SALONA GLOBAL MEDICAL DEVICE CORPORATION

(Formerly Brattle Street Investment Corp.)

Consolidated Financial Statements

For the Years Ended February 28, 2021 and February 29, 2020

(In Canadian Dollars)

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SRCO Professional Corporation
Chartered Professional Accountants
Licensed Public Accountants
Park Place Corporate Centre
15 Wertheim Court, Suite 409
Richmond Hill, ON L4B 3H7, Canada
Tel: 905 882 9500 & 416 671 7292
Fax: 905 882 9580
Email: info@srco.ca
www.srco.ca

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Salona Global Medical Device Corporation (Formerly Brattle Street Investment Corp.):

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Salona Global Medical Device Corporation (Formerly Brattle Street Investment Corp.) and subsidiaries (the "Company") as of February 28, 2021 and February 29, 2020 and the related consolidated statements of operations and comprehensive loss, stockholders' deficiency, and cash flows for each of the years in the two-year period ended February 28, 2021 and related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2021 and February 29, 2020 and the results of its operations and its cash flows for each of the years in the two-year period ended February 28, 2021, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the United States Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ *SRCO Professional Corporation*
CHARTERED PROFESSIONAL ACCOUNTANTS
Authorized to practice public accounting by the
Chartered Professional Accountants of Ontario

We have served as the Company's auditor since 2020
Richmond Hill, Ontario, Canada
April 15, 2021

Salona Global Medical Device Corporation (Formerly Brattle Street Investment Corp.)
Consolidated Balance Sheets
As at February 28, 2021 and February 29, 2020
(In Canadian Dollars)

	Note		February 28, 2021		February 29, 2020
Assets					
Cash and cash equivalents		$	7,080,768	$	8,349,423
Restricted cash	**7**		5,425,374		-
Marketable securities	**19**		488,684		843,220
Prepaids and other receivables			135,065		139,733
Credit receivables	**6**		-		396,630
Total assets		$	13,129,891	$	9,729,006
Liabilities and equity					
Liabilities					
Subscription receipts	**7**	$	5,425,374	$	-
Accounts payable and accrued liabilities	**8**		1,047,784		217,484
Other liabilities			15,000		15,000
Total Liabilities		$	6,488,158	$	232,484
Stockholders' equity					
Common stock; no par value, unlimited shares authorized; 33,813,308 shares issued and outstanding as of February 28, 2021 (February 29, 2020: 33,785,154) (1)	**9**	$	31,065,513	$	31,055,842
Additional paid-in-capital	**9**		3,625,762		3,392,371
Accumulated other comprehensive income			943,320		1,373,748
Deficit			(28,992,862)		(26,325,439)
Total stockholders' equity		$	6,641,733	$	9,496,522
Total liabilities and stockholders' equity		$	13,129,891	$	9,729,006

Subsequent events (Note 20)
Contingencies (Note 21)
(1) Prior period results have been adjusted to reflect the consolidation of shares (see Note 1 for details)

Approved on behalf of the Board

"signed"
Les Cross

"signed"
Jane Kiernan

Salona Global Medical Device Corporation (Formerly Brattle Street Investment Corp.)
Consolidated Statements of Operations and Comprehensive Loss
For the years ended February 28, 2021 and February 29, 2020
(In Canadian Dollars)

	Note		February 28, 2021	February 29, 2020
Continuing operations				
Revenues				
Loan interest revenue	**5**		42,838	50,276
Interest expense			-	-
Net interest revenue			42,838	50,276
Fees and other	**5**		49,910	83,484
Interest, fees, and other recovered	**5**		43,365	145,635
Investment income	**5**		14,618	110,366
Other income			-	18,558
Change in fair value of marketable securities	**5**		(812)	(6,480)
Impairment of other investments	**5**		(183,466)	(49,710)
Total non-interest revenues			(76,385)	301,853
Total revenue, net of interest expense			(33,547)	352,129
Cost of revenue				
Allowance for losses			-	17,760
Financial (loss) margin			(33,547)	334,369
Expenses				
General and administrative	**15**		752,570	1,623,446
Impairment of equipment			-	39,613
Share based compensation	**9**		237,714	21,962
Total expenses			990,284	1,685,021
Net loss before tax from continuing operations			(1,023,831)	(1,350,652)
Transaction costs including legal, audit, US regulatory	16		(1,643,592)	-
			(2,667,423)	(1,350,652)
Income tax expense	**17**		-	-
Net loss from continuing operations			(2,667,423)	(1,350,652)
Discontinued operations				
(Loss) income after tax from discontinued operations	**18**		-	(573,496)
Net loss		$	(2,667,423)	(1,924,148)
Other comprehensive gain (loss)				
Foreign currency translation gain (loss)			(430,428)	160,300
Comprehensive loss		$	(3,097,851)	(1,763,848)
Net loss per share				
Basic and diluted	**13**		(0.08)	(0.06)
Weighted average number of common shares outstanding (1)			33,795,132	33,785,154

(1) Prior period results have been adjusted to reflect the consolidation of shares (see Note 1 for details)

Salona Global Medical Device Corporation (Formerly Brattle Street Investment Corp.)
Consolidated Statements of Equity
For the years ended February 28, 2021 and February 29, 2020
(In Canadian Dollars)

