



Management's Discussion and Analysis

For the Three Months Ended May 31, 2019 and May 31, 2018

Non-IFRS Measures

Throughout this MD&A, Inspira uses a number of financial measures to assess its performance and are intended to provide additional information to investors concerning Inspira. Some of these measures, including net profit (loss) from operations are not calculated in accordance with Generally Accepted Accounting Principles (GAAP), which are based on International Financial Reporting Standards (IFRS), are not defined by GAAP, and do not have standardized meanings that would ensure consistency and comparability between companies using these measures. Readers are cautioned that the disclosure of these items is meant to add to, and not replace, the discussion of financial results as determined in accordance with IFRS. The primary purpose of these non-IFRS measures is to provide supplemental information that may prove useful to investors who wish to consider the impact of certain non-cash or uncontrollable items on the Company's operating performance and who wish to separate revenues and related costs associated with client acquisition that may not be ongoing.

Forward-Looking Statements

Certain statements contained in this document constitute "forward-looking statements". All statements other than statements of historical fact contained in this MD&A, including, without limitation, those regarding the Company's future financial position and results of operations, strategy, proposed acquisitions, plans, objectives, goals and targets, and any statements preceded by, followed by or that include the words "believe", "expect", "aim", "intend", "plan", "continue", "will", "may", "would", "anticipate", "estimate", "forecast", "predict", "project", "seek", "should" or similar expressions or the negative thereof, are forward-looking statements. These statements are not historical facts but instead represent only the Company's expectations, estimates and projections regarding future events. These statements are not guarantees of future performance and involve assumptions, risks and uncertainties that are difficult to predict. Therefore, actual results may differ materially from what is expressed, implied or forecasted in such forward-looking statements.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to risks associated with: changes in law, competition, the ability to implement business strategies and pursue business opportunities, state of the capital markets, the availability of funds and resources to pursue operations, dependence on debt markets and interest rates, demand for the lending products Inspira offers at interest rates higher than at which Inspira can borrow, a novel business model, granting of permits and licenses in a highly regulated business, difficulty integrating newly acquired businesses (including RBP Healthcare Technologies), risks of performance by the target, new technologies, risk of billing irregularities by borrowers, low profit market segments, as well as general economic, market and business conditions. See "Risks and Uncertainties".

Management provides forward-looking statements because it believes they provide useful information to readers when considering their investment objectives and cautions readers that the information may not be appropriate for other purposes. Consequently, all of the forward-looking statements made in this MD&A are qualified by these cautionary statements

⁽¹⁾ <http://www.dualdiagnosis.org/addiction-treatment/mental-health-parity-act-insurance-and-rehab/>

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and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company. These forward-looking statements are made as of the date of this MD&A and the Company assumes no obligation to update or revise them to reflect subsequent information, events or circumstances or otherwise, except as required by law.

The forward-looking statements in this MD&A are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future, including assumptions regarding business and operating strategies.

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Dated: July 30, 2019

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Inspira Financial Inc. ("Inspira" or the "Company") was prepared by management of the Company and should be read in conjunction with the Company's audited consolidated financial statements for the periods ended May 31, 2019 and May 31, 2018. Additional information relating to the Company is available on SEDAR at www.sedar.com.

The Audit Committee and the Board of Directors provide an oversight role with respect to all public financial disclosures by the Company. The Board of Directors approves the Financial Statements and MD&A after the completion of its review and recommendation for approval by the Audit Committee, which meets periodically to review all financial reports, prior to filing.

Company Overview

Inspira, formerly Chrysalis Capital IX Corporation ("Chrysalis"), is a publicly traded company listed on the TSX Venture Exchange (the "Exchange") under the symbol "LND". Inspira provides revolving lines of credit, as well as billing and collection services, to the highly fragmented U.S. mental health and addiction services market.

