



## **AURORA SPINE CORPORATION**

Interim Management's Discussion and Analysis

(Unaudited)

For the Three and Nine-Months ended September 30, 2024

(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 nine-month periods ended September 30, 2024.

The MD&A should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2023, and the unaudited condensed consolidated interim financial statements for the three and six-month periods ended September 30, 2024, prepared in accordance with IFRS together with the accompanying notes. Additional information is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca), and on our website at [www.aurora-spine.com](http://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 October 24, 2024.

## **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 2014 and 2018, the Company completed various private placements raising aggregate gross proceeds of CDN\$17,520,854 (US\$15,515,338), issuing a total of 26,849,474 common shares.

On December 13, 2018, the Company issued to SILIF Corporation (SILIF) as consideration for the SILIF patent license, 1,000,000 common shares at a price of CDN\$0.30 (US\$0.224) per share, with all such shares being subject to a 5-year tiered lock-up agreement, with 20% of the shares released from the lock-up on each anniversary of the closing date of the transaction. The fair value of the shares issued was estimated at \$238,180 using the Finnerty model to calculate a restriction discount. In addition, the Company issued to SILIF warrants to purchase up to 1,750,000 common shares of the Company, exercisable at CDN\$0.35 for a period of 5 years following the date of grant. The warrants are vested in 20% increments on each anniversary of the closing date of the transaction. The fair value of the warrants issued was estimated at \$365,716 using the Black-Scholes model and were exercised in 2023.

In February 2020, the Company completed a private placement of 8,932,000 common shares for aggregate gross proceeds of CDN\$2,333,000 (US\$1,697,080). In connection with this offering, the Company paid cash commissions and fees of CDN\$69,616 (US\$59,281). A director of the Company subscribed to and received 1,579,000 shares in exchange for cash of CDN\$394,750 (US\$300,010).

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 receives a fee of 7% if the investor warrants are exercised. 8,415,697 of the warrants 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 are exercisable commencing six months following the date of issuance to three years from the date of issuance at CDN\$0.58. The broker warrants were valued at US\$178,466 (CDN\$217,491). The 8,976,743 warrants were not exercised and expired in September 2024.

On October 19, 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 US\$1,409,920 (CDN\$1,933,782). US\$803,149 was allocated to common shares and US\$606,771 was allocated to warrants. In connection with this offering, the Company paid commissions, fees, and incurred legal and other expenses of US\$68,001 (CDN\$93,267). Regarding the warrants, 6,445,939 are exercisable immediately and any time up to two years following the date of issuance at CDN\$0.50.

## **BUSINESS OF AURORA**

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

The Company has developed intellectual property leading to ownership of most of its product portfolio. Aurora has augmented this with certain third party developed products. We continue to develop new IP and products, undertake patent filing applications, improve our designs using feedback from leading surgeons for product evaluation, and conduct surgeon training and education. We sell our products utilizing both direct sales and distribution models. We are a registered ISO 13485 certified company. We received FDA approval for our first product, the Company's ZIP™ Ultra Minimally Invasive Interspinous Fusion System (the "ZIP ULTRA™") on December 3, 2013.

### **Our Products and Customers**

Our ISP ("interspinous process" or "ISP") lumbar fusion devices now include the ZIP®, the ZIP ULTR®, the ZIP LP™ and the ZIP-51™. We also offer a line of interbody products: Discovery for cervical procedures; SOLO™, an ALIF 3D printed stand-alone lumbar fusion device; SiLO™ a posterior allograft implant and SiLO TFX, a titanium implant device, both for sacroiliac ("SI") joint fusion; and Dexa-C a 3D printed cervical fusion device which is paired with the Apollo cervical plate. Certain of the Company's TiNano™ product line of lumbar fusion devices, including Echo SD are being transitioned to titanium from PEEK material to utilize our recently developed and patented Dexa technology.

Aurora's products generally fall into three product lines:

- ISP lumbar fusion devices
- Stand-alone ("SA") Cervical and Lumbar fusion cages
- SI joint fusion devices

In addition, Aurora markets certain third party developed products used during spine surgeries (i.e. surgical screws and bone growth biologic materials).

