AURORA SPINE CORPORATION

Interim Management's Discussion and Analysis

(Unaudited)

For the three and nine-months ended September 30, 2023

(in US Dollars)

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 six-month periods ended September 30, 2023.

The MD&A should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2022, and the unaudited condensed consolidated interim financial statements for the three and six-month periods ended September 30, 2023, prepared in accordance with IFRS together with the accompanying notes. Additional information is available on SEDAR+ at www.sedarplus.ca, 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 14, 2023.

FORWARD-LOOKING STATEMENTS

This document may contain forward-looking statements that reflect management's current expectations of future events. Such forward-looking statements are subject to certain factors and involve 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 subsequently completed in September 2013 offering 5,150,000 common shares at a price of US$0.70 per share, for gross proceeds of US$3,605,000. Trading began on September 10, 2013.

On September 5, 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 1, 2014, and December 31, 2020, the Company completed various private placements raising aggregate gross proceeds of CDN$20,153,854 (US$17,450,598), issuing a total of 36,781,474 common shares and 1,750,000 warrants. The warrants were valued at US$365,716 using the Black-Scholes model.

On September 17, 2021, the Company completed a private placement. The Company issued 11,220,930 common shares and 8,976,743 warrants exercisable for an equivalent number of common shares for aggregate gross proceeds of US$5,116,139 (CDN$6,508,139). US$3,623,850 was allocated to common shares and US$1,492,209 was allocated to warrants. In connection with this offering, the Company paid commissions, fees, and incurred legal and other expenses of US$795,781 (CDN$1,002,766). The broker received a fee of 7% if the investor warrants are exercised. Regarding the warrants, 8,415,697 were exercisable immediately and any time up to three years following the date of

issuance at CDN$0.75 and 561,046 were issued to the broker and currently are exercisable up to three years from the date of issuance at CDN$0.58. The broker warrants were valued at US$178,466 (CDN$217,491).

On November 20, 2023, the Company completed a private placement. The Company issued 6,445,939 common shares and 6,445,939 warrants exercisable for an equivalent number of common shares for aggregate gross proceeds of CDN$1,872,311 ($1,355,986 USD). In connection with this offering, the Company paid commissions, fees, and incurred legal and other expenses of CDN$50,700. Regarding the warrants, each whole warrant is exercisable at a price of CDN$0.50 per common share starting four months following the date of issuance for a period of 24 months following the date of issuance. David Rosenkrantz, Daryl MacLellan, Tracy Graf and Michael Seid, directors of the Company, purchased or acquired direction and control over a total of 3,161,272 shares for CDN$948,382 ($686,848 USD) under the Offering.

Our Strategy

Aurora is focused on bringing new solutions to the spinal and SI joint implant market through a series of innovative, minimally invasive, regenerative technologies. The Company's goal is to improve patients' quality of life by developing and distributing implants using our proprietary technology to relieve back pain and preserve spinal bone structure and anatomy. Our fully developed product portfolio primarily addresses the market need for minimally invasive spinal and SI joint surgical devices.

Our Technology

We continue to develop new products based on our intellectual property. We intend to expand our implant portfolio by leveraging this intellectual property. These products include:

- Interlaminar fusion devices (ZIP)
- DEXA Technology interbody cages
- SI joint fusion devices

ZIP Devices

The ZIP 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 Zip 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 Zip 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) Zip device although some of our devices have been used mid-spine (thoracic). In the future, we may introduce a multi-segment Zip 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.

Our Zip lumbar fusion devices now include the ZIP®, the ZIP ULTR®, the ZIP LP™ and the ZIP-51™.

DEXA Technology

On December 31, 2020, the Company recorded an intangible for US patent #10,779,954 B1 titled "Body Density Scan Result-Matched Orthopedic Implants and Methods of Use". The patent will be utilized to create spinal implants that match the patient's specific bone density based on a DEXA Scan/T-score allowing for the best bone fusion treatment and most favorable outcome based on that patient's bone density.

