FORM 51-102F4
BUSINESS ACQUISITION REPORT

ITEM 1 - IDENTITY OF COMPANY

1.1 Name and Address of Company

Salona Global Medical Device Corporation (the "**Company**")
3330 Caminito Daniella
Del Mar, California 92014

1.2 Executive Officer

Leslie Cross, Interim Chief Executive Officer
Telephone: (800) 760-6826

ITEM 2 - DETAILS OF ACQUISITION

2.1 Nature of Business Acquired

On May 21, 2021, the Company acquired, indirectly through its subsidiary, Brattle Acquisition I Corp. ("**Brattle Acquireco**"), South Dakota Partners, Inc. ("**SDP**"), a South Dakota corporation, which acquisition constituted a "Change of Business" (as such term is defined by the TSX Venture Exchange) of the Company (the "**Acquisition**"). SDP operates a large state-of-the-art production facility incorporated and located in the State of South Dakota currently producing proprietary and white label medical devices for pain management, cold and hot therapy, NMES, PEMF and ultrasound.

As a result of the Acquisition, the Company has become an acquisition oriented, medical device company with plans to achieve scale through both further acquisitions and organic growth. It will be operating in the recovery science market, including post-operative pain, wound care and other markets serving the ageing population in the United States.

Further information about the Acquisition is set forth in the management information circular of the Company dated January 26, 2021 (the "**Circular**") and other materials prepared by the Company in respect of the annual and special meeting of its shareholders held in connection with the Acquisition on March 11, 2021, which were mailed to the Company's shareholders and filed under its profile on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

2.2 Acquisition Date

The closing date of the Acquisition was May 21, 2021.

2.3 Consideration

In connection with the Acquisition, the shareholders of SDP (the "**Vendors**") were issued 1,916,200 common shares in the capital of Brattle Acquireco (the "**Exchangeable Shares**"), representing a 3% interest therein, which Exchangeable Shares will be exchangeable, at the option of the holder, for up to 19,162,000 Class "A" non-voting common shares (the "**Class A Shares**") of the Company at any time following approximately 12 months from closing of the Acquisition, subject to downward adjustments if SDP does not achieve US$11,900,000 in revenues for the 12-month period after closing and/or if the net assets of SDP 12 months following closing is less than approximately US$2,800,000.

The Class A Shares in to which the Exchangeable Shares are exchangeable have the same attributes as the common shares (the "**Common Shares**") of the Company, except that they do not carry the right to vote and are convertible into Common Shares on a one-for-one basis, subject to certain terms and conditions, including a provision prohibiting a holder of Class A Shares from converting Class A Shares for Common Shares if it would result in such holder holding more than 9.9% of the Common Shares. The Class A shares are not tradeable on any exchange in the US or Canada.

2.4 Effect on Financial Position

Upon completion of the Acquisition, SDP became an indirect subsidiary of the Company, though Brattle Acquireco, which is 97% owned by the Company. See the unaudited pro forma combined financial statements and the accompanying notes thereto included in this Business Acquisition Report. The unaudited pro forma combined financial statements are presented for informational purposes only and do not purport to project the future results of operations or financial position of the Company.

Other than as set out below, the Company does not have any plans or proposals for material changes in its business affairs or the affairs of SDP that may have a significant effect on the results of operations or financial position of the Company.

As at the date hereof, the Company intends to focus on completing a number of acquisitions and has plans to achieve scale through a combination of further transactions and organic growth, including leveraging existing relationships to achieve European sales for SDP. The acquisition oriented growth plan will aim to leverage the liquid Canadian capital markets to target smaller US-based and international private medical device companies offering stock and cash deals to acquire, integrate and grow a large, broad-based medical technology company.

2.5 Prior Valuations

No valuation opinions were obtained within the last 12 months by the Company which were required by securities legislation or a Canadian exchange or market to support the consideration paid by the Company in connection with the Acquisition.

2.6 Parties to Transaction

The Acquisition was not with an "informed person" (as such term is defined in Section 1.1 of National Instrument 51-102 – *Continuous Disclosure Obligations* ("**NI 51-102**")), associate or affiliate of the Company.

Notwithstanding the foregoing, Leslie Cross, a current member of the Company's board of directors (the "**Board**") and the Interim Chief Executive Officer, who did not join the Board or become an executive officer until after the negotiation, director approval and execution of the agreement governing the Acquisition, owned 4.4% of the shares of SDP that were sold to Brattle Acquireco. Mr. Cross was not an officer or director of SDP, and complied with all rules regarding conflicts in connection with decisions to close the Acquisition and transactions contemplated thereby.

2.7 Date of Report

July 6, 2021.

ITEM 3 - FINANCIAL STATEMENTS AND OTHER INFORMATION

Pursuant to Part 8 of NI 51-102, the following financial statements are incorporated by reference in or attached as schedules to this Business Acquisition Report and form part of this Business Acquisition Report:

Schedule A	The audited financial statements of SDP for the years ended December 31, 2020 and December 31, 2019, together with the notes thereto and the independent auditor's report thereon.
Schedule B	The unaudited condensed interim financial statements of SDP for the three month period ended March 31, 2021, together with the notes thereto.
Schedule C	The unaudited pro forma consolidated financial statements of the Company that give effect to the Acquisition, which are comprised of: (i) the pro forma interim consolidated statement of financial position as at February 28, 2021; and (ii) the pro forma consolidated statements of income (loss) and comprehensive income (loss) for the year ended February 28, 2021, in each case, together with the notes thereto and other information required by Part 8 of NI 51-102.

Caution Regarding Unaudited Pro Forma Financial Statements

This Business Acquisition Report contains the unaudited pro forma consolidated financial statements of the Company. Such unaudited pro forma consolidated financial statements have been prepared using certain of the Company's and SDP's respective historical consolidated financial statements as more particularly described in the notes to such unaudited pro forma consolidated financial statements. In preparing such unaudited pro forma consolidated financial statements, the Company has not independently verified the financial statements of SDP that were used to prepare the unaudited pro forma consolidated financial statements. The historical audited consolidated financial information has been adjusted in the unaudited pro forma consolidated financial statements to give effect to events that are: (i) directly attributable to the pro forma events, for which there are firm commitments and for which the complete financial effects are objectively determinable; and (ii) with respect to the unaudited pro forma consolidated statement of comprehensive loss, expected to have a continuing impact on the combined company's results. As such, the impact from merger-related expenses is not included in the unaudited pro forma consolidated financial statement of comprehensive loss. The unaudited pro forma consolidated financial statements do not reflect any cost savings from operational efficiencies or synergies that could result from the Acquisition or for liabilities that may result from integration planning. The unaudited pro forma consolidated financial statements are presented for illustrative purposes only and do not necessarily reflect what the combined company's financial condition and results of operations would have been had the Acquisition occurred on the dates indicated.

The unaudited pro forma consolidated financial statements also may not be useful in predicting the future financial condition and results of the operations. The actual financial position and results of operations may differ significantly from the pro forma amounts reflected herein due to a variety of factors. The pro forma adjustments are based on preliminary estimates of the fair value of the consideration paid and the fair value of the assets acquired and liabilities assumed, currently available information and certain assumptions that the Company believes are reasonable in the circumstances, as described in the notes to the unaudited pro forma consolidated financial statements.

As a result of these factors, the actual adjustments will differ from the pro forma adjustments, and the differences may be material.

Forward-Looking Statements

This Business Acquisition Report contains certain information that may constitute "forward-looking information" and "forward-looking statements" under applicable securities laws (collectively, "**forward-looking statements**") which are based upon the Company's current internal expectations, estimates, projections, assumptions and beliefs. Such statements can be identified by the use of forward-looking terminology such as "expect," "likely", "may," "will," "should," "intend," "anticipate", "potential", "proposed", "estimate", "believe", "anticipates" "plan", "expect", "forecast" and other similar words, including negative and grammatical variations thereof, or statements that certain events or conditions "may" or "will" happen, or by discussions of strategy. Actual results and developments may differ materially from those contemplated by these statements. Forward-looking statements include estimates, plans, expectations, opinions, forecasts, projections, targets, guidance, or other statements that are not statements of fact. The forward-looking statements included in this Business Acquisition Report are made only as of the date of this Business Acquisition Report.

Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement.

Risks, uncertainties and other factors involved with forward-looking statements could cause actual events, results, performance, prospects and opportunities to differ materially from those expressed or implied by such forward-looking statements. The Company cautions readers that should certain risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary significantly from those expected. You are referred to the risk factors described in Circular and other documents on file with the Canadian securities regulatory authorities, which are available online under the Company's SEDAR profile at www.sedar.com.

Undue reliance should not be placed on forward-looking statements contained in this Business Acquisition Report. The Company expressly disclaims any intention or obligation to update or revise any information contained in this Business Acquisition Report (including forward-looking statements), whether as a result of new information, future events or otherwise, except as required by applicable law, and readers should not assume that any lack of update to information contained in this Business Acquisition Report means that there has been no change in that information since the date of this Business Acquisition Report and should not place undue reliance on forward-looking statements.

SCHEDULE A

See attached.

South Dakota Partners Inc.

Financial Statements

December 31 2020 and 2019

(In United States Dollars)

South Dakota Partners Inc.
Index to the Financial Statements

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
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of South Dakota Partners Inc.:

Opinion on the Financial Statements

We have audited the accompanying balance sheets of South Dakota Partners Inc. (the Company) as of December 31, 2020 and 2019 and the related statements of operations and comprehensive loss, stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2020 and related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019 and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 3 to the financial statements, the Company changed its method of accounting for leases as of January 1, 2019 due to the adoption of ASC 842 - *Leases*.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's 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 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 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 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 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 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
February 26, 2021

South Dakota Partners Inc.
Balance Sheets
As at December 31, 2020 and December 31, 2019

	Note		December 31, 2020		December 31, 2019
ASSETS					
Current assets					
Cash	4	$	596	$	30,925
Accounts receivable, net	5		2,003,242		3,308,694
Inventories	7		4,343,562		4,450,858
Prepaid expenses and other current assets			214,993		187,678
Total current assets			6,562,393		7,978,155
Restricted cash	4		381,930		381,930
Property and equipment, net	9		1,231,614		1,377,586
Right-of-use asset, net	16		1,986,837		2,098,249
Intangible asset, net	10		1,065,909		1,411,617
Total assets		$	11,228,683	$	13,247,537
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities					
Accounts payable	6	$	1,555,467	$	1,621,343
Accrued expenses	6		169,822		217,376
Line of credit	11		2,751,840		3,063,671
Current portion of debt	11		1,026,034		450,670
Current portion of lease liability	16		65,316		55,481
Other liabilities	6		346,923		1,327,382
Total current liabilities			5,915,402		6,735,923
Lease liability, net of current portion	16		2,037,937		2,103,253
Debt, net of current portion	11		1,024,245		1,799,281
Total liabilities			8,977,584		10,638,457
Stockholders' equity					
Common stock: $1 par value; 25,000 authorized; 1,502 shares issued and outstanding at December 31, 2020 and 2019, respectively	12		1,502		1,502
Additional paid-in capital			2,898,330		2,898,330
Retained earnings (deficit)			(648,733)		(290,752)
Total stockholders' equity			2,251,099		2,609,080
Total liabilities and stockholders' equity		$	11,228,683	$	13,247,537

Subsequent events (Note 19)
Contingencies (Note 20)

See accompanying notes are an integral part of these financial statements.

