AURORA SPINE CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020

This management's discussion and analysis of financial conditions and results of operations ("MD&A") is intended to assist you in understanding the corporate structure of Aurora Spine Corporation ("the Company", "we", "our") and evaluating the changes in the Company's financial condition and operations for the three and nine-month periods ended September 30, 2020.

The MD&A should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2019 and the unaudited condensed interim consolidated financial statements for the three and nine-month periods ended September 30, 2020 prepared in accordance with IFRS together with the accompanying notes. Additional information is available on SEDAR at www.sedar.com, and on our website at www.aurora-spine.com.

The Company's functional currency and presentation currency is US dollars and all amounts are shown in US dollars, unless otherwise indicated. The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

This MD&A is prepared as of November 19, 2020.

FORWARD-LOOKING STATEMENTS

This document may contain forward-looking statements that reflect management's current expectations with regard to future events. Such forward-looking statements are subject to certain factors and involve a number of risks and uncertainties. Actual results may differ from expected results. Factors that could cause our results, our operations and future events to change materially compared to the expectations expressed or implied by such forward-looking statements include, but are not limited to, market risk, interest rate risk, currency risk, credit risk and liquidity risk, uncertainty regarding additional funding requirements and our ability to obtain such funding and uncertainty regarding sales as well as those risks and uncertainties mentioned herein. We believe that the assumptions and expectations reflected herein are reasonable, but no assurance can be given that these assumptions and expectations will be correct. You should not place undue reliance on forward-looking statements as the plans, assumptions, intentions, or expectations upon which they are based might not occur. Forward looking information is provided as of the date of this MD&A and we do not intend, and do not assume any obligation, to update this forward-looking information, except as required by law.

CORPORATE STRUCTURE

The Company was incorporated under the laws of the Province of Ontario on July 4, 2013. The registered head office of the Company is located at 20 Holly Street, Suite 300, Toronto, Ontario, M4S 3B1. The principal office of the Company is located at 1930 Palomar Point Way, Suite 103, Carlsbad, California, 92008. The Company was formed as part of a reorganization to carry out a Public Offering ("Public Offering") and to acquire all of the outstanding capital stock of Aurora Spine, Inc. ("Aurora").

The Company filed an Initial Public Offering Prospectus on August 27, 2013 with securities regulatory authorities in the provinces of British Columbia, Alberta and Ontario which was successfully completed on September 5, 2013 for gross proceeds of US$3,605,000. Trading began on September 10, 2013.

Also in September 2013, the Company and its wholly-owned subsidiary AS Acquisition Corp. (a newly-formed Nevada corporation) and Aurora entered into a merger agreement which set forth the terms and conditions pursuant to which the Company acquired all of the issued and outstanding shares of capital stock of Aurora in exchange for the issuance to the existing shareholders of an aggregate of 7,272,059 Common Shares and 6,107,141 Restricted Voting Shares. Pursuant to the merger agreement, Aurora and AS Acquisition Corp. merged under the laws of the State of Nevada, with Aurora being the surviving entity. The reorganization closed immediately prior to the closing of the

Public Offering and was intended to be treated as an integrated transaction with the Public Offering for U.S. federal income tax purposes.

Between January 15, 2014 and December 31, 2018, the Company completed various private placements raising aggregate gross proceeds of CDN$17,520,854 (US$15,515,338), issuing a total of 26,849,474 common shares. The net proceeds of the private placements were used for general working capital purposes.

Additionally, on December 13, 2018, the Company issued to SILIF Corporation (SILIF) as consideration for the SILIF patent license, 1,000,000 common shares at a price of CDN$0.30 (US$0.224) per share, with all such shares being subject to a 5 year tiered lock-up agreement, with 20% of the shares released from the lock-up on each anniversary of the closing date of the transaction. The fair value of the shares issued was estimated at $238,180 using the Finnerty model to calculate a restriction discount. In addition, the Company issued to SILIF warrants to purchase up to 1,750,000 common shares of the Company, exercisable at CDN$0.35 for a period of 5 years following the date of grant. The warrants will vest in 20% increments on each anniversary of the closing date of the transaction. The fair value of the warrants issued was estimated at $365,716 using the Black-Scholes model.

In February 2020, the Company completed a private placement of 8,932,000 common shares for aggregate gross proceeds of CDN$2,333,000 (US$1,697,080). In connection with this offering, the Company paid cash commissions and fees of CDN$69,616 (US$51,281). A director of the Company subscribed to and received 1,579,000 shares in exchange for cash of CDN$394,750 (US$300,010).

The proceeds of the February 2020 private placement are being used, in part, to fund the development and marketing of various product launches.

BUSINESS OF AURORA

Aurora is focused on bringing new solutions to the spinal implant market through a series of innovative, minimally invasive, regenerative spinal implant technologies. The Company's goal is to improve patients' quality of life by developing and distributing spinal implant products that relieve back pain and preserve spinal bone structure and anatomy. Once fully developed, we expect our product portfolio to primarily address the market need for minimally invasive spinal surgical devices.

The Company has acquired intellectual property from some of our founders as well as third parties. We also develop new IP, improve product design using trained physicians for product evaluation, undertake patent filing applications, and conduct marketing and distribution development. We are a registered ISO 13485 certified company. We received FDA approval for our first product, the Company's ZIP™ Ultra Minimally Invasive Interspinous Fusion System (the "ZIP ULTRA™") on December 3, 2013.

Our Products

Our ISP ("interspinous process" or "ISP") lumbar fusion devices now include the ZIP™, the ZIP ULTRA™, the ZIP LP™ and the ZIP-51™. Additionally, we currently offer a line of interbody products – the TiNano™ product line including EOS, VOX, Echo, Echo SD and EchoXL for the lumbar section of the spine and Discovery for cervical procedures. The SOLO™ is an ALIF 3D printed stand-alone fusion device. For the sacroiliac joint, the SiLo™ is a posterior fusion device.

We continue to develop and enhance products that fall into one of the three initial product lines which we intend to market over the next several years. These product lines are:

- ISP lumbar fusion devices
- Ti-Coated PEEK (polyether ether ketone) interbody cages
- Stand-alone ("SA") Cervical and Lumbar cages

In addition, Aurora markets certain third party developed products used during spine surgeries. Our major product groups are discussed below.

ISP Products

Our ISP devices are designed for patients suffering from degenerative disc disease whose pain has not been eliminated by non-surgical treatment methods. The vast majority of these patients get treated using open surgery to install pedicle screws and rods to fix and ultimately allow two or more vertebrae to fuse together.

Our ISP product design utilizes an interlocking two-piece design consisting of two titanium side plates with a hollow titanium core chamber to host bone or biologic grafting material. The side plates have been designed as solid geometries with proprietary swiveling spikes to aid in attachment to uneven bone surfaces. The outer portions of the device are durable enough to last a lifetime under both compressive and tensile loads, while still maintaining required stiffness in the interspinous space. The hollow core chamber will be available in a variety of diameters to fit most patient anatomies.

Our ISP devices are also designed with a proprietary mechanism along the barrel for locking the side plates together. We believe this is superior to our competitors' screw/nut locking mechanisms for permanence, stability and ease of implantation.

We currently offer a lower spine (lumbar) ISP device although some of our devices have been used mid-spine (thoracic). In the future, we may introduce a multi-segment ISP device that will cover a larger number of spine segments and be designed to allow surgeons to perform corrective procedures (e.g., for scoliosis) without pedicle fixation.

