *Families First Coronavirus Response Act* ("FFCRA") was signed into law on March 18, 2020. This program mandates COVID-19 related family medical and paid sick leaves for employees and provides tax credits to reimburse employers for both sick leave and family medical leave. Certain Facilities have qualified for the tax credits under the FFCRA and recorded government stimulus income.

One Facility has also received other stimulus funds under a state program of $1.3 million, and recognized all of it in revenue as government stimulus income for the six months ended June 30, 2021. Certain Facilities received other stimulus funds under state programs of $1.0 million for the year ended December 31, 2020.

On December 27, 2020, the Consolidated Appropriations Act, 2021 (the "CA Act") was signed into law, introducing a $900 billion stimulus relief package aimed to respond to the economic fallout caused by the COVID-19 pandemic. Among other provisions, the CA Act enhanced and expanded certain provisions of the previous relief package, the CARES Act. This included an additional $284.5 billion in funding for first and second rounds of more easily forgivable PPP loans, and an extension and expansion of the ERC. The Facilities may be eligible for further funding under the CA Act.

On March 11, 2021, the American Rescue Plan Act, 2021 (the "ARP Act") was signed into law, which is a $1.9 trillion economic stimulus package intended to facilitate recovery in the United States from the economic and health effects of COVID-19. Among its provisions, the ARP Act includes $7.25 billion in appropriations to the SBA for the PPP, and a further extension of the ERC. The Facilities may be eligible for further funding under the ARP Act.

There is uncertainty regarding the implementation, duration and impact of the CARES Act, the CA Act, the ARP Act, and other existing or future stimulus legislation, if any. There can be no assurance as to the total amount of financial assistance or types of assistance the Facilities will receive, that the Facilities will be able to comply with the applicable terms and conditions to retain such assistance, that the Facilities will be able to benefit from provisions intended to increase access to resources and ease regulatory burdens for health care providers or that additional stimulus legislation will be enacted. Any loans not forgiven will result in a reversal of income previously recorded and a recording of a liability.

Other Information

Facility service revenue ("revenue") and certain directly related expenses are subject to seasonal fluctuations due to the timing of case scheduling, which can be impacted by the vacation schedules of surgeons, as well as the extent to which patients have remaining deductibles on their insurance coverage, based on the time of year. Occupancy related expenses, certain operating expenses, depreciation and amortization, and interest expense remain relatively steady throughout the year.

Revenue for any given period is dependent on the volume of the procedures performed as well as the acuity and complexity of the procedures ("case mix") and composition of payors ("payor mix"), including federal and state agencies (under the Medicare and Medicaid programs), managed care health plans, commercial insurance companies and employers. Various payors have different reimbursement rates for the same type of procedure which are generally based on either predetermined rates per procedure or discounted fee-for-service rates. Medicare and Medicaid typically have lower reimbursement rates than other payors.

Revenue is recorded in the period when healthcare services are provided based upon established billing rates less adjustments required by contractual arrangements with the payors. Estimates of contractual adjustments under payor arrangements are based upon the payment terms specified in the related contractual agreements and payment history.

The volume of procedures performed at the Facilities depends on, among other things: (i) the Facilities' ability to deliver high quality care and superior services to patients and their family members; (ii) the Facilities' success in encouraging physicians to perform procedures at the Facilities through, among other things, maintenance of an efficient work environment for physicians as well as availability of facilities; and (iii) the Facilities' establishment and maintenance of strong relationships with major third-party payors in the geographic areas served. The case mix at each Facility is a function of the clinical specialties of the physicians and medical staff and is also dependent on the equipment and infrastructure at each Facility.

Non-controlling interests in the Facilities are indirectly owned, primarily by physicians practicing at the Facilities. Upon acquisition by the Corporation of indirect controlling interests in the SSHs located in Arkansas, Oklahoma, and South Dakota, the non-controlling interest owners were granted the right to exchange up to 14% (5% in the case of ASH) of the ownership interest in their respective Facilities for common shares of the Corporation. The liability associated with this derivative instrument is recorded on the consolidated balance sheet. To date, the non-controlling interest owners of two of the eligible Facilities have exercised portions of their exchangeable interests.

<u>Summary of Facility Information as of June 30, 2021</u>

	Arkansas Surgical Hospital ("ASH")	Oklahoma Spine Hospital ("OSH")	Black Hills Surgical Hospital ("BHSH")	Sioux Falls Specialty Hospital ("SFSH")	The Surgery Center of Newport Coast ("SCNC")	MFC Nueterra ASCs
Location	North Little Rock Arkansas	Oklahoma City Oklahoma	Rapid City South Dakota	Sioux Falls South Dakota	Newport Beach California	Five locations[3]
Year Opened	2005	1999	1997	1985	2004	1997-2007
Year Acquired by the Corporation	2012	2005	2004	2004	2008	2018
Ownership Interest	51.0%	64.0%	54.2%	51.0%	51.0%	30-59%[3]
Non-controlling Interest	49.0%	36.0%	45.8%	49.0%	49.0%	70-41%[3]
Exchangeable Interest	5.0%	1.0%	10.8%	14.0%	-	-
Size	126,000 sq ft	61,000 sq ft	86,000 sq ft	76,000 sq ft	7,000 sq ft	5,000-14,000 sq ft
Operating/Procedure Rooms	11/2	7/2	11[2]	15	2/1	14/6
Overnight Rooms	41[1]	25	26	33	-	-

[1] *Licensed for 49 beds.*

[2] *Licensed for 12 rooms.*

[3] *Through the MFC Nueterra Partnership, the Corporation owns indirect interests between approximately 30% to 59% in five ASCs, situated in Michigan, Missouri, Nebraska, Ohio, and Pennsylvania.*

4. FINANCIAL AND PERFORMANCE HIGHLIGHTS

Selected Financial Information from Continuing Operations

Unaudited	Three Months Ended June 30,				Six Months Ended June 30,			
In thousands of U.S. dollars, except per share amounts and as indicated otherwise		**2021**		**2020**		**2021**		**2020**
Facility service revenue		97,572		67,659		191,568		160,421
Government stimulus income		572		21,145		4,705		21,145
Total revenue and other income		98,144		88,804		196,273		181,566
Operating expenses		81,202		71,218		160,972		152,945
Income from operations		16,942		17,586		35,301		28,621
Net income for the period from continuing operations		11,856		7,377		22,163		21,984
Attributable to:								
Owners of the Corporation [(1)]		5,321		241		8,793		9,664
Non-controlling interest [(1)]		6,535		7,136		13,370		12,320
Net income (loss) for the period from discontinued operations, net of tax		-		93		-		(1,739)
Earnings per share from continuing operations attributable to owners of the Corporation								
Basic		$0.17		$0.01		$0.28		$0.31
Fully diluted		$0.15		$0.01		$0.28		$0.30
EBITDA [(2)]		23,698		24,603		48,830		42,711
Adjusted EBITDA [(2)]		23,698		24,603		48,830		43,161
Cash available for distribution [(2)]	C$	7,475	C$	8,225	C$	15,369	C$	17,056
Distributions [(2)]	C$	2,178	C$	2,178	C$	4,355	C$	4,355
Cash available for distribution per common share [(2)]	C$	0.240	C$	0.264	C$	0.494	C$	0.548
Distributions per common share [(2)]	C$	0.070	C$	0.070	C$	0.140	C$	0.140
Payout ratio [(2)]		29.2%		26.5%		28.3%		25.5%

[(1)] *Net income from continuing operations attributable to owners of the Corporation fluctuates significantly between the periods due to variations in finance costs, primarily in the value of exchangeable interest liability, impairment gain recorded on the loan receivable, and income taxes. These charges are incurred at corporate level rather than at Facility level. On the other hand, net income from continuing operations attributable to non-controlling interest represents the interest of the Facilities' non-controlling interest holders in the net income of the Facilities on a stand-alone basis and, therefore, does not vary as significantly between the periods.*

[(2)] *Non-IFRS financial measure. Please refer to Section 2 under the heading "Non-IFRS Financial Measures", Section 7 under the heading "Reconciliation of Non-IFRS Financial Measures" and Section 5 under the heading "Reconciliation of net income for the period from continuing operations to EBITDA and Adjusted EBITDA".*

Selected Financial Information for the Three Months Ended June 30, 2021 Compared to the Three Months Ended June 30, 2020

For the three months ended June 30, 2021, total revenue and other income from continuing operations was $98.1 million, an increase of 10.5% from $88.8 million for the same period in 2020, despite a decrease in government stimulus income of $20.6 million. Facility service revenue from continuing operations of $97.6 million increased by 44.2% from $67.7 million for the same period in 2020, primarily due to higher case volume, attributable to the Facilities' recovery from the negative impacts of the COVID-19 pandemic which forced the Facilities to curtail their elective surgeries or temporarily cease operations from the second half of March 2020 to the first half of May 2020. EBITDA was $23.7 million or 24.1% of total revenue and other income from continuing operations compared to $24.6 million or 27.7% of total revenue and other income from continuing operations for the same period last year, down mainly due to the decrease in government stimulus income, mostly offset by higher facility service revenue, driven by the rebound of case volumes, which exceeded the corresponding increase in operating expenses. Net income for the period from continuing operations was $11.9 million compared to net income of $7.4 million for the same period in 2020, with the increase mainly attributable

to lower finance costs driven by the change in the value of exchangeable interest liability versus the prior year (refer to Section 5 "Consolidated Operating and Financial Review" of this MD&A under the heading "Change in Value of Exchangeable Interest Liability"). Net income for the period from discontinued operations, net of tax, was nil compared to $0.1 million for the same period in 2020, consisting of the net operating results of RRI Mishawaka Hospital, LP ("RRIMH").

The Corporation generated cash available for distribution of Cdn$7.5 million, representing a decrease of Cdn$0.7 million or 9.1% from Cdn$8.2 million for the same period in the prior year. Distributions per common share remained consistent between the periods at Cdn$0.070, while the payout ratio was 29.2% for this period compared to 26.5% for the three months ended June 30, 2020. For a reconciliation of the foregoing non-IFRS financial measures to the applicable IFRS measures, see Section 7 under the heading "Reconciliation of Non-IFRS Financial Measures".

Selected Financial Information for the Six Months Ended June 30, 2021 Compared to the Six Months Ended June 30, 2020

For the six months ended June 30, 2021, total revenue and other income from continuing operations was $196.3 million, an increase of 8.1% from $181.6 million for the same period in 2020, despite a decrease in government stimulus income of $16.4 million. Facility service revenue from continuing operations of $191.6 million increased by 19.4% from $160.4 million for the same period in 2020, primarily due to higher case volume, attributable to the Facilities' recovery from the negative impacts of the COVID-19 pandemic which forced the Facilities to curtail their elective surgeries or temporarily cease operations from the second half of March 2020 to the first half of May 2020. EBITDA was $48.8 million or 24.9% of total revenue and other income from continuing operations compared to $42.7 million or 23.5% of total revenue and other income from continuing operations for the same period last year, up mainly due to higher facility service revenue, driven by the rebound of case volumes, which exceeded the corresponding increase in operating expenses, partly offset by the decrease in government stimulus income. Excluding the impact of transaction costs on the sale of controlling interest in UMASH, Adjusted EBITDA was $43.2 million or 23.8% of total revenue and other income from continuing operations for the six months ended June 30, 2020. Net income for the period from continuing operations was $22.2 million compared to net income of $22.0 million for the same period in 2020, with the increase mainly attributable to higher operating income, partly offset by higher finance costs. Net loss for the period from discontinued operations, net of tax, was nil compared to $1.7 million for the same period in 2020, consisting of the net operating results of UMASH and RRIMH.