	Share Capital			Accumulated Other comprehensive income		
	Number (1)	Amount	Additional paid-in capital		Deficit	Total
Balance -February 28, 2019	**33,785,154**	**31,055,842**	**3,370,409**	**1,213,448**	**(24,401,291)**	**11,238,408**
Share based compensation	-	-	21,962	-	-	21,962
Foreign currency translation loss	-	-	-	160,300	-	160,300
Net loss from discontinued operations	-	-	-	-	(573,496)	(573,496)
Net loss from continuing operations	-	-	-	-	(1,350,652)	(1,350,652)
Balance -February 29, 2020	**33,785,154**	**31,055,842**	**3,392,371**	**1,373,748**	**(26,325,439)**	**9,496,522**
Share based compensation	-	-	237,714	-	-	237,714
Exercise of stock options	28,154	9,671	(4,323)	-	-	5,348
Foreign currency translation gain	-	-	-	(430,428)	-	(430,428)
Net loss from continuing operations	-	-	-	-	(2,667,423)	(2,667,423)
Balance -February 28, 2021	**33,813,308**	**31,065,513**	**3,625,762**	**943,320**	**(28,992,862)**	**6,641,733**

(1) Prior period results have been adjusted to reflect the consolidation of shares (see Note 1 for details)

Salona Global Medical Device Corporation (Formerly Brattle Street Investment Corp.)
Consolidated Statements of Cash Flows
For the years ended February 28, 2021 and February 29, 2020
(In Canadian Dollars)

	Note	February 28, 2021	February 29, 2020
Operating activities			
Net loss		$ (2,667,423)	$ (1,924,148)
Loss after tax from discontinued operations		-	573,496
Net loss from continuing operations		(2,667,423)	(1,350,652)
Non-cash items:			
Depreciation		-	54,520
Impairment of equipment		-	39,613
Share based compensation	**9**	237,714	21,962
Change in fair value of marketable securities		812	6,480
Impairment of other investments		183,466	49,710
Allowance for losses	**6**	-	17,760
Changes in operating assets and liabilities:			
Net repayment of credit receivable		394,091	476,532
Prepaid and other receivables		(2,440)	313,768
Accounts payable and accrued liabilities		878,606	(44,089)
Cash flows used in continued operating activities		(975,174)	(414,396)
Cash flows provided by discontinued operating activities	**18**	-	216,789
Net cash used in operating activities		(975,174)	(197,607)
Investing activities			
Sale of marketable securities		445,101	-
Purchase of marketable securities		(186,765)	(849,700)
Purchase of other investments		(183,466)	(49,710)
Net cash provided by (used in) investing activities		74,870	(899,410)
Financing activities			
Proceeds from subscription receipts		5,425,374	-
Proceeds from exercise of stock options		5,348	-
Net cash from financing activities		5,433,722	-
Effect of foreign exchange rates		(373,699)	142,540
Increase (decrease) in cash and cash equivalents and restricted cash		4,533,418	(1,097,017)
Cash and cash equivalents and restricted cash, opening		8,349,423	9,303,900
Cash and cash equivalents and restricted cash, closing		$ 12,509,142	$ 8,349,423
Supplemental cash flow information:			
Interest paid		-	-
Income taxes paid		-	-
Restricted cash included in the closing balance above		5,425,374	-

1. Description of the business

Salona Global Medical Device Corporation (formerly Brattle Street Investment Corp.) ("Salona" or the "Company"), is a publicly traded company listed on the TSX Venture Exchange (the "Exchange"). The Company is currently undergoing a Change of Business as defined by the TSX Venture Exchange to become a Tier 1 Industrial/Technology/Life Sciences Issuer. Upon completion of the Change of Business, the Company will focus on transitioning to an acquisition oriented, US-based and revenue generating MedTech company. The Company aims to leverage the liquid Canadian capital markets to acquire small to midsize US and internationally based medical device products and companies with the goal of expanding sales and improving operations. The company's aim is to create a large, broad-based medical device company with global reach.

Salona was incorporated under the *Canada Business Corporations Act* on September 17, 2013. The common shares in the capital of the Company ("common shares") trade on the Exchange under the symbol "SGMD". The Company's registered office is Suite 200E – 1515A Bayview Avenue, East York, Ontario.

On September 8, 2020 the Company signed a binding purchase agreement to acquire 100% of the outstanding shares of South Dakota Partners Inc ("SDP"). Transaction is contingent on regulatory and shareholder approval.

On December 21, 2020, Company consolidated its issued and outstanding common shares on the basis of 7.37 post-consolidation common shares for 10 pre-consolidation common shares (the "Consolidation").

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

2. Basis of presentation

The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Functional and presentation currency

These consolidated financial statements are expressed in Canadian dollars unless otherwise stated. The functional currency of the Company is Canadian dollars, and the functional currency of its subsidiary Inspira Financial Company and Inspira SaaS Billing Services is US dollars.