South Dakota Partners Inc.
Statements of Operations and Comprehensive Loss
For the years ended December 31, 2020 and December 31, 2019

	Note	December 31, 2020	December 31, 2019
Revenue		$ 9,536,155	$ 11,969,662
Cost of revenue			
Direct service personnel		1,459,393	1,860,827
Rent and building costs		149,401	181,805
Direct material costs		5,254,865	6,834,778
New products infrastructure costs	**8**	-	774,228
		6,863,659	9,651,638
Gross margin		2,672,496	2,318,024
Operating expenses:			
Selling, general and administrative expenses	**17**	793,733	638,052
Administrative personnel		909,411	1,324,979
Executive compensation	**13**	297,639	304,450
Subtotal		2,000,783	2,267,481
Profit before other items		671,713	50,543
Other items:			
Amortization of intangible asset	**10**	(345,708)	(316,894)
Depreciation of property and equipment	**9**	(187,539)	(106,017)
Amortization of right-of-use asset	**16**	(111,412)	(111,412)
Interest expense		(371,189)	(465,774)
Other income		2,377	-
Other expense		(16,223)	(43,999)
Impairment of loan receivable		-	(199,000)
New products infrastructure costs	**8**	-	(370,761)
Net loss before income tax		(357,981)	(1,563,314)
Income tax recovery (expense)		-	164,445
Net loss and comprehensive loss		$ (357,981)	$ (1,398,869)
Net loss per share			
Basic and diluted	**15**	$ (238)	$ (941)
Weighted average shares outstanding - basic and diluted		1,502	1,487

See accompanying notes are an integral part of these financial statements.

South Dakota Partners Inc.
Statements of Stockholders' Equity
For the years ended December 31, 2020 and December 31, 2019

	Common Stock		Additional paid-in capital	Retained earnings (deficit)	Total
	Shares	Amount			
	#	$	$	$	$
Balance, January 1, 2019	1,308	1,308	1,898,524	1,108,117	3,007,949
Common stock issued for cash	194	194	999,806	-	1,000,000
Net loss	-	-	-	(1,398,869)	(1,398,869)
Balance, December 31, 2019	1,502	1,502	2,898,330	(290,752)	2,609,080
Net loss	-	-	-	(357,981)	(357,981)
Balance, December 31, 2020	1,502	1,502	2,898,330	(648,733)	2,251,099

See accompanying notes are an integral part of these financial statements.

South Dakota Partners Inc.
Statements of Cash Flows
For the years ended December 31, 2020 and December 31, 2019

Operating activities		**December 31, 2020**		**December 31, 2019**
Net loss	$	(357,981)	$	(1,398,869)
Adjustments to reconcile net loss to net cash used in operating activities*:*				
Amortization of intangible asset		345,708		316,894
Depreciation of property and equipment		187,539		106,017
Amortization of right-of-use asset		111,412		111,412
Interest on lease liability		136,677		140,038
Allowance for doubtful accounts provision		-		20,932
Impairment of loan receivable		-		199,000
Forgiveness of payroll protection program		(740,000)		-
		(316,645)		(504,576)
Changes in operating assets and liabilities:				
Accounts receivable		1,305,452		(942,995)
Inventories		107,296		(1,879,901)
Prepaid expenses and other current assets		(27,315)		(31,334)
Accounts payable		(65,876)		534,810
Accrued expenses		(47,554)		(38,786)
Income tax payable		-		(219,446)
Deferred tax liability		-		(164,445)
Other liabilities		(980,459)		1,327,382
Cash flows used in operating activities		(25,101)		(1,919,291)
Investing activities				
Proceeds from restricted cash		-		200,001
Acquisition of intangible asset		-		(1,728,511)
Advances made on loan receivable		-		(282,020)
Repayment received on loan receivable		-		83,020
Purchase of property and equipment		(41,567)		(917,886)
Cash flows used in investing activities		(41,567)		(2,645,396)
Financing activities				
Proceeds from capital stock		-		1,000,000
Proceeds from debt		890,000		1,889,442
Principal repayment of debt		(349,672)		(267,527)
Proceeds (payment) from line of credit, net		(311,831)		2,161,302
Lease payments		(192,158)		(190,965)
Cash flows provided by financing activities		36,339		4,592,252
Net (decrease) increase in cash		(30,328)		27,565
Cash, beginning of the year		30,925		3,360
Cash, end of the year	$	596	$	30,925

Supplementary cash flow information				
Interest paid	$	235,878	$	226,112
Income tax paid		-		219,446

See accompanying notes are an integral part of these financial statements.

1. Organization and description of business

South Dakota Partners Inc. (the Company) was incorporated on April 8, 2016, under the laws of the state of South Dakota. The Company is a manufacturer specializing in medical devices, electronic products, and related components, and serves customers primarily located in the south eastern United States and California.

On September 8, 2020, the Company entered into a binding purchase agreement with Salona Global Medical Device Corporation (formerly Brattle Street Investment Corp.) ("Salona") wherein Salona will purchase 100% of the outstanding shares of the Company in exchange for up to 26,000,000 shares of Salona subject to fulfillment of certain conditions under the agreement. Salona is listed on the TSX-V a subsidiary of the Toronto Stock Exchange.

2. Liquidity and Basis of presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and are expressed in United States ("U.S.") dollars, the functional currency of the Company.

The Company has incurred recurring losses from operations, and as at December 31, 2020, has a deficit of $648,733. Management anticipates the Company will attain profitable status and improve its liquidity through continued business development and after additional equity or debt capitalization of the Company. The Company's ability to transition to profitability is dependent upon achieving a level of revenue adequate to support its cost structure through expanding its product offering and consequently increasing its product revenues. The Company has developed and continues to pursue sources of funding that management believes if successful would be sufficient to support the Company's operating plan and alleviate any substantial doubt as to its ability to meet its obligations at least for a period of one year from the date of these financial statements. The Company has also raised funding provided for economic support during COVID-19 (see Note 19 – Subsequent Events).

The Company's operating plan is predicated on a variety of assumptions including, but not limited to, the level of product demand, cost estimates, its ability to continue to raise additional financing and the state of the general economic environment in which the Company operates. There can be no assurance that these assumptions will prove to be accurate in all material respects, or that the Company will be able to successfully execute its operating plan.

Use of estimates

The preparation of financial statements in conformity with U.S. 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 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 useful lives of non-current assets, impairment of non-current assets, allowance for doubtful accounts, provisions for inventory 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.

3. Summary of significant accounting policies

Recent accounting pronouncements 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 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 financial statements.

In August 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity. Under ASU 2020-06, the embedded conversion features are no longer separated from the host contract for convertible instruments with conversion features that are not required to be accounted for as derivatives under Topic 815, or that do not result in substantial premiums accounted for as paid-in capital. Consequently, a convertible debt instrument will be accounted for as a single liability measured at its amortized cost, as long as no other features require bifurcation and recognition as derivatives. The new guidance also requires the if-converted method to be applied for all convertible instruments. ASU 2020-06 is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. Adoption of the standard requires using either a modified retrospective or a full retrospective approach. The Company is in the process of determining the impact the adoption will have on its financial statements as well as whether to early adopt the new guidance.

Recently adopted accounting standards

In August 2018, the FASB issued Accounting Standards Update No. 2018-13, Fair Value Measurement: Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement ("ASU 2018-13"), which adds and modifies certain disclosure requirements for fair value measurements. Under the new guidance, entities will no longer be required to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, or valuation processes for Level 3 fair value measurements. However, public companies will be required to disclose the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and related changes in unrealized gains and losses included in other comprehensive income. This update is effective for annual periods beginning after December 15, 2019, and interim periods within those periods, and early adoption is permitted. The Company adopted ASU 2018-13 on January 1, 2020. The impact of adoption of this standard on the financial statements, including accounting policies, processes, and systems, was not material.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02 – Leases, which introduced a new comprehensive lease accounting model. The standard effectively replaced Accounting Standards Codification 840 with Accounting Standards Codification 842 (“ASC 842”). In summary, the changes to the guidance for lease accounting under ASC 842 requires lessees to recognize right-of-use assets and corresponding lease liabilities for all leases with lease terms of greater than twelve months on the balance sheet. It also changes the definition of a lease and expands the disclosure requirements of lease arrangements. The Company adopted ASC 842 as of January 1, 2019. As a result of the adoption, the Company recorded right-of-use asset of $2,209,661 and lease liability of $2,209,661. The adoption had no cumulative impact to retained earnings. See Note 16 to the financial statements for further disclosure on the Company’s leasing arrangements.

In July 2017, the FASB issued Accounting Standards Update No. 2017-11, Earnings Per Share, Distinguishing Liabilities from Equity, Derivatives and Hedging (“ASU 2017-11”), which changed the accounting treatment and the earnings per share calculation for certain instruments with down round features. The amendments in this update are applied using a cumulative-effect adjustment as of the beginning of the fiscal year of adoption or retrospective adjustment to each period presented. The Company adopted ASU 2017-11 as of January 1, 2019. The adoption did not have any impact on the Company’s financial statements.

Cash

Cash includes cash on hand and balances with banks.

Restricted cash

Cash balances that are subject to legal or contractual restrictions on their use are classified separately as restricted cash within non-current assets.