The Corporation generated cash available for distribution of Cdn$15.4 million, representing a decrease of Cdn$1.7 million or 9.9% from Cdn$17.1 million for the same period in the prior year. Distributions per common share remained consistent between the periods at Cdn$0.140, while the payout ratio was 28.3% for this period compared to 25.5% for the six months ended June 30, 2020. For a reconciliation of the foregoing non-IFRS financial measures to the applicable IFRS measures, see Section 7 under the heading "Reconciliation of Non-IFRS Financial Measures".

5. CONSOLIDATED OPERATING AND FINANCIAL REVIEW

Continuing Operations for the Three Months Ended June 30, 2021

The following table and discussion compare operating and financial results from continuing operations of the Corporation for the three months ended June 30, 2021 to the three months ended June 30, 2020:

Unaudited	Three Months Ended June 30,			
In thousands of U.S. dollars, except per share amounts	**2021**	**2020**	**$ Change**	**% Change**
Revenue and other income				
Facility service revenue	97,572	67,659	29,913	44.2%
Government stimulus income	572	21,145	(20,573)	(97.3%)
	98,144	**88,804**	**9,340**	**10.5%**
Operating expenses				
Salaries and benefits	29,066	26,794	2,272	8.5%
Drugs and supplies	31,561	22,910	8,651	37.8%
General and administrative expenses	13,819	14,497	(678)	(4.7%)
Depreciation of property and equipment	2,324	2,469	(145)	(5.9%)
Depreciation of right-of-use assets	2,539	2,521	18	0.7%
Amortization of other intangibles	1,893	2,027	(134)	(6.6%)
	81,202	**71,218**	**9,984**	**14.0%**
Income from operations	**16,942**	**17,586**	**(644)**	**(3.7%)**
Finance costs				
Change in value of exchangeable interest liability	(2,333)	5,549	(7,882)	(142.0%)
Interest expense on exchangeable interest liability	2,145	686	1,459	212.7%
Interest expense, net of interest income	1,615	915	700	76.5%
Impairment gain on loan receivable	-	(681)	681	100.0%
Gain on foreign currency	(4)	(19)	15	78.9%
	1,423	**6,450**	**(5,027)**	**(77.9%)**
Share of equity loss in associates	100	476	(376)	(79.0%)
Income before income taxes	**15,419**	**10,660**	**4,759**	**44.6%**
Income tax expense	3,563	3,283	280	8.5%
Net income for the period from continuing operations	**11,856**	**7,377**	**4,479**	**60.7%**
Attributable to:				
Owners of the Corporation	5,321	241	5,080	2,107.9%
Non-controlling interest	6,535	7,136	(601)	(8.4%)
Basic earnings per share attributable to owners of the Corporation	$0.17	$0.01	0.16	1,600.0%
Fully diluted earnings per share attributable to owners of the Corporation	$0.15	$0.01	0.14	1,400.0%
Reconciliation of net income for the period from continuing operations to EBITDA and Adjusted EBITDA [(1)]				
Net income for the period from continuing operations	11,856	7,377	4,479	60.7%
Income tax expense	3,563	3,283	280	8.5%
Share of equity loss in associates	100	476	(376)	(79.0%)
Finance costs	1,423	6,450	(5,027)	(77.9%)
Depreciation of property and equipment	2,324	2,469	(145)	(5.9%)
Depreciation of right-of-use assets	2,539	2,521	18	0.7%
Amortization of other intangibles	1,893	2,027	(134)	(6.6%)
EBITDA and Adjusted EBITDA [(1)]	**23,698**	**24,603**	**(905)**	**(3.7%)**

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

Revenue and Other Income

Unaudited	Three Months Ended June 30,			
In thousands of U.S. dollars	**2021**	**2020**	**$ Change**	**% Change**
ASH	17,234	17,974	(740)	(4.1%)
OSH	19,280	18,372	908	4.9%
BHSH	22,538	18,606	3,932	21.1%
SFSH	30,648	25,514	5,134	20.1%
SCNC	2,364	1,598	766	47.9%
MFC Nueterra ASCs	6,080	6,740	(660)	(9.8%)
Total revenue and other income	**98,144**	**88,804**	**9,340**	**10.5%**

For the three months ended June 30, 2021, total revenue and other income increased from the same period in 2020 by $9.3 million or 10.5%, while facility service revenue increased by $29.9 million or 44.2%. The increase was primarily attributable to higher case volume ($30.9 million), as prior year volumes were reduced significantly by the onset of the COVID-19 pandemic, and the combined impact of case and payor mix ($1.1 million), partly offset by the decrease in government stimulus income ($20.6 million), and the impact of the sale of Two Rivers Surgical Center ("TRSC") in September 2020 ($2.1 million).

Excluding the impact of TRSC, total surgical cases increased by 51.1%, as outpatient and observation cases both increased by 62.1%, and inpatient cases increased by 15.6%. Surgical case volume was up at all Facilities, with SFSH, MFC Nueterra ASCs and BHSH experiencing the largest increases. Surgical case volume increase by payor compared to the same period last year came predominantly from Medicare and Blue Cross/Blue Shield, which increased by 67.6% and 38.4%, respectively. Pain cases were up by 34.7% compared to the same period last year.

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

- ASH's revenue decreased mainly due to a decline in government stimulus income, partly offset by an increase in surgical case volume compared to prior year volumes which were lowered by the COVID-19 pandemic.

- OSH's revenue increased mainly due to higher surgical case volume versus prior year volumes which were reduced because of the COVID-19 pandemic, as well as improved case and payor mix, with increases in spine cases and commercial payors, respectively. This was partly offset by a decrease in government stimulus income.

- BHSH's revenue increased mainly due to surgical and pain management case volume growth over prior year volumes which were significantly reduced by the discontinuation of elective cases from the second half of March 2020 to April 2020 as a result of the COVID-19 pandemic, complemented by increases in imaging and urgent care revenues. This was partly offset by a decrease in government stimulus income.

- SFSH's revenue increased mainly due to higher surgical case volume versus prior year volumes which were significantly reduced from the discontinuation of elective cases from April 2020 to the first half of May 2020 as a result of the COVID-19 pandemic, complemented by the impact of price increases for certain procedures. This was partly offset by a decrease in government stimulus income and payor mix, driven by a higher percentage of Medicare.

- SCNC's revenue increased mainly due to surgical case volume growth, as prior year volumes were reduced by the COVID-19 pandemic, coupled with improved case mix, stemming from increased total joints and orthopedic cases. This was partly offset by a decrease in government stimulus income and less favourable payor mix, as a result of increased Medicare cases driven by total joints.

- MFC Nueterra ASCs' revenue decreased mainly due to the impact of the sale of TRSC, and a decrease in government stimulus income. This was partly offset by higher surgical case volume, with prior year volumes significantly reduced by the COVID-19 pandemic, as three ASCs located in Pennsylvania, Nebraska, and Ohio were closed starting in the second half of March 2020 until the end of April 2020 as part of state mandates on elective surgery.

Operating Expenses

For the three months ended June 30, 2021, operating expenses, including salaries and benefits, drugs and supplies, general and administrative expenses ("G&A"), depreciation of property and equipment, depreciation of right-of-use assets, and amortization of other intangibles ("operating expenses"), increased by $10.0 million or 14.0% from the same period in the prior year to $81.2 million, mainly due to increases in drugs and supplies, and salaries and benefits in line with the higher surgical case volume observed across all Facilities. As a percentage of total revenue and other income, operating expenses increased to 82.7% from 80.2% in the same period a year earlier.

Unaudited	Three Months Ended June 30,					
In thousands of U.S. dollars	**2021**	**Percentage of Revenue**	**2020**	**Percentage of Revenue**	**$ Change**	**% Change**
ASH	13,779	80.0%	11,958	66.5%	1,821	15.2%
OSH	17,396	90.2%	15,784	85.9%	1,612	10.2%
BHSH	17,105	75.9%	14,393	77.4%	2,712	18.8%
SFSH	21,243	69.3%	18,090	70.9%	3,153	17.4%
SCNC	2,209	93.4%	1,319	82.5%	890	67.5%
MFC Nueterra ASCs	5,014	82.5%	4,990	74.0%	24	0.5%
Corporate	4,456	n/a	4,684	n/a	(228)	(4.9%)
Operating expenses	**81,202**	**82.7%**	**71,218**	**80.2%**	**9,984**	**14.0%**

Consolidated salaries and benefits increased by $2.3 million or 8.5%, primarily due to higher surgical case volume and annual increases for both clinical and non-clinical wages and salaries ($2.2 million), higher benefit costs from increased utilization ($0.3 million), and higher incentive pay ($0.3 million), partly offset by the impact of the sale of TRSC ($0.4 million). As a percentage of total revenue and other income, consolidated salaries and benefits decreased to 29.6% from 30.2% a year earlier.

Consolidated drugs and supplies increased by $8.7 million or 37.8%, primarily due to higher surgical case volume ($8.8 million), combined with case mix ($1.3 million), in which higher orthopedic cases increased implant costs. This was partly offset by implant cost savings at OSH ($0.9 million), and the impact of the sale of TRSC ($0.5 million). As a percentage of total revenue and other income, the consolidated cost of drugs and supplies increased to 32.2% from 25.8% a year earlier.

Consolidated G&A decreased by $0.7 million or 4.7%. The decrease was mainly due to a decrease in losses related to lease terminations ($0.5 million), an impairment charge from the shutdown of the ASH urgent care operations in the prior year ($0.4 million), the impact of the sale of TRSC ($0.3 million), and higher prior year costs related to the share-based compensation plans driven by the rising share price ($0.2 million). These were offset by an increase in billing fees and other contracted services ($0.3 million), higher repairs and maintenance expenditure ($0.3 million), and higher marketing costs ($0.2 million). As a percentage of total revenue and other income, consolidated G&A decreased to 14.1% from 16.3% a year earlier.

Consolidated depreciation of property and equipment decreased by $0.1 million or 5.9%, primarily due to certain assets being fully depreciated, as well as the impact of the sale of TRSC, partly offset by the acquisition of fixed assets. As a percentage of total revenue and other income, consolidated depreciation of property and equipment decreased to 2.4% from 2.8% a year earlier.

Consolidated depreciation of right-of-use assets remained consistent year over year, as the addition of new lease agreements was offset by the expiration of certain leases, and the impact of the sale of TRSC. As a percentage of total revenue and other income, consolidated depreciation of right-of-use assets decreased to 2.6% from 2.8% a year earlier.

Consolidated amortization of other intangibles decreased by $0.1 million or 6.6%, mainly due to certain intangibles being fully amortized, as well as the impact of the sale of TRSC. As a percentage of total revenue and other income, consolidated amortization of other intangibles decreased to 1.9% from 2.3% a year earlier.

Income from Operations

Consolidated income from operations for the three months ended June 30, 2021 of $16.9 million was $0.6 million or 3.7% lower than consolidated income from operations of $17.6 million, recorded in the same period a year earlier, representing 17.3% of revenue and other income, compared to 19.8% in the same period in 2020. The decrease is mainly due to lower income in the current year from operations at all Facilities except SFSH and BHSH, inclusive of the prior year comparative impacts of the COVID-19 pandemic and the government stimulus income.