Market Opportunity

The Parity Act has created new opportunities. Due to the significant increase in demand for addiction treatment, caused by health insurance coverage of addiction treatment services through the passage of the Parity Act, many growing addiction treatment companies now have difficulty with patient tracking, billing and collections from insurance companies. The large and permanently elevated volume of claims has led health insurers (Payors) to implement more complex reimbursement requirements for the mental health sector, similar to those imposed upon service providers in the physical sector.

Service Offering

This market needs financial technology solutions. The addiction market has shifted from a private pay based model to an insurance payment based model with the Parity Act. The complex reimbursement requirements have created capital shortfalls and process improvement for growing treatment centers in the market.

Plans for Growth

The Company is currently focused on growing its business by focusing on software development and integration of its lending, billing and collection services targeting the U.S. mental health and addiction services market.

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Selected Financial Information

The following information provides selected financial data about the Company and should be read in conjunction with the consolidated financial statements.

	May 31, 2019	May 31, 2018 *	May 31, 2017
	\$	\$	\$
Total assets	\$ 12,661,630	\$ 12,510,530	\$ 22,198,134
Total liabilities	\$ 980,032	\$ 1,618,829	\$ 3,226,692
Revenue	\$ 629,365	\$ 1,008,852	\$ 1,195,331
Net earnings (loss)	\$ 284,721	\$ (1,161,912)	\$ (533,042)
Net earnings (loss) per share	\$ 0.01	\$ (0.03)	\$ (0.01)

* Restated, refer to note 17

Results of Operations

Results of Operations	For the three months ended May 31, 2019	For the three months ended May 31, 2018 (Restated, Note 17)
Revenues	\$ 629,365	\$ 1,008,852
Cost of revenues	\$ -	\$ -
Financial Margin	\$ 629,365	\$ 1,008,852
Expenses		
General, administrative and collection costs	\$ 298,469	\$ 660,834
Restructuring, Transaction, Legal and Audit Costs	\$ 35,053	\$ 84,803
Provision for litigation	\$ -	\$ 1,376,885
Facility leases	\$ -	\$ 39,821
Sales and marketing	\$ -	\$ 3,570
Foreign exchange gain (loss)	\$ -	\$ -
Share based compensation	\$ 4,539	\$ 6,163
Total expenses	\$ 338,060	\$ 2,172,076
Net income (loss) before income tax	\$ 291,305	\$ (1,163,224)

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Discussion of Operations

Balances for the period ended May 31, 2019 have been prepared in accordance with International Finance Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"), including the newly adopted IFRS 16; prior period amounts have not been restated in relation to these IFRS measures.

Period ended May 31, 2019 compared with period ended May 31, 2018

The Company reported a net gain for the period ended May 31, 2019 of \$289,260 before stock based compensation (\$4,539) increasing from a net loss of \$1,155,748 before stock based compensation (\$6,163) for Q1 FY 2019. Management attributes the improvement in earnings toward a reduction in general expenses as a result of its corporate restructuring efforts.

Provision for losses

The company has an accounting policy to provision for loans in default. While a loan is in default, the Company is working to recover principle, interest and fees associated with the loan.

	May 31, 2019		May 31, 2018 *	
	\$		\$	
Revolving line of credit receivables, gross	\$	5,780,687	\$	7,085,745
Less provision for losses	\$	(4,885,631)	\$	(4,556,511)
	\$	895,056	\$	2,529,234

**Restated, refer to note 17*

Revenue

For the period ended May 31, 2019 revenue totalled \$629,365 compared to \$1,008,852 for the period ended May 31, 2018. Management attributes the decrease in year-over-year revenue as a result of a reduction in total credit receivables outstanding.

General and administrative

General and administrative ("G&A") expenses relate to finance and administration and consist of salaries and related general operational expenses. G&A for period ended May 31, 2019 was \$333,521 compared to \$785,458 in the prior year period. Management believes the decrease in G&A can be attributed to better cost containments and a consolidation of vendors.