Aurora's patented DEXA Technology™, which creates a series of implants manufactured with varying densities to match a patient's bone density and DEXA T-Score. By comparing and using a product that matches a patient's bone density, the technology should promote quicker bone growth and employ superior fixation. Aurora Spine's DEXA

Technology™ is part of the company's advanced portfolio representing the future of Spinal and Orthopedic implants. Following fundamental principles of patent focused innovation, DEXA Technology™ was logically created and patented to combine the essential design benefits of conventional machining, 3D printing, and additive implant manufacturing. Aurora Spine's new DEXA Technology™ will provide surgeons with additional solutions in selecting the right implant for their patient. Traditionally, medical devices for spinal procedures are designed as 'one size fits all' and assumes that every patient's bone density is similar. The proprietary engineering behind Aurora's DEXA Technology™ is advancing the science of implant technology, and ultimately helping improve patient fusion rates and overall clinical outcomes.

The DEXA-C™ Cervical Interbody System is a porous 3D-printed intervertebral body fusion device that incorporates low-, mid-, or high-density lattice pattern options to support the matching of patients' bone quality utilizing Aurora's patented DEXA Technology™. The profile of the device is rectangular with a hollow core for bone graft to promote bone integration and fusion between the endplates. The device is available in various footprints and heights to accommodate variability among patients and is manufactured from titanium alloy per ASTM F3001.

SI Joint Fusion Devices

We are a medical device company dedicated to solving musculoskeletal disorders of the spine and sacropelvic anatomy. We have developed proprietary minimally invasive surgical implant systems to address sacroiliac joint dysfunction. Our products include a series of patented titanium implants and the instruments used to implant them. Since launching our first-generation SILO system in 2021, we have launched a new patented implant, SILO-TFX in 2023. Within the United States, our SILO, and SILO-TFX implant systems have clearances for applications across sacroiliac joint dysfunction and fusion, and degeneration. Minimally invasive sacroiliac (SI) joint fusion is an increasingly common treatment for patients with low back pain due to SI joint dysfunction. Therefore, it represents a high-growth potential niche in the orthopedic spine market.

Sacroiliac Joint Dysfunction and Degeneration

Over 30 million American adults are estimated to have chronic lower back pain. Studies indicate that 15% to 30% of patients with chronic low back pain may have symptoms originating with the sacroiliac joint. Based on our market experience and internal estimates, and the assumption that the average person suffering from sacroiliac joint dysfunction has been in pain for five years, we estimate that the potential market for sacroiliac joint fusion in the United States could be approximately 279,000 patients for a potential annual market in the United States of approximately $2.5 billion.

Sacroiliac joint patients may have experienced one or more events that have contributed to disruption and/or degeneration of the sacroiliac joint, such as pregnancy, falls, previous lumbar surgery, accidents, and aging, which may cause degeneration of the cushioning in the joint much like other joints. Patients with sacroiliac joint dysfunction frequently experience significant pain simply from sitting, standing, or rolling over in bed. The pain can be exacerbated with activity - when a patient walks or runs. We believe that approximately 65% of people who suffer from sacroiliac pain are women. Although several non-surgical treatments exist for sacroiliac joint pain, including physical therapy, opiates and non-steroidal anti-inflammatory medications, intra-articular injection of steroid medications and radio frequency ablation, these treatments did not provide long-term pain or disability relief in our randomized controlled clinical trials.

Market Growth Factors:

- The company estimates sacroiliac joint fusion market to be valued at US $620 million based on the $9.7 billion spine market in 2021 and 13% growth in the market from 2020 to 2021.
- Around 65% of Orthopedic revenue can be contributed by North America.
- The Company is seeing growth in sacroiliac joint fusion procedures as the procedures expand into outpatient surgical centers from hospitals

(market size based on "The Orthopaedic Industry Annual Report", Orthoworld Inc., 2022, pages 14 and 16)

Growth Drivers

- The increasing adoption of minimally invasive surgeries is anticipated to be the key factor driving the market during the forecast period, further improving diagnostic capabilities for sacroiliac joint disorders and the adoption of new technologies are likely to offer better SI joint fusion systems.
- In addition, the increasing geriatric population in developed countries like the US and the growing incidences of chronic diseases are anticipated to make a significant contribution in boosting the market. The SiLO TFX procedure addresses this market.

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 injuries 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 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.

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. Zip 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.

Competition

The global spinal surgery market is characterized by strong competition. Management believes the top five companies account for 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.