Unaudited	Three Months Ended June 30,					
In thousands of U.S. dollars	**2021**	**Percentage of Revenue**	**2020**	**Percentage of Revenue**	**$ Change**	**% Change**
ASH	3,455	20.0%	6,016	33.5%	(2,561)	(42.6%)
OSH	1,884	9.8%	2,588	14.1%	(704)	(27.2%)
BHSH	5,433	24.1%	4,213	22.6%	1,220	29.0%
SFSH	9,405	30.7%	7,424	29.1%	1,981	26.7%
SCNC	155	6.6%	279	17.5%	(124)	(44.4%)
MFC Nueterra ASCs	1,066	17.5%	1,750	26.0%	(684)	(39.1%)
Corporate	(4,456)	n/a	(4,684)	n/a	228	4.9%
Income from operations	**16,942**	**17.3%**	**17,586**	**19.8%**	**(644)**	**(3.7%)**

Finance Costs

Change in Value of Exchangeable Interest Liability

The liability for the exchangeable interest is recorded at fair value, and re-measured at each reporting date, and the changes in fair value are included in net income for the respective periods. Changes in the recorded value of the exchangeable interest liability between the reporting periods are attributable to the (i) changes in the number of common shares to be issued for the exchangeable interest liability, which are driven by the distributions to the non-controlling interest during the twelve-month period ending on the reporting date, (ii) changes in the market price of the Corporation's common shares, and (iii) fluctuations of the value of the Canadian dollar against the U.S. dollar.

The following table provides a calculation of the change in value of exchangeable interest liability for the reporting periods:

In thousands of U.S. dollars, except as indicated otherwise	**June 30, 2021** *Unaudited*	**March 31, 2021** *Unaudited*	**Change**	**June 30, 2020** *Unaudited*	**March 31, 2020** *Unaudited*	**Change**
Number of common shares to be issued for exchangeable interest liability	5,951,621	6,210,780	(259,159)	6,421,383	6,036,654	384,729
Closing price of the Corporation's common shares	C$7.01	C$7.28	(C$0.27)	C$4.34	C$3.49	C$0.85
Closing exchange rate of U.S. dollar to Canadian dollar	$1.2397	$1.2564	($0.0167)	$1.3576	$1.4065	($0.0489)
Exchangeable interest liability	**33,654**	**35,987**	**(2,333)**	**20,528**	**14,979**	**5,549**

Interest on Exchangeable Interest Liability

Interest expense on the exchangeable interest liability increased by $1.5 million compared to the same period in the prior year, which was primarily driven by the increase in distributions from the Facilities between the reporting periods.

Interest Expense

Interest expense, net of interest income, from continuing operations increased by $0.7 million mainly due to lower interest income and increased credit facility stand-by fees at corporate level, offset partly by lower credit facility interest expense at corporate level due to a lower outstanding balance and interest rate, lower interest expense at Facilities' level, and lower interest expense on lease liabilities.

Impairment Gain on Loan Receivable

Impairment gain on loan receivable totalled $0.7 million for the prior year, as a result of reevaluating the impairment loss allowance reserved on the loan receivable from UMASH (refer to Section 13 under the heading "Allowance for Loan Receivable" for a discussion on the calculation methodology).

Foreign Currency

The Corporation's reporting currency is U.S. dollars; however, certain public company expenses and payments to holders of common shares are made in Canadian dollars. Foreign currency gains saw a nominal decrease compared to the same period in 2020, due to the relative change in foreign exchange rates.

Share of Equity Loss in Associates

The Corporation's share of equity loss in associates accounted for using the equity method decreased by $0.4 million compared to the same period in 2020. The decrease was mainly due to the Corporation's prior year share of the net loss from UMASH. No losses have been recognized for UMASH in the current year because the investment balance was written down to nil at the end of prior year.

Income Tax

Current and deferred tax components of the income tax expense from continuing operations for the reporting periods are as follows:

Unaudited	Three Months Ended June 30,			
In thousands of U.S. dollars	**2021**	**2020**	**$ Change**	**% Change**
Current income tax expense	1,177	2,978	(1,801)	(60.5%)
Deferred income tax expense	2,386	305	2,081	682.3%
Income tax expense	**3,563**	**3,283**	**280**	**8.5%**

The decrease in current income tax expense versus last year was primarily due to the impact of lower Facility income. The increase in deferred income tax expense versus prior year was mainly due to increased deductibility of interest expense previously deferred, stemming from the CARES Act in the prior year, as well as changes in timing differences and the impact of the change in exchangeable interest liability.

Net Income from Continuing Operations

The $4.5 million increase in net income for the period from continuing operations was mainly attributable to lower finance costs, including the change in the value of exchangeable interest liability versus the prior year (refer to Section 5 "Consolidated Operating and Financial Review" of this MD&A under the heading "Change in Value of Exchangeable Interest Liability"), partly offset by lower income from operations.

EBITDA and Adjusted EBITDA

EBITDA and Adjusted EBITDA of $23.7 million decreased by $0.9 million from $24.6 million recorded a year earlier, representing 24.1% of revenue and other income compared to 27.7% a year earlier, mainly driven by decreases at all Facilities except SFSH and BHSH. For a reconciliation of EBITDA and Adjusted EBITDA to an applicable IFRS measure, see Section 5 under "Reconciliation of net income for the period from continuing operations to EBITDA and Adjusted EBITDA".

Continuing Operations for the Six Months Ended June 30, 2021

The following table and discussion compare operating and financial results from continuing operations of the Corporation for the six months ended June 30, 2021 to the six months ended June 30, 2020:

Unaudited	**Six Months Ended June 30,**			
In thousands of U.S. dollars, except per share amounts	**2021**	**2020**	**$ Change**	**% Change**
Revenue and other income				
Facility service revenue	191,568	160,421	31,147	19.4%
Government stimulus income	4,705	21,145	(16,440)	(77.7%)
	196,273	**181,566**	**14,707**	**8.1%**
Operating expenses				
Salaries and benefits	58,119	55,381	2,738	4.9%
Drugs and supplies	61,654	53,325	8,329	15.6%
General and administrative expenses	27,670	30,149	(2,479)	(8.2%)
Depreciation of property and equipment	4,685	4,952	(267)	(5.4%)
Depreciation of right-of-use assets	5,078	5,090	(12)	(0.2%)
Amortization of other intangibles	3,766	4,048	(282)	(7.0%)
	160,972	**152,945**	**8,027**	**5.2%**
Income from operations	**35,301**	**28,621**	**6,680**	**23.3%**
Finance costs				
Change in value of exchangeable interest liability	(385)	(1,478)	1,093	74.0%
Interest expense on exchangeable interest liability	4,844	2,593	2,251	86.8%
Interest expense, net of interest income	3,157	2,351	806	34.3%
Impairment gain on loan receivable	-	(681)	681	100.0%
Loss (gain) on foreign currency	(2)	15	(17)	(113.3%)
	7,614	**2,800**	**4,814**	**171.9%**
Share of equity loss in associates	142	934	(792)	(84.8%)
Income before income taxes	**27,545**	**24,887**	**2,658**	**10.7%**
Income tax expense	5,382	2,903	2,479	85.4%
Net income for the period from continuing operations	**22,163**	**21,984**	**179**	**0.8%**
Attributable to:				
Owners of the Corporation	8,793	9,664	(871)	(9.0%)
Non-controlling interest	13,370	12,320	1,050	8.5%
Basic earnings per share attributable to owners of the Corporation	$0.28	$0.31	(0.03)	(9.7%)
Fully diluted earnings per share attributable to owners of the Corporation	$0.28	$0.30	(0.02)	(6.7%)
Reconciliation of net income for the period from continuing operations to EBITDA and Adjusted EBITDA [(1)]				
Net income for the period from continuing operations	22,163	21,984	179	0.8%
Income tax expense	5,382	2,903	2,479	85.4%
Share of equity loss in associates	142	934	(792)	(84.8%)
Finance costs	7,614	2,800	4,814	171.9%
Depreciation of property and equipment	4,685	4,952	(267)	(5.4%)
Depreciation of right-of-use assets	5,078	5,090	(12)	(0.2%)
Amortization of other intangibles	3,766	4,048	(282)	(7.0%)
EBITDA [(1)]	**48,830**	**42,711**	**6,119**	**14.3%**
Transaction costs on sale of UMASH	-	450	(450)	(100.0%)
Adjusted EBITDA [(1)]	**48,830**	**43,161**	**5,669**	**13.1%**

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

Revenue and Other Income

Unaudited	Six Months Ended June 30,			
In thousands of U.S. dollars	**2021**	**2020**	**$ Change**	**% Change**
ASH	32,452	35,473	(3,021)	(8.5%)
OSH	37,279	36,382	897	2.5%
BHSH	48,950	41,115	7,835	19.1%
SFSH	61,596	53,000	8,596	16.2%
SCNC	4,534	3,030	1,504	49.6%
MFC Nueterra ASCs	11,462	12,566	(1,104)	(8.8%)
Total revenue and other income	**196,273**	**181,566**	**14,707**	**8.1%**

For the six months ended June 30, 2021, total revenue and other income increased from the same period in 2020 by $14.7 million or 8.1%, while facility service revenue increased by $31.1 million or 19.4%. The increase was primarily attributable to the increase in case volume ($31.9 million) compared to prior year volumes which were reduced significantly by the onset of the COVID-19 pandemic, and the combined impact of case and payor mix ($3.0 million) despite a noticeable shift from inpatient to outpatient cases, partly offset by the decrease in government stimulus income ($16.4 million), the impact of the sale of TRSC ($3.0 million), and a prior year lump sum rebate from a certain payor at ASH ($0.8 million).

Excluding the impact of TRSC, total surgical cases increased by 20.6%, as outpatient cases increased by 26.2%, and observation cases increased by 36.8%, while inpatient cases decreased by 1.9%. Surgical case volume was up at all Facilities, with SFSH, MFC Nueterra ASCs and BHSH experiencing the largest increases. Surgical case volume increase by payor compared to the same period last year came predominantly from Medicare and Blue Cross/Blue Shield, which increased by 20.9% and 18.5%, respectively. Pain cases were up by 13.8% compared to the same period last year.

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

- ASH's revenue decreased mainly due to a decline in government stimulus income, and a prior year lump sum rebate from a certain payor. This was partly offset by an increase in surgical case volume as prior year volume declined as a result of the COVID-19 pandemic, and by case mix with a higher portion of orthopedic procedures.

- OSH's revenue increased mainly due to higher surgical case volume as prior year volumes were reduced by the COVID-19 pandemic, partly offset by a decrease in government stimulus income.

- BHSH's revenue increased mainly due to higher surgical and pain management case volume, as prior year volumes were significantly reduced by the COVID-19 pandemic which resulted in a discontinuation of elective cases from the second half of March 2020 to April 2020. This was complemented by increases in imaging revenue, and a shift in case mix with more orthopedic and high acuity spine cases.

- SFSH's revenue increased due to an increase in surgical case volume, as prior year volumes were negatively impacted from the discontinuation elective cases from April 2020 to the first half of May 2020 as a result of the COVID-19 pandemic. This was complemented by the impact of price increases for certain procedures. The increases were partly offset by a decrease in government stimulus income and payor mix, driven by a higher percentage of Medicare.

- SCNC's revenue increased mainly due to higher surgical case volume, as prior year volumes were negatively affected by the COVID-19 pandemic, coupled with improved case mix, stemming from increased total joints and orthopedic cases. This was partly offset by a decrease in government stimulus income and less favourable payor mix, as a result of increased Medicare driven by total joints.

- MFC Nueterra ASCs' revenue decreased mainly due to the impact of the sale of TRSC, and a decrease in government stimulus income. This was partly offset by higher surgical case volume, with prior year volumes significantly reduced by the COVID-19 pandemic, as three ASCs located in Pennsylvania, Nebraska, and Ohio were closed starting in the second half of March 2020 until the end of April 2020 as part of state mandates on elective surgery. This was complemented by case mix with a higher portion of orthopedic cases.