3. Significant accounting policies

a) Basis of consolidation

These statements consolidate the accounts of the Company and its wholly owned subsidiaries, namely, Inspira Financial Company ("IFC"), 1077863 B.C., Ltd ("1077863"), and Inspira SAAS Billing Inc. ("IFS") in the United States. The Company owns 100% of its subsidiaries. Intercompany balances and transactions are eliminated upon consolidation.

b) Basis of measurement

The consolidated financial statements of the Company have been prepared on an historical cost basis except marketable securities which are carried at fair value.

c) Fair value of financial instruments

The Company's financial instruments, including cash and cash equivalents, restricted cash, marketable securities, other investments, billing receivables, credit receivables, other receivable, accounts payable, and other liabilities, the carrying amounts approximate their fair values due to their short term maturities.

3. Significant accounting policies (continued)

FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, requires disclosure of the fair value of financial instruments held by the Company. FASB ASC Topic 825, *Financial Instruments*, defines fair value, and establishes a three-level valuation hierarchy for disclosures of fair value measurement that enhances disclosure requirements for fair value measures. The carrying amounts reported in the consolidated balance sheets for receivables and current liabilities each qualify as financial instruments and are a reasonable estimate of their fair values because of the short period of time between the origination of such instruments and their expected realization, low risk of counterparty default and their current market rate of interest. The three levels of valuation hierarchy are defined as follows:

Level 1 –	Quoted prices in active markets for identical assets or liabilities.
Level 2 –	Inputs, other than Level 1, that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
Level 3 –	Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

As of February 28, 2021 and February 29, 2020, the Company did not identify any financial assets and liabilities required to be presented on the balance sheet at fair value, except for marketable securities which are carried at fair value using Level 1 inputs.

d) Revenue recognition -from Contracts

In accordance with Accounting Standards Codification 606 Revenue from Contracts with Customers ("ASC 606"), the Company recognizes revenue upon the transfer of goods or services to a customer at an amount that reflects the expected consideration to be received in exchange for those goods or services. The principles in ASC 606 are applied using the following five steps:

(i) Identify the contract with a customer;
(ii) Identify the performance obligation(s) in the contract;
(iii) Determine the transaction price;
(iv) Allocate the transaction price to the performance obligation(s) in the contract; and
(v) Recognize revenue when (or as) the Company satisfies our performance obligation(s).

3. Significant accounting policies (continued)

Revenue principally comprises interest and fees from the Company's recourse and nonrecourse revolving line of credit business and billing service fees (which were discontinued in 2019 (note 18)) from the Company's medical billing business. Other revenues, such as management fees, banking fees, and standby fees, are recognized as revenue when earned.

Revenue recognition – from financial instruments

Interest and fees revenues are recognized in the consolidated statements of income and comprehensive income using the effective interest method. Interest and fees revenues include the company's share of any fees received, as well as the effect of any discount or premium on the loan. Interest revenue is calculated on the gross carrying amount for credit and loan receivable which are current and on the net carrying amount for receivable which are in default; such interest is recognized only if the Company receives or expects the interest to be received based on the financial condition of the credit and loan receivable counterparty.

The effective interest method derives the interest rate that discounts the estimated future cash receipts during the expected life of the credit and loan receivable (which is the contractual life, if a shorter period is not expected) to its carrying amount. The calculation of the effective interest rate includes all fees and transaction costs paid or received. Fees and transaction costs include incremental revenues and costs that are directly attributable to the acquisition or issuance of the credit and loan receivable.

e) Credit receivables

The Company provides asset-based revolving lines of credit to its clients, secured by their accounts receivables, assets of the company, and in most cases personal indemnifications. Credit receivables are non-derivative financial assets with fixed or determinable payments (United States prime rate plus a spread) that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term. Credit receivables to clients are initially measured at fair value plus transaction costs and subsequently measured at amortized cost using the effective interest rate method.

3. Significant accounting policies (continued)

f) Allowances for losses

The Company makes judgments as to its ability to collect outstanding receivables and provides an allowance for specific receivables if and when collection becomes doubtful. Provisions are made based upon a specific review of all significant outstanding balances as well as a review of the overall quality and age of those receivables not specifically reviewed. In determining the provision for invoices not specifically reviewed, the Company analyzes historical collection experience and current economic trends.

g) Income taxes

The Company accounts for income taxes in accordance with ASC Topic 740, *Income Taxes*. ASC 740 requires a company to use the asset and liability method of accounting for income taxes, whereby deferred tax assets are recognized for deductible temporary differences, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion, or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Under ASC 740, a tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The Company has no material uncertain tax positions for any of the reporting periods presented.

h) Foreign subsidiaries

The Company's foreign subsidiaries functional currencies are US dollars and their functional currencies and assets and liabilities are translated into Canadian dollars at the exchange rate prevailing at the reporting date. Revenue and expenses are translated into Canadian dollars at the average exchange rate then prevailing. Resulting translation gains and losses are credited or charged to other comprehensive income or loss and presented in the accumulated other comprehensive income or loss component of equity.