Ti-PEEK Interbody Cages

Interbody cage products are used to fill the space between vertebrae after degenerative disc material has been removed. The cages provide spacing and stability between the vertebrae while bone grows to complete the fusion process. In November 2013, we entered into an agreement with Intuitive Spine, LLC to purchase interbody cage devices for use in cervical spinal fusion procedures ("AURORA DISCOVERY" or "DISCOVERY"). DISCOVERY is a cervical intervertebral body fusion device consisting of teeth on the inferior and superior surfaces to prevent back out and migration. The implant design is rectangular with a hollow core for bone graft to promote integration and fusion between the endplates. The DISCOVERY cage products are constructed of radiolucent PEEK material. As a result of the DISCOVERY agreement, we acquired PEEK interbody cages and the instrument sets used to implant the cages and the U.S. Food and Drug Administration ("FDA") 510(k) approval associated with the cages.

In February 2014, the Company began introduction of its sterile-packed titanium plasma spray coated ("TiNano™") spinal infusion implants. TiNano™ is the Company's Titanium Plasma Spray coating on PEEK Interbody implants allowing for bone growth due to its porous structure. TiNano-coated implants provide the advantages of all implant materials, bone-titanium osseo-integration from the titanium coating, as well as the modulus and post-op imaging advantages of PEEK fusion implants. The Company uses the TiNano™ technology in almost all of its interbody fusion devices, including configurations for Anterior Cervical ("ACIF"), Posterior Lumbar ("PLIF"), Transforaminal Lumbar ("TLIF") and Direct Lateral ("DLIF") interbody spacers.

SA-ALIF Cages

SA-ALIF technology allows for the cage, plate and screws to be integrated into a single unit; a feature some surgeons prefer. 3D Printed Stand-Alone ALIF Cage (SA-ALIF) are made of porous titanium and combine an integrated plate and spacer system that helps to preserve the natural anatomic profile while providing spinal column support and stability.

Anterior lumbar interbody fusion (ALIF) is a spine surgery that involves approaching the spine from the front (anterior) of the body to remove all or part of a herniated disc from in between two adjacent vertebrae (interbody) in the lower back (lumbar spine), then fusing, or joining together, the vertebrae on either side of the remaining disc space using bone graft or bone graft substitute. Anterior approaches, such as in SA-ALIF, allow surgeons access to the discs at the front of the spine and do not require muscle stripping as in posterior approaches. SA-ALIF provides the surgeon with a clear approach to the lumbar spine.

Utilizing our ZIP™ ISP platform in harmony with 3D Printed SA-ALIF Cage Technology allows Aurora to participate in the full procedure in a Lumbar fusion surgery, adding value to the patient, the doctor and the company. Multiple published clinical studies support the procedure, documenting positive clinical outcomes such as reduced blood loss, less time in the O.R., and shortened hospital stays as compared to traditional posterior fusion procedures.

Pain Management

The company has entered the pain care market with the SiLO™, a posterior fusion device for the sacroiliac joint. Sacroiliac joint (Si Joint) fusion is a surgical procedure which fuses the iliac bone (pelvis) to the spine (sacrum) for stabilization. Pain Management Physicians are reducing use of opioids and increasingly using mechanical devices such as the SiLO™ and ZIP™.

HIGHLIGHTS DURING THE PERIOD

While the outbreak of the coronavirus, or Covid-19, has undoubtably affected operations and added uncertainty to the near-term outlook for the Company, we remained optimistic for our business. Elective surgeries have recovered significantly from the Q2 lows although rising case counts in many of our markets may see restrictions again in Q4. Throughout the pandemic management has been able to continue its new product strategy in trialing its SOLO and SILO product launches. We have also undertaken cost saving measures and continue to monitor the situation and adjust as required.

The Company's efforts have resulted in the following key highlights for Q3:

- **Revenue rebounds –** Revenue was $2.4 million in the quarter down only 6.4% from the comparable quarter and up significantly over the average of $1.9 million per quarter in Q1 and Q2 this year.

- **Improved Margins –** Gross profit margins were 48.0% in Q3 2020, up 8% from the same quarter last year and up from 34.6% and 40.9% in Q1 and Q2 respectively this year. This is a direct reflection of the Company's product development and sales strategy.

- **EBITDAC** – During Q3 2020, EBITDAC was approximately $132k before including $345k of Personal Payroll Protection funds brought into income during the period. EBITDAC is a non-GAAP, non IFRS measure defined as earnings before interest, taxes, depreciation, amortization, stock-based compensation and other income.

- **Net Income** – Net income was $336,163 in Q3 2020 compared to $34,475 in Q2 2020 and a loss of $417,399 for the comparable third quarter last year.

- **Strong Cash Position –** Cash at the end of Q3 2020 was just under $2.1 million resulting primarily from private placement proceeds, aggressive collections of accounts receivable and receipt of the Payroll Protect Program Loan. During this period, Aurora completed required spending on new inventory and instruments for its new product launches. The Company is in position to weather further Covid-19 restrictions and continue our product development and rollout strategy.

- **Product Development** – The Company was issued a patent for its bone density matching Dexa technology in September 2020. The company plans to develop new cervical interbody cages based on the technology and may consider out-licensing the technology to other companies.

SPINAL IMPLANT MARKET

Product Regulation

Sale of our products requires approval under the FD&C Act in the United States, registration and approval of a CE mark in the European Union, and similar regulatory approvals in other jurisdictions around the world. Further, our products require approval by the governing board of hospitals at which our implants will be used in surgery.

All of our products are classified as Class II devices in the United States. Class II devices require either approval or clearance from the U.S. Food and Drug Administration (FDA) before they can be marketed in the United States. Products that have substantial similarity to products that already have been approved by the FDA can obtain clearance for sale through the Premarket Notification process under Section 510k of the FD&C Act. Devices that are not substantially similar to previously approved products must obtain FDA approval through the more rigorous, time-consuming and expensive Premarket Approval process, which in most cases requires extensive clinical trials.

We believe that all of our products that are currently in development have predicate devices already approved or cleared by the FDA, and that as a result we will be able to take advantage of the more streamlined Premarket Notification clearance process.

In the US, most spinal implants today are paid for by third-party payors, either private insurance companies or government programs, including Medicare, Medicaid or state workers compensation programs. We believe that surgeons, hospitals and ambulatory surgical centers can use current North American Spine Society ("NASS") and Medicare-approved payment codes with any of our proposed products, and that our products are reimbursable under both private and government-sponsored insurance plans.

Surgical Solutions

Spinal surgery has been used since the early 1900's to treat back pain and neck spinal pain. However, surgery can be expensive and complicated, and generally is recommended only when conventional therapies such as physical therapy, exercise, traction, bed rest, braces and steroid and non-steroid anti-inflammatory medications, have failed.

Lower back pain is generally considered one of the most widely experienced health problems in the United States and many parts of the world, and one of the most frequent conditions for which people see a physician or are absent from work. Other factors driving the growth of the global spinal fusion market are believed to be growing awareness about treatment of spinal disorders, rising income levels, rising obese populations and a rising number of spinal injury resulting from increased use of machinery and motor vehicles in certain regions of the world.

Spinal Fusion

Spinal fusion is among the most common spinal surgeries performed today, and is used primarily to eliminate the pain caused by abnormal motion of the vertebrae in a weak or unstable spine (caused by infections, tumors, or other degenerative conditions) and to treat spinal fractures. It is also used to treat spinal deformities such as scoliosis and kyphosis.

Spinal fusion is a surgical technique used to join two or more vertebrae. Spinal fusion works in conjunction with the body's natural bone growth processes to set up a biological response that causes a bone graft, using material implanted by the surgeon, to grow between the two vertebral elements and fuse the two vertebral elements together into one long bone, thereby stopping the motion that causes the pain. The fusion process typically takes six to twelve months after surgery to complete.