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	Three Months Ended May 31, 2019	For the three months ended May 31, 2018 (Restated, Note 17)
General and Administrative Expenses		
Included in general and administrative:		
Labor & consulting expenses	84,125	427,794
Legal & audit fees	35,053	104,740
Facility leases	-	39,821
Public company expenses	-	2,535
General expenses	214,343	210,568
Total General and Administrative Expenses	333,521	785,458

Restructuring, transaction, legal & audit costs

For the period ended May 31, 2019 the Company did not incur restructuring or material transaction expenses. As a result, overall expenses have decreased. Legal expenses for the period ended May 31, 2019 were lower higher than prior year due to the legal issue reported in q1 2019 being resolved in q4 2019.

Labor & consulting expenses

Labor & consulting expenses totaled \$84,125 for the period ended May 31, 2019. This has decreased compared to the same period in fy 2019 (\$427,794) as the company continues to streamline operations.

Facility leases

Facility leases totaled \$nil for the period ended May 31, 2019 compared with \$39,821 for the period ended May 31, 2018.

Public company expenses

Public company expenses totaled \$nil for Q1 2020 (\$2,535 for Q1 2019). These costs include exchange listing fees and corporate insurance.

Share based compensation

The Company recognized \$4,539 of share-based compensation during the period ended May 31, 2019 versus \$6,163 for the period ended May 31, 2018. The share based compensation has significantly declined year-over-year as a result of the Board reducing the number of options outstanding. These line items in the financial statement represent an accounting valuation associated with the granting of stock options to employees and

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consultants of the Company, which are valued using the Black-Scholes valuation model and are expensed over the options' vesting period. This is a non-cash accounting expense. This is consistent across the periods ending May 31, 2019 and May 31, 2018.

Summary of Quarterly Information

	Q2-2018	Q-3 2018	Q4-2018*	Q1-2019*	Q2-2019*	Q3-2019*	Q4-2019	Q1-2020
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue(1)	1,010,077	986,466	747,195	1,008,852	920,879	887,209	329,926	629,365
Net income (loss)	(41,555)	(126,569)	(5,957,320)	(1,161,912)	201,965	72,357	(1,249,864)	284,721
Basic & diluted loss per share	(0.003)	(0.003)	(0.130)	(0.025)	0.004	0.002	(0.027)	0.006

*Restated, Note 17

Liquidity, Capital Resources, and Outlook

The Company's primary sources of short-term liquidity are cash and cash equivalents. As at May 31, 2019, the Company had \$9,774,824 of cash and cash equivalents versus \$361,275 of accounts payable and other liabilities of \$15,000.

The Company's primary liquidity needs include ongoing operating costs. The Company considers its current and contemplated sources of liquidity sufficient to meet requirements for the purposes of short-term and long-term operations and growth.

Commitments

The Company has total future minimum lease payments of

For the twelve months period ending May 31, 2019	Scheduled Payments
2020	68,110.87
2021	70,154.20
2022	72,258.82
Total future minimum lease payments	210,523.89

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements as at May 31, 2019

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NEW AND FUTURE IFRS ACCOUNTING PRONOUNCEMENTS

Standards, Amendments, and Interpretations Issued and Adopted

The following are the standards, amendments and interpretations issued and adopted by the Company.

IFRS 16, Leases IFRS 16 eliminates the distinction between operating and finance leases from the perspective of the lessee. Any contract that is defined as a lease, other than two very narrow exceptions, will be classified as a finance lease and recorded in the statement of financial position. This pronouncement is effective for annual periods commencing on or after January 1, 2019. The impacts of this standard is evaluated in note 15 of the financial statements.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Critical Accounting Estimates and Significant Accounting Policies

The significant accounting policies applied by are described in Note 3 of the Company's audited consolidated financial statements, including the changes to the accounting for financial instruments resulting from the adoption of International Financial Reporting Standards 16, Leases ("IFRS 16").