3. Significant accounting policies (continued)

i) Foreign currency transactions

Monetary assets and liabilities denominated in currencies other than the Canadian dollar for the parent company are translated into Canadian dollars at the exchange rate prevailing at the reporting date. Any non-monetary assets and liabilities denominated in foreign currencies are translated at historical rates. Revenue and expenses are translated into Canadian dollars at the prevailing average exchange rate. Translation gains and losses are credited or charged to earnings.

j) Cash and cash equivalents

Cash and cash equivalents comprise highly liquid interest-bearing securities that are readily convertible to cash and are subject to an insignificant risk of changes in value. The maturities of these securities as at the purchase date are three months or less. A variable amount of the cash is held in cash backed, liquid US money market funds with high institutional credit ratings. Most of these money market funds are composed of the United States dollar and securities issued by the United States Government.

k) Restricted Cash

Restricted cash consists of funds that are contractually or legally restricted as to usage or withdrawal and have been presented separately from cash and cash equivalents on the Company's consolidated balance sheets.

l) Share-based compensation

The Company measures equity settled share-based payments based on their fair value at the grant date and recognizes compensation expense over the vesting period based on the Company's estimate of equity instruments that will eventually vest. Fair value is measured using the Black-Scholes option pricing model. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. Any revisions are recognized in profit or loss such that the cumulative expense reflects the revised estimate.

3. Significant accounting policies (continued)

m) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Revenue and expenses are presented on a net basis only when permitted under US GAAP, or for gains and losses arising from a group of similar transactions.

n) Earnings per share

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the period. The dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

o) Financial instruments

Financial instruments includes cash and cash equivalents, marketable securities, credit and other receivables, accounts payable and accrued liabilities which are all initially measured at fair value.

Marketable securities represents a non- discretionary portfolio of fixed maturity investments managed by a portfolio manager. Marketable securities include callable stock, short term bond exchange traded fund (ETF) and publicly traded common stock which are carried at fair value with changes in fair value recognized in earnings.

Dividend, interest, profit or loss on sale of marketable securities and other returns are recorded in the consolidated statements of income and comprehensive income when received from the portfolio manager.

3. Significant accounting policies (continued)

p) Use of estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The Company regularly evaluates estimates and assumptions. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. This applies in particular to allowance for doubtful accounts, credit losses, impairment of other investments, valuation of stock-based compensation expense and valuation allowance for deferred tax assets. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

q) Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. During 2019, the Company discontinued its Billings operating segment. As at February 28, 2021, the Company has one segment, providing asset-based financial services to healthcare providers in the United States. Assets, liabilities, revenues and expense from these segments are disclosed in the statement of financial position and statement of income and comprehensive income.

3. Significant accounting policies (continued)

r) Adoption of new standards

Adoption of ASC 842

On March 1, 2019, the Company adopted Accounting Standards Codification Topic 842, "Leases" ("ASC 842") to replace existing lease accounting guidance. This pronouncement is intended to provide enhanced transparency and comparability by requiring lessees to record right-of-use assets and corresponding lease liabilities on the balance sheet for most leases. Expenses associated with leases will continue to be recognized in a manner similar to previous accounting guidance. The Company adopted ASC 842 utilizing the transition practical expedient added by the Financial Accounting Standards Board ("FASB"), which eliminates the requirement that entities apply the new lease standard to the comparative periods presented in the year of adoption.

The Company is the lessee in a lease contract when the Company obtains the right to use the asset. Operating leases are included in the line items right-of-use asset, lease obligation, current, and lease obligation, long-term in the consolidated balance sheet.

Right-of-use ("ROU") asset represents the Company's right to use an underlying asset for the lease term and lease obligations represent the Company's obligations to make lease payments arising from the lease, both of which are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. Leases with a lease term of 12 months or less at inception are not recorded on the consolidated balance sheet and are expensed on a straight-line basis over the lease term in our consolidated statement of operations and comprehensive loss. The Company determines the lease term based on the lease agreement.

As the Company's lease of office space, at the commencement, had a term of less than 12 months given the lease was terminated during the fiscal year, the Company elected not to apply the recognition requirements of ASC 842 to the short-term lease. Instead lease payments are recognized in statement of operations and comprehensive loss on a straight-line basis over the lease term. The adoption of ASC 842 did not have any significant impact on the Company's consolidated financial statements.

3. Significant accounting policies (continued)

s) Standards, amendments, and interpretations issued but not yet adopted

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2016-13, Financial Instruments – Credit Losses ("ASU 2016-13"), which changes the accounting for recognizing impairments of financial assets. Under the new guidance, credit losses for certain types of financial instruments will be estimated based on expected losses. The new guidance also modifies the impairment models for available-for-sale debt securities and for purchased financial assets with credit deterioration since their origination. This update is effective for annual periods beginning after December 15, 2022, and interim periods within those periods, and early adoption is permitted. The Company is in the process of determining the impact the adoption will have on its Consolidated Financial Statements as well as whether to early adopt the new guidance.

In December 2019, the FASB issued Accounting Standards Update No. 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes ("ASU 2019-12"), which modifies Accounting Standard Codification 740 – Income Taxes, to simplify the accounting for income taxes. ASU 2019-12 removes certain exceptions for intraperiod tax allocation, recognizing deferred taxes for investments and simplifies guidance to reduce complexity in certain areas. This update is effective for annual periods beginning after December 15, 2020, and interim periods within those periods, and early adoption is permitted.

The Company is in the process of determining the impact the adoption will have on its consolidated financial statements as well as whether to early adopt the new guidance.

