



AURORA SPINE CORPORATION

Condensed Consolidated Interim Financial Statements
(Unaudited)

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

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The accompanying condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not audited these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants.

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AURORA SPINE CORPORATION
Condensed Consolidated Interim Statements of Financial Position (Unaudited)
As at September 30, 2023 and December 31, 2022

(US dollars)

	Notes	September 30, 2023	December 31, 2022
		\$	\$
Assets			
Current			
Cash and cash equivalents	5	373,385	423,401
Accounts Receivable	4	3,538,120	3,666,310
Prepaid and other current assets		135,393	186,800
Inventory	6	3,353,033	3,054,173
		7,399,931	7,330,684
Non-Current			
Intangible assets	7	787,846	881,354
Property, plant and equipment	8	2,568,540	1,910,940
Total Assets		10,756,317	10,122,978
Liabilities			
Current			
Accounts Payable		3,347,119	2,835,406
Leases	13	306,229	196,693
		3,653,348	3,032,099
Non-Current			
Leases	13	844,361	356,419
Due to related parties	10	2,525,500	2,417,500
Total liabilities		7,023,209	5,806,018
Shareholder's equity			
Common Shares	9	26,105,376	25,218,093
Warrants	9	1,796,034	2,091,348
Share-based compensation reserve		1,321,384	1,102,237
Deficit		(25,489,686)	(24,094,718)
Total shareholders' equity		3,733,108	4,316,960
Total liabilities and shareholders' equity		10,756,317	10,122,978
Commitments	11		

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

These condensed consolidated interim financial statements were approved by the Board of Directors on November 14, 2023.

/s/ Trent Northcutt
Director

/s/ David Rosenkrantz
Director

AURORA SPINE CORPORATION
Condensed Consolidated Interim Statements of Comprehensive Loss (Unaudited)
Three and Nine-Months ended September 30, 2023 and 2022

(US dollars)

	Notes	Three-months ended September 30, 2023	Three-months ended September 30, 2022	Nine-months ended September 30, 2023	Nine-months ended September 30, 2022
		\$	\$	\$	\$
Revenue from sale of goods	3	3,927,973	3,648,680	10,403,815	11,267,811
Revenue from commissions		21,557	—	72,386	
Net revenue		3,949,530	3,648,680	10,476,201	11,267,811
Cost of Sales	6	1,592,530	1,706,677	4,559,927	5,283,716
Gross Profit		2,357,000	1,942,003	5,916,274	5,984,095
Operating Expenses					
Executive compensation	10	131,967	120,470	400,956	370,545
Salaries		827,687	591,636	2,239,546	1,902,834
Consulting fees		135,833	85,333	390,833	284,364
General and administrative		452,110	398,188	1,387,742	1,510,256
Research and development		210,695	156,272	809,587	674,300
Marketing		332,683	312,976	678,991	866,536
Share-based compensation	9	27,230	37,996	78,657	102,451
Insurance		145,229	126,441	429,353	350,094
Depreciation and amortization	7	293,273	187,391	757,899	530,298
Interest		49,911	40,952	137,678	122,149
Total Operating Expenses		2,606,618	2,057,655	7,311,242	6,713,827
Other Income					67,835
Net loss and comprehensive loss		(249,618)	(115,652)	(1,394,968)	(661,897)
Basic and diluted loss per share	12	(0.00)	(0.00)	(0.02)	(0.01)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

AURORA SPINE CORPORATION

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Unaudited)

Nine-months ended September 30, 2023 and 2022

(US dollars)

	Notes	Common Shares		Warrants	Contributed Surplus	Deficit	Total
		Share Number	Amount				
			\$	\$	\$	\$	\$
Balance, January 1, 2022		66,730,510	25,087,474	2,114,525	960,565	(22,593,252)	5,569,312
Stock based compensation		—	—	—	102,451	—	102,451
Total comprehensive loss		—	—	—	—	(661,897)	(661,897)
Balance, September 30, 2022		66,730,510	25,087,474	2,114,525	1,063,016	(23,255,149)	5,009,866
Balance, January 1, 2023		67,055,510	25,218,093	2,091,348	1,102,237	(24,094,718)	4,316,960
Warrants exercised	9	2,171,000	887,283	(154,824)	—	—	732,459
Warrants expired	9	—	—	(140,490)	140,490	—	—
Stock based compensation		—	—	—	78,657	—	78,657
Total comprehensive loss		—	—	—	—	(1,394,968)	(1,394,968)
Balance, September 30, 2023		69,226,510	26,105,376	1,796,034	1,321,384	(25,489,686)	3,733,108