Operating Expenses

For the six months ended June 30, 2021, operating expenses increased by $8.0 million or 5.2% from the same period in the prior year to $161.0 million, mainly due to increases in drugs and supplies, and salaries and benefits in line with the higher surgical case volume observed across all Facilities. As a percentage of total revenue and other income, operating expenses decreased to 82.0% from 84.2% in the same period a year earlier.

Unaudited	Six Months Ended June 30,					
In thousands of U.S. dollars	**2021**	**Percentage of Revenue**	**2020**	**Percentage of Revenue**	**$ Change**	**% Change**
ASH	26,451	81.5%	25,584	72.1%	867	3.4%
OSH	34,493	92.5%	33,664	92.5%	829	2.5%
BHSH	35,103	71.7%	32,559	79.2%	2,544	7.8%
SFSH	41,967	68.1%	37,901	71.5%	4,066	10.7%
SCNC	4,269	94.2%	2,866	94.6%	1,403	49.0%
MFC Nueterra ASCs	9,893	86.3%	11,080	88.2%	(1,187)	(10.7%)
Corporate	8,796	n/a	9,291	n/a	(495)	(5.3%)
Operating expenses	**160,972**	**82.0%**	**152,945**	**84.2%**	**8,027**	**5.2%**

Consolidated salaries and benefits increased by $2.7 million or 4.9%, primarily due to higher surgical case volume and annual increases for both clinical and non-clinical wages and salaries ($2.9 million), higher benefit costs from increased utilization ($0.6 million), and higher incentive pay ($0.3 million). This was partly offset by the impact of the sale of TRSC ($0.6 million), and urgent care staffing reductions at BHSH ($0.5 million). As a percentage of total revenue and other income, consolidated salaries and benefits decreased to 29.6% from 30.5% a year earlier.

Consolidated drugs and supplies increased by $8.3 million or 15.6%, primarily driven by higher surgical case volume ($9.6 million), combined with case mix ($1.5 million), in which higher orthopedic cases increased implant costs. This was partly offset by implant cost savings at OSH ($1.6 million), and the impact of the sale of TRSC ($1.1 million). As a percentage of total revenue and other income, the consolidated cost of drugs and supplies increased to 31.4% from 29.4% a year earlier.

Consolidated G&A decreased by $2.5 million or 8.2%. The decrease was mainly attributable to a decrease in various administrative and maintenance expenses ($0.7 million), the transaction costs incurred on the sale of the Corporation's controlling interest in UMASH in the prior year ($0.5 million), the impact of the sale of TRSC ($0.5 million), prior year losses related to lease terminations ($0.4 million), an impairment charge from the shutdown of the ASH urgent care operations in the prior year ($0.4 million), and a decrease in physician recruitment costs ($0.2 million). These were partly offset by higher marketing costs ($0.2 million). As a percentage of total revenue and other income, consolidated G&A decreased to 14.1% from 16.6% a year earlier.

Consolidated depreciation of property and equipment decreased by $0.3 million or 5.4%, primarily due to certain assets being fully depreciated, as well as the impact of the sale of TRSC, partly offset by the acquisition of fixed assets. As a percentage of total revenue and other income, consolidated depreciation of property and equipment decreased to 2.4% from 2.7% a year earlier.

Consolidated depreciation of right-of-use assets remained consistent year over year, as the addition of new lease agreements was offset by the expiration of certain leases, and the impact of the sale of TRSC. As a percentage

of total revenue and other income, consolidated depreciation of right-of-use assets decreased to 2.6% from 2.8% a year earlier.

Consolidated amortization of other intangibles decreased by $0.3 million or 7.0%, mainly due to certain intangibles being fully amortized, as well as the impact of the sale of TRSC. As a percentage of total revenue and other income, consolidated amortization of other intangibles decreased to 1.9% from 2.2% a year earlier.

Income from Operations

Consolidated income from operations for the six months ended June 30, 2021 of $35.3 million was $6.7 million or 23.3% higher than consolidated income from operations of $28.6 million, recorded in the same period a year earlier, representing 18.0% of revenue and other income, compared to 15.8% in the same period in 2020. The increase is mainly due to higher income in the current year from operations at all Facilities except ASH, inclusive of the prior year comparative impacts of the COVID-19 pandemic and the government stimulus income.

Unaudited	Six Months Ended June 30,					
In thousands of U.S. dollars	**2021**	**Percentage of Revenue**	**2020**	**Percentage of Revenue**	**$ Change**	**% Change**
ASH	6,001	18.5%	9,889	27.9%	(3,888)	(39.3%)
OSH	2,786	7.5%	2,718	7.5%	68	2.5%
BHSH	13,847	28.3%	8,556	20.8%	5,291	61.8%
SFSH	19,629	31.9%	15,099	28.5%	4,530	30.0%
SCNC	265	5.8%	164	5.4%	101	61.6%
MFC Nueterra ASCs	1,569	13.7%	1,486	11.8%	83	5.6%
Corporate	(8,796)	n/a	(9,291)	n/a	495	5.3%
Income from operations	**35,301**	**18.0%**	**28,621**	**15.8%**	**6,680**	**23.3%**

Finance Costs

Change in Value of Exchangeable Interest Liability

The liability for the exchangeable interest is recorded at fair value, and re-measured at each reporting date, and the changes in fair value are included in net income for the respective periods. Changes in the recorded value of the exchangeable interest liability between the reporting periods are attributable to the (i) changes in the number of common shares to be issued for the exchangeable interest liability, which are driven by the distributions to the non-controlling interest during the twelve-month period ending on the reporting date, (ii) changes in the market price of the Corporation's common shares, and (iii) fluctuations of the value of the Canadian dollar against the U.S. dollar.

The following table provides a calculation of the change in value of exchangeable interest liability for the reporting periods:

In thousands of U.S. dollars, except as indicated otherwise	**June 30, 2021** *Unaudited*	**December 31, 2020**	**Change**	**June 30, 2020** *Unaudited*	**December 31, 2019**	**Change**
Number of common shares to be issued for exchangeable interest liability	5,951,621	6,157,396	(205,775)	6,421,383	5,955,277	466,106
Closing price of the Corporation's common shares	C$7.01	C$7.04	(C$0.03)	C$4.34	C$4.80	(C$0.46)
Closing exchange rate of U.S. dollar to Canadian dollar	$1.2397	$1.2735	($0.0338)	$1.3576	$1.2990	$0.0586
Exchangeable interest liability	**33,654**	**34,039**	**(385)**	**20,528**	**22,006**	**(1,478)**

Interest on Exchangeable Interest Liability

Interest expense on the exchangeable interest liability increased by $2.3 million compared to the same period in prior year, which was primarily driven by the increase in distributions from the Facilities between the reporting periods.

Interest Expense

Interest expense, net of interest income, from continuing operations increased by $0.8 million mainly due to lower interest income at corporate level, offset partly by lower credit facility interest expense at corporate level due to a lower outstanding balance and interest rate, and lower interest expense at Facilities' level.

Impairment Gain on Loan Receivable

Impairment gain on loan receivable totalled $0.7 million for the prior year, as a result of reevaluating the impairment loss allowance reserved on the loan receivable from UMASH (refer to Section 13 under the heading "Allowance for Loan Receivable" for a discussion on the calculation methodology).

Foreign Currency

The Corporation's reporting currency is U.S. dollars; however, certain public company expenses and payments to holders of common shares are made in Canadian dollars. Foreign currency gains increased by a nominal amount compared to the same period in 2020, due to the relative change in foreign exchange rates.

Share of Equity Loss in Associates

The Corporation's share of equity loss in associates accounted for using the equity method decreased by $0.8 million compared to the same period in 2020. The decrease was mainly due to the Corporation's prior year share of the net loss from UMASH. No losses have been recognized for UMASH in the current year because the investment balance was written down to nil at the end of prior year.

Income Tax

Current and deferred tax components of the income tax expense from continuing operations for the reporting periods are as follows:

Unaudited	Six Months Ended June 30,			
In thousands of U.S. dollars	**2021**	**2020**	**$ Change**	**% Change**
Current income tax expense (recovery)	2,405	(1,470)	3,875	263.6%
Deferred income tax expense	2,977	4,373	(1,396)	(31.9%)
Income tax expense	**5,382**	**2,903**	**2,479**	**85.4%**

The increase in current income tax expense versus last year was primarily due to prior year refundable U.S. current taxes of $2.7 million stemming from measures introduced as part of the CARES Act, as described below, combined with the impact of higher Facility income in the current year. The decrease in deferred income tax expense versus prior year was mainly due to significant prior year changes from increased deductibility of interest expense previously deferred, stemming from the CARES Act, and timing differences.

The CARES Act provides tax relief with a number of measures. It includes a temporary change to Section 172 of the U.S. Internal Revenue Code of 1986, as amended, (the "Code") such that net operating losses ("NOL") can be carried back five years. Based on the expected application of NOL carry backs generated in the 2019 and 2020 tax years, the Corporation recorded refunds for the six months ended June 30, 2020 of approximately $2.7 million as a result of the change due to the CARES Act.

The other significant change is that the CARES Act clarifies that Qualified Improvement Property is eligible for bonus depreciation (i.e., 100% expensing) under Section 168(k) of the Code, for which the Corporation estimated tax savings of approximately $1.1 million for the six months ended June 30, 2020.

Net Income from Continuing Operations

The $0.2 million increase in net income for the period from continuing operations was mainly attributable to higher income from operations, partly offset by higher finance costs, including the change in the value of exchangeable interest liability versus the prior year (refer to Section 5 "Consolidated Operating and Financial Review" of this MD&A under the heading "Change in Value of Exchangeable Interest Liability").

EBITDA

EBITDA of $48.8 million increased by $6.1 million from $42.7 million recorded a year earlier, representing 24.9% of revenue and other income compared to 23.5% a year earlier, mainly due to an overall increase at Facilities driven by SFSH and BHSH. For a reconciliation of EBITDA to an applicable IFRS measure, see Section 5 under "Reconciliation of net income for the period from continuing operations to EBITDA and Adjusted EBITDA".

Adjusted EBITDA

Adjusted EBITDA of $48.8 million for the six months ended June 30, 2021 increased from $43.2 million in the same period a year earlier, representing 24.9% of revenue and other income, versus 23.8% prior year. For a reconciliation of Adjusted EBITDA to an applicable IFRS measure, see Section 5 under "Reconciliation of net income for the period from continuing operations to EBITDA and Adjusted EBITDA".