In most cases, spinal fusion is augmented by a process called fixation, which refers to the placement of permanent rigid or semi-rigid prosthetic devices made of titanium or other materials. These devices were developed in response to the need to limit compression on the affected vertebrae and stabilize them in order to facilitate bone fusion, without

requiring the patient to be immobilized. These fusion/fixation devices include pedicle screws, rods or plates, cages constructed of PEEK and, more recently, ISP devices.

Spinal fusion techniques currently are used in both cervical and lumbar spines. Most fusions on the cervical spine are performed using anterior interbody fusion, in which, following an anterior discectomy, a bone graft is placed between two vertebrae and replaces the removed disc. During the healing process, the vertebrae grow together, creating a solid piece of bone out of the two vertebrae.

Three types of interbody fusion procedures are most commonly used today:

1. Anterior Lumbar Interbody Fusion, in which an abdominal incision is used to reach the lumbar spine;
2. Posterior Lumbar Interbody Fusion, in which an incision on the patient's back is used to reach the lumbar spine; and
3. Lateral Lumbar Interbody Fusion, in which a lateral incision is used to reach the lumbar spine.

One of the challenges for both surgeons and spinal implant device companies is to bridge the gap between patient satisfaction and clinical success. Early fusion procedures performed without fixation devices and using grafts of the patient's own bone required a secondary surgical site from which the bone would be harvested, and often suffered from stabilization issues during the period needed for vertebral fusion to occur. Plate devices and pedicle screws, while effective at stabilization, involve more anatomically invasive procedures and can involve extended recovery times.

Other Surgical Options

The growing need to identify better solutions for degenerative disc of the spine has led to innovation in less-invasive spinal fusion procedures, spinal navigation systems and robotics, non-fusion, motion-preserving devices, and advanced biological products, including allografts, synthetics and bone-morphogenetic proteins ("BMPs"), which eliminate the need to harvest bone for grafts from the patient's own body.

In recent years, MIS devices have been introduced into the spinal implant market to provide a less invasive alternative to pedicle screw instrumentation in fusion procedures. ISP devices attach to the spine with a clamp, rather than screws, and utilize counter stresses to help maintain attachment. These devices are designed to provide the necessary fixation and stability, while preserving the patient's anatomy and reducing complications and recovery time. Also in recent years, so-called "motion preserving" techniques, such as artificial disc replacement, have begun to be offered as alternatives to fusion. These techniques have not yet been adopted on a widespread basis in the U.S. because, amongst other things, reimbursement by third-party payors has not been rapidly forthcoming and the advantages of these techniques over fusion have not been well established.

The Changing Market

Pedicle screw systems continue to dominate the spinal fusion market. However, the spinal fusion market appears to be moving toward newer technologies and more minimally invasive approaches to spinal fusion. We believe this is the reason pedicle screw fusion has been losing market share to newer technologies such as dynamic stabilization (motion preserving devices), ISP devices, stand-alone devices, artificial discs and other alternative solutions.

While some of these newer technologies have yet to be widely accepted for reimbursement by third-party payors, our experience is that current NASS and Medicare-approved payment codes are favorable to stand-alone devices, and we continue to see a surge of stand-alone technologies introduced into the market. It has also been our experience that current reimbursement codes favor ISP technology, and that surgeons, hospitals and ambulatory surgical centers are able to use current NASS and Medicare-approved payment codes with both stand-alone and ISP devices. We believe this will lead to continued growth for these technologies in the coming years.

Competition

The global spinal surgery market is characterized by strong competition. Management believes the top five companies account for more than 70% of the overall market, and that the FDA's reclassification of spinal fusion devices from

Class III to Class II in 2007 has attracted, and will continue to attract, new entrants in the market. We continue to see product launches and an increased focus on research and development activities, and we anticipate that intense competition between the new entrants and existing companies may lead to pricing pressure on all companies in the future.

Companies such as Medtronic Inc., Zimmer Biomet and DePuy Synthes, are the leading players in the global market for spinal surgery devices and represent a significant portion of the total market share. We believe that this is due, in large part, to their broad portfolios of spinal fusion devices. Other companies with significant market shares include Stryker Corporation and NuVasive Inc.

We believe that the worldwide spinal implant market currently includes over 200 pedicle screw systems, but that less than fifteen active competitors offer ISP fusion devices in the United States.

Further information and analysis regarding the Company's overall performance is discussed below.

OVERALL PERFORMANCE

Aurora Spine Corporation's unaudited interim condensed consolidated financial statements are presented in US dollars which is its functional currency.

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

SELECTED BALANCE SHEET INFORMATION

The following table summarizes selected key financial data.

As at	September 30, 2020 $	December 31, 2019 $	December 31, 2018 $
Cash	2,085,552	444,741	856,504
Trade receivables	1,585,613	2,443,096	1,584,269
Prepaid expenses and deposits	179,959	262,217	219,301
Inventory	1,721,999	1,529,474	2,562,957
Current assets	5,573,123	4,679,528	5,223,031
Intangible assets	827,954	838,915	853,529
Property and equipment	1,143,618	1,155,249	766,602
Total assets	7,544,695	6,673,692	6,843,162
Current liabilities	1,946,025	2,523,223	1,868,960
Long-term liabilities	2,313,005	2,382,444	2,016,000
Share capital	21,850,680	20,669,713	20,661,153

ANALYSIS OF FINANCIAL CONDITION AND FINANCIAL PERFORMANCE

Since inception, Aurora has focused on research and development followed by marketing and surgeon education to grow our business. The Company has expanded the range of products offered, applied for and received FDA approval for several products and increased the number of hospital approvals.

The Company has several FDA cleared products and procedures, all designed to improve spine patient outcomes, drive continued surgeon interests, and provide unique benefits that deliver value to hospitals and patients. Inventory is on-hand to support future sales and hospital approvals have increased.

SELECTED QUARTERLY INFORMATION

The Company's functional currency is the US dollar (USD). The functional currency of the Company's US subsidiary Aurora is USD.

Operating results for each quarter for the last two fiscal years are presented in the table below.

Quarters ended	**September 30, 2020 $**	June 30, 2020 $	March 31, 2020 $	December 31, 2019 $	**September 30, 2019 $**	June 30, 2019 $	March 31, 2019 $	December 31, 2018 $
Revenue	**2,368,692**	1,580,450	2,259,251	2,632,649	**2,530,602**	3,260,247	2,729,221	2,500,976
Cost of goods sold	**(1,230,824)**	(934,058)	(1,478,037)	(2,550,418)	**(1,518,986)**	(1,971,382)	(1,564,504)	(1,266,038)
Gross profit	**1,137,868**	646,392	781,214	82,231	**1,011,616**	1,288,865	1,164,717	1,234,938
Operating expenses	**1,146,672****	831,239**	1,341,757	669,399*	**1,429,015**	1,332,970	1,370,318*	1,324,231*
EBITDAC***	**477,060**	170,549	(294,721)	(837,587)	**(116,189)**	259,250	86,433	157,823
Net income (loss)	**336,163**	34,475	(560,543)	(587,168)	**(417,399)**	(44,105)	(205,601)	(89,293)
Basic and diluted income (loss) per share****	**0.01**	0.00	(0.01)	(0.03)	**(0.01)**	(0.00)	(0.00)	(0.00)

***** Adjusted by gains and (losses) on sale of equipment.
** Excludes gain and (losses) from Other income (expense) of $219,322 in June 30, 2020 and $344,967 in September 2020. These are anticipated to be non-recurring.
******* EBITDAC is a non GAAP, non IFRS measure defined as Earnings before Interest, Tax, Depreciation, Amortization and Stock based compensation. This amount includes Gains (losses) on sale of property and equipment and Other income (expense).
******** Outstanding options and warrants have not been included in the calculation of the diluted loss per share as they would have the effect of being anti-dilutive.