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

HIGHLIGHTS DURING THE PERIOD

After the initial launch of SiLO TFX, the company has seen increasing sales month over month in Q3 and anticipates continued growth throughout the year. IRB approval was given for a study of the Dexa-C implant and the first patient was enrolled.

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

- **Growing Sales** – Q3 Sales of $3.9 million compared to $3.6 million in same quarter last year up 7.7%.
- **Product mix –** Gross margin percentage increased to 59.7% in Q3 2023 compared to 53.2% in Q3 2022. A change in product mix lead by growth in our Pain division has resulted in an overall higher gross margin and higher gross margin as a percentage of sales.
- **Full Release of SiLO TFX –** With over 35 instrument sets release to the sales team, SiLO TFX sales increased 51% quarter over quarter making up 30.5% of sales in Q3 2023. Total SI joint product sales in 2023 were 24.8% of sales compared to 20.4% in the comparable period. The Company is very pleased with these results as throughout the latter half of 2022 and early 2023, our SiLO bone dowel SI Joint product was negatively affected by changes in coding and reimbursement allowances to physicians and surgery centers using these allograft (bone) products and procedures.
- **Positive EBITDAC –** The Company had positive EBITDAC of $120,796 in Q3 2023 compared to ($163,660), ($378,871) and ($358,311) in the three previous quarters.
- **Hired more Sales Staff–** The Company hired two new sales associates in Q3 with a focus in the Southeast and the Southwest. These hires are expected to help drive sales growth in 2024. The Company expects to hire two more sales associates in Q4.

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, 2023	December 31, 2022	December 31, 2021
	$	$	$
Cash	373,385	423,401	3,172,575
Receivables	3,538,120	3,666,310	2,668,174
Prepaid and other current assets	135,393	186,800	674,687
Inventory	3,353,033	3,054,173	1,889,640
Current Assets	7,399,931	7,330,684	8,405,076
Intangible Assets	787,846	881,354	854,331
Property and Equipment	2,568,540	1,910,940	1,304,242
Total Assets	10,756,317	10,122,978	10,563,649
Current Liabilities	3,653,348	3,029,599	2,627,281
Non-Current Liabilities	3,369,861	2,773,919	2,367,056
Share Capital	26,105,376	25,218,093	25,087,474

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 End	**September 30, 2023**	June 30, 2023	March 31, 2023	December 31, 2022	**September 30, 2022**	June 30, 2022	March 31, 2022	December 31, 2021
	$	$	$	$	**$**	$	$	$
Revenue	**3,949,530**	3,568,583	2,958,088	3,609,514	**3,648,680**	4,067,166	3,551,964	2,964,980
Cost of goods sold	**(1,592,530)**	(1,537,410)	(1,429,987)	(1,783,881)	**(1,706,677)**	(1,926,683)	(1,650,355)	(1,602,047)
Gross profit	**2,357,000**	2,031,173	1,528,101	1,825,632	**1,942,003**	2,140,483	1,901,609	1,362,933
Operating expenses	**2,606,618**	2,513,587	2,191,039	2,665,203	**2,057,655**	2,367,985	2,288,186	2,266,897
EBITDAC*	**120,796**	(163,660)	(377,871)	(358,311)	**150,687**	96,285	(153,972)	(566,569)
Net loss	**(249,618)**	(482,414)	(662,938)	(839,570)	**(115,652)**	(159,667)	(386,577)	(903,964)
Basic and diluted loss per share**	**(0.00)**	(0.01)	(0.01)	(0.01)	**(0.00)**	(0.00)	(0.01)	(0.01)

***** 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.

EBITDAC for each quarter for the last two years are presented in the table below:

Quarters End	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
	$	$	$	$	$	$	$	$
Net Loss	(249,618)	(482,414)	(662,938)	(839,569)	(115,653)	(159,668)	(386,577)	(903,964)
Plus								
Interest	49,911	46,999	40,768	41,455	40,953	41,962	39,234	41,626
Taxes	-	-	-	-	-	-	-	-
Depreciation	256,633	206,633	201,125	336,472	183,737	182,963	152,637	250,985
Amortization	36,640	33,390	23,478	64,110	3,654	3,654	3,653	3,653
Stock-Based Compensation	27,230	31,732	19,696	39,221	37,996	27,374	37,081	41,131
EBITDAC	120,796	(163,660)	(377,871)	(358,311)	150,687	96,285	(153,972)	(566,569)

The information above is not necessarily indicative of results for any future quarter.