Fair value of financial instruments

The Company’s financial instruments consist principally of cash, restricted cash, accounts receivable, accounts payable, accrued expenses, line of credit, long term debt, and other payables.

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 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.

Assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurements. The Company reviews the fair value hierarchy classification on a quarterly basis. Changes in the ability to observe valuation inputs may result in a reclassification of levels for certain assets or liabilities within the fair value hierarchy. The Company did not have any transfers of assets and liabilities between the levels of the fair value measurement hierarchy during the years presented.

As of December 31, 2020 and 2019, respectively, the Company did not identify any financial assets and liabilities required to be presented on the balance sheet at fair value.

Concentration risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist primarily of cash and accounts receivable. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. During fiscal 2020, SDP had 805 customers (2019 – 158 customers) with two of those customers accounting for over 83% (2019 – 89%) of revenues, which is a material concentration of risks.

Accounts receivable

Accounts receivable in the accompanying balance sheets are presented net of allowances for doubtful accounts. The Company performs credit evaluations of its customers' financial condition and, generally, requires no collateral from its customers. 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 invoices as well as a review of the overall quality and age of those invoices not specifically reviewed. In determining the provision for invoices not specifically reviewed, the Company analyzes historical collection experience and current economic trends.

Inventories

Inventories comprises of raw-material, work-in-progress and finished goods, which consist principally of electrodes, electronic components, subassemblies, steel, hardware, and fasteners and are stated at the lower of cost (first-in, first-out) or net realizable value and include direct labor, materials, and manufacturing overhead. The Company periodically reviews inventory for evidence of slow-moving or obsolete items, and writes inventory down to net realizable value, as needed.

This write-down is based on management's review of inventories on hand, compared to estimated future usage and sales, shelf life assumptions, and assumptions about the likelihood of obsolescence. If actual market conditions are less favorable than those projected by the Company, additional inventory write-downs may be required. Inventory impairment charges establish a new cost basis for inventory and charges are not reversed subsequently to income, even if circumstances later suggest that increased carrying amounts are recoverable.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Asset	Life
Building	25 - 30 years
Machinery and equipment	3 - 10 years
Computer equipment and software	3 - 5 years
Furniture and fixtures	7 - 10 years
Leasehold improvements	Lower of 15 years or lease period

Right-of-use asset

The Company's right-of-use asset consist of leased asset recognized in accordance with ASC 842, *Leases*, which requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liability represents the Company's obligation 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 balance sheet and are expensed on a straight-line basis over the lease term in the statement of operations and comprehensive loss. The Company determines the lease term by agreement with lessor. In cases where the lease does not provide an implicit interest rate, the Company uses the Company's incremental borrowing rate based on the information available at commencement date in determining the present value of future payments.

Long-Lived Assets

The Company applies the provisions of ASC Topic 360, *Property, Plant, and Equipment*, which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. ASC 360 requires impairment losses to be recorded on long-lived assets, including right-of-use assets, used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. In that event, a loss is recognized based on the amount by which the carrying amount exceeds the fair value of the long-lived assets. Loss on long-lived assets to be disposed of is determined in a similar manner, except that fair values are reduced for the cost of disposal. Based on its review at December 31, 2020 and 2019, the Company believes there was no impairment of its long-lived assets.

Intangible asset

Intangible asset consists of a supply agreement with Compass Richmar, LLC (Note 10). The amortization term for the supply agreement is based on the contractual terms of the agreements, which is 5 years. Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives and are measured at cost less accumulated amortization and accumulated impairment losses.

The intangible assets with finite useful lives are reviewed for impairment when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. In that event, a loss is recognized based on the amount by which the carrying amount exceeds the fair value of the long-lived assets. Based on its reviews at December 31, 2020 and 2019, the Company believes there was no impairment of its intangible assets.

Long-term debt

Long-term debt is initially recognized at fair value, net of financing costs incurred. Debt is subsequently measured at amortized cost. Any difference between the amounts received and the redemption value of the debt is recognized in the statements of operations and comprehensive loss over the period to maturity using the effective interest method.

Revenue recognition

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 performance obligation(s) are satisfied.

Revenue is recognized at a point-in-time upon transfer of control of goods or services to customers, which is generally upon shipment or delivery, depending on the delivery terms set forth in the customer contract, at an amount that reflects the consideration the Company expects to receive in exchange for the goods or services.

Revenue comprises of goods and services provided to the Company's contracted customers.

Provisions for discounts, returns and other adjustments are provided for in the period the related sales are recorded.

The Company has concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

The Company typically provides warranties for general repairs of defects that existed at the time of sale. These assurance-type warranties are accounted for as warranty provisions, if any.

Income taxes

The Company is subject to income taxes in the United States. Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the deferred tax asset or liability is expected to be realized or settled.

In evaluating its ability to recover deferred tax assets, the Company considers all available positive and negative evidence, including historical operating results, ongoing tax planning, and forecasts of future taxable income. Based on the level of historical losses, the Company have established a valuation allowance to reduce our net deferred tax assets to the amount that is more likely than not to be realized.

The Company recognizes a tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in our financial statements from such positions are measured based on the largest benefit that has a greater than 50% likelihood of being realized.

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. As at December 31, 2020 and 2019, the Company has one segment, involved in the development, marketing, packaging, and manufacturing of medical devices

Earnings (Loss) Per Share

The Company has adopted the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") Topic 260-10 which provides for calculation of "basic" and "diluted" earnings per share. Basic earnings per share includes no dilution and is computed by dividing net income or loss available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of an entity. Diluted earnings per share exclude all potentially dilutive shares if their effect is anti-dilutive. There were no potentially dilutive shares outstanding as at December 31, 2020 and 2019.

4. Cash & restricted cash

The Company maintains both cash and restricted cash accounts. The Company's cash accounts sweep, on a daily basis, to the revolving line of credit the Company maintains with Dacotah Bank.

The Company's restricted cash is held as collateral for a line of credit extended by the Fifth Third Bank to the Company's arms-length landlord as part of the lease agreement. The line of credit is for an amount of $381,930, non-interest bearing and automatically renewed annually.

	December 31, 2020	December 31, 2019

Cash	$	596	$	30,925
Restricted cash		381,930		381,930
Total	$	382,526	$	412,855

5. Accounts receivable

The Company is exposed to credit risk on the sales receivables from its customers. As at December 31, 2020, 4.95% (2019 – 0.95%) of the sales receivable balance are more than 90 days past due, 95.05% (2019 – 99.95%) of the billing receivable are between 0 – 90 days past due.

		December 31, 2020		December 31, 2019
Trade accounts receivable	$	2,024,174	$	3,329,626
Allowance for doubtful accounts		(20,932)		(20,932)
Total accounts receivable	$	2,003,242	$	3,308,694

6. Accounts payable and other liabilities

		December 31, 2020		December 31, 2019
Trade payable	$	1,555,467	$	1,621,343
Accrued expenses		169,822		217,376
Total payable and accrued expenses	$	1,725,289	$	1,838,719

Included in trade payable was a balance of $30,726 (2019 - $nil) owing to a relate company, by virtue of common ownership by the majority shareholder, for purchases incurred in the normal course of operations during the year ended December 31, 2020.

Other liabilities primarily comprises of obligations to Compass Richmar LLC for the asset purchase of selected inventory assets, as part of the February 9, 2019 transaction.

7. Inventories

The Company tracks inventory as it progresses through the production process. The Company allocates inventory into three major buckets: Raw material, work in progress, and finished goods.

		December 31, 2020		December 31, 2019
Raw materials	$	3,991,933	$	4,139,321
Work in process		274,611		291,694
Finished goods		77,018		19,843
Total	$	4,343,562	$	4,450,858

8. New product infrastructure costs

The Company undertook an expansion of capacity, staff, and equipment in advance of and in conjunction with the execution of the February 9, 2019 supply agreement with Richmar Compass LLC. This capacity expansion resulted in an enhanced work force, more functioning production capacity on site, and enables the business to easily Integrate future growth depending on product specifications. The costs break down as follows:

	December 31, 2020	December 31, 2019
Cost of revenue		
New infrastructure testing & inventory write-off	$ -	$ 774,228
Other items		
Salaries and wages	$ -	$ 214,932
Legal fees	-	27,969
Recruiting costs	-	1,898
Repairs and maintenance	-	8,533
Travel	-	37,956
Other service providers	-	47,790
Supplies	-	18,821
Meals	-	83
Office supplies	-	6,825
Employee benefits	-	5,954
Total	$ -	$ 370,761

9. Property and equipment

Cost	December 31, 2019	Additions	Disposal	December 31, 2020
Machinery and equipment	$ 1,506,627	$ 34,490	$ -	$ 1,541,117
Computer equipment and software	117,741	5,610	-	123,351
Furniture and fixtures	10,197	-	-	10,197
Leasehold improvements	22,526	1,467	-	23,993
Total	$ 1,657,091	$ 41,567	$ -	$ 1,698,658
Accumulated depreciation	**December 31, 2019**	**Additions**	**Disposal**	**December 31, 2020**
Machinery and equipment	$ 233,768	$ 168,859	$ -	$ 402,627

Computer equipment and software		43,828		15,285		-		59,113
Furniture and fixtures		595		1,020		-		1,615
Leasehold improvements		1,314		2,375		-		3,689
Total	$	279,505	$	187,539	$	-	$	467,044
Net book value	$	1,377,586					$	1,231,614

Cost		December 31, 2018		Additions		Disposal		December 31, 2019
Machinery and equipment	$	626,364	$	880,263	$	-	$	1,506,627
Computer equipment and software		112,841		4,900		-		117,741
Furniture and fixtures		-		10,197		-		10,197
Leasehold improvements		-		22,526		-		22,526
Total	$	739,205	$	917,886	$	-	$	1,657,091

Accumulated depreciation		December 31, 2018		Additions		Disposal		December 31, 2019
Machinery and equipment	$	143,861	$	89,907	$	-	$	233,768
Computer equipment and software		29,627		14,201		-		43,828
Furniture and fixtures		-		595		-		595
Leasehold improvements		-		1,314		-		1,314
Total	$	173,488	$	106,017	$	-	$	279,505
Net book value	$	565,717					$	1,377,586

In addition to the supply agreement in Note 10, the Company purchased $271,489 worth of equipment from Compass Richmar, LLC.