Since the Company has been in the development stage, quarterly operating results have varied in the past and may vary substantially in the future. Accordingly, the information above is not necessarily indicative of results for any future quarter.

Comparative - Three Months Ended September 30, 2020 and 2019

During the three months ended September 30, 2020 the Company generated revenue in the amount of $2,368,692 compared to $2,530,602 during the same period the previous year, a decrease of approximately $162k. Revenue continued to increase through September 2020 with revenue in August and September 2020 being slightly higher than the same periods in 2019.

During the current quarter, cost of sales was $1,230,824 and gross profit was $1,137,868 as compared to $1,518,986 and $1,011,616, respectively in the comparable period last year. Gross margin was 48% of revenues compared to 40% in the comparable period. Gross margin continues to improve with the integration of new products.

During the current quarter, EBITDAC was $477,060, compared to ($116,189) during the comparable period. The increase is due to the sales of new higher margin products and the Payroll Protection Program loan gain of $344,163.

Operating expenses during the current quarter were $1,146,672 compared to $1,429,015 during the comparable period. Operating expenses decreased by $282k due to cost savings measures during the Covid-19 crisis particularly in the area of employee costs. Salaries expense during the current quarter was $278,441 compared to $324,206 during the comparable period. Marketing expense decreased by $131,262 due to the cancelation of tradeshows and travel expenses are down due to the restrictions on travel in Q3 2020.

Insurance expense during the current quarter was $84,453 compared to $116,773 during the comparable period because of reductions in certain policy pricing.

Professional fees were $72,631 during the current quarter compared to $3,325 during the comparable period. Professional fees include legal fees and costs related to regulatory and financial audits. The increase is primarily due to timing of the services performed and expenses related to patents and trademarks.

Research and development expense during the current quarter was $69,388 compared to $22,462 during the comparable period. The increase during the current period of approximately $47k relates to an increase of labs held to introduce products to new doctors and testing new products.

Cash Flows – Three Months Ended September 30, 2020 and 2019

Cash flows from operating activities during the three months ended September 30, 2020 were $304,273, primarily consisting of the net income increased by depreciation, amortization, non-cash stock based compensation and loan interest and the changes in working capital components during the period which include decreases in trade and other receivables and deferred other income, and increase in prepaid expenses and deposits, trade and other payables, and inventory. The Payroll Protection Program Loan was recorded as a government grant using the income approach. The loan amount of $344,967 was amortized in the current period to Other Income.

Cash flows from operating activities during the three months ended September 30, 2019 were $110,720, primarily consisting of the operating loss reduced by depreciation, amortization, non-cash stock-based compensation and loan interest and the changes in working capital components during the period which include a decrease in trade and other receivables, prepaid expenses and deposits, inventory and trade and other payables.

Cash used in financing activities during the three months ended September 30, 2020 were $40,261, resulting from lease payments and repayment of amounts due to related parties. Cash used in financing activities during the comparable period for 2019 were $34,887 resulting from lease payments and repayment of amounts due to related parties.

Cash flows used in investing activities during the three months ended September 30, 2020 were $121,501 due to additions to property and equipment, adding additional trays and instruments. Cash flows used for investing activities in the comparable period in 2019 were $17,641 due to additions to property and equipment.

Comparative - Nine Months Ended September 30, 2020 and 2019

During the nine months ended September 30, 2020 we generated revenues in the amount of $6,208,392 compared to $8,520,070 during the same period the previous year, a decrease of approximately $2.3M. The primary driver of this decrease was the mandatory shutdown of business due to the COVID-19 pandemic that began in March 2020. Most hospitals closed to elective surgeries in April 2020 with gradual re-openings in limited amounts throughout May and June 2020.

During the nine months ended September 30, 2020 cost of sales was $3,642,919 and gross profit was $2,565,473 as compared to $5,054,872 and $3,465,198, respectively in the comparable period last year. Gross margin was 41.3% of revenues compared to 40.7% in the comparable period. Gross margin as a percentage of revenue increased primarily due to lower costs of goods related to the replacement of third-party products with company branded products.

During the nine months ended September 30, 2020, EBITDAC was $352,887, compared to $229,494 during the same period the previous year. The increase is a result of the gain attributed to the Payroll Protection Program loan.

Operating expenses during the current period were $3,319,667 compared to $4,131,521 during the same period the previous year. Operating expenses decreased by $812k primarily due to a reduction in salaries, insurance expense, marketing expense and consulting fees.

Salaries expense during the current period was $847,078 compared to $1,064,165 during the comparable period. The decrease reflects the furlough of several employees in March 2020 that extended through Q2 2020 due to the COVID-19 mandatory shutdown. Most employees have since been rehired.

Insurance expense during the current period was $277,671 compared to $350,871 during the comparable period because of reductions in certain policy pricing.

Marketing expense during the current period was $18,515 compared to $141,950 during the comparable period and decreased due to the cancelation of tradeshows and travel expenses are down due to the restrictions on travel due to Covid-19.

Consulting fees were $261,355 during the current period compared to $322,919 during the comparable period. The decline relates to a reduction in costs related to product development design activity.

Research and development expense during the current period was $216,048 compared to $163,700 during the comparable period. Research and development costs increased in Q3 2020 as the Company released new products.

Cash Flows – Nine Months Ended September 30, 2020 and 2019

Cash flows from operating activities during the nine months ended September 30, 2020 were $525,746, primarily consisting of the operating loss increased by depreciation, amortization, non-cash stock based compensation and loan interest and the changes in working capital components during the period which include decreases in trade and other receivables, prepaid expenses and deposits and trade and other payables and an increase in inventory and deferred other income. The Payroll Protection Program Loan was recorded as a government grant using the income approach. The loan amount of $460,877 was recorded as deferred income, and $344,967 was amortized in the current period to other income.

Cash flows used in operating activities during the nine months ended September 30, 2019 were $107,138, primarily consisting of the operating loss reduced by depreciation, amortization, non-cash stock-based compensation and loan interest adjusted for a loss on sale of property and equipment and the changes in working capital components during the period which include an increase in trade and other receivables and trade and other payables, offset by a decrease in prepaid expenses and deposits and inventory.

Cash flows received from financing activities during the nine months ended September 30, 2020 were $1,525,511, resulting primarily from receipt of $1,697,080 private placement funds offset by issuance costs of $51,281, payments of amounts due to related parties and lease payments. Cash used in financing activities during the nine months ended September 30, 2019 were $114,729, primarily resulting from lease payments and repayment of amounts due to related parties.

Cash flows used in investing activities during the nine months ended September 30, 2020 were $410,446 due to additions to property and equipment, adding additional trays and instruments. Cash flows used in investing activities during the nine months ended September 30, 2019 were $186,887 resulting primarily from the purchase of trays, instruments and other property and equipment offset by proceeds from the sale of instruments.

Covid-19 Impact

The recent outbreak of the coronavirus, or Covid-19, has added uncertainty to the short-term and mid-term outlook for the Company. During the first nine months of 2020 the United States limited and suspended business operations in the hopes of controlling the outbreak by implementing travel restrictions and quarantine measures. The Company's operations have been deemed to be part of the essential medical structure in most locations that it operates. The Company implemented business continuity plans to maintain operations during initial lockdowns.

The Company has implemented work procedures to support the community effort to reduce the transmission of Covid-19 and protect employees by complying with federal and state guidelines. The main office was rearranged to provide all employees with the recommend six feet distancing and masks are required in the office. The office is professionally cleaned and sanitized on a regular basis. Business travel was suspended for a time and meetings were held online rather than in person. These measures have not resulted in a material impact on the Company's ability to do business.