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

AURORA SPINE CORPORATION
Condensed Consolidated Interim Statements of Cash Flows (Unaudited)
Three and Nine-Months ended September 30, 2023 and 2022

(US dollars)

	Notes	Three-months ended September 30, 2023	Three-months ended September 30, 2022	Nine-months ended September 30, 2023	Nine-months ended September 30, 2022
		\$	\$	\$	\$
OPERATING ACTIVITIES					
Net Loss		(249,618)	(115,652)	(1,394,968)	(661,897)
Adjustments for non-cash items:					
Depreciation and amortization	7,8	212,694	112,738	521,671	339,005
Depreciation of right of use	8	80,579	74,653	236,228	191,294
Share-based compensation	9	27,230	37,996	78,657	102,451
Non-cash loan interest expense		36,000	36,000	108,000	108,000
Changes in working capital components:					
Accounts receivable		(69,567)	321,343	128,190	(1,068,459)
Prepaid expenses and other assets		47,932	21,152	51,406	(3,463)
Inventory	6	(122,943)	148,314	(298,860)	(818,776)
Accounts payable		398,367	(299,853)	511,713	445,120
Cash flow used in operating activities		360,674	336,691	(57,963)	(1,366,725)
FINANCING ACTIVITIES					
Repayment of amounts due to related parties		—	—	—	(10,000)
Principal portion paid on lease liability	13	(65,585)	(196,683)	(208,954)	(323,068)
Warrants exercised	9	—	—	732,459	—
Cash flows from financing activities		(65,585)	(196,683)	523,505	(333,068)
INVESTING ACTIVITIES					
Additions to property and equipment	8	(308,336)	(254,319)	(515,558)	(828,113)
Cash flows used in investing activities		(308,336)	(254,319)	(515,558)	(828,113)
Increase (decrease) in cash and cash equivalents		(13,247)	(114,311)	(50,016)	(2,527,906)
Cash and cash equivalents, beginning of period		386,632	758,980	423,401	3,172,575
Cash and cash equivalents, end of period		373,385	644,669	373,385	644,669
Supplemental disclosure of cash flow information					
Cash paid during the period for:					
Taxes		—	—	—	—
Cash paid for interest on lease obligations		\$ (13,913)	\$ (94)	\$ (28,035)	\$ (280)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

AURORA SPINE CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

September 30, 2023 and 2022

(US dollars)

1. CORPORATE INFORMATION

Aurora Spine, LLC was incorporated under the Delaware General Corporation Law on February 28, 2012. Aurora Spine, Inc. ("Aurora"), a Nevada Corporation, was formed on March 14, 2013 and on April 1, 2013 Aurora Spine, LLC merged with Aurora. Upon merging, Aurora Spine, LLC was dissolved leaving the surviving business known as Aurora Spine, Inc., a Nevada Corporation.

Aurora Spine Corporation (the "Company") was incorporated under the laws of the Province of Ontario on July 4, 2013 and on August 27, 2013 filed an Initial Public Offering Prospectus with securities regulatory authorities in the provinces of Alberta and Ontario, pursuant to which the shareholders of Aurora exchanged their shares for the shares of the Company. Aurora is a wholly owned subsidiary of the Company. The Company's shares trade on the TSX Venture Exchange under the symbol "ASG".

The Company is engaged in the development and distribution of minimally invasive, interspinous fusion systems and devices. The address of the Company's registered head office is 20 Holly Street, Suite 300, Toronto, Ontario, M4S 3B1.

These condensed consolidated interim financial statements were authorized for issuance by the Board of Directors on November 14, 2023.