Comparative – Three-Months Ended September 30, 2023 and September 30 2022

During the three-months ended September 30, 2023, the Company generated revenue in the amount of $3,949,530 compared to $3,648,680 during the same period the previous year, an increase of $300,850 or 8.2%. The majority of the increase is due to gains with pain doctors and interventional radiologists offset by decreases in the Ortho/Neuro side of our business. The decrease in the Ortho/Nuero revenue is due to lower sales of lumbar screws, cervical cages, and cervical plates due to several factors including delays in securing cervical plate toolsets and inventory from our European supplier resulting in a loss of surgeries and necessitating sourcing onshore production; surgeries moving to hospital surgery centers resulted in lower price points for our products; and lower surgical volumes from some of our surgeons. This has been partially offset by growing sales of ZIP and SiLO TFX. We have undertaken a reorganization of the sales divisions to enhance efforts and rebuild our Ortho/Neuro business.

During the current quarter, cost of sales was $1,592,530 and gross profit was $2,357,000 as compared to $1,706,677 and $1,942,003, respectively, in the comparable period last year. Gross margin in the current period was 59.7% of revenue compared to 53.2% of revenue in the comparable period.

The Company has increased staff in sales and conducted more surgeon training sessions in Q3 2023. The Company has also incurred R&D costs as it designs and commercializes new products in the spine and SI joint markets. Salaries in the current quarter were $827,687 compared to $591,636 in the comparable prior period. R&D expenses in the current period were $210,695 compared to $156,272 in the comparable prior period. With the release of new products in 2023, the Company is incurring expenses for product design and testing. Marketing expenses in the current period were $332,683 as compared to $312,976 in the comparable prior period. Marketing and doctor training has continued in Q3 2023 as we continue to expand into the pain market with our ZIP and SI joint devices.

During the current quarter, EBITDAC was lower at $120,796 compared to $150,687 during the comparable prior period due to higher operating expenses. The Company's business strategy includes the launching of innovative products and developing a pain management division. These expenses include patent and trademark expenses as well as FDA approvals for new products. Q3 2022 was a period where we recorded significantly lower expenses related to research and development and professional fees.

Cash Flows – Three-Months Ended September 30, 2023 and September 30, 2022

Cash flows from operating activities during the three-months ended September 30, 2023, were $360,674. Cash flows from operating activities primarily consisted of the net loss adjusted for non-cash items (depreciation, amortization, non-cash stock-based compensation and loan interest) and the changes in working capital components during the period (increases in receivables, inventory, and accounts payable and decreases in prepaid expenses.) The primary drivers of the change were the increases in accounts payable and inventory. Accounts receivable increased due to increased sales in Q3 2023.

Cash flows from operating activities during the three-months ended September 30, 2022, were $341,541. Cash flows from operating activities primarily consisted of the net loss adjusted for non-cash items (depreciation, amortization, non-cash stock-based compensation and loan interest) and the changes in working capital components during the period (decreases in trade and other receivables, inventory, prepaid expenses and deposits and trade and other payables.). The primary drivers of the change were the decreases in accounts receivable, inventory and trade and other payables. Accounts receivable decreased due to increased collections in Q3 2022. Inventory levels decreased reflecting increased sales.

Cash flows used in financing activities during the three-months ended September 30, 2023, were $65,585 due to lease payments. Cash flows used in financing activities during the prior comparable period were $196,683, mainly from lease payments.

Cash flows used in investing activities during the three-months ended September 30, 2023, were $308,336 due to additions to property and equipment and more specifically adding additional trays and instruments. Cash flows used in investing activities in the comparable period in 2022 were $254,319 due to additions to property and equipment.