Transactions with Related Parties

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including executive directors. The total compensation of key management personnel is as follows:

	2020	2019	2018
Salaries and Short Term Benefits	13,000	387,503	573,993
Share based Payments	4,539	96,367	124,278
Total	17,539	483,870	698,271

Financial Instruments and Other Instruments

The Company's financial instruments consist of cash and cash equivalents, billing receivables, credit receivables, accounts payable and accrued liabilities, and other payables. The fair value of these financial instruments approximates their carrying values.

Financial risk management

The Company is exposed to credit, liquidity and market risks related to the use of financial instruments in its operations. The Board has overall responsibility for the establishment and oversight of the Company's risk management framework through its Audit Committee. In this respect, the Audit Committee meets with management and the Company's Risk Management Committee at least quarterly. The Company's risk management policies are established to identify, analyze, limit, control and monitor the risks faced by the Company. Risk management policies and systems are reviewed regularly to reflect changes in the risk environment faced by the Company.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a client fails to meet its contractual obligations. In the Company's case, credit risk arises with respect to its lines of credit to clients and any other financial transaction with a counterparty. The carrying amount of these lines of credit represents the Company's maximum credit exposure and is the most significant measurable risk that it faces. The nature of the Company's asset-based lending business involves funding the receivables offered to it by its clients. Typically, the Company files a lien against the pledged receivables and requires either a single or double virtual lockbox arrangement.

Credit is evaluated by financial underwriters and is authorized by the Credit Committee, supervisory personnel, management and, in the case of credit in excess of \$1.0 million, the Company's President and the Chairman of its Board. The Company monitors and controls its risks and exposures through financial, credit, legal and technology based systems and, accordingly, believes that it has procedures in place for evaluating and limiting the credit risks to which it is subject. Credit is subject to ongoing management review. Nevertheless, for a variety of reasons, there will inevitably be defaults by clients or their customers.

The Company's clients' customers have varying payment terms depending on the industries in which they operate, although most customers have payment terms of 30 to 60 days from the invoice date. Clients' receivables generally become "ineligible" for lending purposes when they reach a certain predetermined age, usually above 90 or 120 days from invoice date.

The Company employs a 5-step client approval process to assess credit risk, which reviews, amongst other things, the financial strength of each client and the Company's underlying security. Credit risk is primarily managed by ensuring that, as far as possible, the receivables financed are of the highest quality, that being due from the U.S. Government healthcare programs such as Medicare and Medicaid. The

Company does not lend against any patient pay ("co-pay"), inventory, equipment or any other tangible asset.

The Company also minimizes credit risk by limiting the maximum amount that it will lend to any one client, enforcing strict advance rates, disallowing certain types of receivables and making receivables ineligible for lending purposes as they become older. The Company generally mandates the use of a single or double virtual lockbox system, where the clients' receivables are flowed through bank accounts controlled by the Company, thereby allowing it to quickly identify problems as and when they arise and act promptly to minimize credit losses.

The Company's credit exposure at May 31, 2019 relates to its gross credit receivables and interest and other receivables. As at May 31, 2019 \$438,910 in receivables were over 90 days and \$52,284.83 in receivables were between 60 - 90 days overdue.

Loss allowance

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all billing receivables and other receivables, while ECL calculation based on stage assessment has been performed for credit receivables. The loss allowance at May 31, 2019 was determined under IFRS 9.

b) Concentration risk

Concentration risk arises as a result of the concentration of exposures within a single client. The Company minimizes concentration risk by limiting the maximum amount that it will lend to any one client. As at May 31, 2019 and May 31, 2018 there were no loans outstanding to a client that constituted greater than 20% of the credit receivable balance.

Concentrations of risk arises as a result in the concentration of customers. Inspira Saas Billing Services, Inc. only has one customer accounting for over 90% of revenues, which is a material concentration of risks. Inspira Saas is aggressively seeking new customers to board.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company's principal obligations are its accounts payable and other liabilities.