10. Intangible assets

On February 5, 2019, the Company entered into a medical device supply agreement with Compass Richamar, LLC. Under the agreement, the Company has acquired the exclusive rights to supply to Compass Richmar, LLC for a period of five years for a cash consideration of $1,728,511. The cost to acquire the exclusive customer rights is being amortized over the term of the agreement.

The Company evaluated this acquisition in accordance with ASC 805, Business Combinations to discern whether the assets met the definition of a business. The Company concluded there was not an input and a substantive process that together significantly contribute to the ability to create outputs. Accordingly, the Company accounted for this transaction as an asset acquisition.

Management has assessed the value of the intangible at year end and determined that no impairment is required.

Cost		2019		Additions		Disposal		2020
Intangible asset - customer rights	$	**1,728,511**	$	**-**	$	**-**	$	**1,728,511**
Total	$	**1,728,511**	$	**-**	$	**-**	$	**1,728,511**

Accumulated Amortization		2019		Additions		Disposal		2020
Intangible asset - customer rights	$	**316,894**	$	**345,708**	$	**-**	$	**662,602**
Total	$	**316,894**	$	**345,708**	$	**-**	$	**662,602**
Net Book Value	**$**	**1,411,617**					**$**	**1,065,909**

Cost		2018		Additions		Disposal		2019
Intangible asset - customer rights	$	-	$	1,728,511	$	-	$	1,728,511
Total	$	-	$	1,728,511	$	-	$	1,728,511

Accumulated amortization		2018		Additions		Disposal		2019
Intangible asset - customer rights	$	-	$	316,894	$	-	$	316,894
Total	$	-	$	316,894	$	-	$	316,894
Net Book Value	**$**	**-**					**$**	**1,411,617**

11. Lines of credit and debt

Lines of credit

In December 2016, the Company entered into one loan and security agreement with a financial institution. Pursuant to the agreement entered into by the Company, amended during May 2019, and renewed August 31, 2020, the Company may borrow up to the lesser of $3,500,000 or the total of eligible accounts receivable as defined in the agreement. Borrowings bear interest at 4.5% at December 31, 2019. The balance is secured by substantially all assets of the Company. As of December 31, 2019, and 2018, the balance outstanding under the agreements was $nil and $785,561, respectively. The line of credit was paid in full and closed during 2019.

In December 2019, the Company entered into an agreement with a financial institution whereby the Company may borrow up to $3,500,000. The agreement was subsequently renewed in August of 2020 with a maturity on August 1, 2021. Borrowings bear interest at 4.5% and any accrued unpaid interest is due on a monthly basis. The balance is secured by substantially all assets of the Company. As of December 31, 2020, the balance outstanding under the agreement was $2,743,680. As of December 31, 2020, approximately $750,000 was available to borrow under the line of credit.

In accordance with the agreement, the Company is subject to a financial covenant and is required to maintain a minimum debt service coverage ratio of 1.25 to 1.00 financial covenant. For the year ended December 31, 2020, the Company was in compliance with the financial covenant.

Debt

	South Dakota Development Corporation	State of South Dakota Governor's Office of Economic Development	Other Notes payable	Covid-related loans	Total Debt
Balance, December 31, 2019	$ 444,290	$ 96,684	$1,708,977	$ -	$ 2,249,951
Additions	-	-	-	890,000	890,000
Forgiveness of loan	-	-	-	(740,000)	(740,000)
Principal repayments	(12,709)	(50,062)	(286,901)	-	(349,672)
Balance, December 31, 2020	431,581	46,622	1,422,076	150,000	2,050,279
Less: current portion	(431,581)	(46,622)	(397,831)	(150,000)	(1,026,034)
Long-term portion	$ -	$ -	$1,024,245	$ -	$ 1,024,245

Balance December 31, 2018	$ 465,527	$ 162,509	$ -	$ -	$ 628,036
Additions	-	-	1,889,442	-	1,889,442
Principal repayments	(21,237)	(65,825)	(180,465)	-	(267,527)
Balance, December 31, 2019	444,290	96,684	1,708,977	-	2,249,951
Less: current portion	(21,670)	(67,820)	(361,180)	-	(450,670)
Long-term portion	$ 422,620	$ 28,864	$1,347,797	$ -	$ 1,799,281

Undiscounted Cash Flows as at December 31, 2020	
Within one year	$ 1,099,817
One to two years	466,390
Two to three years	458,330
Three to four years	169,136
Four to five years	-
Total undiscounted debt	2,193,673
Interest	(143,394)
Total present value of minimum debt payments	2,050,279
Current portion	1,026,034
Long term portion	1,024,245
Total net liability	$ 2,050,279

South Dakota Development Corporation

On May 13, 2016, the Company borrowed $500,000 in connection with the purchase of the assets of DJO Global Empi Division. The debt accrues interest at 2% with monthly payments of principal and interest beginning in March 2017 through maturity in May 2021. The Company may borrow up to $800,000 under the promissory note agreement and borrowings are guaranteed by the stockholders of the Company. As of December 31, 2020 and 2019, the balance of the note was $431,581 and $444,290, respectively.

State of South Dakota Governor's Office of Economic Development

On March 6, 2018, the Company borrowed $200,000 with the State of South Dakota Governor's Office of Economic Development for the purpose of financing the growth of the Company. The debt accrues interest at 3 % with monthly payments of principal and interest beginning in June 2018 through maturity in May 2021. The borrowings are guaranteed by the stockholders of the Company. As of December 31, 2020, and 2019, the balance of the note was $46,622 and $96,684, respectively.

Other Notes Payable

On February 1, 2019, the Company borrowed $1,500,120 from a financial institution in connection with the acquisition in Note 10. The debt accrues interest at 5.25% with monthly principal and interest payments required through maturity in January 2024. The borrowings are secured by substantially all the assets of the Company. As of December 31, 2020, the balance of the note was $1,106,537.

The Company is also party to two additional notes payable with maturity dates of October 2023 and November 2024, with interest rates of 9.00% and 5.25%, respectively. As of December 31, 2020, the balances on these notes totaled $315,539. The borrowings are secured by the assets of the Company.

COVID-19-Related Loans

On April 17, 2020, the Company borrowed $740,000 from a financial institution in connection with the United States Payroll Protection Program (“PPP”). The PPP is a fully forgivable loan issued by accredited financial institutions on behalf of the US Government. The loan bears interest at 1.00% with payments of principal and interest of $41,652 beginning on November 17, 2020. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period. The Company initially recorded the proceeds of the PPP Loan of $740,000 as debt and derecognizes the liability when the loan is paid off or it believes forgiveness is reasonably certain. Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness is reduced if full-time headcount declines, or if salaries and wages decrease. The Company had recognized the government grant over the period to match the grant with the related costs. The Company applied for forgiveness and the loan was forgiven in November 2020. Accordingly, the loan of $740,000 was initially recorded to debt and subsequently $740,000 forgiveness was recognized as credit against wage expenses, as all conditions were met.

On May 8, 2020 the Company borrowed $150,000 from the United States Small Business Administration (“SBA”) in connection with the Economic Injury Disaster Loan (“EIDL”) program. EIDL is designed to provide economic relief to businesses that are currently experiencing a temporary loss of revenue. EIDL proceeds can be used to cover a wide array of working capital and normal operating expenses, such as continuation to health care benefits, rent, utilities, and fixed debt payments. The debt bears interest at 2.75% per year and is not forgivable. Payments of principal and interest of $641 per month begin 12 months from inception of the loan over a 30-year period. The debt balance as at December 31, 2020 was $150,000.

12. Stockholders' equity

Share capital

Authorized
25,000 voting common shares with par value of $1.00.

Issued
During the year ended December 31, 2019 194 shares were issued for $1,000,000 to an existing investor.

As at December 31, 2020 and 2019, the Company had 1,502 common shares outstanding with a value of $2,899,832.

	Number of shares	Amount
Balance, January 1, 2019	1,308	1,899,832
Issued	194	1,000,000
Balance, December 31, 2019	1,502	2,899,832
Balance, December 31, 2020	1,502	2,899,832

13. 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 financial statements, related party transactions are as follows.

	2020	2019
Salaries and short-term benefits	$ 297,639	$ 304,450

Salaries and short-term benefits 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.

14. Capital management

The Company's current capital structure includes total stockholders' 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 stockholders, return capital to stockholders by way of normal course issuer bid, issue new shares, or reduce liquid assets to repay other debt.

15. Net loss per share

For the year ended December 31		2020		2019
Net loss	$	(357,981)	$	(1,398,869)
Weighted average shares outstanding - basic and diluted		1,502		1,487
Net loss per share - basic and diluted	$	(238)	$	(941)

16. Leases

In October 2018, the Company sold its facility in Clear Lake, South Dakota for $2,182,461. In connection with the sale, the Company entered into a lease agreement for the facility with an initial lease term of 15 years for a base annual rental of $190,965, with four extension options of five years each. The base rental amount increases annually on the first day of the lease year at the lesser of 2% or 1.25 times the change in the price index, as defined. Per the lease agreement, the Company delivered a letter of credit in the amount of $381,930, which is recorded in restricted cash on the statement of financial position. The following details the right-of-use asset transactions from the date of adoption on January 1, 2019, related to the leased facility:

		Right-of-use assets
Balance, January 1, 2019	$	2,209,661
Amortization		(111,412)
Balance, December 31, 2019		2,098,249
Amortization		(111,412)
Balance, December 31, 2020		1,986,837
		Lease liability
Balance, January 1, 2019	$	2,209,661
Interest lease expense		140,038
Lease payments		(190,965)
Balance, December 31, 2019		2,158,734

Interest lease expense			136,677
Lease payments			(192,158)
Balance, December 31, 2020			2,103,253
Future minimum lease payments payable are as follows:			
	2021	$	198,123
	2022		198,123
	2023		198,123
	2024		198,123
	2025		198,123
	2026 and thereafter		2,542,582
Total future minimum lease payments			3,533,197
Less: Interest on lease liabilities			(1,429,944)
Total present value of minimum lease payments			2,103,253
Less: current portion			65,316
Non-current portion			**2,037,937**

The lease expense for the year ended December 31, 2020 was $248,089 (2019 - $251,450). The cash paid during the year ended December 31, 2020 was $192,158 (2019 - $190,965). At December 31, 2020, the weighted average remaining lease terms were 17.83 years (2019 – 18.83 years) and the weighted average discount rate was 6.47% (2019 – 6.47%).