Comparative – Nine-Months Ended September 30, 2023 and September 30 2022

During the nine-months ended September 30, 2023, the Company generated revenue in the amount of $10,476,201 compared to $11,267,811 during the same period the previous year, a decrease of $791,610 or (7.0%). The decrease

is due to lower sales of cervical and lumbar implants in the spine division in 2023 compared to 2022 an aggregate decrease of 37%. This is offset by 13% growth in SI joint products and 29% growth in Zip implants in 2023. The Company has initiated changes to the sales organization to address the issue with spine division sales.

During the nine-months period ended September 30, 2023, cost of sales was $4,559,927 and gross profit was $5,916,274 as compared to $5,283,716 and $5,984,095, respectively, in the comparable period last year. Gross margin in the current period was 56.5% of revenue compared to 53.1% of revenue in the comparable period.

The Company has increased staff in sales and marketing and conducted more surgeon training sessions. The Company has also incurred R&D costs as the Company designs and commercializes new products in the spine and SI joint markets, including products recently approved by the FDA. Salaries in the current period were $2,239,546 compared to $1,902,834 in the comparable prior period. R&D expenses in the current period were $809,587 compared to $674,300 in the comparable prior period. With the release of new products in 2023, the Company is incurring expenses for product design and testing. Marketing expenses in the current period were $678,991 as compared to $866,536 in the comparable prior period. Marketing and physician training has continued in Q3 2023 as we continue to expand into the pain market with our ZIP and SI joint devices.

During the current period, EBITDAC was ($420,734) compared to $93,001 during the comparable prior period. The difference is due to lower sales in 2023 offset by higher operating expenses. The Company's business strategy includes the launching of innovative products and developing a pain management division. These expenses include patent and trademark expenses as well as FDA approvals for new products.

Cash Flows – Nine-Months Ended September 30, 2023 and September 30, 2022

Cash flows used in operating activities during the nine-months ended September 30, 2023, were $57,963. Cash flows from operating activities primarily consisted of the net loss adjusted for non-cash items (depreciation, amortization, non-cash stock-based compensation and loan interest) and the changes in working capital components during the period (decreases in receivables and prepaid expenses and increases in inventory and accounts payable.) The primary drivers of the change were the increases in accounts payable and inventory, as well as decreases in accounts receivable. Accounts receivable decreased due increased collections in 2023. The larger difference year over year is due to a large increase in accounts receivable and increased inventory during 2022 offset by higher net loss in 2023.

Cash flows used in operating activities during the nine-months ended September 30, 2022, were $1,352,986. Cash flows used in operating activities primarily consisted of the net loss adjusted for non-cash items (depreciation, amortization, non-cash stock-based compensation and loan interest) and the changes in working capital components during the period (increases in trade and other receivables, inventory, prepaid expenses and deposits, trade and other payables). The primary drivers of the change were the increase in accounts receivable and inventory. Accounts receivable increased due to increased sales in 2022 and increased collection times. Inventory levels grew to reflect increased sales, production timelines, and new product launches.

Cash flows from financing activities during the nine-months ended September 30, 2023, were $523,505 resulting from warrants exercised and offset by lease payments. Cash flows used in financing activities during the prior comparable period were $333,068, 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, 2023, were $515,558 due to additions to property and equipment and more specifically adding additional trays and instruments. Cash flows used in investing activities in the comparable period in 2022 were $828,113 due to additions to property and equipment.

LIQUIDITY AND CAPITAL RESOURCES

Our objective is to maintain enough liquid resources to meet operational requirements. As at September 30, 2023, the Company had cash of $373,385. Working capital as at September 30, 2023 is $3,746,583. 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

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, 2023, are as follows:

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5-6 years	Total
Lease payments	$ 287,710	$ 269,578	$ 272,328	$ 209,379	$ 171,865	$ 87,542	$ 1,298,402
Finance charges	48,884	39,180	29,478	19,365	10,198	1,467	148,572
	$ 336,594	$ 308,758	$ 301,806	$ 228,744	$ 182,063	$ 89,009	$ 1,446,974

During the year the company renewed the lease agreement for the building in which the Company offices are located. 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 $Nil for the period ended September 30, 2023, and December 31, 2022.

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. Royalties of $6,072 have been paid in 2023 ($29,502 in 2022).