Our products are used by two groups of physicians: (i) Orthopaedic and Neuromolecular surgeons, and (ii) Pain and Interventional Radiological surgeons. Depending upon where these groups practice medicine our sales are to Hospitals, Ambulatory Surgical Centers and private surgical offices.

## **ZIP ISP Products**

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

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

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

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

## **SA-ALIF Cages**

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

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

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

## **DEXA Technology and Interbody Cages**

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. 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 patent focused innovation. DEXA Technology™ was created and patented to combine the essential design benefits of better patient fusion clinical outcomes with modern 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.

Interbody cage products are used to fill the space between vertebrae after degenerative disc material has been removed. The cages with embedded screws, or cages with external plates and screws, provide spacing and stability between the vertebrae while bone grows to complete the fusion process. The DEXA-C™ Cervical Interbody System is a porous 3D-printed intervertebral cage 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**

In addition to solving musculoskeletal disorders of the spine, Aurora is doing the same for sacropelvic anatomy. We have developed proprietary minimally invasive surgical implant systems to address sacroiliac joint dysfunction. Our products include both allograft implants and 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.

## **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 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.

### **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 Fusion**

Spinal fusion is among the most common spinal surgeries performed today and is used primarily to eliminate the pain caused by abnormal motion of the vertebrae in a weak or unstable spine (caused by infections, tumors, or other

degenerative conditions) and to treat spinal fractures. It is also used to treat spinal deformities such as scoliosis and kyphosis.

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

In most cases, spinal fusion is augmented by a process called fixation, which refers to the placement of permanent rigid or semi-rigid prosthetic devices made of titanium or other materials. These devices were developed in response to the need to limit compression on the affected vertebrae and stabilize them to facilitate bone fusion, without requiring the patient to be immobilized. These fusion/fixation devices include pedicle screws, rods or plates, titanium or PEEK cages and, more recently, ISP devices.

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

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

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

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

### **Other Surgical Options**

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

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

### **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.

## The Changing Market

Ortho and Neurosurgeons, utilizing pedicle screw systems continue to dominate the spinal fusion market. However, the introduction and movement towards newer technologies involving minimally invasive approaches like ISP, SI joint and facet devices is broadening their options with significant patient advantages. These technologies are also opening the fusion market to pain surgeons and interventional radiologists. Other technologies such as dynamic stabilization (motion preserving devices) and artificial discs are also making limited inroads in spine surgery.

## Competition

The global spinal surgery market is characterized by strong competition, most of which is targeted toward Ortho/Neurosurgeons. Management believes the top five companies account for more than 70% of the overall market, and that the FDA's reclassification of spinal fusion devices from Class III to Class II in 2007 has attracted, and will continue to attract, new entrants in the market. We continue to see product launches and an increased focus on research and development activities, and we anticipate that intense competition between the new entrants and existing companies may lead to pricing pressure on all companies in the future.

Companies such as Medtronic Inc., Zimmer Biomet and DePuy Synthes, are the leading players in the global market for spinal surgery devices and represent a significant portion of the total market share. We believe that this is due, in large part, to their broad portfolios of spinal fusion devices. Other companies with significant market shares include Stryker Corporation and NuVasive Inc. Since spine surgery is a relatively new market for Pain doctors and Interventional Radiologists, Aurora believes that the market has less competitive intensity than traditional spine.