17. Expenses by nature

		2020		**2019**
Rent and occupancy costs	$	34,063	$	35,342
Office and administration		235,973		326,212
Penalty and interest		17,126		-
Professional fees		209,907		44,271
Selling, marketing and promotion		125,278		44,913
Travel and accommodation		20,126		53,474
Research and development		26,189		44,903
Repair and maintenance		125,071		88,937
Total	$	793,733	$	638,052

18. 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 21% in the United Sates to the Company's net loss before income taxes as follows:

		December 31, 2020		December 31, 2019
Net loss before taxes	$	(357,981)	$	(1,398,869)
Statutory rate		21.0%		21.0%
Expected tax (recovery) expense		(75,176)		(293,762)
Permanent differences and other		105,218		50,980
Change in deferred tax assets not recognized		(30,042)		242,872
Income tax provision	$	-	$	-

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 carryforwards and other available tax assets.

The Company has US non-capital loss carryforwards of approximately $1,715,729 (2019 - $1,858,786) 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 2039.

Unrecognized deferred tax assets

The significant components of the temporary differences not recognized are as follows:

		December 31, 2020		December 31, 2019
Deferred tax asset (liability)				
Net operating losses carryforward	$	360,303	$	390,345
Amortization of intangible assets		70,549		49,880
Accrued expenses		-		16,337
Property and equipment, principally due to depreciation and amortization		30,654		(284,385)

Prepaid expenses		2,826		(3,809)
Partnership income		-		(9,927)
Lease obligations		-		(5,395)
Other		-		194
Net deferred tax asset	$	464,332	$	153,240

19. Subsequent events

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.

On February 1, 2021 the Company received a loan from Dakotah Bank under the United States Federal Paycheck Protection Program for $736,000. The loan accrues interest at 1% and matures on February 1, 2023. Management expects the majority of this loan to be forgiven under the most recent guidance released by the US Small Business Administration as of the date of this filing.

20. 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 December 31, 2020, 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.

SCHEDULE B

See attached.

South Dakota Partners Inc.

Condensed Interim Financial Statements

For the Three Months Ended March 31, 2021 and March 31, 2020

(UNAUDITED)

(In United States Dollars)

South Dakota Partners Inc.
Index to the Condensed Interim Financial Statements
(UNAUDITED)

South Dakota Partners Inc.
Condensed Interim Balance Sheets
As at March 31, 2021 and December 31, 2020
(Unaudited)

	Note		March 31, 2021		December 31, 2020
ASSETS					
Current assets					
Cash	2	$	548	$	596
Accounts receivable, net	3		2,468,689		2,003,242
Inventories	5		4,195,538		4,343,562
Prepaid expenses and other current assets			270,128		214,993
Total current assets			6,934,903		6,562,393
Restricted cash	2		381,930		381,930
Property and equipment, net	6		1,192,897		1,231,614
Right-of-use asset, net	13		1,958,984		1,986,837
Intangible asset, net	7		979,482		1,065,909
Total assets		$	11,448,196	$	11,228,683
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities					
Accounts payable	4	$	1,257,379	$	1,555,467
Accrued expenses	4		217,854		169,822
Lines of credit	8		2,965,848		2,751,840
Current portion of debt	8		1,656,478		1,026,034
Current portion of lease liability	13		66,368		65,316
Other liabilities	4		347,937		346,923
Total current liabilities			6,511,864		5,915,402
Lease liability, net of current portion	13		2,020,939		2,037,937
Debt, net of current portion	8		916,647		1,024,245
Total liabilities			9,449,450		8,977,584
Stockholders' equity					
Common stock: $1 par value; 25,000 authorized; 1,502 shares issued and outstanding at March 31, 2021 and December 31, 2020	9		1,502		1,502
Additional paid-in capital			2,898,330		2,898,330
Deficit			(901,086)		(648,733)
Total stockholders' equity			1,998,746		2,251,099
Total liabilities and stockholders' equity		$	11,448,196	$	11,228,683

Contingencies (Note 15)

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

South Dakota Partners Inc.
Condensed Interim Statements of Operations and Comprehensive Loss
For the three months ended March 31, 2021 and March 31, 2020
(Unaudited)

	Note	March 31, 2021	March 31, 2020
Revenue		$ 2,569,409	$ 2,981,654
Cost of revenue			
Direct service personnel		367,124	540,318
Rent and building costs		42,052	44,984
Direct material costs		1,613,512	1,589,837
		2,022,688	2,175,139
Gross margin		546,721	806,515
Operating expenses:			
Selling, general and administrative expenses	14	285,741	157,856
Administrative personnel		196,009	282,329
Executive compensation	10	65,269	113,536
Subtotal		547,019	553,721
Profit (loss) before other items		(298)	252,794
Other items:			
Amortization of intangible asset	7	(86,427)	(86,427)
Depreciation of property and equipment	6	(48,300)	(45,475)
Amortization of right-of-use asset	13	(27,853)	(27,853)
Interest expense		(84,383)	(104,637)
Other expense		(5,092)	(3,473)
Net loss before income tax		$ (252,353)	$ (15,071)
Income tax recovery (expense)			
Net loss and comprehensive loss		$ (252,353)	$ (15,071)
Net loss per share			
Basic and diluted	12	$ (168.01)	$ (10.03)
Weighted average shares outstanding - basic and diluted		1,502	1,502

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

South Dakota Partners Inc.
Condensed Interim Statements of Stockholders' Equity
For the three months ended March 31, 2021 and March 31, 2020
(Unaudited)

	Common Stock		Additional paid-in capital	Retained earnings (deficit)	Total
	Shares	Amount			
	#	$	$	$	$
Balance, December 31, 2020	1,502	1,502	2,898,330	(648,733)	2,251,099
Net loss for the period	-	-	-	(252,353)	(252,353)
Balance, March 31, 2021	1,502	1,502	2,898,330	(901,086)	1,998,746
Balance, December 31, 2019	1,502	1,502	2,898,330	(290,752)	2,609,080
Net loss for the period	-	-	-	(15,071)	(15,071)
Balance, March 31, 2020	1,502	1,502	2,898,330	(305,823)	2,594,009

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

South Dakota Partners Inc.
Condensed Interim Statements of Cash Flows
For the three months ended March 31, 2021 and March 31, 2020
(Unaudited)

Operating activities		**March 31, 2021**		**March 31, 2020**
Net loss	$	(252,353)	$	(15,071)
Adjustments to reconcile net loss to net cash used in operating activities*:*				
Amortization of intangible asset		86,427		86,427
Depreciation of property and equipment		48,300		45,475
Amortization of right-of-use asset		27,853		27,853
Interest on lease liability		33,585		34,493
Forgiveness of payroll protection program		(170,000)		-
		(226,188)		179,177
Changes in operating assets and liabilities:				
Accounts receivable		(465,447)		386,377
Inventories		148,024		30,489
Prepaid expenses and other current assets		(55,135)		92,181
Accounts payable		(298,088)		(5,249)
Accrued expenses		48,042		(19,721)
Other liabilities		1,014		(436,395)
Cash flows (used in) provided by operating activities		(847,778)		226,859
Investing activities				
Purchase of property and equipment		(9,583)		(2,639)
Cash flows used in investing activities		(9,583)		(2,639)
Financing activities				
Proceeds from debt		812,972		-
Principal repayment of debt		(120,136)		(112,804)
Proceeds (payment) from lines of credit, net		214,008		(92,310)
Lease payments		(49,531)		(49,531)
Cash flows provided by (used in) financing activities		857,313		(254,645)
Net decrease in cash		(48)		(30,425)
Cash, beginning of the year		596		30,925
Cash, end of the year	$	548		500

Supplementary cash flow information				
Interest paid	$	50,798	$	70,144
Income tax paid		-		-

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

1. Organization and Basis of Presentation

South Dakota Partners Inc. (the “Company”) was incorporated on April 8, 2016, under the laws of the state of South Dakota. The Company is a manufacturer specializing in medical devices, electronic products, and related components, and serves customers primarily located in the south eastern United States and California.

On September 8, 2020, the Company entered into a binding purchase agreement with Salona Global Medical Device Corporation (formerly Brattle Street Investment Corp.) (“Salona”) wherein Salona will purchase 100% of the outstanding shares of the Company in exchange for up to 26,000,000 shares of Salona subject to fulfillment of certain conditions under the agreement. Salona is listed on the TSX-V a subsidiary of the Toronto Stock Exchange.

Liquidity and Basis of presentation

The accompanying unaudited condensed interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information. The information furnished herein reflects all adjustments, consisting only of normal recurring adjustments, which in the opinion of management, are necessary to fairly state the Company’s financial position, the results of its operations, and cash flows for the periods presented. Certain information and footnote disclosures normally present in annual financial statements prepared in accordance with U.S. GAAP were omitted pursuant to such rules and regulations. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements and should be read in conjunction with the Company’s audited financial statements for the years ended December 31, 2020 and their accompanying notes. These condensed interim financial statements and are expressed in United States ("U.S.") dollars, the functional currency of the Company.

The Company has incurred recurring losses from operations, and as at Mach 31, 2021, has a deficit of $901,086 and operating cash loss for the quarter then ended of $847,777. Management anticipates the Company will attain profitable status and improve its liquidity through continued business development and after additional equity or debt capitalization of the Company. The Company’s ability to transition to profitability is dependent upon achieving a level of revenue adequate to support its cost structure through expanding its product offering and consequently increasing its product revenues. The Company has developed and continues to pursue sources of funding that management believes if successful would be sufficient to support the Company’s operating plan and alleviate any substantial doubt as to its ability to meet its obligations at least for a period of one year from the date of these financial statements.

The Company’s operating plan is predicated on a variety of assumptions including, but not limited to, the level of product demand, cost estimates, its ability to continue to raise additional financing and the state of the general economic environment in which the Company operates. There can be no assurance that these assumptions will prove to be accurate in all material respects, or that the Company will be able to successfully execute its operating plan.

1. Organization and Basis of Presentation (continued)

Use of estimates

The preparation of Condensed Interim Financial Statements in conformity with U.S. 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 Condensed Interim 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 useful lives of non-current assets, impairment of non-current assets, allowance for doubtful accounts, provisions for inventory and valuation allowance for deferred tax assets.