SI Joint System – Commitment and Royalty Agreement

On November 2018, the Company entered into a patent license agreement whereby the Company has agreed to pay a royalty of 7% based on net sales of the SiLO TFX implant quarterly, within 45 days of the end of each calendar quarter while the company has exclusive global right to sell the implants. No royalties have been issued in 2023 or 2022. The Company expects to pay royalties in 2023 as the device reaches full commercialization.

Spinal Fusion System – Commitment and Royalty Agreement

On September 27, 2021, the Company entered into an asset agreement whereby the Company has agreed to pay a royalty payment of 3% of net sales of the Hydra system for a period of 10 years following commercialization and issued 50,000 stock options upon execution and will grant up to an additional 300,000 stock options based on the achievement of specific milestones. No royalties or stock has been issued in 2023 or 2022.

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 that have 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 chief financial officer, 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, 2023 and December 31, 2022, 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 2025. At September 30, 2023, the accrued interest related to the loan is $925,500 (December 2022 - $817,500). The note is secured by the tangible and intangible assets of the Company.

The remuneration of key management of the Company for the nine-months ended September 30, 2023, is $401,558 which includes $602 stock-based compensation (nine-months ended September 30, 2022 – $372,455 which includes $1,975 stock-based compensation).

On November 20, 2023, the Company completed a private placement. The Company issued 6,445,939 common shares and 6,445,939 warrants exercisable for an equivalent number of common shares for aggregate gross proceeds of CDN$1,872,311 ($1,355,986 USD). In connection with this offering, the Company paid commissions, fees, and incurred legal and other expenses of CDN$50,700. Regarding the warrants, each whole warrant is exercisable at a price of CDN$0.50 per common share starting four months following the date of issuance for a period of 24 months following the date of issuance. David Rosenkrantz, Daryl MacLellan, Tracy Graf and Michael Seid, directors of the Company, purchased or acquired direction and control over a total of 3,161,272 shares for CDN$948,382 ($686,848 USD) under the Offering. Board members acquired the following shares: David Rosenkrantz, 2,250,000; Daryl MacLellan, 334,000; Tracy Graf, 350,000; Mike Seid 227,272.

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.

Cash and cash equivalents

Cash and cash equivalents include demand deposits held with banks with original maturities of less than 90 days. Cash equivalents are carried at fair value.

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, distributor commissions, royalties, and 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

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 four leases which fall within the scope of IFRS 16. Additional information regarding the lease is in Note 13 – Leases. The Company has recognized a right-of-use asset ("ROU") representing its rights to use the underlying asset and a lease liability representing its obligation to make lease payments. 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 between 1.50% to 10.2%. 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 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, which were determined to be $5,000 or less in annual payments. The Company accounts for leases for which the lease term ends within 12 months as short-term leases.

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.

Reimbursement Rates

If reimbursement rates paid by third-party payers are reduced or if third-party payers otherwise restrain our ability to obtain or provide services to members, our business could be harmed. Changes to Medicare and Medicaid rates or methods governing Medicare and Medicaid payments for our services could materially adversely affect our 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.

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.

Trade receivables

The exposure to credit risk for the Company's trade receivables is minimized as the Company does not have significant concentration of trade receivables in an individual customer; the Company deals with reputable distributors and hospitals; and its customer base is established and continuously monitored. Management consistently assesses customers for counter party risks.

Accounts Receivable	September 30, 2023	December 31, 2022
	$	$
Current	1,377,208	1,673,657
Past due 1-30 days	973,256	558,164
Past due 31-60 days	473,075	445,957
Past due over 60 days	847,391	1,184,983
Accounts Receivable balance and maximum credit risk	3,670,390	3,862,761
Expected credit loss	(132,810)	(196,451)
Net receivables, net of expected credit loss	3,538,120	3,666,310

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 and available without undue cost or effort. The provision matrix below shows the excepted credit loss rate at each aging category of receivables. Balances over 30 days past due have increased risk of loss and the Company reviews all accounts over 30 days past due. The accounts provision matrix provides for a minimum of 5% loss on all accounts more than 60 days past due plus any accounts identified as at risk at each reporting period. The company wrote down accounts receivable by $63,155 for uncollectible accounts in June 2023.