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

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

## HIGHLIGHTS DURING THE PERIOD

- **Record quarterly revenue** – The company recorded record quarterly revenue of \$4,767,121 in Q3 2024 compared to Q3 2023 sales of \$3,949,530, an improvement of \$817,591.
- **First quarter of positive net income** – Q3 2024 had a net income of \$71,120 as compared to a net loss of (\$249,618) in Q3 2023, an improvement of \$320,738. The nine-month period ended September 2024 has a net loss of (\$349,911) compared to a net loss of (\$1,394,968) in the comparable period, an improvement of \$1,045,057.
- **5<sup>th</sup> Quarter of positive EBITDAC** – Q3 2024 EBITDAC was \$380,117 as compared to \$120,796 in Q3 2023, an improvement of \$259,321. EBITDAC for the nine months of 2024 was \$602,810 compared to the nine-months ended September 2023 of (\$420,735) an improvement of \$1,023,545. EBITDAC tripled with only a 13% increase in operating expenses.
- **Quarter over quarter sales growth** – Q3 2024 sales of \$4,767,121, represent an increase of \$687,578 or 16.8% compared to sales of \$4,079,543 in Q2 2024 and compared to 10.7% growth over the same periods the previous year.
- **SiLO sales** – Sales of the SiLO-TFX SI joint implant and SiLO allograft implant made up 48.2% or \$2.3 million in sales in the quarter as compared to 30.5% or \$1.2 million in the same period the previous year. Sales increased 62.7% from Q1 2024 to Q3 2024. Sales of the higher margin SiLO-TFX implants are related to expansion in the pain market.
- **Training** – The Company continued to conduct more advanced training sessions and cadaver labs that introduced leading orthopedic, neurosurgical, and pain management physicians to the ZIP™ and SiLO™ implants.

## 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 STATEMENT OF FINANCIAL POSITION INFORMATION

The following table summarizes selected key financial data.

As at	September 30, 2024	December 31, 2023	December 31, 2022
	\$	\$	\$
Cash	882,050	766,829	423,401
Receivables	3,881,336	3,968,439	3,666,310
Prepaid and other current assets	276,343	204,173	186,800
Inventory	3,722,806	3,562,349	3,054,173
Current assets	8,762,535	8,501,790	7,330,684
Notes receivable	471,507	454,628	-
Intangible assets	803,669	753,180	881,354
Property and equipment	2,053,823	2,275,478	1,910,940
Total assets	12,091,534	11,985,076	10,122,978
Current liabilities	3,652,344	3,273,058	3,029,599
Non-current liabilities	3,416,098	3,414,695	2,773,919
Share capital	27,657,591	27,657,591	25,218,093

## ANALYSIS OF FINANCIAL CONDITION AND FINANCIAL PERFORMANCE

Since inception, Aurora has focused on research and development followed by marketing and surgeon education to grow the 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, 2024	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	4,767,121	4,079,543	4,013,801	4,044,234	3,949,530	3,568,583	2,958,088	3,609,514
Cost of goods sold	(1,884,637)	(1,532,173)	(1,529,538)	(1,749,216)	(1,592,530)	(1,537,410)	(1,429,987)	(1,783,881)
Gross profit	2,882,484	2,547,370	2,484,263	2,295,018	2,357,000	2,031,173	1,528,101	1,825,632
Operating expenses	2,811,364	2,701,478	2,751,188	2,580,613	2,606,618	2,513,587	2,191,039	2,665,203
EBITDAC*	380,117	105,522	117,171	109,734	120,796	(163,660)	(377,871)	(358,311)
Net income (loss)	71,120	(154,108)	(266,925)	(285,595)	(249,618)	(482,414)	(662,938)	(839,570)
Basic and diluted income (loss) per share**	0.00	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(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 is a non-GAAP, non IFRS measure defined as Earnings before Interest, Tax, Depreciation, Amortization and Stock based compensation. EBITDAC is calculated as net income (loss) from continuing operations excluding interest, taxes, depreciation and amortization, and stock-based compensation, and non-

recurring items. EBITDAC is intended to provide a proxy for the Company's operating cash flow and is widely used by industry analysts to compare the Company to its competitors and derive expectations of future financial performance for the Company.