Impact of COVID-19

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.

Recent accounting pronouncements

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 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 intra-period tax allocation, recognizing deferred taxes for investments and simplifies guidance to reduce complexity in certain areas.

1. Organization and Basis of Presentation (continued)

This update is effective for annual periods beginning after December 15, 2021, 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 financial statements.

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.

2. Cash & restricted cash

The Company maintains both cash and restricted cash accounts. The Company's cash accounts sweep, on a daily basis, to the revolving lines of credit the Company maintains with Dacotah Bank.

The Company's restricted cash is held as collateral for a lines of credit extended by the Fifth Third Bank to the Company's arms-length landlord as part of the lease agreement. The lines of credit is for an amount of $381,930, non-interest bearing and automatically renewed annually.

		March 31, 2021		December 31, 2020
Cash	$	548	$	596
Restricted cash		381,930		381,930
Total	$	382,478	$	382,526

3. Accounts receivable

The Company is exposed to credit risk on the sales receivables from its customers. As at March 31, 2021, 4.1% (December 31, 2020 – 4.95%) of the trade receivable balance are more than 90 days past due, 95.9% (December 31, 2020 – 95.05%) of the billing receivable are between 0 – 90 days past due.

		March 31, 2021		December 31, 2020
Trade accounts receivable	$	2,468,689	$	2,024,174
Allowance for doubtful accounts		-		(20,932)
Total accounts receivable	$	2,468,689	$	2,003,242

4. Accounts payable, Accrued Expenses and Other Liabilities

	March 31, 2021	December 31, 2020
Trade payable	$ 1,257,379	$ 1,555,467
Accrued expenses	217,854	169,822
Total payable and accrued expenses	$ 1,475,233	$ 1,725,289

Included in trade payable was a balance of $45,453 (December 31, 2020 - $30,726) owing to a related company, by virtue of common ownership by the majority shareholder, for purchases made in the normal course of operations during the three months ended March 31, 2021.

Other liabilities primarily comprise of obligations to Compass Richmar LLC for the asset purchase of selected inventory assets, as part of the February 9, 2019 transaction.

5. Inventories

The Company tracks inventory as it progresses through the production process. The Company classifies inventory into three major buckets: raw materials, work in process, and finished goods.

	March 31, 2021	December 31, 2020
Raw materials	$ 3,828,236	$ 3,991,933
Work in process	292,798	274,611
Finished goods	74,504	77,018
Total	$ 4,195,538	$ 4,343,562

South Dakota Partners Inc.
Notes to the Condensed Interim Financial Statements
For the three months ended March 31, 2021 and 2020
(Unaudited)

6. Property and equipment

Cost		December 31, 2020	Additions	Disposal	March 31, 2021
Machinery and equipment	$	1,541,117	5,738	-	1,546,855
Computer equipment and software		123,351	-	-	123,351
Furniture and fixtures		10,197	-	-	10,197
Leasehold improvements		23,993	3,845	-	27,838
Total	$	**1,698,658**	**9,584**	**-**	**1,708,242**

Accumulated amortization		December 31, 2020	Additions	Disposal	March 31, 2021
Machinery and equipment	$	402,627	43,500	-	446,127
Computer equipment and software		59,113	3,900	-	63,013
Furniture and fixtures		1,615	330	-	1,945
Leasehold improvements		3,689	570	-	4,259
Total	$	**467,044**	**48,300**	**-**	**515,344**

Net Book Value	**$**	**1,231,614**			**1,192,897**

Cost		December 31, 2019	Additions	Disposal	December 31, 2020
Machinery and equipment	$	1,506,627	34,490	-	1,541,117
Computer equipment and software		117,741	5,610	-	123,351
Furniture and fixtures		10,197	-	-	10,197
Leasehold improvements		22,526	1,467	-	23,993
Total	$	**1,657,091**	**41,567**	**-**	**1,698,658**

Accumulated depreciation		December 31, 2019	Additions	Disposal	December 31, 2020
Machinery and equipment	$	233,768	168,858	-	402,627
Computer equipment and software		43,828	15,284	-	59,113
Furniture and fixtures		595	1,019	-	1,615
Leasehold improvements		1,314	2,374	-	3,689
Total	$	**279,506**	**187,535**	**-**	**467,044**

Net Book Value	$	**1,192,897**			**1,231,614**

In addition to the supply agreement in Note 7, the Company purchased $271,489 worth of equipment from Compass Richmar, LLC. The depreciation for the quarter ended March 31, 2020 was $45,475.

7. Intangible assets

On February 5, 2019, the Company entered into a medical device supply agreement with Compass Richamar, LLC. Under the agreement, the Company has acquired the exclusive rights to supply to Compass Richmar, LLC for a period of five years for a cash consideration of $1,728,511. The cost to acquire the exclusive customer rights is being amortized over the term of the agreement.

The Company evaluated this acquisition in accordance with ASC 805, Business Combinations to discern whether the assets met the definition of a business. The Company concluded there was not an input and a substantive process that together significantly contribute to the ability to create outputs. Accordingly, the Company accounted for this transaction as an asset acquisition.

Management has assessed the value of the intangible at year ended December 31, 2020 and determined that no impairment is required.

Cost		**December 31, 2020**	**Additions**	**Disposal**	**March 31, 2021**
Intangible asset - customer rights	$	1,728,511	-	-	1,728,511
Total	$	1,728,511	-	-	1,728,511

Accumulated amortization		**December 31, 2020**	**Additions**	**Disposal**	**March 31, 2021**
Intangible asset - customer rights	$	662,602	86,427	-	749,029
Total	$	662,602	86,427	-	749,029

Net Book Value	$	1,065,909			979,482

Cost		**December 31, 2019**	**Additions**	**Disposal**	**December 31, 2020**
Intangible asset - customer rights	$	1,728,511	-	-	1,728,511
Total	$	1,728,511	-	-	1,728,511

Accumulated Amortization		**December 31, 2019**	**Additions**	**Disposal**	**December 31, 2020**
Intangible asset - customer rights	$	316,894	345,708	-	662,602
Total	$	316,894	345,708	-	662,602

Net Book Value	$	1,411,617			1,065,909

8. Lines of credit and debt

Lines of credit

In December 2019, the Company entered into an agreement with a financial institution whereby the Company may borrow up to $3,500,000. The agreement was subsequently renewed in August of 2020 with a maturity on August 1, 2021. Borrowings bear interest at 4.5% and any accrued unpaid interest is due on a monthly basis. The balance is secured by substantially all assets of the Company. As of March 31, 2021, the balance outstanding under the agreement was $2,926,569 (December 31, 2020 - $2,743,680). As of March 31, 2021, approximately $570,000 was available to borrow under the lines of credit.

In accordance with the agreement, the Company is subject to a financial covenant and is required to maintain a minimum debt service coverage ratio of 1.25 to 1.00 financial covenant on an annual basis. For the year ended December 31, 2020, the Company was in compliance with the financial covenant.

Debt

		South Dakota Development Corporation	State of South Dakota Governor's Office of Economic Development	Other Notes payable	Covid-related loans	Total Debt
Balance December 31, 2020	$	431,581	46,622	1,422,076	150,000	2,050,279
Additions		-	-	-	812,972	812,972
Forgiveness of loan		-	-	-	(170,000)	(170,000)
Principal repayments		(5,471)	(17,141)	(97,514)	-	(120,126)
Balance, March 31, 2021	$	426,110	29,481	1,324,562	792,972	2,573,125
Less: current portion		(426,110)	(29,481)	(407,915)	(792,972)	(1,656,478)
Long-term portion	$	-	-	916,647	-	916,647
Balance, December 31, 2019	$	444,290	96,684	1,708,977	-	2,249,951
Additions		-	-	-	890,000	890,000
Forgiveness of loan		-	-	-	(740,000)	(740,000)
Principal repayments		(12,709)	(50,062)	(286,901)	-	(349,672)
Balance, December 31, 2020	$	431,581	46,622	1,422,076	150,000	2,050,279
Less: current portion		(431,581)	(46,622)	(397,831)	(150,000)	(1,026,034)
Long-term portion	$	-	-	1,024,245	-	1,024,245

8. Lines of credit and debt (continued)

Contractual Debt Payments

		March 31, 2021
Within one year	$	1,601,153
One to two years		466,390
Two to three years		458,330
Three to four years		169,136
Total gross debt repayable		2,695,010
Interest		121,885
Total contractual debt payments net of interest	**$**	**2,573,125**
Current portion		1,656,478
Long term portion	**$**	916,647

South Dakota Development Corporation
On May 13, 2016, the Company borrowed $500,000 in connection with the purchase of the assets of DJO Global Empi Division. The debt accrues interest at 2% with monthly payments of principal and interest beginning in March 2017 through maturity in May 2021. The Company may borrow up to $800,000 under the promissory note agreement and borrowings are guaranteed by the stockholders of the Company. As of March 31, 2021 and December 31, 2020, the balance of the note was $426,110 and $431,581, respectively.

State of South Dakota Governor's Office of Economic Development
On March 6, 2018, the Company borrowed $200,000 with the State of South Dakota Governor's Office of Economic Development for the purpose of financing the growth of the Company. The debt accrues interest at 3% with monthly payments of principal and interest beginning in June 2018 through maturity in May 2021. The borrowings are guaranteed by the stockholders of the Company. As of March 31, 2021 and December 31, 2020, the balance of the note was $29,481 and $46,622, respectively.

Other Notes Payable
On February 1, 2019, the Company borrowed $1,500,120 from a financial institution in connection with the acquisition in Note 7. The debt accrues interest at 5.25% with monthly principal and interest payments required through maturity in January 2024. The borrowings are secured by substantially all the assets of the Company. As of March 31, 2021 and December 31, 2020, the balance of the note was $1,030,352 and $1,106,537, respectively.

The Company is also party to two additional notes payable with maturity dates of October 2023 and November 2024, with interest rates of 9.00% and 5.25%, respectively. As of March 31, 2021 and December 31, 2020, the balances on these notes totaled $294,210 and $315,539. The borrowings are secured by the assets of the Company.