September 30, 2023	Current	Aged 1-30	Aged 31-60	Aged > 60 days
Expected collection rate	99.7%	99.0%	98.0%	87.0%
Gross carrying amount	$1,377,208	$973,256	$473,075	$847,391
Expected credit loss, end of period	(3,455)	(9,733)	(9,461)	($110,161)

December 31, 2022	Current	Aged 1-30	Aged 31-60	Aged > 60 days
Expected collection rate	100%	100%	100%	83%
Gross carrying amount	$1,673,657	$558,164	$445,957	$1,184,983
Expected credit loss, end of period				($196,451)

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, 2023 and December 31, 2022 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. Other than leases, the Company has no third-party borrowings bearing interest and considers itself to have minimal exposure to cashflow 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 $3,746,583 (December 31, 2022 - $4,298,585). The Company's continuing operations are dependent upon its ability to generate cash flow from operations and secure additional equity capital, none of which is 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, 2023	December 31, 2022
Trade and other payables	Due within one year	$3,347,119	$3,142,781
Leases	Due within one year	$306,229	$196,693
Due to related parties	Due within two years	$2,525,500	$2,417,500

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, 2023 was $3,733,108 (December 31, 2022 - $4,316,960).

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 authorized share capital of the Company consists of an unlimited number of voting common shares, an unlimited number of restricted voting common shares, and an unlimited number of preferred shares issuable in series. Each voting common share carries the right to one vote. Each restricted voting common shares outstanding each carries the same voting right as a voting common shares, except that it does not carry the right to vote in respect of the election of directors of the Company. There are no preferred shares issued and outstanding. The continuity of share capital is as follows:

	Common Shares	
	#	$
December 31, 2022	67,055,510	25,218,093
Warrants Exercised (i)	2,171,000	887,283
September 30, 2023	69,226,510	26,105,376

(i) During the month of January 2023, pursuant to the exercise of 2,171,000 warrants, the Company issued 2,171,000 shares for aggregate gross proceeds of CDN$976,950 (USD$732,459)

On November 20, 2023, the Company completed a private placement. The Company issued 6,445,939 common shares and 6,445,939 warrants exercisable for an equivalent number of common shares for aggregate gross proceeds of CDN$1,872,311 ($1,355,986 USD). In connection with this offering, the Company paid commissions, fees, and incurred legal and other expenses of CDN$50,700. Regarding the warrants, each whole warrant is exercisable at a price of CDN$0.50 per common share starting four months following the date of issuance for a period of 24 months following the date of issuance. David Rosenkrantz, Daryl MacLellan, Tracy Graf and Michael Seid, directors of the Company, purchased or acquired direction and control over a total of 3,161,272 shares for CDN$948,382 ($686,848 USD) under the Offering.

(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, 2023, 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, 2022	4,211,000	$	0.27	4.25
Issued(i)(ii)(iii)	408,750	$	0.34	7.56
Exercised	—		N/A	N/A
Expired	(224,583)		N/A	N/A
Balance, September 30, 2023	4,395,167	$	0.33	3.76
Exercisable, September 30, 2023	3,214,611	$	0.31	4.13

(i) During the quarter ended March 31, 2023, the Company granted a total of 133,750 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 $20,758 using the Black-Scholes option pricing model. Expense recorded is related to the current and prior period grants as options vest over several years. The Company recorded $19,696 of expense 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, 2023, the Company granted a total of 207,500 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

$29,187 using the Black-Scholes option pricing model. Expense recorded is related to the current and prior period grants as options vest over several years. The Company recorded $31,732 of expense 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, 2023, the Company granted a total of 67,500 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 $8,347 using the Black-Scholes option pricing model. Expense recorded is related to the current and prior period grants as options vest over several years. The Company recorded $27,230 of expense 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 three-months ended September 30, 2023, was determined using the Black-Scholes option pricing model using the following assumptions:

		September 30, 2023
Weighted average risk-free interest rate		3.23%
Weighted average expected volatility		83%
Expected life		8 years
Expected dividend yield		Nil
Weighted average share price at date of grant	$	0.33
Weighted average exercise price at date of grant	$	0.34
Forfeiture rate		54%

(c) Warrants

The Company issued 1,750,000 warrants exercisable at CDN$0.35 effective December 13, 2018. These warrants entitle the holders to subscribe to an equivalent number of common shares and the fair value was estimated at $365,716 USD using the Black-Scholes model. SILIF corporation exercised warrants to purchase 1,750,000 shares at CDN$0.35. The warrants were issued in connection with the SiLO TFX patent licensing agreement. The total purchase price was $451,351 USD, which was financed with a loan and security agreement with the Company. The loan is due in full November 8, 2027.