The initial lockdown resulted in states suspending non-essential surgeries at hospitals which severely impacted revenue in March and April. Hospitals opened to non-essential surgery in the months that followed with continued adverse effects to revenue.

While is it not possible to estimate the impact Covid-19 could have on the company, the continued spread of the virus and the measures taken by governments will continue to affect the Company. A resurgence of the virus may require hospitals to close to non-essential surgery and may further restrict business operations. This may disrupt the supply chain, and the manufacture and shipment of products. The extent to which Covid-19 will impact the Company's results will depend on future developments that are highly uncertain and difficult to predict.

The Company has experienced delays in the manufacture and delivery of inventory. The Company has taken steps to add new suppliers to reduce the time needed to manufacture inventory and instruments. We expect these new suppliers to be qualified to manufacture inventory for sale in Q1 2021. Supply chains for the newly released products and those to be released in Q1 2021 have already been secured.

The Company employed cost saving measures in the first nine months of 2020, including the layoff of employees, the restriction of travel, and reductions in the scope of the R&D expenditures. Most employees have since been rehired and sales personnel have resumed travel to support the Company's business operations.

LIQUIDITY AND CAPITAL RESOURCES

Our objective is to maintain sufficient liquid resources to meet operational requirements. As at September 30, 2020, we had cash of $2,085,552. Working capital at September 30, 2020 aggregated $3,627,098.

In April 2020, we received an emergency loan of $460,877 from the US government's Small Business Administration related to the COVID-19 pandemic to cover payroll, rent and utilities during the government mandated business shutdown during 2020. The terms of the loan provide for forgiveness if the funds are used for the intended purpose. We are currently waiting on more guidance from the government with respect to the loan forgiveness. In reviewing the available information, we believe that we will fall under a safe harbor provision and that the loan or a large portion of it will be forgiven.

In May 2020, many hospitals reopened for elective surgeries albeit at reduced levels. The Company estimates a decline in revenue going forward of approximately 20% until elective surgeries resume to their normal levels.

Our principal uses of cash since inception have been for the development of our products, general and administrative activities, compensation and advertising and marketing efforts. Going forward, additional funds will be needed for continued product development and marketing as we continue our commercialization efforts.

In the event we are unable to generate significant revenue and achieve profitable net income in the long term, we will rely on equity and debt financing to fund our cash requirements. There is no guarantee that our operations will yield positive results in the future. There can be no assurance that new capital will be available as necessary to meet our continuing expenditures (if required), or if the capital is available, that it will be on terms acceptable to us.

COMMITMENTS, CONTINGENCIES AND OFF-BALANCE SHEET ARRANGEMENTS

Lease Commitment

On April 14, 2017 the Company signed a new lease with its landlord which terminated the original lease effective May 31, 2017. The new lease terms were effective June 1, 2017 and terminate on March 31, 2023. The new lease reduces the monthly base rent from $28,718 for 17,288 square feet to $7,650 for 5,464 square feet, plus Common Area Maintenance ("CAM") charges and a termination fee of $5,000 for the first 22 months. The monthly payment increases by 3% each year beginning at month 13 of the lease. The Company adopted the modified retrospective approach of IFRS 16 on its effective date, January 1, 2019. The Company recognized a right-of-use asset representing its rights to use the underlying asset and a lease liability representing its obligation to make lease payments. Under this approach, the cumulative effect of initially applying IFRS 16 was recognized as an adjustment to equity at the date of transition,

January 1, 2019. The amount of the adjustment was $33,367. The asset is recorded in property and equipment as right of use asset – buildings. The liability was initially measured at the present value of the lease payments outstanding at the date of transition, discounted using the Company's incremental borrowing rate which was determined to be 5.75%. At December 31, 2019, the liability related to the right of use asset is $400,600 of which $252,220 is non-current and $148,380 is current and classified as other payable.

The Company has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16. At this date, the Company has also elected to measure the right-of-use asset at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

The lease liability is secured by the related underlying asset. Future minimum lease payments as of September 30, 2020 are as follows:

September 30, 2020	Within 1 year	1-2 years	2-3 years	3-4years	Total
Lease payments	$135,295	$139,354	$95,214	$ –	$369,863
Finance charges	14,843	8,011	1,635	–	24,489
	$150,138	$147,365	$96,849	$ –	$394,352

Payments related to short-term leases were expensed on a straight-line basis. The expense related to these payments not included in the lease liability was $5,067 for the year ended September 30, 2020.

ZIP ULTRA™ Device – Royalty Agreements

In December 2012, Aurora Spine LLC entered into two separate consultant agreements whereby the Company has a commitment to pay a 3.5% aggregate royalty to these consultants, based on gross sales of certain products sold and patent royalties received by the Company. Total royalties paid are not to exceed 6% of annual revenues of any given device or product line. Royalties will not be payable until the product can be placed in the market following successful completion of the pivotal medical testing and receipt of approval to market the products in the US and Canada from the Food and Drug Administration and Health Canada.

Intervertebral Body Fusion Device – Commitment and Royalty Agreement

In November 2013, the Company entered into an asset agreement whereby the Company has agreed to pay a 2% royalty of worldwide net sales of the Intervertebral Fusion Device product, payable thirty days after the end of each calendar quarter, for the prior calendar quarter. The royalty shall be paid for six years commencing July 2014 and terminating July 2020.

Intervertebral Cervical Fusion Device – Commitment and Royalty Agreement

In November 2013, the Company entered into an asset agreement whereby the Company has agreed to pay a royalty payment of 5% for all sales of the Discovery PEEK cervical implants quarterly, within 30 days of the end of each calendar quarter for as long as the Company sells the implants. Gross sales are defined as total selling price, excluding taxes.

Other

The Company had no other commitments for material capital expenditures, no contingencies and no off-balance sheet arrangements, other than the above-mentioned items.

TRANSACTIONS BETWEEN RELATED PARTIES

The Company's related parties include key management and personnel and we consider key personnel to be those having authority and responsibility for planning, directing and controlling the activities of the Company, directly or

indirectly. Key management are the members of the Board of Directors, the chief executive officer, the present chief financial officer, the former chief financial officer during her time in the position, the chief technology officer and chief operating officer. Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

At September 30, 2020 and 2019, there is an outstanding non-interest-bearing loan payable to a director of the Company for $50,000 and $80,000, respectively, which is due on or before May 2022 and is secured by certain instrument sets. Additionally, at September 30, 2020 and 2019, there is an outstanding secured promissory note to a director of the Company with a principal amount of $1,600,000 which bears an interest rate of 9% per annum and is due on or before June 2022. At September 30, 2020 and 2019, the accrued interest related to the loan is $493,500 and $421,500, respectively. In response to the Covid-19 pandemic, the related party forgave the Q3 2020 interest. The note is secured by the tangible and intangible assets of the Company.

During the nine months ended September 30, 2020, the Company completed a private placement of 8,932,000 common shares for aggregate gross proceeds of CDN$2,333,000 (US$1,697,080). In connection with this offering, the Company paid cash commissions and fees of CDN$69,616 (US$51,281). A director of the Company subscribed to and received 1,579,000 shares in exchange for cash of CDN$394,750 (US$300,010).

The following comprises the remuneration of key management of the Company:

	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Salary	$ 388,674	$ 365,339
Stock based compensation	1,975	8,216
Total	$ 390,649	$ 373,555

PROPOSED CORPORATE TRANSACTIONS

The Company is not a party to any proposed transaction that may influence the financial condition, results of operations or cash flows or qualify as a proposed asset or business combination.