6. QUARTERLY OPERATING AND FINANCIAL RESULTS

Summary of Quarterly Operating and Financial Results from Continuing Operations

Unaudited	2021		2020				2019	
In thousands of U.S. dollars, except per share amounts	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue and other income								
Facility service revenue	97,572	93,996	107,111	96,322	67,659	92,762	113,954	96,536
Government stimulus income	572	4,133	2,372	2,491	21,145	-	-	-
	98,144	**98,129**	**109,483**	**98,813**	**88,804**	**92,762**	**113,954**	**96,536**
Operating expenses								
Salaries and benefits	29,066	29,053	30,359	28,795	26,794	28,587	29,791	27,800
Drugs and supplies	31,561	30,093	34,895	32,696	22,910	30,415	36,188	31,503
General and administrative expenses	13,819	13,851	15,808	12,772	14,497	15,652	15,277	14,827
Impairment of goodwill	-	-	-	-	-	-	-	22,000
Depreciation of property and equipment	2,324	2,361	2,404	2,445	2,469	2,483	2,558	2,461
Depreciation of right-of-use assets	2,539	2,539	2,549	2,483	2,521	2,569	2,584	2,211
Amortization of other intangibles	1,893	1,873	1,867	2,050	2,027	2,021	1,670	2,673
	81,202	**79,770**	**87,882**	**81,241**	**71,218**	**81,727**	**88,068**	**103,475**
Income (loss) from operations	**16,942**	**18,359**	**21,601**	**17,572**	**17,586**	**11,035**	**25,886**	**(6,939)**
Finance costs (income)								
Change in value of convertible debentures	-	-	-	-	-	-	612	(675)
Change in value of exchangeable interest liability	(2,333)	1,948	13,534	(23)	5,549	(7,027)	(14,584)	(20,212)
Interest expense on exchangeable interest liability	2,145	2,699	2,062	2,061	686	1,907	2,165	1,515
Interest expense, net of interest income	1,615	1,542	1,491	2,216	915	1,436	1,894	1,914
Impairment gain on loan receivable	-	-	-	-	(681)	-	-	-
Loss (gain) on foreign currency	(4)	2	(2)	38	(19)	34	(475)	141
	1,423	**6,191**	**17,085**	**4,292**	**6,450**	**(3,650)**	**(10,388)**	**(17,317)**
Share of equity loss (income) in associates	100	42	231	672	476	458	(2)	-
Income before income taxes	**15,419**	**12,126**	**4,285**	**12,608**	**10,660**	**14,227**	**36,276**	**10,378**
Income tax expense (recovery)	3,563	1,819	(1,331)	2,786	3,283	(380)	5,496	1,727
Net income for the period from continuing operations	**11,856**	**10,307**	**5,616**	**9,822**	**7,377**	**14,607**	**30,780**	**8,651**
Attributable to:								
Owners of the Corporation	5,321	3,472	(3,071)	2,998	241	9,423	22,437	4,862
Non-controlling interest	6,535	6,835	8,687	6,824	7,136	5,184	8,343	3,789
Earnings (loss) per share attributable to owners of the Corporation:								
Basic	$0.17	$0.11	($0.10)	$0.10	$0.01	$0.30	$0.72	$0.15
Fully diluted	$0.15	$0.11	($0.10)	$0.10	$0.01	$0.16	$0.36	($0.23)
Reconciliation of net income for the period from continuing operations to EBITDA and Adjusted EBITDA [(1)]								
Net income for the period from continuing operations	11,856	10,307	5,616	9,822	7,377	14,607	30,780	8,651
Income tax expense (recovery)	3,563	1,819	(1,331)	2,786	3,283	(380)	5,496	1,727
Share of equity loss (income) in associates	100	42	231	672	476	458	(2)	-
Finance costs (income)	1,423	6,191	17,085	4,292	6,450	(3,650)	(10,388)	(17,317)
Depreciation of property and equipment	2,324	2,361	2,404	2,445	2,469	2,483	2,558	2,461
Depreciation of right-of-use assets	2,539	2,539	2,549	2,483	2,521	2,569	2,584	2,211
Amortization of other intangibles	1,893	1,873	1,867	2,050	2,027	2,021	1,670	2,673
EBITDA [(1)]	**23,698**	**25,132**	**28,421**	**24,550**	**24,603**	**18,108**	**32,698**	**406**
Impairment of goodwill	-	-	-	-	-	-	-	22,000
Transaction costs on sale of UMASH	-	-	-	-	-	450	-	-
Adjusted EBITDA [(1)]	**23,698**	**25,132**	**28,421**	**24,550**	**24,603**	**18,558**	**32,698**	**22,406**

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

During the last eight quarters, the following items have had a significant impact on the Corporation's financial results:

- Facility service revenue varies directly in relation to the number of cases performed as well as to the type of cases performed and the payor. For example, facility service revenue for orthopedic cases will typically be higher than ear, nose and throat cases and cases funded by Medicare or Medicaid will be lower than those paid for by private insurance. Changes in case volumes, case mix and payor mix are normal and expected due to the nature of the Corporation's business. Surgical cases are mainly elective

procedures and the volume of cases performed in any given period are subject to medical necessity and patient and physician preferences in scheduling (e.g., work schedules and vacations). The Corporation generally records higher revenue in the fourth quarter as many patients tend to seek medical procedures at the end of the year, primarily as a result of their inability to carry over unused insurance benefits into the following calendar year.

- The COVID-19 outbreak began to impact the Corporation's and Facilities' operations in the latter half of March 2020, with impacts of varying severity within the communities and states that the Facilities serve. All Facilities were impacted by the pandemic as elective cases were restricted, either voluntarily or by U.S. state or local government mandate. Both such restrictions were lifted by mid-May 2020, but the pandemic continues to impact case volume across the Facilities, and there is no certainty that similar restrictions will not be re-instated.
- As part of the CARES Act and other stimulus legislation in response to the COVID-19 pandemic, the Facilities received financial assistance and recorded some of the funds as government stimulus income during 2020 and 2021. There is no certainty that such programs will be extended or replaced if the pandemic continues.
- The changes in operating expenses are generally consistent with fluctuations in case volumes and case mix. Operating expenses have also been impacted by costs related to the establishment of an accountable care organization by SFSH as well as the entering by SFSH into a management agreement for the orthopedic service line (refer to Section 12 of this MD&A under heading "Related Party Transactions").
- In addition, revenue and operating expenses have been impacted by sales of assets and controlling interests in 2019 and 2020.
- In June 2020, the ASH urgent care site located in Sherwood, Arkansas shut down its operations. The Corporation recorded an impairment of property and equipment as well as the right-of-use asset as a result of this shutdown.
- Due to the underperformance at certain MFC Nueterra ASCs, management assessed and recorded an impairment of goodwill in 2019.
- The changes in the recorded value of the convertible debentures were driven by the changes in the market price of the Corporation's convertible debentures and fluctuations in the value of the Canadian dollar against the U.S. dollar. On December 31, 2019, the Corporation repaid in full the principal and interest in respect of the convertible debentures upon maturity.
- The changes in the recorded value of the exchangeable interest liability have been driven by (i) the changes in the number of common shares issuable for the exchangeable interest liability, which are in turn driven by the distributions to the non-controlling interest during the twelve-month period ending on the reporting date, (ii) the changes in the market price of the Corporation's common shares, and (iii) the fluctuations of the value of the Canadian dollar against the U.S. dollar. During 2019, 2020 and 2021, changes in the market price of the Corporation's common shares mainly drove the fluctuations in the change in value of exchangeable interest liability.
- The fluctuations in interest expense on the exchangeable interest liability are due to the variation in distributions from the Facilities between the reporting periods.
- The fluctuations in foreign currency have been driven by the movements of exchange rate of the Canadian dollar in relation to U.S. dollar.
- Fluctuations in current income taxes have been driven by the changes in operating performance of the Facilities, the deductibility of corporate expenses, intercompany interest expense deductions, taxable (deductible) foreign exchange gains (losses), and temporary beneficial tax provisions under the CARES Act, which may not be extended for future periods. Fluctuations in deferred income taxes have been

driven primarily by the changes in the exchangeable interest liability and Canadian cumulative tax operating loss carryforwards, along with the impact of U.S. tax reform pursuant to the recent U.S. federal tax law changes, and the impact of measures introduced by the CARES Act.

7. RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

The following table presents the reconciliation of cash available for distribution to cash provided by operating activities:

		Three Months Ended June 30,		Six Months Ended June 30,	
Unaudited *In thousands of U.S. dollars, except as indicated otherwise*		2021 $	2020[1] $	2021 $	2020[1] $
CASH PROVIDED BY OPERATING ACTIVITIES	**USD**	**17,282**	**49,929**	**37,532**	**65,643**
Non-controlling interest in cash flows of the Facilities [2]		(9,130)	(10,320)	(18,654)	(16,521)
Interest expense on exchangeable interest liability [3]		2,145	686	4,844	2,593
Payment of lease liabilities [4]		(3,008)	(2,927)	(6,032)	(6,069)
Maintenance capital expenditures [5]		(1,227)	(1,119)	(2,156)	(1,758)
Difference between accrual-based amounts and actual cash flows related to interest and taxes [6]		1,597	(2,101)	334	2,697
Change in non-cash operating working capital items [7]		661	(26,772)	2,161	(30,164)
Share-based compensation [8]		(81)	(64)	(161)	(149)
Repayment of non-revolving debt [9]		(2,153)	(1,375)	(5,543)	(3,778)
CASH AVAILABLE FOR DISTRIBUTION	**USD**	**6,086**	**5,937**	**12,325**	**12,494**
	CDN	**7,475**	**8,225**	**15,369**	**17,056**
DISTRIBUTIONS	**CDN**	**2,178**	**2,178**	**4,355**	**4,355**
CASH AVAILABLE FOR DISTRIBUTION PER COMMON SHARE [10]	**CDN**	**$0.240**	**$0.264**	**$0.494**	**$0.548**
TOTAL DISTRIBUTIONS PER COMMON SHARE [10]	**CDN**	**$0.070**	**$0.070**	**$0.140**	**$0.140**
PAYOUT RATIO		**29.2%**	**26.5%**	**28.3%**	**25.5%**
Average exchange rate of Cdn$ to US$ for the period		1.2282	1.3853	1.2470	1.3651
Weighted average number of common shares outstanding		31,106,259	31,106,259	31,106,259	31,106,259

[1] *For the comparative periods, management has reclassified the cash flows from payor advances and government stimulus funds repayable from financing activities to operating activities, and included these in the change in non-cash operating working capital items, as these are a result of the Corporation's operational activities.*

[2] *Non-controlling interest in cash flows of the Facilities is deducted in determining cash available for distribution as distributions from the Facilities to the non-controlling interest holders are required to be made concurrently with distributions from the Facilities to the Corporation.*

[3] *Interest expense on exchangeable interest liability represents a notional amount of interest expense deducted in the determination of net income attributable to owners of the Corporation. It is added back to determine cash available for distribution as it is a non-cash charge and is not distributable to the holders of the non-controlling interest.*

[4] *Payment of lease liabilities represents rent payments on principal portions of lease liabilities and is deducted in determining cash available for distribution as this is a cash item included in financing activities in the Corporation's interim condensed consolidated statements of cash flows.*

[5] *Maintenance capital expenditures at the Facility level reflect expenditures incurred to maintain the current operating capacities of the Facilities and are deducted in the calculation of cash available for distribution.*

[6] *Cash flows from operating activities, as presented in the Corporation's interim condensed consolidated statements of cash flows, represent actual cash inflows and outflows, while calculation of cash available for distribution is based on the accrued amounts and, therefore, the difference between the accrual-based amounts and actual cash inflows and outflows related to interest, income and withholding taxes is included in the table above.*

[7] *While changes in non-cash operating working capital are included in the calculation of cash provided by operating activities, they are not included in the calculation of cash available for distribution as they represent only temporary sources or uses of cash due to the differences in timing of recording revenue and corresponding expenses and actual receipts and outlays of cash. Such changes in non-cash operating working capital are financed from the available cash or credit facilities of the Facilities.*

[8] *Share-based compensation expense represents a charge included in salaries and benefits in the period which does not have a cash impact until the underlying stock options vest. As a non-cash item, this expense is added back in the calculation of cash available for distribution.*

[9] *Repayment of non-revolving debt at the Facility level reflects contractual obligations of the Facilities and is deducted in the calculation of cash available for distribution.*

[10] *Calculated based on the weighted average number of common shares outstanding.*

Cash available for distribution in the three months ended June 30, 2021 (Cdn$7.5 million) decreased by Cdn$0.7 million compared to the cash available for distribution the same period last year (Cdn$8.2 million), due mainly to the relative change in foreign exchange rates. On a per common share basis, cash available for distribution of Cdn$0.240 decreased by Cdn$0.024, or 9.1% from the same period last year of Cdn$0.264. The distributions per common share of Cdn$0.070 remained consistent with the same period last year, resulting in a payout ratio of 29.2% as compared to a payout ratio of 26.5% in the same period in 2020.