Management does not believe that any recently issued, but not yet effective, accounting standards could have a material effect on the accompanying financial statements. As new accounting pronouncements are issued, we will adopt those that are applicable under the circumstances.

t) Share consolidation

On December 21, 2020, the Company effected a 7.37 post consolidation common shares for 10 pre-consolidation common shares. Unless otherwise noted, impacted amounts and share information included in the financial statements and notes thereto have been retroactively adjusted for the stock split as if such stock split occurred on the first day of the first period presented.

3. Significant accounting policies (continued)

u) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty fails to meet its contractual obligations or commitment. In the Company's case, credit risk arises with respect to its cash and cash equivalents, the lines of credit to clients and any other financial transaction with a counterparty including amounts advanced as loans.

The Company manages credit risk in respect of cash and cash equivalents, by maintaining the majority of cash and cash equivalents at high credit rated financial institutions. 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.

The Company does not lend on an unsecured basis. No new asset-based loans were provided in the fiscal 2020 year. The maximum credit risk is the full value of the credit and loans receivable.

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 billing 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 further credit when they reach a certain predetermined age, usually above 90 or 120 days from the due date.

3. Significant accounting policies (continued)

u) Credit risk (continued)

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 US 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 February 28, 2021 relates to its gross credit receivables and interest and other receivables. As at February 28, 2021 and February 29, 2020 no unprovisioned receivables were outstanding.

v) Concentration

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.

Concentrations of risk arises as a result in the concentration of customers. During fiscal 2021, Inspira SaaS Billing Services, Inc. had no customers (2020 – one customer) with one of those customers accounting for over 90% of revenues, which is a material concentration of risks. In August 2019, this business was discontinued.

(In Canadian Dollars)

4. Billing receivables

The Company is exposed to credit risk on the billing receivables from its customers. As at February 28, 2021, 100% (2019 – 40%) of the billing receivable balance are more than 90 days past due, nil% (2019 – 21%) of the billing receivable are between 60 – 90 days past due. As at February 28, 2021 and February 29, 2020, the Company made a provision for the full amount given the uncertainty of collectability. In August 2019, revenue from billing services ceased as the company discontinued these operations (see note 18).

	February 28, 2021		February 29, 2020	
Opening	$	-	$	653,811
Amounts invoiced		-		536,217
Amounts collected		-		(241,504)
Impairment of receivables		-		(947,501)
Impact of foreign exchange rates		-		(1,023)
Closing balance	$	-	$	-

5. Disaggregation of Revenues

Revenue from continued operations	February 28, 2021		February 29, 2020	
Interest	$	42,838	$	50,276
Fees and other		49,910		83,484
Interest, fees, and other from provisioned loans		43,365		145,635
Total Loan Revenues	$	136,113	$	279,395
Revenue from discontinued operations				
Billing Service Revenues (note 18)		-	$	511,375
Gross investment income	$	14,618	$	110,366
Change in fair value of marketable securities		(812)		(6,480)
Impairment of other investments		(183,466)		(49,710)

(In Canadian Dollars)

5. Disaggregation of Revenues (continued)

The Company recognizes the interest and other amounts collected, on the impaired loans, as revenue only on collection as the future economic benefits are uncertain. Revenues for credit receivables (loans) have been disaggregated between loans that are provisioned and those that have not been provisioned. Loans that are not provisioned are accounted for under the accrual method of accounting. The principal loan repayments of fully provisioned loans are recorded as an offset to provision for losses. The interest, fees, and other revenue is recorded on a cash basis as reflected above. The other investments were to a related company and were considered fully impaired.

6. Credit receivables

Credit receivables are measured at amortized cost, which is net of an allowance for losses. During the year ended February 28, 2021, $394,091 were collected (year ended February 29, 2020: $476,532).

	February 28, 2021		February 29, 2020	
Revolving line of credit receivables, gross	$	4,561,924	$	5,226,120
Less allowance for losses		(4,561,924)		(4,829,490)
	$	-	$	396,630

Movement in gross credit receivables during the year is as follows:

	February 28, 2021		February 29, 2020	
Opening balance, gross	$	5,226,120	$	5,639,278
Collected during the year		(394,091)		(476,532)
Charge offs during the year		(327,854)		-
Impact of foreign exchange rates		57,749		63,374
	$	4,561,924	$	5,226,120

(In Canadian Dollars)

6. Disaggregation of Revenues (continued)

The nature of the Company's business involves funding or assuming the credit risk on receivables offered to it by its clients. These transactions are conducted on terms that are usual and customary to the Company's revolving line of credit activities. The loans are structured as revolving lines of credit that can be repaid at any time. However, the facilities are subject to early termination penalties.

	February 28, 2021		February 29, 2020	
Allowance for losses opening	$	4,829,490	$	4,766,116
Provision for credit losses		-		17,760
Charge-offs, net of recoveries		(327,854)		
Impact of foreign exchange rates		60,288		45,614
Allowance for credit losses, closing	$	4,561,924	$	4,829,490
Allowance as percentage of credit receivables		100%		92%

	February 28, 2021		February 29, 2020	
Allowance summary				
Allowance allocated to billing	$	-	$	-
Allowance allocated to credit receivables		-		17,760
Allowance total		-	$	17,760

In light of the COVID-19 outbreak, Management has re-evaluated all credit receivables with consideration of how this outbreak has negatively impacted US based healthcare practitioners. As many of the Company's receivables are due from US based healthcare practitioners specializing in what are considered elective treatments and surgeries, they represent a higher than usual risk of default. Many states in the US have or had severely curtailed the amount of elective treatments and surgeries that could be performed resulting in negative revenue impacts. The Company evaluates the credit worthiness of all receivables on a quarterly basis.