2. BASIS OF PREPARATION

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2022. The Company's significant accounting policies as presented in Note 3 of the financial statements for the year ended December 31, 2022 have been consistently applied in the preparation of these condensed consolidated interim financial statements.

Going concern

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at September 30, 2023, the Company had an accumulated deficit of \$25,489,686 (December 31, 2022 – \$24,094,718), and for the nine-months ended September 30, 2023 incurred a net loss of \$1,394,968 (year ended December 31, 2022 - \$1,501,466), and negative operating cash flow of \$57,963 (2022 - \$1,557,816).

Basis of measurement and reporting

These condensed consolidated interim financial statements are prepared using the historical cost method and are presented in US dollars, which is the Company's functional currency.

Basis of consolidation

These consolidated financial statements include the accounts of the Company, its United States wholly owned subsidiary Aurora Spine, Inc. During the current year the board of directors approved the closure and cessation of the operations of its European wholly owned subsidiary, Aurora Spine Europe Limited. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated at consolidation. These subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern, directly or indirectly, the financial and operating policies of an entity. The existence and effect of potential voting rights that are exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are consolidated from the date that control is obtained by the Company and are deconsolidated from the date when control ceases.

2. BASIS OF PREPARATION (continued)

Use of estimates and judgement

The preparation of these consolidated financial statements in conformity with IFRS, require management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Judgment is used in situations when there is a choice and/or assessment required by management. The following are critical judgments, apart from those involving estimates that management has made in the process of applying the Company's accounting policies and that have a significant effect on the amounts recognized in the consolidated financial statements. Significant assumptions about the future, and other sources of estimates or uncertainty that management has made at the date of the consolidated financial statements, could result in a material adjustment to the carrying amounts of assets or liabilities.

In the event that actual results differ from the assumptions made, relate to, but not limited to the following:

(a) Estimated useful lives, impairment considerations and amortization of property and equipment and intangible assets

Amortization of property, plant and equipment and intangible assets is dependent upon estimates of useful lives based on management's judgment.

Impairment exists when the carrying value of an asset exceeds its estimated recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The recoverable amount is subject to management estimates and determining if impairment exists is subject to judgement.

Quarterly, management evaluates each intangible asset to determine if it continues to hold value in the future. If there is little prospect of future value associated with the asset, the asset is written off or written down to the estimated amount recoverable value unless there is persuasive evidence that an impairment allowance is not required.

(b) Contingencies

Contingencies are accrued on an undiscounted basis when it is probable that a liability for past events exist and the liability can be reasonably estimated. In determining whether a liability exists, the Company is required to make judgments as to the probability of future events that may occur.

(c) Going concern

As discussed above, these consolidated financial statements are prepared on a going concern basis in accordance with IFRS, which assumes the realization of assets and discharge of liabilities in the normal course of business within the foreseeable future. Management uses judgment in determining assumptions for cash flow projections, such as future cashflows associated with operating, financing and investing activities. As it relates to financing activities the Company only include those cashflows that are committed up to the financial statement issuance date.

(d) Share based payments and warrants

The fair value of each option granted is estimated at the grant date using the Black-Scholes option pricing model. The key assumptions are forfeiture rate, interest rate, dividend yield and expected volatility which is used to calculate the fair value of the instruments on the grant date. The model takes into account the historical volatility of similar companies over the expected term of the options and warrants granted. If management estimates that historical volatility requires an adjustment, they consider the historical volatility of the share price of comparable companies at similar stages of development, as well as the volatility estimates derived from the fair value calculation of financial instruments and equity instruments in periods when this information is available.

2. BASIS OF PREPARATION (continued)

(e) 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 income.

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 or substantively 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 income 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 sufficient taxable earnings will be available to allow all or part of the assets to be recovered.

(f) Inventory

Management estimates the value of inventory based upon its assessment of the net realizable value less selling costs. The future realization of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices. All expired inventory and adjustments for slow moving and excess inventory is subject to estimates and has been recognized and recorded in cost of goods sold.

(g) Provision for expected credit losses (ECLs) of trade receivables and contract assets

The Company uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer aging buckets. The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the health sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in Note 4.