Cash available for distribution in the six months ended June 30, 2021 (Cdn$15.4 million) decreased by Cdn$1.7 million compared to the cash available for distribution the same period last year (Cdn$17.1 million), due mainly to the relative change in foreign exchange rates. On a per common share basis, cash available for distribution of Cdn$0.494 decreased by Cdn$0.054, or 9.9% from the same period last year of Cdn$0.548. The distributions per common share of Cdn$0.140 remained consistent with the same period last year, resulting in a payout ratio of 28.3% as compared to a payout ratio of 25.5% in the same period in 2020.

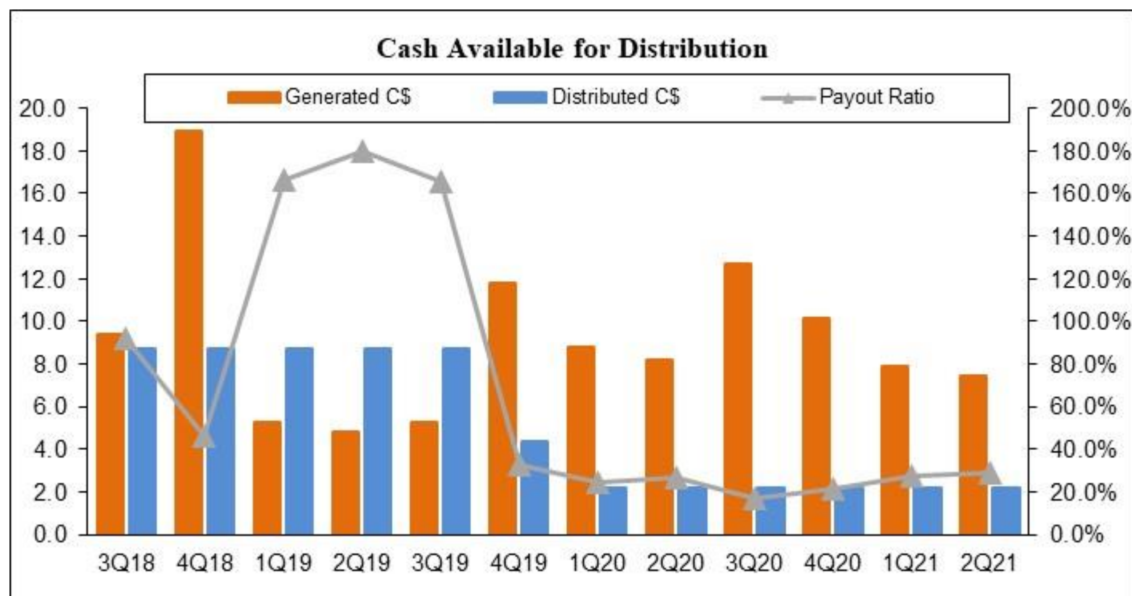
The Corporation's cash available for distribution comes solely from the Facilities. The following table provides a reconciliation of cash generated at the Facility level to the Corporation's cash available for distribution:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
Unaudited	**2021**	**2020**	**2021**	**2020**
In thousands of U.S. dollars	**$**	**$**	**$**	**$**
Cash flows from the Facilities:				
Income before interest expense, depreciation and amortization	26,212	27,807	53,757	47,076
Debt service costs:				
Interest	(502)	(870)	(1,050)	(2,268)
Repayment of non-revolving debt	(2,153)	(1,375)	(5,543)	(3,778)
Maintenance capital expenditures	(1,227)	(1,119)	(2,156)	(1,758)
Payment of lease liabilities	(2,955)	(2,742)	(5,928)	(5,837)
Non-cash gain	(19)	(588)	(15)	(350)
Cash available for distribution at Facility level	19,356	21,113	39,065	33,085
Non-controlling interest in cash available for distribution at Facility level	(9,130)	(10,320)	(18,654)	(16,521)
Corporation's share of the cash available for distribution at Facility level	**10,226**	**10,793**	**20,411**	**16,564**
Corporate expenses	(2,724)	(1,044)	(5,221)	(3,862)
Share of equity loss in associates	(100)	(476)	(142)	(934)
Interest on corporate credit facility	(139)	(514)	(318)	(1,273)
Recoveries of (provision for) current income taxes	(1,177)	(2,822)	(2,405)	1,999
Cash available for distribution	**6,086**	**5,937**	**12,325**	**12,494**

Compared to the three months ended June 30, 2020, the cash available for distribution in U.S. dollars for the same period this year increased by $0.1 million or 2.5%, mainly due to lower corporate taxes, lower interest payments, and lower share of equity loss in associates, mostly offset by lower income from Facilities, higher corporate expenses driven by lower interest income, and higher repayment of debt.

Compared to the six months ended June 30, 2020, the cash available for distribution in U.S. dollars for the same period this year decreased by $0.2 million or 1.4% mainly due to higher corporate taxes, higher repayment of debt, and higher corporate expenses driven by lower interest income, partly offset by higher income from Facilities, lower interest payments, and lower share of equity loss in associates.

The chart below shows the Corporation's cash available for distribution, distributions and payout ratios for the last twelve quarters:



8. OUTLOOK

As noted in the cautionary language concerning forward-looking disclosures in Section 1 of this MD&A under the heading "Caution Concerning Forward-Looking Statements", this section contains forward-looking statements including with respect to the overall impact of the COVID-19 pandemic, the U.S. and local economies, ongoing changes in the healthcare industry, management strategies of the Corporation, and U.S. tax reform. Such statements involve known and unknown risks, uncertainties and other factors outside of management's control, including the risk factors set forth under the heading "Risk Factors" in the annual MD&A and the Corporation's most recently filed annual information form, which could cause results to differ materially from those described or anticipated in the forward-looking statements.

The outlook for the Corporation is influenced by many inter-related factors including the recent ongoing COVID-19 pandemic, the economy, the healthcare industry, management strategies of the Corporation, and U.S. tax reform.

COVID-19

Since the outbreak of the COVID-19 pandemic, the landscape for the healthcare industry has changed significantly. While the restrictions on elective procedures have been lifted in most of the states where the Facilities operate, it is uncertain whether the local state authorities will impose such restrictions again in the future. As the Facilities continue working toward a return to their normal operations, the overall vaccine acceptance rate among patients, physicians, and staff, and the efficacy of the COVID-19 vaccines against the virus and its variants, will greatly influence the progress to return to normal operations.

Management expects that the COVID-19 pandemic will continue to impact the Facilities' operations and financial results. The duration and impact of the COVID-19 pandemic remains unknown, as is the efficacy of the U.S. government interventions, the Corporation's business continuity plan and other mitigating measures. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results of the Corporation and Facilities in future periods.

The Economy

Management's expectations could be impacted by the general state of the U.S. economy, which is experiencing the influence of the ongoing COVID-19 pandemic. The strength of the local economies of the areas served by the Corporation's Facilities is an important factor in the Corporation's outlook.

Healthcare Industry

While impossible to currently quantify, the potential modification or replacement of the *Patient Protection and Affordable Care Act* ("PPACA"), demographic changes and growing healthcare costs present numerous challenges and opportunities, including:

- the challenge of continuing pressure on reimbursement levels from U.S. government-funded plans (Medicare, Medicaid and similar plans) and private insurance companies, combined with the increasing share of case volume that such plans represent;
- the opportunity for additional case volumes arising from ownership of, and participation in, accountable care organizations and the related challenge of payor mix shifting to Medicare plans;
- the opportunity arising from reimbursement incentives which reward healthcare entities that meet specified quality and operational goals and operate in the most efficient and cost-effective manner; and
- an increased demand for services provided by the Corporation's Facilities due to the increasing average age and life expectancy of the U.S. population, overall population growth and advances in science and technology.

Changes in the U.S. federal government's political priorities could have potential implications on the healthcare industry, including but not limited to the government response to COVID-19 and potential modifications to the PPACA, which could result in changes to healthcare coverage including case volume and reimbursement rates. The likelihood of a repeal of the PPACA has diminished with the new U.S. administration.

Management Strategies

Management is committed to increasing shareholder value, primarily through continued organic growth at its current Facilities, including the leveraging of its existing network to create de novo ASCs, along with the acquisitions and development of new, accretive ASCs that are complementary to the Corporation's core business. In addition to accretive core acquisitions, management will also consider other medical ventures where the financial and operational metrics are strong and could enhance a more comprehensive and integrated delivery model.

In collaboration with local management and physicians, management will continue to differentiate and grow the Corporation's Facilities by:

- maintaining service lines of the highest quality;
- physician development, including continued recruitment and retention of physician investors and potential physician utilizers, based on community needs;
- expanding the complement of service offerings at the Facilities;
- in-market acquisitions of ancillary businesses (ASCs, imaging and urgent care services); and
- sharing and implementing best practices and cost reduction strategies, with emphasis on supply chain and implant costs.

Management continues to develop its acquisition and de novo pipeline and to investigate accretive acquisition targets that meet the Corporation's acquisition criteria to include facilities with:

- accretion, with growth available from a local strong provider base, attractive demographics, and opportunities for operating enhancements;
- high quality and optimum clinical outcomes; and
- continued strong earnings and opportunity for growth.

Management will maintain its emphasis on continuation of these strategies, combined with a strong balance sheet, an experienced management team and continuing identification of suitable accretive opportunities to enhance the Corporation's operating performance.

U.S. Tax Reform

Management expects that it will be able to utilize carryforwards of disallowed current year interest expense deductions to future years. Pursuant to the *Tax Cuts and Jobs Act*, MFA's deductions attributable to the interest expense on the promissory note (the interest paid by MFA on all debt, including the MFA promissory note, less its interest income) will be limited to 30% of adjusted taxable income, which generally represents EBITDA for this year (2021), versus earnings before interest and taxes thereafter (2022 and beyond). One of the tax relief measures under the CARES Act increased the limit from 30% to 50% of a taxpayer's adjusted taxable income for tax years beginning in 2019 and 2020. Any disallowed interest expense may be carried forward to future years. This limitation applies to newly issued loans as well as those originated before 2018. Moreover, other limitations on the deductibility of interest under U.S. federal income tax laws, potentially including limitations applicable to certain high-yield debt obligations, could apply under certain circumstances to defer and/or eliminate all or a portion of the interest deduction that MFA would otherwise be entitled to with respect to interest on such indebtedness.

9. LIQUIDITY AND CAPITAL RESOURCES

As noted in the cautionary language concerning forward-looking disclosures in Section 1 of this MD&A under the heading "Caution Concerning Forward-Looking Statements", this section contains forward-looking statements including with respect to the impact of COVID-19, cash flows and future contractual payments. Such statements involve known and unknown risks, uncertainties and other factors outside of management's control, including the risk factors set forth under the heading "Risk Factors" in the annual MD&A and the Corporation's most recently filed annual information form, which could cause results to differ materially from those described or anticipated in the forward-looking statements.

COVID-19

Broad economic factors resulting from the COVID-19 pandemic, including higher unemployment rates and reduced consumer spending, are impacting the Facilities' case mix, payor mix and patient volumes. Business closings and layoffs in the areas where Facilities operate may lead to increases in the uninsured and underinsured populations and adversely affect demand for Facilities' services, as well as the ability of patients to pay for services as rendered. Any deterioration in the collectability of patient accounts receivable will adversely affect cash flows and results of operations.