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At May 31, 2019, the Company had total assets of \$12,661,630 (May 31, 2018, *restated* - \$13,006,078), which substantially exceeded its total liabilities of \$980,032 (May 31, 2018 - \$1,618,829).

All financial assets and liabilities are expected to be settled within 12 months at the values stated in the consolidated statements of financial position.

d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its financial instruments. The objective of managing market risk is to control market risk exposures within acceptable parameters, while optimizing the return on risk.

e) Currency risk

The Company is exposed to currency risk primarily in its foreign operations which operate in U.S. Dollars, to the full extent of the foreign operations net assets and U.S. denominated assets of approximately USD \$ 9.5 million at May 31, 2019 (2018 – USD\$ 9.4 million). The Company's investment in its foreign operations is not hedged as it is long-term in nature. Unrealized foreign exchange gains or losses arise on translation of the assets and liabilities of the Company's foreign operations into Canadian dollars each period end. Resulting foreign exchange gains or losses are credited or charged to other comprehensive income or loss with a corresponding entry to the AOCI component of equity. The Company is also subject to foreign currency risk on the earnings of its foreign operations which report in U.S. dollars and are unhedged. A 10% change in the U.S. dollar against the Canadian dollar would result in an approximate \$1.2 million increase/decrease (2018 - \$1.1 million) in the Company's consolidated statement of operations and comprehensive income (loss) for the period ended May 31, 2019.

The Company's Canadian operations have some assets and liabilities denominated in foreign currencies, principally cash and cash equivalents. These assets are not hedged.

f) Interest rate risk

Interest rate risk pertains to the risk of loss due to the volatility of interest rates. The Company's lending and borrowing rates are usually based on floating bank prime rates of interest and are typically variable. The Company actively manages its interest rate exposure, where possible. The Company as of May 31, 2019 and May 31, 2018 has no debt.

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Disclosure of Outstanding Share Data

As at the date of this MD&A, the following is a description of the outstanding equity securities and convertible securities previously issued by the Company:

Common shares outstanding	45,841,454
Warrants	-
Stock options	2,654,972
Fully diluted	<u>48,496,426</u>

Risks and Uncertainties

The Company has a limited history of existence. The securities of the Company should be considered a highly speculative investment. The following risk factors should be given special consideration when evaluating an investment in any of the Company's securities:

Ability to Manage Growth: Recent rapid growth in all areas of Inspira's business has placed, and is expected to continue to place, a significant strain on managerial, operational and technical resources. Inspira expects operating expenses and staffing levels to increase in the future. To manage such growth, Inspira must expand its operational and technical capabilities and manage its employee base while effectively administering multiple relationships with various third parties. There can be no assurance that Inspira will be able to manage its expanding operations effectively. Any failure to implement cohesive management and operating systems, to add resources on a cost-effective basis or to properly manage Inspira's expansion could have a material adverse effect on its business and results of operations.

Capital Investment: The timing and amount of capital expenditures by Inspira will be dependent upon Inspira's ability to utilize credit facilities, raise new debt, generate cash from operations, meet working capital requirements and sell additional shares in order to accommodate these items. There can be no assurance that sufficient capital will be available on acceptable terms to Inspira for necessary or desirable capital expenditures or that the amount required will be the same as currently estimated. Lack of these funds could limit the future growth of Inspira and its subsidiaries and their respective cash flows.

Unproven Market: It is anticipated that the market for Inspira's potential products will continue to exist and expand. These assumptions may prove to be incorrect for a variety of reasons, including competition from other products and the degree of commercial viability of the potential products.

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Failure to Develop Successful New Product Offerings: There can be no assurance that Inspira can develop new products that are competitive with other products in the same category, that the products developed by Inspira will receive widespread acceptance or that new products will yield favourable margins. Failure to develop and successfully market new products at favourable margins could have a material adverse impact on Inspira's business, financial condition, results of operations and the amount of cash available for distribution to shareholders.