(In Canadian Dollars)

7. Subscription receipts

On December 21, 2020 The Company completed a concurrent financing alongside its previously disclosed Change of Business (as defined by the TSXV) for $5,550,258. In connection with this financing the Company issued 7,869,005 subscription receipts at a post-Consolidation price of approximately $0.4749 per subscription receipt, for gross proceeds of $3,736,982, and the Company's wholly owned British Columbia subsidiary ("Finco") issued a further 2,121,232 subscription receipts at a post-Consolidation price of approximately $0.8548 per subscription receipt, for gross proceeds of $1,813,276.

Less dealer fees, the Company currently has $5,425,374 held in trust with the Company's attorney. The funds will remain in escrow with the escrow agent until the completion of the Change of Business among other conditions. Once the conditions are met, the funds will be provided to the Company for working capital and to fund future acquisitions. If the Company is unsuccessful in fulfilling these conditions the funds will be returned to the respective investors. Accordingly these advances are presented as restricted cash.

8. Accounts payable and accrued liabilities

		February 28, 2021		February 29, 2020
Accounts payable	$	479,767	$	168,780
Accrued liabilities		568,017		48,704
	$	**1,047,784**	**$**	**217,484**

9. Stockholders' equity

a. Share capital

Unlimited voting common shares without par value

Issued
As at February 28, 2021 and February 29, 2020, the Company had 33,813,308 and 33,785,154 (post-consolidation) common shares outstanding, respectively, with a value of $31,065,513 and $31,055,842, respectively.

On September 6, 2020 the Company entered into a shares for debt agreement, pursuant to which it will issue an aggregate of 737,000 common shares in satisfaction of US$88,000 of indebtedness owed to a service provider. The Company determined to satisfy the foregoing indebtedness with common shares in order to preserve its cash. The transaction is subject to approval of the TSX Venture Exchange.

On October 22, 2020, 28,154 common shares were issued on the exercise of 28,154 stock options for proceeds of $5,348 at an exercise price of $0.19 per share. The options had a fair value of $4,323.

On December 21, 2020, the Company consolidated its issued and outstanding common shares on the basis of 7.37 post-consolidation common shares for 10 pre-consolidation common shares (the "Consolidation").

b. Share based compensation

The Company amended its stock option plan ("Option Plan") as follows:

- changing the Option Plan from a rolling stock option plan to a fixed stock option plan;
- fixing the number of common shares issuable under the plan at 47,175,923 being 20% of the number of common shares issued and outstanding immediately following the completion of the Qualifying Transaction; and amending the Option Plan to include provisions relating to the grant of options to a person who is a citizen or resident of the United State, in accordance with the requirements of Section 409A of the United States Internal Revenue Code of 1986, as amended.

(In Canadian Dollars)

9. Stockholders' equity (continued)

The Company's Board of Directors determines, among other things, the eligibility of individuals to participate in the Option Plan and the term, vesting periods, and the exercise price of options granted under the Option Plan. The stock option vesting ranges over a 1 year to 10-year period. The outstanding stock options at February 28, 2021 are as follows:

Grant date	Exercise price	Number of options	Number of vested options	Weighted Avg Remaining Life (years)
March 28, 2014	$ 2.13	5,103	5,103	3.1
June 8, 2016	0.69	44,220	44,220	0.3
June 30, 2016	0.41	515,900	515,900	0.3
February 27, 2017	0.45	25,246	25,246	1.0
September 23, 2019	0.19	563,086	506,777	3.4
May 29, 2020	0.27	958,100	884,400	4.25
August 18, 2020	0.19	681,725	608,025	9.5
Total	**$ 0.27**	**2,793,380**	**2,589,670**	4.4

A summary of the Company's stock options are as follows:

	Number of Options	Weighted Avg. Exercise Price
Balance as at February 28, 2019	1,950,081	$ 0.61
Options issued	591,240	0.19
Options cancelled	(1,359,612)	0.69
Balance as at February 29, 2020	**1,181,709**	**0.31**
Options exercised	(28,154)	0.19
Options issued	1,639,825	0.23
Balance as at February 28, 2021	**2,793,380**	**$ 0.27**

The Company recognized $237,714 of share-based compensation for the year ended February 28, 2021 (2020 – $21,962).

9. Stockholder's Equity (continued)

On September 23, 2019, the Company issued 506,777 options to a director and 84,463 options to a consultant of the Company. The options were exercisable for a period of five years at an exercise price of $0.19 per option. The fair value of the options was estimated on the date of the grant at $0.15 per option using the Black-Scholes option pricing model with the following assumptions: expected volatility of 115%; expected dividend yield of 0%; risk-free interest rate of 98.34%; stock price of $0.20; and expected life of 5 years. On September 16th, 2020, 76, 402 of these options were accelerated by the board. An additional 76,403 options were accelerated upon the condition that the consultant introduce the company to an acquisition target that is subsequently acquired.