ACCOUNTING POLICIES

The Company has adopted accounting policies with respect to revenue, cost of sales, inventories, intellectual property and stock options which are discussed below. Foreign currency translation and recent accounting pronouncements are also discussed below.

Recent accounting pronouncements - New standard adopted as of January 1, 2019

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases

Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease are recorded in the statement of financial position with a ‘right-of-use’ asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment or investment property and the liability is unwound using the interest rate inherent in the lease or the Company’s incremental borrowing rate. The accounting requirements from the perspective of the lessor remain largely in line with previous IAS 17 requirements.

The Company has only one lease which falls within the scope of IFRS 16. Additional information regarding the lease is in Note 14 – Leases as well as in Note 3 – Significant Accounting Policies. The Company has adopted the modified

retrospective approach from January 1, 2019. As a result, the Company has recognized a right-of-use asset representing its rights to use the underlying asset and a lease liability representing its obligation to make lease payments. Under this approach, the cumulative effect of initially applying IFRS 16 is recognized as an adjustment to equity at the date of transition, January 1, 2019. The lease liability is initially measured at the present value of the lease payments outstanding at the date of transition, discounted using the Company's incremental borrowing rate which was determined to be 5.75%. The right-of use asset is presented in 'Property and equipment' and the current and long-term portions of the lease liability are separately presented in the Statement of Financial Position.

The Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases and apply IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 Leases will not be reassessed for whether a lease exists. The Company has also elected to not recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less and for leases of low-value assets. The Company will also account for leases for which the lease term ends within 12 months of the date of initial application as short-term leases.

Inventories

Inventories are initially recognized at cost and subsequently stated at the lower of cost and net realizable value. The Company's inventory primarily consists of implants and consumables (devices used in surgery). Costs of each type of inventory is determined using the weighted average method and includes amounts incurred to acquire, sterilize and prepare the products for sale. The Company outsources its manufacturing operations.

Net realizable value is the estimated selling price less applicable selling expenses. If carrying value exceeds net realizable amount, an adjustment is recognized. The adjustment may be reversed in a subsequent period if the circumstance that caused it no longer exists. When inventories are sold, the carrying amount of those inventories are recognized as an expense in the period that the related revenue is recognized.

Property and equipment

Property and equipment are recorded at cost and are depreciated over the estimated useful lives of the assets.

Management reviews the estimated useful lives, residual values and depreciation method at each year end, accounting for the effect of any changes in estimate on a prospective basis.

Intangible assets and research costs

The Company capitalizes the cost of intangible assets in accordance with IAS38 – Intangible Assets. Management identifies these acquired or created intangible assets if it determines that a future economic value exists, and the costs are reliably measurable. These costs may include the acquisition of intellectual property and licenses, preparing the products to enter medical testing, and government approval. The cost of these assets is amortized over the useful life of the product once ready for use. Intellectual property and patents are amortized over 20 years and license agreements are amortized over 5 years, unless the economic life is shorter.

Annually, management assesses and estimates impairment and each asset remaining useful life.

Research costs are expensed as incurred. Expenditures on development activities are capitalized only if the product or process is technically and commercially feasible, development costs can be measured reliably, future economic benefits are probable, the Company intends to use or sell the asset, and the Company intends and has enough resources to complete development.

Impairment of property and equipment and intangible assets

At the end of each reporting period, management reviews the carrying amounts of its tangible and intangible assets to determine if those assets may have suffered an impairment loss. If it appears so, management estimates the asset's recoverable amount to determine the extent of the impairment loss, if any. When it is not possible to estimate a specific asset's recoverable amount, management estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, assets are also allocated to

specific cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the Company discounts estimated future cash flows to their present value using a pre-tax discount rate reflecting current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If an asset or cash-generating unit's recoverable amount is estimated to be less than it's carrying amount, the carrying amount is reduced to its recoverable amount, recognizing an impairment loss immediately in the statements of comprehensive loss. Where an impairment loss subsequently reverses, the carrying amount is increased to the revised estimate of its recoverable amount, without exceeding the carrying amount that would have been determined if no impairment loss had been recognized in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statements of comprehensive loss.

Revenue

The Company derives its revenues primarily from the sale of spinal surgery implants, consumable products used in spinal surgeries and service revenue for referring products to its customers. Revenue from the sale of products and services are recognized when the significant risks and rewards of ownership have been transferred to the customer, the sales price and costs can be measured reliably, and it is probable that the economic benefits will flow to the Company. These criteria are generally met at the time the product is delivered to the customer, title and risk have passed to the customer and acceptance of the product has been obtained.

To determine whether to recognize revenue, the Company follows a 5-step process:

Step 1: Identify the contract(s) with the customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when the entity satisfies a performance obligation

Revenue is recognized when the Company satisfies performance obligations by transferring the promised goods to the customer or when the product has been used in surgery.

Cost of goods sold

Cost of goods sold includes the cost of sold manufactured finished goods inventory and the related packaging, distribution and transportation costs. Additionally, inventory adjustments related to excess, expired or obsolete inventory are expensed to cost of goods sold.

Provisions

The Company recognizes a provision when it has a present obligation (legal or constructive) as a result of a past event, it is probable that it will be required to settle the obligation, and it can make a reliable estimate of the amount of the obligation. The amount it recognizes as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Share-based compensation

When equity-settled stock options are awarded to employees, the fair value of the stock options at the date of grant is charged to the statements of comprehensive loss over the vesting period. Performance vesting conditions are considered by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. If all other

vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

When the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after modification, is also charged to the statement of comprehensive loss over the remaining vesting period. Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument at the grant date. The grant date fair value is recognized in statements of comprehensive loss over the vesting period, described as the period during which all the vesting conditions have been met.

When equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in statements of comprehensive loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital. When the value of goods and services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of exercise restrictions, and behavioral considerations. Equity settled stock-based payments are reflected in share-based reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to shareholders' capital, adjusted for any considerations.

Foreign currency translation

The Company's functional currency is the US dollar ("USD"). The Company's subsidiaries functional currencies are the USD for Aurora Spine, Inc. and Aurora Spine Europe Limited. Monetary assets and liabilities denominated in a foreign currency are translated to USD at exchange rates in effect at the end of the reporting period and non-monetary assets are transferred at rates of exchange in effect when the assets were acquired, or obligations incurred. Revenue and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in statements of comprehensive loss.

Financial instruments

Financial assets

Recognition and initial measurement

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

Classification and subsequent measurement

On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The Company determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets are classified as follows:

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of trade receivable.
- Fair value through other comprehensive income - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized

in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. The Company does not hold any financial assets measured at fair value through other comprehensive income.

- Mandatorily at fair value through profit or loss - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. Financial assets mandatorily measured at fair value through profit or loss comprised of cash.
- Designated at fair value through profit or loss – On initial recognition, the Company may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. The Company does not hold any financial assets designated to be measured at fair value through profit or loss.

Business model assessment

The Company assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed, and information is provided to management. Information considered in this assessment includes stated policies and objectives.

Contractual cash flow assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest based on their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Company considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Company's claim to cash flows, and any features that modify consideration for the time value of money.

Impairment

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than financial assets measured at fair value through profit or loss. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The Company applies the simplified approach for accounts receivable. Using the simplified approach, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Company assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts and breaches of borrowing contracts such as default events or breaches of borrowing covenants. For financial assets assessed as credit-impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit losses.

For financial assets measured at amortized cost, loss allowances for expected credit losses are presented in the statements of comprehensive loss as a deduction from the gross carrying amount of the financial asset.

Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

Derecognition of financial assets

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

Financial liabilities

Recognition and initial measurement

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, except for financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Classification and subsequent measurement

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss.

Derecognition of financial liabilities

The Company derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

Financial instruments

The financial instruments of the Company are classified as follows:

	IFRS 9	
	Classification	Measurement
Cash	FVTPL	Fair value
Trade and other receivables	Amortized cost	Amortized cost
Due to related parties	Other financial liabilities	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost

The Company classifies financial instruments recognized at fair value in accordance with a fair value hierarchy that include the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets at Fair Value Through Profit or Loss ("FVTPL") are measured at fair value at the date of the statement of financial position with any gain or loss recognized immediately in net income. Interest and dividends earned from these assets are also included in net income for the period. Cash is the only item currently classified as financial assets at FVTPL and is a Level 1.

Trade receivables are measured at amortized cost using the effective interest method. Any gains or losses are recognized in the Statement of Comprehensive Loss. Other financial liabilities are measured at amortized cost using the effective interest method with interest expense recognized on an effective yield basis. This classification applies to the majority of the Company's financial liabilities, including trade and other payables. Due to related parties are

classified as current liabilities unless the Company has the unconditional right to defer settlement for at least 12 months after the end of the reporting period.

Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive loss.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized, and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive loss or in equity depending on the item to which the adjustment relates. Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that enough taxable earnings will be available to allow all or part of the asset to be recovered.

Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains A Lease, SIC-15 Operating Leases – Incentives and SIC-27- Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The Company adopted IFRS 16 on its effective date, January 1, 2019.

IFRS 16 eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease are recorded in the statement of financial position with a "right of use" asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment or investment property, as appropriate, and the liability is unwound (expensed) using the interest rate inherent in the lease.

The Company elected to apply the practical expedient measure that grandfathers which requires the Company to apply IFRS 16 to contracts that were previously identified as leases. Contracts that were not considered leases under IAS 17 *Leases* were not reassessed. The Company elected to omit (not recognize) right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less and for leases of low-value assets. The Company also accounts for leases for which the lease term ends within 12 months of the date of initial application as short-term leases. The adoption of the new Standard has resulted in the Company recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The Company has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being January 1, 2019. At this date, the Company has also elected to measure the right-of-use asset at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

FINANCIAL RISK MANAGEMENT

The Company manages risk through established policies that provide management control to mitigate risk over operations. These policies provide for risk identification and assessment, and that appropriate and effective procedures are in place to mitigate risk. Market risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. For purposes of this disclosure, market risk is segregated into three categories: other market risk, interest rate risk and currency risk. Other risks associated with financial instruments include credit risk, concentration and liquidity risk.

Covid-19 risk

The recent outbreak of Covid-19 has spread across the globe and impacted worldwide economic activity. Covid-19 poses a risk to the Company and its employees, suppliers, customers, and partners and may prevent normal business activity for an indefinite period of time. The governments in the United States and Canada may mandate shutdowns, restrict travel, and impose quarantines.

The extent to which the spread of Covid-19 will impact the Company's business and operations will depend on future developments which are highly uncertain and cannot be predicted at this time. If restrictions are imposed on the Company, its suppliers, or its customers there is no way to predict the duration or scope of the restrictions. In particular, the spread of Covid-19 could materially impact the Company's business, employee health, workforce productivity, create shortages, impact supplier and distributor relationships, decrease supply chain stability, increase cost for insurance, reduce travel; all of which may have a material and adverse effect on the business.

Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the end of the reporting period.

[i] Cash

The Company minimizes its exposure to credit risk by keeping all cash as cash on deposit in a FDIC (Federal Deposit Insurance Corporation) US-based bank. Management assesses the credit risk as negligible.

[ii] Trade receivables

The exposure to credit risk for the Company's trade receivables is minimal. The Company has some concentration of trade receivables in two customers that make up 36% of the receivables. Historically, there has been no credit loss with respect to these customers and the Company continues to monitor their health and credit ratios. The Company deals with reputable distributors and hospitals and its customer base is established and continuously monitored. Management consistently assesses all customers for credit risk.

Trade Receivables

Description	September 30, 2020	December 31, 2019
Current	$1,147,992	$1,121,073
Past due 1-30 days	334,265	552,116
Past due 31-60 days	58,464	324,371
Over 60 days	47,254	450,370
Trade receivable balance and maximum credit risk	$1,587,975	$2,447,930
Net receivables, net of expected credit loss	$1,585,613	$2,443,096

The Company applies the simplified approach to providing for expected credit losses as prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets. The loss allowance provision is based on the Company's historical collection and loss experience and incorporates forward-looking factors, where appropriate.

Individual receivables which are known to be uncollectible are expensed by reducing the carrying amount to zero. Other receivables are assessed collectively to determine whether there is objective evidence that impairment has occurred, but has not yet been identified. The Company maintains an expected credit loss that represents an estimate of the uncollectible amounts based on historical experience. The loss allowance provision is reduced by collections of receivables after the reporting date.

The Company considers that there is evidence of impairment if any of the following indicators are present:

- significant financial difficulties of the debtor;
- probability that the debtor will enter bankruptcy or financial reorganization; and/or
- default or delinquency in payments.

The provision matrix below shows the expected credit loss rate at each aging category of receivables.

	Current	Aged 1-30 days past due	Aged 31-60 days past due	Aged > 60 days past due
Expected loss rate	100%	100%	100%	95%
Gross carrying amount	$1,147,992	$334,265	$58,464	$47,254
Loss allowance provision, end of period	–	–	–	$2,362

The Company actively monitors trade receivables and management has determined that there should be no material change in the expected credit loss given the current status of the Covid-19 and its impact on customers. The Company is actively monitoring the credit risk of customers. The Company has been actively collecting receivables and has seen an increased rate of collection and a decrease in amounts greater than 30 days past due.

Foreign currency risk

The prices paid by the Company's subsidiary for services and supplies are paid in US dollars. The Company raised funds in Canadian dollars, which have been converted to US dollars. All financial instruments are denominated in US dollars. The Company is not significantly exposed to currency risk as at September 30, 2020 and December 31, 2019 and as such not deemed to be a risk to be hedged at the present time.

Interest rate risk

Interest rate risk arises because of changes in market interest rates. The Company has no third-party borrowings bearing interest and considers itself to have very minimal exposure to interest rate risk.

Liquidity risk

Liquidity risk includes the risk that the Company will not be able to meet operational liquidity requirements to conduct its business.

The Company's operating cash requirements include general, administrative and amounts necessary to obtain inventory and regulatory approval expenses to commercialize its products. The Company's objective is to maintain enough liquid resources to meet operational requirements and product line expansion.

The Company's current assets exceed current liabilities by $3,627,099 (December 31, 2019 - $2,156,306). The Company's continuing operations are dependent upon its ability to generate cash flow from operations and secure additional equity capital, none of which are assured. There can be no assurances that the Company's activities will be successful or that sufficient funds can be raised in a timely manner.

The following summarizes the maturity profile of the Company's financial liabilities:

Liability	Terms	September 30, 2020	December 31, 2019
Trade and other payables	Due within one year	$1,858,529	$2,493,223
Related party loans	Due within one year	$30,000	$30,000
Related party loans	Due within two years	$2,113,500	$2,100,000

Capital management

The Company's objective when managing capital, defined as its debt and equity, is to safeguard the entity's ability to continue as a going concern so that it can provide returns for shareholders. The Company is not subject to any externally imposed capital requirements. Management's objective is to ensure adequate working capital to fund operations and commercialize and distribute products. If necessary, it will use the sale of equity or asset-based borrowing to fund business operations to meet objectives. The Company's management considers its capital to be the aggregate of shareholders' equity, comprising share capital, warrants, share-based remuneration reserve and deficit, which at September 30, 2020 and December 31, 2019 was $3,285,665 and $1,768,025, respectively.