Competitive Environment: The industry in which Inspira operates is highly competitive. Inspira's success depends, in part, on its ability to be efficient in all aspects of the business and achieve the appropriate cost structure. Some of Inspira's competitors have economic resources greater than those of Inspira and are well established as suppliers to the markets that Inspira will serve. Accordingly, such competitors may have lower cost structures allowing them to better withstand volatility within the industry and throughout the economy as a whole, while retaining significantly greater operating and financial flexibility than Inspira. There can be no assurance that Inspira will be able to manage costs and achieve efficiencies to allow it to compete successfully against its current or future competitors or that such competition will not have a material adverse effect on Inspira's business, financial condition, results of operations and the amount of cash available for distribution to shareholders.

Foreign currency risk: The Company operates in the United States. Accordingly, a portion of its financial resources is held in currencies other than the Canadian dollar. The Company's policy is to manage financial exposure to foreign exchange fluctuations and attempt to neutralize the impact of foreign exchange movements on its operating results where possible.

Dependence upon Management: Inspira's operations are dependent on the abilities, experience and efforts of its senior management. There can be no assurance that Inspira would be able to find qualified replacements for the individuals who make up its senior management team if their services were no longer available. The loss of services of one or more members of its senior management could adversely affect the business of Inspira.

Inability to Implement the Business Strategy: The growth and expansion of Inspira's business is heavily dependent upon the successful implementation of Inspira's business strategy. There can be no assurance that Inspira will be successful in the implementation of its business strategy.

Economic conditions: The Company operates in the United States. Economic weakness can affect the Company's ability to attract new business as quality prospects become limited. Further, the Company's clients and their customers are often adversely affected by economic slowdowns and this can lead to increases in its provision for credit and loan losses.

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Issuance of Debt: From time to time, Inspira may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may increase Inspira's debt levels above industry standards. The level of Inspira's indebtedness from time to time could impair Inspira's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

Conflicts of Interest: Certain of the directors of Inspira are also directors and officers of other companies, some of which may be in the healthcare sector, and conflicts of interest may arise between their duties as directors of Inspira and as officers and directors of such other companies. Such conflicts must be disclosed in accordance with, and are subject to such other procedures and remedies as apply under the applicable corporate statute.

Dilution and Future Issuances of Inspira Shares: Inspira may issue additional Inspira Shares in the future, which may dilute a shareholder's holdings in Inspira. Inspira's articles permit the issuance of an unlimited number of Inspira Shares and the shareholders of Inspira will have no pre-emptive rights in connection with such further issuances. The board of directors of Inspira has the discretion to determine the terms of issue of further issuances of Inspira Shares.

Future Sales of Inspira Shares by Directors and Officers: Subject to compliance with applicable securities laws, directors and officers and their affiliates may sell some or all of their securities in Inspira in the future. No prediction can be made as to the effect, if any, such future sales will have on the market price of Inspira's securities. However, the future sale of a substantial number of securities by Inspira's directors and officers and their controlled entities, or the perception that such sales could occur, could adversely affect prevailing market prices for Inspira's securities.

Credit risk: The Company is in the business of making asset-based loans. Operating results can be adversely affected by large bankruptcies and/or insolvencies.

Requirement for Permits and Licences in a Highly Regulated Business: Inspira will be subject to regulation from both United States federal and state authorities. Regulatory action could disrupt Inspira's ability to provide services. Such regulatory action could come in the form of actions based upon Inspira's operation. Regulatory action could prevent or delay reimbursement for certain services. There could also be legislative action that could adversely affect Inspira's business model, including a decision by the United States government to become the exclusive provider of healthcare services at some time in the future. Conversely, budgetary problems in the United States could lead to reduced funding, substantial modification or elimination of Medicare programs, which would end reimbursement for many patients. There can be no assurance that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail the business of Inspira. Amendments to current laws and

regulations could have a substantial adverse impact on Inspira.