On May 29, 2020, the Company issued 884,400 options to two directors, which were fully vested, and 73,700 options to an employee of the Company. The options are exercisable for a period of five years at an exercise price of $0.27 per option. The fair value of the options was estimated on the date of the grant at $0.12 per option using the Black-Scholes option pricing model with the following assumptions: expected volatility of 115%; expected dividend yield of 0%; risk-free interest rate of 99.62%; stock price of $0.16; and expected life of 3 years.

On August 18, 2020, the Company issued 608,025 options to two directors, which were fully vested, and 73,700 options to an employee of the Company. The options are exercisable for a period of ten years at an exercise price of $0.19 per option. The fair value of the options was estimated on the date of the grant at $0.12 per option using the Black-Scholes option pricing model with the following assumptions: expected volatility of 115%; expected dividend yield of 0%; risk-free interest rate of 99.71%; stock price of $0.16; and expected life of 3 years.

(In Canadian Dollars)

10. Related party transactions

The Company's transactions with related parties were carried out on normal commercial terms and in the course of the Company's business. Other than disclosed elsewhere in the Company's consolidated financial statements, related party transactions are as follows.

	2021	2020
Salaries and short-term benefits	$ 251,145	$ 170,144
Share based compensation	237,714	21,962
Total	$ 488,859	$ 192,106

Salary, allowance and other include salary, consulting fees, car allowance, vacation pay, bonus and other allowances paid or payable to a shareholder, directors and executive officers of the Company. Included in accounts payable and accrued liabilities is $114,498 (February 29, 2020 - $13,705) due to a director of the Company.

11.Capital management

The Company's current capital structure includes total shareholder equity. The Company's objectives when managing capital are to: (a) maintain financial flexibility in order to preserve its ability to meet financial obligations and continue as a going concern; (b) maintain a capital structure that allows the Company to finance its growth using internally generated cash flow and debt capacity; and (c) optimize the use of its capital to provide an appropriate investment return to its shareholders commensurate with risk.

The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust its capital structure, the Company may, from time to time, change the amount of dividends paid to shareholders, return capital to shareholders by way of normal course issuer bid, issue new shares, or reduce liquid assets to repay other debt.

(In Canadian Dollars)

12.Segmented information

The Company operated and managed its business in two operating segments during 2019– providing asset-based financial services to healthcare providers in the United States and medical billing for its customers in the United States. While the Company operates in two geographic areas, being the United States and Canada, substantially all revenues from external customers are earned in the United States. In August 2019, the medical billing business was discontinued (note 18). At February 28, 2021 total assets for the financial services segment were $7,569,452 (February 29, 2020 - $9,192,642) and total assets for the medical billing segment were $nil (February 29, 2020 - $nil). At February 28, 2021 total liabilities for the financial services segment were $494,769 (February 29, 2020 - $57,779) and total liabilities for the medical billing segment were $nil (February 29, 2020 - $nil).

13. Net loss per share

		February 28, 2021		February 29, 2020
Net loss from continuing operations	$	(2,667,423)	$	(1,350,652)
Net income (loss) from discontinued operations		-	$	(573,496)
Weighted average number of common shares diluted		33,795,132		33,785,154
Net loss per share from continuing operations				
Basic	$	(0.08)	$	(0.04)
Diluted	$	(0.08)	$	(0.04)
Net income (loss) per share from discontinued operations				
Basic		-	$	(0.02)
Diluted		-	$	(0.02)

(In Canadian Dollars)

14. Lease

On January 27, 2017, the Company entered into a 64-month lease agreement for office space with an option to extend an additional 5 years. Under the lease, the Company was required to pay a monthly rent of $7,062. The lease was terminated during December 2019 and there were no principal payments made during the year. The balance owing were included in the cancellation fees of $67,885, in accordance with the cancellation agreement and recorded in general and administrative expenses for the year ended February 29, 2020.

15. Expenses by nature

General and Administrative Expenses		February 28, 2021		February 29, 2020
Included in general and administrative:				
Labor & consulting expenses	$	346,237	$	1,168,466
Professional fees		68,376		192,577
Facility leases		-		39,201
Public company expenses		145,329		
General expenses		192,628		223,202
Total General and Administrative Expenses	$	752,570	$	1,623,446

16. Transaction Costs Including: Audit, Legal, US Regulatory

The Company incurred substantial cost associated with the ongoing Change of Business transaction, due diligence of acquisition targets, financing costs, US regulatory costs and the associated accounting and regulatory costs. While these costs are crucial to future operations, they do not represent regular operational costs of the business. The Company presents these costs separately to better allow investors to evaluate the operational status of the company independently of financing, regulatory and other transaction focused expenses.

		February 28, 2021
Consulting expenses	$	295,637
Professional fees		1,140,880
General expenses		207,075
Transaction Costs Including: Audit, Legal, and US Regulatory	$	1,643,592

17. Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Deferred income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes are measured using the current or substantively enacted rates expected to apply when the differences reverse. A deferred tax asset is recognized to the extent that the recoverability of deferred income tax assets is considered probable.