FINANCIAL INSTRUMENTS

We initially measure financial instruments at fair value. Fair value estimates of financial instruments are made at a specific point in time based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values. Our financial instruments consist of cash, trade receivables, due to related parties and trade and other payables.

The fair value of cash, trade receivables, due to related parties and trade and other payables are approximately equal to their carrying value due to their short-term nature.

We classify financial instruments recognized at fair value in accordance with a fair value hierarchy that includes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets at Fair Value Through Profit or Loss ("FVTPL") are measured at fair value at the balance sheet date with any gain or loss recognized immediately in net income. Interest and dividends earned from these assets are also included in net income for the period. Cash is the only item currently classified as financial assets at FVTPL and is a level 1.

Loans and receivables are measured at amortized cost using the effective interest method. Any gains or losses are recognized in the Statement of Comprehensive Loss. Other financial liabilities are measured at amortized cost using the effective interest method with interest expense recognized on an effective yield basis. This classification applies to the majority of the Company's financial liabilities, including trade and other payables. Loans and borrowings are classified as current liabilities unless the Company has the unconditional right to defer settlement for at least 12 months after the end of the reporting period.

OUTSTANDING SHARE DATA

(a) Share capital

The number of authorized common shares without par value and preferred non-voting shares of share capital is unlimited. The continuity of share capital is as follows:

	Common Shares	
	#	$
December 31, 2019	46,477,774	20,669,713
Private placement [i]	8,932,000	1,697,080
Share issuance costs [i]	–	(51,281)
September 30, 2020	55,409,744	22,315,512

[i] In February 2020, the Company completed a private placement of 8,932,000 common shares for aggregate gross proceeds of CDN$2,333,000 (US$1,697,080). In connection with this offering, the Company paid cash commissions and fees of CDN$69,616 (US$51,281). A director of the Company subscribed to and received 1,579,000 shares in exchange for cash of CDN$394,750 (US$300,010). The net proceeds of the private placements are used for general working capital purposes. In addition, the Company issued warrants to purchase up to 4,466,000 common shares of the Company, exercisable at CDN $0.45 for a period of 3 years following the investment date. The warrants will vest in 33% increments on each anniversary of the date of the transaction. The proceeds of the February 2020 private placement will be, in part, used to fund the development and marketing of various product launches.

(b) Stock options

A stock option plan was approved and adopted by the Board of Directors of the Company on September 5, 2013. The Board of Directors may from time to time grant to directors, employees and consultants, options to acquire common shares.

The plan provides that the maximum number of common shares which may be reserved for issuance to Insiders may not exceed 10% of the common shares outstanding at the time of grant. A grant to Insiders, within any twelve-month period, of options reserving for issuance a number of shares may not exceed 10% of the common shares outstanding at the time of grant. A grant to any one individual, within any twelve-month period, of options reserving for issuance a number of shares may not exceed 5% of the common shares outstanding at the time of the grant, except in certain circumstances. A grant to all persons engaged by the Company to provide investor relations activities, within any twelve-month period, of options reserving for issuance a number of shares may not exceed 2% of the common shares outstanding at the time of the grant. Finally, a grant to any one consultant, in any twelve-month period, of options reserving for issuance a number of shares may not exceed 2% of the common shares outstanding at the time of the grant.

Options granted under the Plan can have a maximum life period of ten (10) years after the grant date. The option exercise price is established by the Board of Directors and may not be lower than the market price of the common shares at the time of grant.

At September 30, 2020, the number of outstanding options which could be exercised for an equivalent number of common shares is as follows:

	Number of options	Weighted average exercise price	Weighted average remaining life in years
Balance, December 31, 2019	3,181,000	$0.26	5.75
Issued[(i)(ii)]	445,833	$0.21	7.67
Forfeited	(278,500)	N/A	N/A
Balance, September 30, 2020	3,348,333	$0.26	5.48
Exercisable, September 30, 2020	2,146,083	$0.24	6.21

(i) During the quarter ended March 31, 2020, the Company granted a total of 215,000 stock options. The options vest 1/3 on each annual anniversary for three years. The fair value of the stock options was estimated to be $21,623 using the Black-Scholes option pricing model, with $21,497 expensed related to current and prior period grants. The remaining expense will be recognized over the balance of the vesting periods.

(ii) During the quarter ended June 30, 2020, the Company granted a total of 112,500 stock options. The options vest 1/3 on each annual anniversary for three years. The fair value of the stock options was estimated to be $5,805 using the Black-Scholes option pricing model, with $17,064 expensed related to current and prior period grants. The remaining expense will be recognized over the balance of the vesting periods.

(iii) During the quarter ended September 30, 2020, the Company granted a total of 118,333 stock options. The options vest 1/3 on each annual anniversary for three years. The fair value of the stock options was estimated to be $10,372 using the Black-Scholes option pricing model, with $23,185 expensed related to current and prior period grants. The remaining expense will be recognized over the balance of the vesting periods.

The fair value of the options granted during the nine-months ended September 30, 2020 was determined using the Black-Scholes option pricing model using the following assumptions:

	September 30, 2020
Weighted average risk-free interest rate	1.00%
Expected volatility	83%
Expected life	8 years
Expected dividend yield	$Nil
Weighted average share price at date of grant	$0.21
Weighted average exercise price at date of grant	$0.21
Forfeiture rate	49%

(c) Warrants

The Company issued warrants effective January 30, 2020 and February 6, 2020 to purchase up to 4,466,000 common shares of the Company, exercisable at CDN$0.45 for a period of 3 years following the date of the transaction. The warrants issued in December 2018 vest in 20% increments on each anniversary of the closing date of the transaction and expire on December 13, 2023. The warrants issued in 2020 vest in 33% increments on each anniversary of the date of the transaction and expire 36 months after the date of the transaction.

At September 30, 2020, the number of outstanding warrants of which 350,000 are exercisable for an equivalent number of common shares is as follows:

	Number of warrants	Weighted average exercise price (Cdn $)
Balance, December 31, 2019	1,750,000	$0.35
Issued	4,466,000	$0.45
Balance, September 30, 2020	6,216,000	$0.42

The fair value of the warrants issued during the first quarter of 2020 is estimated at USD$464,832 using the Black-Scholes model. The weighted average fair value of the warrants issued in 2020 is estimated using the Black-Scholes valuation method and based on the following assumptions:

2020	
Weighted average risk-free interest rate	1.45%
Weighted average expected volatility	87%
Expected life	3 years
Expected dividend yield	$Nil
Weighted average share price at date of grant	$0.23
Weighted average exercise price at date of grant	$0.45
Fair value (Cdn $)	$0.09
Forfeiture rate	Nil

INTELLECTUAL PROPERTY

The Company capitalizes the cost of acquiring intellectual property. Carrying amounts are subject to impairment review annually and whenever there is an indication that an intangible asset may be impaired and where conditions exist, impairment is recognized. During the three and nine-month periods ended September 30, 2020, the Company recognized $3,654 and $10,960 of amortization expense (three and nine-months ended September 30, 2019 - $3,654 and $10,960. No impairment was recognized as of September 30, 2020 and Dec 31, 2019.

ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

This MD&A was prepared as of November 19, 2020. The Company regularly discloses additional information through the filing of press releases, material change reports, financial statements, quarterly and annual reports on SEDAR at www.sedar.com, and on our website at www.aurora-spine.com.

This report was approved on November 19, 2020.