Risk of Third Party Claims for Infringement: A third party may claim that Inspira has infringed such third party's rights or may challenge the right of Inspira to its intellectual property. In such event, Inspira will undertake a review to determine what, if any, action should be taken with respect to such claim. Any claim, whether or not with merit, could be time consuming to evaluate, result in costly litigation, cause delays in the operations of Inspira or the development of its intellectual property or require Inspira to enter into licensing arrangements that may require the payment of a licence fee or royalties to the owner of the intellectual property. Such royalty or licensing arrangements, if required, may not be available on terms acceptable to Inspira.

Privacy Legislation: The *Health Insurance Portability and Accountability Act of 1996* ("HIPAA") required the United States Department of Health and Human Services to adopt standards to protect the privacy and security of individually identifiable health-related information. The department released regulations containing privacy standards in December 2000 and published revisions to the final regulations in August 2002. The privacy regulations extensively regulate the use and disclosure of individually identifiable health related information. The regulations also provide patients with significant new rights related to the understanding and controlling how their health information is used or disclosed. The security regulations require healthcare providers to implement administrative, physical and technical practices to protect the security of identifiable health information that is maintained or transmitted electronically.

In addition to HIPAA, there are numerous federal and state laws and regulations addressing patient and consumer privacy concerns, including unauthorized access or theft of personal information. State statutes and regulations vary from state to state. Lawsuits, including class actions and action by state attorneys general, directed at companies that have experienced a privacy or security breach can also occur.

Inspira believes that the cost of compliance with HIPAA and other federal and state privacy laws will not have a material adverse effect on its business, financial condition, results of operations or cash flows. However, there can be no assurance that a breach of privacy or security will not occur. If there is a breach, Inspira may be subject to various penalties and damages and may be required to incur costs to mitigate the impact of the breach on affected individuals.

Strategic Relationships with Third Parties: Inspira anticipates that it will continue to depend on the relationships with various third parties, including hospitals, long-term care facilities and physicians to grow its business. Identifying, negotiating and documenting relationships with third parties requires significant time and resources. Inspira's competitors may be effective in providing incentives to their parties to favour their solutions or may prevent Inspira from developing strategic relationships with these parties. In addition, these third

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parties may not perform as expected under any agreement with them and Inspira may have disagreements or disputes with these parties, which could negatively affect Inspira's brand and reputation. It is possible that these third parties may not be able to devote the resources that Inspira expects from the relationship. If Inspira is unsuccessful in establishing or maintaining its relationship with these third parties, Inspira's ability to compete in the marketplace or to grow its revenue could be impaired, and operating results would suffer. Even if Inspira is successful, these relationships may not result in improved operating results.

Information Technology Systems: Inspira's business depends, in part, on the continued and uninterrupted performance of its information technology systems. Sustained system failures or interruptions could disrupt Inspira's ability to operate effectively, which in turn could adversely affect its business, results of operations and financial condition. Inspira's computer systems may be vulnerable to damage from a variety of sources, including physical or electronic break-ins, computer viruses and similar disruptive problems. Despite precautions taken and the extensive mitigation strategies put in place by Inspira, unanticipated problems affecting the information technology systems could cause interruptions for which Inspira's insurance policies may not provide adequate compensation.

General Litigation Risk: Disputes are common in the United States healthcare industry and as such, in the normal course of business, Inspira might be involved in various legal actions and proceedings which arise from time to time, some of which may be substantial. There is no assurance that Inspira's insurance arrangements will be sufficient to cover any particular claim or claims that may arise in the future. Furthermore, Inspira is subject to the risk of claims and legal actions for various commercial and contractual matters in respect of which insurance is not available.

Exchange Rate Fluctuations: Exchange rate fluctuations may affect the costs that Inspira incurs in its operations. The appreciation of non-United States dollar currencies against the United States dollar can increase the cost of operations in United States dollar terms.