If general economic conditions continue to decline or remain uncertain for an extended period of time, the Corporation's and Facilities' liquidity, ability to meet debt covenants, and ability to repay outstanding debts may be impacted. Moreover, the current COVID-19 pandemic may cause disruption in the financial markets. These factors may affect the availability, terms or timing with which the Corporation and Facilities may obtain any additional funding.

Cash Balances

The Corporation's cash and cash equivalents balances are as follows:

In thousands of U.S. dollars	June 30, 2021 *Unaudited*	December 31, 2020
Cash and cash equivalents at Facility level	42,764	52,076
Cash and cash equivalents at corporate level	18,712	14,106
Cash and cash equivalents	**61,476**	**66,182**

Cash Flow Activity

Cash Flow

Unaudited	Six Months Ended June 30,			
In thousands of U.S. dollars	2021	2020[1]	$ Change	% Change
Cash provided by operating activities	37,532	65,643	(28,111)	(42.8%)
Cash used in investing activities	(4,587)	(3,000)	(1,587)	(52.9%)
Cash used in financing activities	(37,653)	(14,772)	(22,881)	(154.9%)
Increase (decrease) in cash and cash equivalents	**(4,708)**	**47,871**	**(52,579)**	**(109.8%)**
Effect of exchange rate fluctuations on cash balances held	2	(15)	17	113.3%
Cash and cash equivalents, beginning of the period	66,182	31,986	34,196	106.9%
Cash and cash equivalents, end of the period	**61,476**	**79,842**	**(18,366)**	**(23.0%)**

[1] *For the comparative period, management has reclassified the cash flows from payor advances and government stimulus funds repayable from financing activities to operating activities, as these are a result of the Corporation's operational activities.*

The Corporation expects to fund operations with cash derived from operating activities. Deficiencies arising from short-term working capital requirements and capital expenditures may be financed on a short-term basis with bank indebtedness, funds available from the corporate credit facility, as well as lines of credit at the Facilities level, or on a permanent basis with offerings of securities of the Corporation. Negative changes in the general state of the U.S. economy could affect the Corporation's liquidity by reducing cash generated from operating activities or by limiting access to short-term financing as a result of tightening credit markets.

Operating Activities and Working Capital

Cash from operating activities in the six months ended June 30, 2021 decreased by $28.1 million compared to the same period in 2020, primarily due to the decrease in payor advances and government stimulus funds received, and higher net interest and tax payments, partly offset by higher income from the Facilities' operations.

As at June 30, 2021, the Corporation had consolidated net working capital of $48.1 million compared to $45.0 million as at December 31, 2020. The change was due mainly to the decrease in accounts payable and the current portion of long-term debt, partly offset by the decreases in accounts receivable and cash. The level of working capital, including financing required to cover any deficiencies, is dependent on the operating performance of the Facilities and fluctuates from period to period.

As at June 30, 2021, accounts receivable were $56.2 million (December 31, 2020: $60.2 million), accounts payable and accrued liabilities totaled $39.6 million (December 31, 2020: $45.7 million), total assets were $439.5 million (December 31, 2020: $457.0 million) and total long-term liabilities, excluding exchangeable interest liability, were $139.7 million (December 31, 2020: $146.2 million).

Investing Activities

The $1.6 million increase in cash used in investing activities for the six months ended June 30, 2021 compared to the same period in 2020 was mostly due to an increase in purchases of property and equipment ($1.2 million), and the prior period proceeds from the sale of controlling interest in UMASH ($1.1 million), partly offset by the prior year investment in UMASH subsequent to sale ($0.8 million).

Financing Activities

The $22.9 million increase in cash used in financing activities for the six months ended June 30, 2021 was mainly due to net repayments of credit facilities and other borrowings at both Facility and corporate level ($13.6 million), higher Facility distributions to non-controlling interest ($8.5 million), and an increase in dividends paid by the Corporation ($0.8 million).

The Facilities have available credit facilities in place in the aggregate amount of $32.5 million, of which $5.7 million was drawn as at June 30, 2021. The balances available under the credit facilities, combined with cash and cash equivalents as at June 30, 2021, are available to manage the Facilities' accounts receivable, supply inventory and other short-term cash requirements.

The partnership or operating agreements governing each of the respective Facilities do not permit the Corporation to access the assets of the Facilities to settle the liabilities of other subsidiaries of the Corporation, and the Facilities have no obligation to (and could not, without the approval of the holders of the non-controlling interest) take any steps to settle the liabilities of the Corporation or its other subsidiaries.

The Corporation has in place a $150.0 million line of credit with a syndicate of three Canadian chartered banks which matures on August 31, 2023 ("credit facility"). The credit facility can be used for general corporate purposes, including working capital and capital expenditures, finance of acquisitions, and/or repurchase of the Corporation's common shares. As at June 30, 2021, $31.0 million was drawn and remained outstanding for the credit facility. The proceeds drawn from the credit facility were primarily used for the acquisition of UMASH and its underlying property through RRIMH in 2016 ($48.8 million), the acquisition of the MFC Nueterra ASCs in 2018 ($20.0 million), and the repayment of the convertible debentures upon maturity in 2019 ($16.0 million). The Corporation repaid $46.8 million of its outstanding balance during the year ended December 31, 2020, and $7.0 million during the six months ended June 30, 2021. As at June 30, 2021, the Corporation was in compliance with all of its debt covenants.

Contractual Obligations

The mandatory repayments under the credit facilities and other contractual obligations and commitments including expected interest payments, on a non-discounted basis, as of June 30, 2021, are as follows:

Unaudited		Future payments (including principal and interest)				
In thousands of U.S. dollars **Contractual Obligations**	**Carrying values at June 30, 2021 $**	**Total $**	**Less than 1 year $**	**1-3 years $**	**4-5 years $**	**After 5 years $**
Dividends payable	1,756	1,756	1,756	-	-	-
Accounts payable	18,392	18,392	18,392	-	-	-
Accrued liabilities	21,245	21,245	21,245	-	-	-
Payor advances and government stimulus funds repayable	25,329	25,329	25,329	-	-	-
Corporate credit facility	31,000	32,068	248	31,820	-	-
Facilities' revolving credit facilities	5,685	5,815	5,815	-	-	-
Notes payable	49,992	57,815	9,194	12,572	15,899	20,150
Lease liabilities	60,562	73,942	11,868	20,370	14,438	27,266
Total contractual obligations	**213,961**	**236,362**	**93,847**	**64,762**	**30,337**	**47,416**

The Corporation anticipates renewing, extending, repaying or replacing its credit facilities which fall due over the next twelve months and expects that cash flows from operations and working capital will be adequate to meet future payments on other contractual obligations over the next twelve months.

10. SHARE CAPITAL AND DIVIDENDS

As noted in the cautionary language concerning forward-looking disclosures in Section 1 of this MD&A under the heading "Caution Concerning Forward-Looking Statements", this section contains forward-looking statements including with respect to the Corporation's expected payment of dividends. Such statements involve known and unknown risks, uncertainties and other factors outside of management's control, including the risk factors set forth under the heading "Risk Factors" in the annual MD&A and the Corporation's most recently filed annual information form, which could cause results to differ materially from those described or anticipated in the forward-looking statements.

The following table summarizes the outstanding number of stock options as of June 30, 2021:

Optionee	Number of Options Held	Exercise Price	Grant Date
Chief Executive Officer	450,000	C$14.03	March 29, 2018
	350,000	C$16.47	May 18, 2017
Chief Financial Officer	300,000	C$12.79	June 24, 2019
Chief Development Officer	350,000	C$21.15	September 19, 2016
Chief Operating Officer	50,000	C$ 2.64	March 19, 2020
Former Chief Executive Officer	223,562	C$17.24	May 1, 2016
Former Chief Financial Officer	221,344	C$17.98	November 21, 2016
Total number of outstanding options	**1,944,906**		

Outstanding options (the "Options") vest after five years of employment. The Options must be exercised by the tenth anniversary of the respective grant dates, subject to blackout exceptions. As of June 30, 2021, 444,906 of the Options relating to Former Chief Executive Officer and Former Chief Financial Officer are vested.

As at June 30, 2021, the Corporation had 31,106,259 common shares outstanding.

Dividends

Dividend declarations are determined based on periodic reviews of the Corporation's earnings, capital expenditures and related cash flows. Such declarations take into account that the cash generated in the period is to be distributed after considering (i) debt service obligations, (ii) other expense and tax obligations, (iii) reasonable reserves for working capital and capital expenditures, and (iv) financial flexibility. Cash distributions declared in the period from January 1, 2021 to June 30, 2021 totaled Cdn$0.140 per common share.

Dividend Reinvestment and Share Purchase Plan

The Corporation has a Dividend Reinvestment and Share Purchase Plan which allows shareholders resident in Canada to automatically re-invest, in a cost-effective manner, the cash dividends on their common shares into additional common shares of the Corporation.

11. FINANCIAL INSTRUMENTS

Financial instruments held in the normal course of business included in the interim condensed consolidated balance sheet as at June 30, 2021 consist of cash and cash equivalents, accounts receivable, loan receivable, dividends payable, accounts payable, accrued liabilities, borrowings (including long-term debt and corporate credit facility) and exchangeable interest liability.

The gross carrying value of the loan receivable on initial recognition is revaluated and adjusted using the loss allowance reserved on the loan. The loss allowance is determined based on the lifetime expected credit loss model at each reporting date. The fair value of exchangeable interest liability is determined based on the closing trading price of the Corporation's common share price at each reporting period. The fair values of long-term

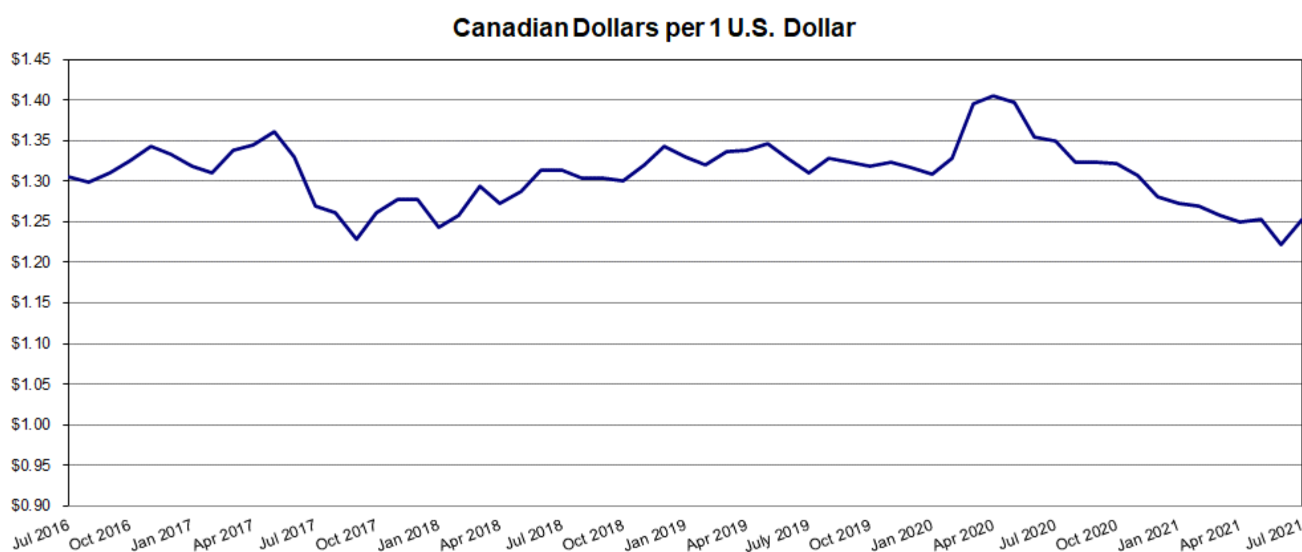
debt (notes payable and term loans) are not significantly different than their carrying values, as these instruments bear interest at rates comparable to current market rates. The fair values of all other financial instruments of the Corporation approximate their carrying values due to the short-term nature of these instruments.