The Company's provision for (recovery of) income taxes differs from the amount that is computed by applying the combined Federal and state statutory income tax rate of 26.5% in the United Sates to the Company's net loss before income taxes as follows:

(In Canadian Dollars)

17. Income taxes (continued)

	February 28, 2021	**February 29, 2020**
Net loss before income taxes on continued operations	(2,667,423)	(1,350,652)
Net (loss) profit before income taxes on discontinued operations	-	(573,496)
Expected income tax recovery	(706,866)	(509,899)
Tax rate changes and other adjustments	354,687	-
Shares based compensation and non-deductible expenses	62,994	8,024
Expiry of warrants		-
Unrealized foreign exchange	-	25,171
Change in tax benefits not recognized	289,185	476,704
Income tax (recovery) expense	-	-
Current tax expense on continuing operations	-	-
Current tax expense on discontinuing operations	-	-
Deferred tax expense (recovery)	-	-
	-	-

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset. The future benefit of US non-capital losses carried forward may be limited on an annual basis and in total under Section 382 of the US Internal Revenue Code as a result of prior and future ownership changes.

The Company has not yet recognized deferred tax assets related to these amounts as it is not yet probable that these carryforward losses and temporary differences will be utilized in the foreseeable future. Therefore, a net deferred income tax asset is not being recognized for US non-capital loss carry-forwards and other available tax assets.

(In Canadian Dollars)

17. Income taxes (continued)

The Company has US non-capital loss carryforwards of approximately $2,685,587 which can be used to reduce taxable income of future years. The benefit from the non-capital loss carryforward balance has not been recorded in the financial statements. These losses expire from 2035 to 2041.

The Canadian non-capital loss carryforwards of $8,420,150 expire from 2032 to 2041. There are no uncertain tax provisions as at February 28, 2021 and February 29, 2020.

Unrecognized deferred tax assets

The significant components of the temporary differences not recognized as at February 28, 2021 as follows:

	February 28, 2021
Non-capital losses carried forward - Canada	8,420,150
Non-capital losses carried forward – US	2,685,587
Equipment	-
Provisions	6,834,536
	17,940,273
Deferred tax asset on continuing operations	-
Deferred tax asset attributable to discontinuing operations	-
	-

(In Canadian Dollars)

18. Discontinued operations

In August 2019, the Company decided to discontinue its billing operations. And therefore, no longer generated revenue from billing operations.

Results of discontinued operations for the years ended February 28, 2021 and February 29, 2020 are as follows:

	February 28, 2021	February 29, 2020
Revenue		
Loan Interest	$ -	$ -
Billing Service	-	511,375
Total revenue	-	511,375
Cost of revenue		
Impairment of billing receivables	-	947,501
Provision for losses	-	-
Total cost of revenue	-	947,501
Net revenue	-	(436,126)
Expenses		
General, administrative and collections	-	44,442
Depreciation	-	44,408
Impairment of equipment	-	48,520
Sales and marketing	-	-
Total expenses	-	137,370
Net (loss) income from discontinued operations	$ -	$ (573,496)

(In Canadian Dollars)

18. Discontinued operations (continued)

Cash flows from discontinued operations for the years ended February 28, 2021 and February 29, 2020 are as follows:

	February 28, 2021	February 29, 2020
Operating Activities		
Net (loss) gain	$ -	$ (573,496)
Non-cash items:		
Depreciation	-	44,408
Impairment of equipment	-	48,520
Provision for losses	-	-
Changes in operating assets and liabilities:		
Billing receivables	-	653,811
Prepaid and other receivables	-	43,546
Net cash provided by discontinued operating activities	$ -	$ 216,789

(In Canadian Dollars)

19. Marketable Securities

Marketable securities are classified as held for trading. The fair value of marketable securities is based on quoted prices in active markets and are measured at level 1 in the fair value hierarchy. The investments comprise of the following equities and balances as at February 28, 2021:

Details	Quantity	Average cost	Market price/ unit	Total fair value 2021	Total fair value 2020
		$	$	$	$
Callable shares	10,000	31.71	31.05	310,529	331,830
Short term bond ETF	2,400	69.39	74.69	166,267	190,838
Publicly traded common shares	400	31.45	31.94	11,888	320,552(1)
Total investments				488,684	843,220

(1) Decrease in fair value of FYe 2.28.21 is mostly the result of the sale of securities over the period as opposed to a significant decrease in value.

For the marketable securities investments, the Company is exposed to general market risk as well as risk associated with the specific industries it as invested in. It is Management's goal to maximize return while minimizing risk. However, there are additional risk factors at play with these investments. All securities are for companies or Exchange Traded Funds listed in the United States.

Description of security industry	Value of holdings as at February 28, 2021 $
Real estate investment trust	310,529
Bond exchange trade fund	166,267
Other United States securities	11,888

Specifically, the Company is exposed to enhanced risk related to the value of real estate and the value of and ratings of corporate and government debt. The majority of the Company's debt exposure is related to debt issued by the United States Government substantially reducing credit exposure as the United States Government is evaluated by Management as having exceptional credit worthiness.

20. Subsequent Events

On March 11, 2021 the Company held the annual general and special shareholders' meeting to discuss the business laid out in the management information circular dated January 26, 2021. All business discussed at the meeting passed overwhelmingly including the acquisition of SDP and the Change of Business as defined by the TSXV.

21. Contingencies

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. At February 28, 2021, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.