(h) Leases

The application of IFRS 16 "Leases" requires significant judgements and certain key estimations to be made. Critical judgements required in the application of IFRS 16 include the following: (i) identifying whether a contract includes a lease; (ii) determining whether it is reasonably certain that an extension or termination option will be exercised; (iii) determining whether variable payments are in-substance fixes; (iv) establishing whether there are multiple leases in an arrangement; and (v) determining the stand-alone selling price of lease and non-lease components. Key sources of estimation uncertainty in the application of IFRS 16 include the following: (i) estimating the lease term; (ii) determining the appropriate rate to discount lease payments; and (iii) assessing whether a right-of-use (ROU) asset is impaired.

(i) Revenue- Principal Vs. Agent

For hospitals sales, the Company's role in each transaction is to arrange and fulfil the medical service products being purchased by the customer. The Company completes this by purchasing the goods from a vendor and having them shipped to the hospitals or in some cases the Company holds products on consignment and bears the risk of loss and damage. Judgement is involved in whether the Company controls the goods sold to its customers. The Company assesses that it does have control over the goods because the Company sets the selling price of the goods and selects the vendor to source the goods for delivery to the customer. Accordingly, the Company has concluded that it acts as the principal in the transaction and as a result, the Company reports revenue on a gross basis, reflecting the sale price from the customer as revenue and a corresponding cost of hospital sales for the purchase of the goods from the vendor.

(US dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these condensed consolidated interim financial statements are set out below.

(a) 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. The Company only has cash held at US-based federally insured bank as at September 30, 2023 and December 31, 2022.

(b) 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 the 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 amounts of inventories are recognized as an expense in the period that the related revenue is recognized.

The Company holds some third-party inventory on consignment which is sold to customers. The consignment inventory is not included in the Company's inventory as the third-party retains title to the inventory. The Company records inventory on the statement of financial positions when legal ownership is transferred.

(c) Property and equipment

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

The Company 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.

Depreciation is recognized in the statements of comprehensive loss on the following basis:

Asset	Basis	Rate
Trays and instrument sets	Declining balance	40%
Computer equipment	Straight line – 5 years	20%
Furniture and fixtures	Straight line – 5 years	20%
Automobiles	Straight line – 5 years	20%
Leasehold improvements	Lessor of lease term or 5-year straight line	
ROU - Leases	Shorter of useful life or term of lease (1-5 years)	
ROU - Buildings	Shorter of useful life or term of lease (1-5 years)	

(d) Intangible assets, research and development costs

The Company capitalizes the cost of intangible assets in accordance with IAS 38 – 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Intangible assets, research and development costs (continued)

Annually, management assesses and estimates impairment and each asset remaining useful life. As at September 30, 2023 and December 31, 2022, management's assessment of impairment is based on the following judgements:

- i) The intellectual rights are not expected to expire in the near term; and
- ii) The Company is continuing with further development and sales related to the assets.

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.

(e) 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 its' 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.

(f) Leases

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 5.8% 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 will also account for leases for which the lease term ends within 12 months as short-term leases.

(g) 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.

AURORA SPINE CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

September 30, 2023 and 2022

(US dollars)

4. 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 the 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.

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 of its 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 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	3,670,930	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 expected 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. The expected credit loss provision was lower due to the write down and collections of older accounts in the current quarter.

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)

AURORA SPINE CORPORATION
Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
September 30, 2023 and 2022

(US dollars)

4. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

[ii] Trade receivables (continued)

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 an impairment has been incurred, but 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.

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 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, 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)

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5. CASH

	September 30, 2023	December 31, 2022
Cash	\$ 373,385	\$ 423,401

Cash is held at a US-based federally insured bank. There are no restrictions on cash. The cash held at banks may earn interest at floating rates based on daily bank deposits. Interest earned through September 30, 2023, was \$16. Interest earned during 2022 was \$336.