Foreign Exchange Risk

The Facilities derive revenue, incur expenses and make distributions to their owners, including the Corporation, in U.S. dollars. The Corporation pays dividends to common shareholders and incurs a portion of its expenses in Canadian dollars. The amounts of distributions from the Facilities to their owners, including the Corporation and non-controlling interest, are dependent on the results of the operations and cash flows generated by the Facilities in any particular period.

Strengthening of the Canadian dollar against the U.S. dollar negatively impacts currency translation differences with respect to the funds available for the Corporation's Canadian dollar denominated dividend and interest payments and expenses. A weakening Canadian currency in relation to U.S. currency has the opposite effect.

The graph below shows the movement of the monthly average exchange rates between Canadian and U.S. dollars since July 2016:



The Corporation may, from time to time, enter into foreign exchange forward contracts dependent upon actual or anticipated company performance and current market conditions. As of June 30, 2021, the Corporation did not hold any foreign exchange forward contracts.

Credit Risk

The substantial portion of the Corporation's accounts receivable balance is with U.S. governmental payors and health insurance companies which are assessed as having a low risk of default and is consistent with the Facilities' history with these payors. Management reviews reimbursement rates and aging of the accounts receivable to monitor its credit risk exposure. On an ongoing basis, management assesses the circumstances affecting the recoverability of its accounts receivable and adjusts allowances based on changes in those factors. Actual bad debts for a trailing period are compared with the allowance to support the estimate of recoverability. Considerations related to historical experience are also factored into the valuation of the current period accounts receivable.

From time to time, the Corporation may enter into foreign exchange forward contracts and may place excess funds for investment with certain financial institutions. Investment of excess funds is guided by the investment policy of the Corporation that, among other things, (i) prescribes the eligible types of investments and (ii) establishes limits on the amounts that can be invested with any one financial institution.

Interest Rate Risk

The Corporation and the Facilities are exposed to interest rate fluctuations which can impact their borrowing costs. The Facilities use floating rate debt facilities for operating lines of credit that fund short-term working capital needs and use fixed rate debt facilities to fund investments and capital expenditures.

Share Price Risk

The Corporation's exchangeable interest liability is measured on quoted market prices of its common shares in active markets and, therefore, the Corporation is exposed to variability in net income as prices change. Share price risk includes the impact of foreign exchange. The Corporation does not have any hedges against price risk.

Liquidity Risk

Liquidity risk is the risk that the Corporation, including its Facilities, will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk through the management of its capital structure and financial leverage. The Corporation also manages liquidity risk by continuously monitoring actual and projected cash flows and by taking into account the receipts and maturity profile of financial assets and liabilities. The board of directors of the Corporation reviews and approves operating and capital budgets, as well as any material transactions out of the ordinary course of business.

12. RELATED PARTY TRANSACTIONS

A member of the Corporation's board of directors is a minority owner of a Facility of the Corporation and a member of an ownership group that owns and leases hospital real estate to the Facility, for which the Facility paid rent for the six months ended June 30, 2021 of $2.3 million (June 30, 2020: $2.3 million).

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 by the related parties. For the six months ended June 30, 2021, BHSH paid Mountain Plains Real Estate Holdings, LLC $0.1 million for the use of a facility (June 30, 2020: $0.1 million).

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

The following is a summary of transactions at each Facility with their respective related parties during the reporting periods:

Unaudited *In thousands of U.S. dollars*		**Three Months Ended June 30,**		**Six Months Ended June 30,**	
Entity	**Nature of services or goods received**	**2021 $**	**2020 $**	**2021 $**	**2020 $**
ASH	Lease of facility building, anesthesia equipment lease, and sub-lease of MRI equipment.	1,100	1,143	2,188	2,277
OSH	Provision of office and management services, lease of hospital building, and lease of office space.	392	392	784	784
BHSH	Provision of physical therapy services, physician professional services, intraoperative monitoring services, and provision of parking space.	177	162	419	343
SFSH	Provision of management services in relation to orthopedic service line at SFSH, physician professional fees, anesthesia services, physical and occupational therapy services, medical products and implants, lithotripter services, laundry services, facility and related equipment, and shared services.	2,678	2,453	5,348	4,651
MFC Nueterra ASCs	Provision of management services, physician professional services, and lease of ASC building.	545	232	1,196	714
Total		**4,892**	**4,382**	**9,935**	**8,769**

13. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The Corporation estimates certain amounts reflected in its financial statements based on historical experience, current trends and other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates because of the uncertainties inherent in making assumptions and estimates regarding unknown future outcomes. Note 22.27 to the annual financial statements details significant accounting judgments and estimates used in the preparation of the Corporation's financial statements.

The accounting estimates discussed below are highlighted because they require difficult, subjective, and complex management judgments. The Corporation believes that each of its assumptions and estimates is appropriate to the circumstances and represents the most likely future outcome.

Revenue

Significant management judgment is involved in 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.

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.

Allowance for Loan Receivable

At each balance sheet date, management assesses and calculates any changes in the loss allowance for the loan receivable from UMASH ("loan receivable"), which was recognized as credit-impaired on initial recognition, using the lifetime expected credit loss ("ECL") model. Based on the effective interest rate that incorporated lifetime ECLs at initial recognition, management calculates the impairment loss allowance for the loan

receivable at each balance sheet date, using probability-weighted scenarios of cash flows from the loan receivable. The difference between the computed loan balance net of the loss allowance and the carrying value of the loan as at the reporting date is recorded as an impairment gain or loss.

Management is required to use judgment in determining the scenarios and their probabilities, which is reassessed at each balance sheet date. Factors related to UMASH that are considered in assessing the probability-weighted scenarios include: cash and liquidity position; historical and projected operating results and free cash flows; compliance with financial covenants as stipulated by the loan agreement; ability to make timely principal and interest payments; and ability to obtain alternative financing at maturity.

Based on the assessment as at June 30, 2021, management determined that there has been no further impairment of the loan receivable.

Impairment of Non-Financial Assets

Non-financial assets that have an indefinite useful life, such as goodwill, certain trade names and certain hospital operating licenses, are tested at least annually for impairment and when events or changes in circumstances indicate that the carrying amount may not be recoverable. Non-financial assets that have a definite useful life which are subject to amortization are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

The methodology used to test for impairment includes significant judgment, estimates, and assumptions. Impairment exists when the carrying amount of an asset or cash-generating unit ("CGU") exceeds its recoverable amount, which is calculated based on two approaches: 1) the estimated future cash flows, discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, and 2) the trailing twelve months EBITDA multiplied by a market multiple relevant to the CGU. As a result, any impairment losses are a result of management's best estimates of expected revenues, expenses, cash flows, discount rates, and market multiples at a specific point in time. These estimates are subject to measurement uncertainty as they are dependent on factors outside of management's control. In addition, by their nature, impairment tests involve a significant degree of judgment as expectations concerning future cash flows and the selection of appropriate market inputs are subject to considerable risks and uncertainties.

Management has identified six CGUs for which impairment testing is performed. The MFC Nueterra ASCs, which are managed as a network, collectively represent one CGU. The remaining Facilities represent subsidiary operations which are independent of each other, and are therefore identified as separate CGUs.

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

Factors considered by management in determining a triggering event include: deterioration in market and economic conditions, volatility in the financial markets causing declines in the Corporation's share price, increases in the Corporation's weighted-average cost of capital, changes in valuation multiples, changes to healthcare legislation in the United States both federally and in the jurisdictions in which the Facilities operate, changes to the physician complement at the Facilities, decreases in expected future reimbursement rates, declining patient referrals, physical conditions of facilities and equipment, and increased costs of inputs, such as drugs, supplies, and labour.

When considered significant, management incorporates changes to these factors in its estimated future cash flows to assess the impact on the recoverable amount of its non-financial assets.

Management calculates the recoverable amount of each CGU using EBITDA specific to each CGU by a multiple determined using market data, such as EBITDA to market capitalization ratios of comparable publicly traded companies and recent prices for capital transactions within the industry. Management has estimated cost to dispose to be 1% of the fair value of the CGUs, based on recent market data. To assess reasonableness of recoverable amounts, management reconciles the recoverable amounts of its CGUs to the enterprise value of the Corporation as at the reporting date based on (i) the market capitalization of the outstanding common shares, and (ii) the Corporation's portion of the Facilities' long-term debt and lease liabilities, less (iii) cash on hand.

Management performed an assessment of impairment indicators mentioned above as at June 30, 2021, and determined that there has been no impairment of non-financial assets, including goodwill and other intangibles.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of deferred taxable income. The Corporation's income tax assets and liabilities are based on interpretations of income tax legislation across various jurisdictions in Canada and the United States. The Corporation's effective tax rate can change from year to year based on the mix of income among different jurisdictions, changes in tax laws in these jurisdictions, and changes in the estimated value of deferred tax assets and liabilities. The Corporation's income tax expense reflects an estimate of the cash taxes the Corporation is expected to pay for the current year and a provision for changes arising in the values of deferred tax assets and liabilities during the year. The carrying value of these assets and liabilities is impacted by factors such as accounting estimates inherent in these balances, management's expectations about future operating results, and previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authorities. Such differences in interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective legal entity's domicile. On a regular basis, management assesses the likelihood of recovering value from deferred tax assets, such as loss 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.

14. DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for the financial information published by the Corporation. In accordance with National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have certified that the quarterly filings fairly present in all material respects the financial condition, results of operations and cash flows and have also certified regarding controls as described below.

Under the supervision of, and with the participation of the CEO and the CFO, management has designed disclosure controls and procedures ("DC&P") to provide reasonable assurance that (i) material information relating to the Corporation, including its consolidated subsidiaries, is made known to the CEO and the CFO by

others within those entities for the period in which the annual and interim filings of the Corporation are being prepared, and (ii) information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in applicable securities legislation.

In addition to DC&P, under the supervision of, and with the participation of the CEO and the CFO, management has designed internal controls over financial reporting ("ICFR") using the 2013 Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with IFRS.

There have been no changes in the Corporation's ICFR during the period beginning on April 1, 2021 and ending on June 30, 2021, that have materially affected, or are reasonably likely to materially affect, the Corporation's ICFR.

15. RISK FACTORS

The Corporation's annual MD&A contains a summary of risk factors pertaining to the Corporation, which should be read in conjunction with the detailed information on risk factors appearing in the Corporation's most recently filed annual information form available on SEDAR at www.sedar.com. There have been no changes in the nature or the number of risk factors pertaining to the Corporation since the date of the most recently filed annual information form (March 30, 2021). The disclosures in this MD&A are subject to the risk factors outlined in those materials. Furthermore, continued disruptions to its business as a result of the COVID-19 pandemic could heighten those risk factors, any of which could have a material adverse effect on the Corporation's results of operations and financial position. For additional discussions on the risk factors related to the COVID-19 pandemic, refer to Section 3 "Business Overview" of this MD&A under the heading "COVID-19".

16. NEW AND REVISED IFRS NOT YET ADOPTED

There are no relevant new and revised IFRS that have been issued but are not yet effective, and not yet adopted by the Corporation.