8. Lines of credit and debt (continued)

COVID-19-Related Loans

On April 17, 2020, the Company borrowed $740,000 from a financial institution in connection with the United States Payroll Protection Program ("PPP"). The PPP is a fully forgivable loan issued by accredited financial institutions on behalf of the US Government. The loan bears interest at 1.00% with payments of principal and interest of $41,652 beginning on November 17, 2020. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period. The Company initially recorded the proceeds of the PPP Loan of $740,000 as debt and derecognizes the liability when the loan is paid off or it believes forgiveness is reasonably certain. Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness is reduced if full-time headcount declines, or if salaries and wages decrease. The Company had recognized the government grant over the period to match the grant with the related costs. The Company applied for forgiveness and the loan was forgiven in November 2020. Accordingly, the loan of $740,000 was initially recorded to debt and subsequently $740,000 forgiveness was recognized as credit against wage expenses during the year ended December 31, 2020, as all conditions were met.

On May 8, 2020 the Company borrowed $150,000 from the United States Small Business Administration ("SBA") in connection with the Economic Injury Disaster Loan ("EIDL") program. EIDL is designed to provide economic relief to businesses that are currently experiencing a temporary loss of revenue. EIDL proceeds can be used to cover a wide array of working capital and normal operating expenses, such as continuation to health care benefits, rent, utilities, and fixed debt payments. The debt bears interest at 2.75% per year and is not forgivable. Payments of principal and interest of $641 per month begin 12 months from inception of the loan over a 30-year period.

On February 02, 2021, the Company borrowed an additional $736,887 from a financial institution in connection with the Company's second draw on the United States Payroll Protection Program ("PPP"). The PPP is a fully forgivable loan issued by accredited financial institutions on behalf of the US Government. The loan bears interest at 1.00% with payments of $13,740 plus interest beginning on December 02, 2021. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period. The Company initially records the proceeds of the PPP Loan of $736,887 as debt and derecognizes the liability when the loan is paid off or it believes forgiveness is reasonably certain. Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness is reduced if full-time headcount declines, or if salaries and wages decrease. The Company had recognized the government grant over the period to match the grant with the related costs. The Company has recognized forgiveness of $170,000 of the principal used, as a reduction to the payroll expenses, in line with SBA PPP forgiveness guidelines.

On January 29, 2021 the Company received a grant of $76,085 from the State of South Dakota which is initially recognized as a loan until full paperwork, confirming that the amount was not required to be repaid, was received. The grant is non-interest bearing and fully earned at the time of issuance. There are no repayment terms. As of the date of these financial statements the Company is awaiting final paperwork confirming this amount does not need to be repaid.

The debt balance as at March 31, 2021 and December 31, 2020 was $792,972 and $150,000, respectively.

9. Stockholders' equity

Share capital

Authorized
25,000 voting common shares with par value of $1.00.

Issued

As at March 31, 2021 and December 31, 2020, the Company had 1,502 common shares outstanding with a value of $2,899,832.

	Number of shares	**Amount**
Balance, December 31, 2019	1,502	2,899,832
Balance, December 31, 2020	1,502	2,899,832
Balance, March 31, 2021	1,502	2,899,832

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 Unaudited Condensed Interim Financial Statements, related party transactions are as follows.

For the three months ended March 31	**2021**	**2020**
Salaries and short-term benefits	$ 65,269	$ 113,536

Salaries and short-term benefits 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.

11. Capital management

The Company's current capital structure includes total stockholders' 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 stockholders, return capital to stockholders by way of normal course issuer bid, issue new shares, or reduce liquid assets to repay other debt.

12. Net loss per share

For the three months ended March 31		**2021**		**2020**
Net loss	$	(252,353)	$	(15,071)
Weighted average shares outstanding - basic and diluted		1,502		1,502
Net loss per share - basic and diluted	$	(168)	$	(10)

13. Leases

In October 2018, the Company sold its facility in Clear Lake, South Dakota for $2,182,461. In connection with the sale, the Company entered into a lease agreement for the facility with an initial lease term of 15 years for a base annual rental of $190,965, with four extension options of five years each. The base rental amount increases annually on the first day of the lease year at the lesser of 2% or 1.25 times the change in the price index, as defined. Per the lease agreement, the Company delivered a letter of credit in the amount of $381,930, which is recorded in restricted cash on the statement of financial position. The following details the right-of-use asset transactions from December 31, 2019, related to the leased facility:

		Right-of-use assets
Balance, December 31, 2019	**$**	2,098,249
Amortization		(111,412)
Balance, December 31, 2020		1,986,837
Amortization		(27,853)
Balance, March 31, 2021	**$**	**1,958,984**

		Lease liability		**Current**		**Long-term**
Balance, December 31, 2019	**$**	2,158,734	$	55,481	$	2,103,253
Interest lease expense		136,677				
Lease payments		(192,158)				
Balance, December 31, 2020		2,103,253		65,316		2,037,937
Interest lease expense		33,585				
Lease payments		(49,531)				
Balance, March 31, 2021	**$**	**2,087,307**	**$**	**66,368**	**$**	**2,020,939**

13. Leases (continued)

Future minimum lease payments for the twelve months ending March 31, are as follows:		
2022	$	198,123
2023		198,123
2024		198,123
2025		198,123
2026		198,123
2027 and thereafter		2,493,051
Total future minimum lease payments		3,483,666
Less: Interest on lease liabilities		(1,396,359)
Total present value of minimum lease payments		2,087,307
Less: current portion		66,368
Non-current portion	$	**2,020,939**

The lease expense for the three months ended March 31, 2021 was $33,585 (March 31, 2020 - $34,493). The cash paid during the three months ended March 31, 2021 was $49,531 (March 31, 2020 - $49,531). At March 31, 2021, the weighted average remaining lease terms were 17.58 years (December 31, 2020 – 17.83 years) and the incremental borrowing rate was 6.47% (December 31, 2020 – 6.47%).

14. Expenses by nature

For the three months ended March 31		**2021**		**2020**
Rent and occupancy costs	$	6,884	$	7,996
Office and administration		49,904		50,266
Penalty and interest		-		14,626
Professional fees		139,278		11,744
Selling, marketing and promotion		35,823		30,056
Travel and accommodation		3,183		7,158
Research and development		5,448		5,283
Repair and maintenance		45,221		30,727
Total	$	285,741	$	157,856

15. 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 March 31, 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.

SCHEDULE C

See attached.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

Unless the context otherwise requires, "we" or the "Company" refers to Salona Global Medical Device Corp. and its subsidiaries after completion of the Change of Business and the Related Transactions.

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEETS

(In Canadian Dollars, unless otherwise indicated)

	Salona Global Medical Device Corp. As at February 28, 2021	**South Dakota Partners Inc. As at December 31, 2020 (USD$)**	**South Dakota Partners Inc. As at December 31, 2020**		**Proforma Adjustments**	**Proforma Consolidated As at February 28, 2021**
Assets						
Cash and cash equivalents	7,080,768	596	759	(e)	5,425,374	12,206,901
				(c)	(300,000)	
Restricted cash	5,425,374	-	-	(e)	(5,425,374)	-
Marketable securities	488,684	-	-		-	488,684
Accounts receivable	-	2,003,242	2,550,528		-	2,550,528
Inventories	-	4,343,562	5,530,223		-	5,530,223
Other investments	-	-	-		-	-
Prepaids and other Receivables	135,065	214,993	273,729		-	408,794
Total current assets	13,129,891	6,562,393	8,355,239		(300,000)	21,185,130
Restricted cash	-	381,930	486,273		-	486,273
Property and equipment, net	-	1,231,614	1,568,091		-	1,568,091
Right-of-use asset, net	-	1,986,837	2,529,641		-	2,529,641
Goodwill	-	-	-	(a)	199,821	199,821
Intangible assets, net	-	1,065,909	1,357,115		-	1,357,115
Total assets	13,129,891	11,228,683	14,296,359		(100,179)	27,326,071
Liabilities and shareholders' equity						
Liabilities						
Accounts payable and accrued liabilities	1,047,784	1,725,289	2,196,638	(f)	(116,081)	3,128,341
Subscription receipts	5,425,374	-	-	(e)	(5,425,374)	-
Line of credit	-	2,751,840	3,503,643		-	3,503,643
Current portion of debt	-	1,026,034	1,306,346		-	1,306,346
Current portion of lease liability	-	65,316	83,160		-	83,160
Other Liabilities	15,000	346,923	441,702		-	456,702
Total current liabilities	6,488,158	5,915,402	7,531,489		(5,541,455)	8,478,192

Deferred tax liability	-	-	-		-	-
Long-term portion of lease liabilities	-	2,037,937	2,594,701		-	2,594,701
Long-term portion of debt	-	1,024,245	1,304,069		-	1,304,069
Total liabilities	6,488,158	8,977,584	11,430,260		(5,541,455)	12,376,963
Shareholders' equity						
Share capital	31,065,513	1,502	1,912	(e)	5,299,103	39,546,617
				(b)	(1,912)	
				(a)	3,065,920	
				(f)	116,081	
Options reserve				(e)	223,641	2,229,483
				(g)	2,005,842	
Warrants reserve	-	-	-	(e)	126,271	126,271
Contributed surplus	3,625,762	2,898,330	3,690,154	(b)	(3,690,154)	3,625,762
Accumulated other comprehensive income	943,320	-	-			943,320
Accumulated Deficit	(28,992,862)	(648,733)	(825,967)	(b)	825,967	(31,522,345)
				(c)	(300,000)	
				(e)	(223,641)	
				(g)	(2,005,842)	
Total shareholders' equity	6,641,733	2,251,099	2,866,099		5,441,276	14,949,108
Total liabilities and shareholders' equity	13,129,891	11,228,683	14,296,359		(100,179)	27,326,071

a) The purchase price is determined as the fair value of the shares and options that are held by the current shareholders of SDP. For purposes of the pro-forma, the fair value of common shares has been determined to be $0.12 per share, reflecting the closing price per common share of the Company on September 8, 2020, the date immediately preceding the announcement of the proposed Change of Business and the halt of the Company’s common shares from trading on the TSXV. The excess of the amount paid over the fair value of the assets is charged to accumulated deficit and is an expense of listing. Accumulated deficit has been increased by $1,483,808 representing expense of listing. Accordingly the share capital of the accounting acquirer has been increased by $3,120,000 representing value of 26 million pre consolidation shares to be issued to SDP's shareholders on acquisition.

b) Share capital and deficit of the Company has been eliminated as a result of the above proposed acquisition.