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. These warrants vest in 33% increments on each anniversary of the date of the transaction and expire 36 months after the date of the transaction. During the year ended December 31, 2022, 325,000 warrants were exercised. In January 2023, 2,171,000 warrants were exercised and 1,970,000 expired.

The Company issued warrants effective September 17, 2021 to purchase 8,976,743 common shares of the Company, Of these, 8,415,697 are exercisable immediately and any time up to three years following the date of issuance at CDN$0.75 and 561,046 were issued to the broker and currently are exercisable up to three years following the date of issuance at CDN$0.58.

At September 30, 2023, the number of outstanding warrants of which 10,376,743 are exercisable for an equivalent number of common shares is as follows:

	Warrants	
	Number of Warrants	Weighted Average exercised price CDN$
Balance December 31, 2022	14,867,743	$0.61
Exercised	(2,171,000)	$0.45
Expired	(1,970,000)	$0.45
September 30, 2023	10,726,743	$0.68

On November 20, 2023, the Company completed a private placement. The Company issued 6,445,939 common shares and 6,445,939 warrants exercisable for an equivalent number of common shares for aggregate gross proceeds of

CDN$1,872,311 ($1,355,986 USD). In connection with this offering, the Company paid commissions, fees, and incurred legal and other expenses of CDN$50,700. Regarding the warrants, each whole warrant is exercisable at a price of CDN$0.50 per common share starting four months following the date of issuance for a period of 24 months following the date of issuance. David Rosenkrantz, Daryl MacLellan, Tracy Graf and Michael Seid, directors of the Company, purchased or acquired direction and control over a total of 3,161,272 shares for CDN$948,382 ($686,848 USD) under the Offering.

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-month period ended September 30, 2023, the Company recognized $36,640 of amortization expense (three months ended September 30, 2022 - $3,654). No impairment was recognized as at September 30, 2023 ($62,290 as at Dec 31, 2022). Increased amortization costs in 2023 were due to the amortization of an intangible related to the SiLO TFX which was launched in Q1 2023. This intangible will continue to amortize over the next 5 years.

Risk Factors

In addition to the other information included in this report, readers should consider carefully the following factors which describe the risks, uncertainties, and other factors that may materially and adversely affect our business, products, financial conditions and operating results. There are many factors that affect our business and our results from operations, some of which are beyond our control. The following is a description of important factors that may cause our actual results of operations in future periods to differ materially from those currently expected or discussed in the forward-looking statements ("FLS") set forth in this report relating to our financial results, operations, and business prospects. Except as required by law, we undertake no obligation to update any such FLS to reflect events or circumstances after the date of this MD&A.

These risks include, but are not limited to the following:

- We have a limited operating history and there is no assurance that we will be able to achieve or maintain profitability.
- Our business is reliant on the good standing of our licenses and quality control system.
- We operate in a highly regulated business and any failure or significant delay in obtaining regulatory approvals could adversely affect our ability to conduct our business.
- Changes in reimbursement coding relating to our products or product categories can adversely affect sales.
- Selling prices may vary based on several factors outside our control.
- We may not be able to reach our growth targets or successfully manage our growth.
- The continuance of contractual relations with 3rd parties cannot be guaranteed.
- We may not be able to develop new products and find a market for their sale.
- Our success will depend on attracting and retaining key personnel.
- We may be subject to product liability claims.
- We may be subject to risks related to our information technology, including cyber-attacks.
- Changing technology, including robotics, may make our technology obsolete.
- Disruptions in our supply chain and material shortage may leave us unable to manufacture our devices in a timely and efficient manner.
- Rising material prices may lower the profitability of some products, specifically the price of titanium.
- There is no assurance that we will continue to meet the listing standards of the TSXV.

ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

This MD&A was prepared as of November 14, 2023. 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.sedarplus.ca, and on our website at www.aurora-spine.com.

This report was approved on November 14, 2023.