6. INVENTORY

The Company categorizes inventory as follows:

	September 30, 2023	December 31, 2022
TiNano PEEK implants	\$ 486,608	\$ 686,296
ZIP implants	1,264,583	1,126,790
Titanium implants	1,109,732	816,844
Bio/Bone Dowel/Consumables	229,864	337,621
WIP	262,246	86,622
Total	\$ 3,353,033	\$ 3,054,173

Inventory is expensed to cost of goods sold upon the sale of the product or service. During the nine-months ended September 30, 2023, the amount expensed to cost of goods sold is \$4,559,927 (nine-months September 30, 2022 - \$5,283,716). During the nine-months ended September 30, 2023, and the year ended December 31, 2022, the Company recognized inventory impairments of \$Nil.

7. INTANGIBLE ASSETS

The following comprises intangible assets:

	September 30, 2023	December 31, 2022
	\$	\$
Opening balance	881,354	854,331
Acquisition costs	—	102,093
Amortization costs(i)	(93,508)	(12,780)
Impairment	—	(62,290)
Ending balance	787,846	881,354

- (i) 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.

Carrying amounts are subject to annual impairment review and whenever there is an indication that an intangible asset may be impaired, a charge is recognized. The Company recognized impairment expense of \$Nil at September 30, 2023 and \$62,290 at December 31, 2022, as the Company ceased the plan to manufacture the new product.

During the year ended December 31, 2022, the Company recorded an intangible for a 510(k) clearance from the FDA issued based on the SiLO TFX product.

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8. PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2023 and December 31, 2022 is comprised of the following:

	September 30, 2023			December 31, 2022		
	Cost	Accumulated Depreciation	Net book value	Cost	Accumulated Depreciation	Net Book Value
Owned Assets	\$	\$	\$	\$	\$	\$
Trays and Instruments	6,410,370	(5,089,001)	1,321,369	5,904,835	(4,667,931)	1,236,904
Computer Equipment	127,388	(104,205)	23,183	117,365	(100,587)	16,778
Furniture and fixtures	56,130	(56,130)	—	56,130	(56,130)	—
Leasehold improvements	6,783	(6,783)	—	6,783	(6,783)	—
Vehicle	23,157	(21,998)	2,316	23,157	(18,524)	4,633
Total Owned Assets	6,623,828	(5,278,117)	1,345,711	6,108,269	(4,849,954)	1,258,315
Right-of-use assets	1,625,226	(402,397)	1,222,829	1,296,384	(643,758)	652,625
Total property, plant, and equipment	8,249,054	(5,680,514)	2,568,540	7,404,653	(5,493,713)	1,910,940

On April 1, 2023 the Company renewed the rent agreement on the current offices adding \$806,432 in right-of-use assets and removed the previous lease lowering right-of-use assets and accumulated depreciation by \$477,590. During the nine-month period ended September 30, 2023, and 2022, \$Nil of assets were written off.

9. SHAREHOLDERS' EQUITY

(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 the 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 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).

(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.

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9. SHAREHOLDERS' EQUITY (continued)

Stock options (continued)

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 nine-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. 350,000 warrants vest 12 months from the effective date of the contract and the remaining vest in 350,000 increments on each anniversary of the closing date of the transaction. They are currently fully vested and expire on December 13, 2023.

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 vested in 33% increments on each anniversary of the date of the transaction and expire 36 months after the date

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9. SHAREHOLDERS' EQUITY (continued)

(c) Warrants (continued)

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

10. RELATED PARTY TRANSACTIONS

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).

11. COMMITMENTS

On 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).

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 over the next 12 months as the device reaches full commercialization.

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.

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12. BASIC AND DILUTED INCOME (LOSS) PER SHARE

Basic and diluted loss per share for the nine-month periods ended September 30, 2023, and September 30, 2022, is as follows:

	Nine-months ended September 30, 2023	Nine-months ended September 30, 2022
Net loss	\$ (1,394,968)	\$ (661,897)
Weighted average common shares outstanding	69,062,583	66,730,510
Basic and diluted income (loss) per share	\$ (0.02)	\$ (0.01)

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.

13. LEASES

At September 30, 2023, the liability related to the right of use assets is \$1,150,590 of which \$844,361 is non-current and \$306,229 is current. During the year the company renewed the lease agreement for the building in which the Company offices are located.

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

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.

14. SUBSEQUENT EVENTS

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.

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 transaction was approved by the board of directors.