Loss of Foreign Private Issuer Status: Inspira may lose its foreign private issuer status in the future, which could result in significant additional costs and expenses. As a foreign private issuer, as defined in Rule 3b-4 under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), Inspira is currently exempt from certain of the provisions of the U.S. federal securities laws. For example, an issuer with total assets in excess of US\$10 million and whose outstanding equity securities are held by 2,000 or more persons, or 500 or more persons who are not "accredited investors", must register such securities as a class under the Exchange Act. However, as a foreign private issuer subject to Canadian continuous disclosure requirements, Inspira may claim the exemption from registration under the Exchange Act provided by Rule 12g3-2(b) thereunder, even if these thresholds are exceeded. To be considered a foreign private issuer, Inspira must satisfy a United States shareholder test (not more than 50% of the voting securities of a company must be held by

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residents of the United States) if any of the following disqualifying conditions apply: (i) the majority of Inspira's executive officers or directors are United States citizens or residents; (ii) more than 50 percent of Inspira's assets are located in the United States; or (iii) Inspira's business of is administered principally in the United States. A substantial number of Inspira's outstanding voting securities are directly or indirectly held of record by residents of the United States. If the Company loses its status as a foreign private issuer, these regulations could apply and it could also be required to commence reporting on forms required of U.S. domestic companies, such as Forms 10-K, 10-Q and 8-K. It could also become subject to U.S. proxy rules, and certain holders of its equity securities could become subject to the insider reporting and "short swing" profit rules under Section 16 of the Exchange Act. In addition, any securities issued by Inspira if it loses foreign private issuer status would become subject to certain rules and restrictions under the Securities Act of 1933, as amended, even if they are issued or resold outside the United States. Compliance with the additional disclosure, compliance and timing requirements under these securities laws would likely result in increased expenses and would require the Company's management to devote substantial time and resources to comply with new regulatory requirements.

Holding Corporation: Inspira is considered a holding corporation and a substantial portion of its assets is the capital stock of its subsidiaries. As a result, the holders of Inspira Shares are subject to risks attributable to its subsidiaries. As a holding corporation, Inspira conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenue. Consequently, Inspira's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to Inspira. The ability of the subsidiaries of Inspira to pay dividends and other distributions depend on their operating results and is subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. In the event of bankruptcy, liquidation or reorganization of any of Inspira's subsidiaries, holders of indebtedness and trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to Inspira.

Internal Control over Financial Reporting and Disclosure Controls and Procedures: Inspira may face risks if there are deficiencies in its internal controls over financial reporting and disclosure controls and procedures. Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external reporting purposes. Management is responsible for establishing and maintaining adequate internal controls over financial reporting appropriate to the nature and size of Inspira. The board of directors, in conjunction with its Audit Committee, is responsible for assessing the progress and sufficiency of internal controls over financial reporting and disclosure controls and procedures and will make adjustments as necessary. However, these initiatives may not be effective at remedying any deficiencies in internal control over financial reporting and disclosure controls and procedures. Any deficiencies, if uncorrected, could result in Inspira's financial statements

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being inaccurate and in future adjustments or restatements of its financial statements, which could adversely affect the price of Inspira Shares and Inspira's business, financial condition and results of operations.

Key Credentialed Employees: Inspira will rely on a number of key employees and licensed providers with specialized training in the delivery of Inspira's services. Inspira's operations will be adversely affected if any of the key employees cease their employment with Inspira or if Inspira is unable to recruit and retain qualified staff.

Ability to Implement Acquisition Strategy: Inspira may not be able to effectively implement its acquisition strategy. There is the possibility that Inspira will not be able to reduce costs, improve profits or roll out additional rehabilitation facilities fast enough to meet its objectives.

Other Information

Additional information about the Company is available on SEDAR at www.sedar.com.