UNAUDITED PROFORMA CONSOLIDATED STATEMENTS OF OPERATIONS
12 months ended February 28, 2021
(In Canadian Dollars, unless otherwise indicated)

	Salona Global Medical Device Corp. Year ended February 28, 2021	South Dakota Partners Inc. Year ended December 31, 2020 (USD$)	South Dakota Partners Inc. Year ended December 31, 2020	Proforma Adjustments	Proforma Consolidated Year ended February 28, 2021
Revenue					
Medical device service revenues	-	9,536,155	12,792,752		12,792,752
Loan Interest	42,838	-	-	-	42,838
Fees and Other	49,910	-	-	-	49,910
Interest, fees and other recovered	43,365	-	-	-	43,365
Investment income	14,618	-	-	-	14,618
Change in fair value of marketable securities	(812)	-	-	-	(812)
Impairment of other investments	(183,466)	-	-	-	(183,466)
Total revenue	**(33,547)**	**9,536,155**	**12,792,752**	**-**	**12,759,205**
Cost of revenue					
Direct service labor	-	1,459,393	1,957,776	-	1,957,776
Rent & building costs	-	149,401	200,421	-	200,421
Direct Material Costs	-	5,254,865	7,049,401	-	7,049,401
Gross margin	**(33,547)**	**2,672,496**	**3,585,153**	**-**	**3,551,606**
Expenses					
General and administrative	2,396,162	1,703,144	2,284,768		4,680,930
Executive compensation	-	297,639	399,283	-	399,283
Share based compensation	237,714	-	-	-	237,714
Amortization of intangible assets	-	345,708	463,767	-	463,767
Depreciation of property and equipment	-	187,539	251,584	-	251,584
Amortization of right-of-use asset	-	111,412	149,459	-	149,459
Interest (expense) income, net	-	371,189	497,950	-	497,950
Other expense, net	-	13,846	18,573	-	18,573
Total expenses	**2,633,876**	**3,030,477**	**4,065,384**	**-**	**6,699,260**
Net loss from continuing operations	(2,667,423)	(357,981)	(480,230)	-	(3,147,653)
Net loss from discontinued operations	-	-	-	-	-
Net loss before income tax	**(2,667,423)**	**(357,981)**	**(480,230)**	**-**	**(3,147,653)**
Income tax (expense) recovery	-	-	-	-	-
Net loss	**(2,667,423)**	**(357,981)**	**(480,230)**	**-**	**(3,147,653)**
Other comprehensive loss					
Foreign currency translation loss	(430,428)	-	-	-	(430,428)
Comprehensive loss	**(3,097,851)**	**(357,981)**	**(480,230)**	**-**	**(3,578,081)**

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying unaudited pro forma consolidated financial statements of the Company have been prepared by management as if our acquisition of SDP had occurred on March 1, 2019 and after giving effect to the assumptions and adjustments as described in Notes 2 and 3 of this section. The accompanying pro forma consolidated balance sheet was prepared assuming the transaction was consummated on the date of the latest balance sheet, February 28, 2021.

The unaudited pro forma consolidated financial statements have been prepared in relation to our acquisition of SDP, indirectly through our wholly-owned subsidiary, Brattle Acquireco. In the opinion of the Company's management, the unaudited pro forma consolidated financial statements include all adjustments necessary for fair presentation of the transactions contemplated in the Definitive Agreement.

2. Pro Forma Assumptions

On September 8, 2020, we entered into the Definitive Agreement with South Dakota Partners Inc. ("**SDP**"). Pursuant to the terms of the Definitive Agreement, we intend to issue 26 million common shares (as adjusted for stock splits, stock combinations, recapitalizations and similar events) in exchange for all issued and outstanding SDP shares.

The unaudited pro forma consolidated financial statements of the Company have been compiled from and include:

1. the consolidated statement of financial position of the Company as at February 28, 2021;

2. the statement of financial position of SDP as at December 31, 2020;

3. the consolidated statement of operations and comprehensive loss for the Company for the year ended February 28, 2021;

4. the statement of operations and comprehensive loss for SDP for the year ended December 31, 2020; and

5. the additional information and assumptions set out in Notes 2 and 3 of this section.

SDP financial statements have been converted into Canadian Dollars using the following exchange rates:

- December 31, 2020 (closing rate)	CAD 1.2732
- January 1 - December 31, 2020 (average rate)	CAD 1.3415

The unaudited pro forma consolidated financial statements were prepared using the acquisition method of accounting in accordance with Accounting Standards Codification ("**ASC**") Topic 805, *Business Combinations*, with the Company being the accounting and legal acquirer. It uses the fair value concepts defined in ASC 805, *Fair Value Measurement*, and was based on the historical financial statements of the Company and SDP.

Under the acquisition method of accounting, the assets acquired, and liabilities assumed are recorded as of the completion of the acquisition at their respective fair values. Under ASC Topic 805, acquisition-related transaction costs (i.e., advisory, legal, valuation, other professional fees) are not included as a component of consideration transferred but are accounted for as expenses in the periods in which the costs are incurred.

The accounting for the acquisition is dependent upon valuations, where available, that are provisional and are subject to change. Management will finalize the acquisition accounting for the acquisition no later than one year from the respective acquisition date as required under ASC Topic 805. Accordingly, certain pro forma adjustments are preliminary and have been prepared solely for the purpose of these unaudited pro forma consolidated financial statements. Differences between these provisional estimates and the final acquisition accounting may occur and these differences could have a material impact on our future financial performance. In addition, the unaudited pro forma consolidated statements of operations do not reflect any cost savings, operating synergies or revenue enhancements that the consolidated business may achieve, the costs to integrate the operations of the Company and SDP, or any costs necessary to achieve these cost savings, operating synergies and revenue enhancements.

The unaudited pro forma consolidated financial statements are not intended to reflect the financial position of the Company which would have resulted had the proposed transactions not been effected on the date indicated. Actual amounts recorded upon consummation of the agreement will differ from those recorded in the unaudited pro forma consolidated financial statements. No adjustments have been made to reflect additional costs or cost savings that could result from the combination of the operations of the Company and SDP.

3. Pro Forma Adjustments

a) The purchase price is determined as the fair value of the shares and options that are held by the current shareholders of SDP. For purposes of these unaudited pro forma consolidated financial statements, the fair value of common shares has been determined to be $0.16 per share ($0.12 per share adjusted for consolidation per (d) below), reflecting the pre-halt market price of the Company's shares. The excess of the preliminary estimated purchase price over the estimated fair value of the tangible and identifiable intangible assets acquired and liabilities assumed by the company is goodwill, which represents the value of intangible assets that do not qualify for separate recognition. For the purpose of these unaudited pro forma consolidated financial statements, fair value of the assets acquired is assumed to be book value of the net assets of SDP as at December 31, 2020. Accordingly, the share capital of the accounting acquirer has been increased by $3,065,920 representing value of 19,162,000 post consolidation shares to be issued to SDP's shareholders on acquisition. Estimates of value assumed full award of the contingent consideration which management considers the most likely outcome. Management anticipates that for the purpose of the U.S. GAAP financial statements, an independent expert will be engaged to complete the valuation of identifiable intangibles to be acquired and the purchase price allocation to calculate the fair value of assets acquired and liability assumed, which will be recognized separately from goodwill, in accordance with ASC Topic 805, *Business Combinations*.

b) Share capital and deficit of SDP has been eliminated because of the above proposed acquisition.

c) Transaction costs related to the acquisition are estimated as follows:

Costs in connection with Concurrent Financings	$100,000
Costs of Change of Business	$100,000
Costs of SEC S-1 Filing	$100,000
Total	**$300,000**

d) The share capital of the company has been adjusted to reflect a pending consolidation of 1:.737, to be effective before relisting.

e) On December 18, 2020, we announced that, together with our wholly-owned subsidiary, Brattle Finco B.C. Ltd ("**Finco**"), we completed a previously announced private placement of subscription receipts. The Company and Finco issued a total of 9,990,237 subscription receipts for gross proceeds of $5,550,258. Registered dealers were paid $138,756, representing 50% of the total finders' fee. Less dealer fees, proceeds were $5,425,374. Finco issued 2,121,232 Finco Subscription Receipts, each of which had a pre-Consolidation exercise price of $0.92 and will expire on December 18, 2022. These Finco Subscription Receipts will, upon certain conditions described elsewhere in this prospectus, each convert into one unit consisting of one Finco Share and one Finco Warrant.

Fair value of the Finco Warrants determined using the Black Scholes Options pricing model was $126,761, which has been recorded in the Warrants reserve. Registered dealers will also be issued Salona Compensation Options to purchase 876,231 common shares of the Company at a post-Consolidation price of approximately $0.4749 per share with an expiration of December 18, 2022, and non-transferable Finco Compensation Options to purchase 243,675 common shares of Finco at a post-Consolidation price of approximately $0.8548 per share until December 18, 2022. Fair value of these Finco Compensation Options determined using the Black Scholes Options pricing model was $223,641, which has been recorded in the Options reserve with a corresponding debit to Accumulated Deficit. See "*Change of Business and Related Transactions*" for more information on these financings.

f) On September 6, 2020, we entered into a debt settlement agreement, pursuant to which we settled a debt amounting to $116,081 (USD$88,000) to a service provider, by issuance of 737,000 common shares. See "*Transactions with Related Parties—Shares for Debt*" for more information.

g) We announced that the Board and certain employees would be granted options to buy 2,586,290 shares of the Company on relisting with the TSXV following approval of the Change of Business, as compensation for managing the entire acquisition, consolidation and relisting process. Fair value of these options determined using the Black Scholes Options pricing model was $2,005,842, which has been recorded in the Options reserve with a corresponding debit to Accumulated Deficit.

4. Pro Forma Acquisition Accounting

Total purchase price for SDP:		
Consideration Shares issued and outstanding - 26 million shares adjusted for consolidation 3(d)		19,162,000
Price per share based on Company share price- $0.12 adjusted for consolidation 3(d)	$	0.16
Cost of acquisition, shares issued	$	3,065,920
Total consideration	$	3,065,920
Less: fair value of net assets of SDP	$	2,866,099
Excess paid over net assets - Goodwill	**$**	**199,821**