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

Quarters End	September 30, 2024	June 30, 2024	March 31, 2024	December 30, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022
	\$	\$	\$	\$	\$	\$	\$	\$
Net Income (Loss)	71,120	(154,108)	(266,925)	(285,595)	(249,618)	(482,414)	(662,938)	(839,569)
Plus								
Interest	43,348	42,468	44,603	47,491	49,911	46,999	40,768	41,455
Taxes	-	-	-	-	-	-	-	-
Depreciation	190,895	157,154	264,063	256,633	256,633	206,633	201,125	336,472
Amortization	46,379	53,466	34,666	34,666	36,640	33,390	23,478	64,110
Stock-Based Compensation	28,375	6,542	40,764	56,539	27,230	31,732	19,696	39,221
EBITDAC	380,117	105,522	117,171	109,734	120,796	(163,660)	(377,871)	(358,311)

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

### **Comparative - Three Months Ended September 30, 2024, and 2023**

During the three months ended September 30, 2024, the Company generated revenues in the amount of \$4,767,121 compared to \$3,949,530 during the same period the previous year, an increase of \$817,591 or 20.7%. The current quarter saw increased activity in the pain market with increased SI joint implant sales related to SiLO TFX. The Company targeted the pain and spine markets with increased marketing, training, new product releases, and an increase in the sales force. This resulted in a changing product mix with large increases in our ZIP 51 and SiLO TFX sales.

During the current quarter, cost of sales was \$1,884,637 and gross profit was \$2,882,484 as compared to \$1,592,530 and \$2,357,000, respectively, in the comparable period last year. Gross margin in the current period was 60.5% of revenue compared to 59.7% of revenue in the comparable period last year. Gross margin was higher due to increased sales of higher margin implants and lower distributor commissions, offset by higher shipping and royalty costs.

Operating expenses during the current quarter were \$2,811,364 compared to \$2,606,618 during the same period the previous year, an increase of \$204,746. Operating expenses are higher during the current quarter primarily due to an increase in sales staff offset by a decrease in research and development and marketing fees. Salary costs and travel costs increased as the Company hired more salespeople.

Executive compensation during the quarter was \$146,527 compared to \$131,967 during the same period the previous year. Salary expenses during the quarter were \$1,153,029 compared to \$827,687 during the same period the previous year. The Company hired new salespeople starting in Q3 2023 continuing through Q3 2024 and paid higher internal commission rates. Commissions were also higher due to increased sales.

Consulting fees incurred during the current quarter were \$179,167 compared to \$135,833 during the same period the previous year. These fees reflect amounts paid to independent sales consultants and physicians consulting on new and existing products.

General and administrative expenses were \$553,5650 during the current quarter compared to \$452,110 during the same period the previous year. General and administrative expenses include business travel, office expenses, supplies, foreign exchange gain/loss and professional fees. Professional fees during the current quarter were \$96,964 compared to \$110,728 in the prior period. Professional fees include legal fees, regulatory audits, financial audits, and tax preparation.

Research and development expenses during the current quarter were \$139,565 compared to \$210,695 during the prior period. The study related fees were lower as the Zip study finished enrollment and as R&D projects completed in 2023 expenses were lower in Q3 2024.

Marketing costs were \$163,203 during the current quarter compared to \$332,683 in the same period the previous year. Marketing expenses primarily relate to tradeshow attendance, advertising, promotion and lab training. Lab training is used to train doctors on the Company's products and promote new products in a lab setting in which instruments and implants can be evaluated by doctors on a cadaver. The difference is due to the timing of society meetings and lab training in 2024 compared to 2023.

Insurance expenses during the current quarter were \$167,316 compared to \$145,229 during the same period the previous year. Insurance expenses include health insurance for employees and premium costs for product insurance and general liability insurance. The increase relates primarily to health insurance due to a higher head count in 2024 as compared to the same period the previous year.

As a result of the above, EBITDAC during the three months ended September 30, 2024, was \$380,117 compared to \$120,796 during the same period the previous year, an improvement of \$259,321.

### **Cash Flows – Three Months Ended September 30, 2024, and 2023**

Cash flows from operating activities during the three months ended September 30, 2024, were \$518,683; primarily consisting of the operating income increased by depreciation and non-cash share-based compensation and adjusted for changes in working capital components during the period. Changes in working capital resulted from decreases in accounts receivable and increases in prepaid expenses, other current assets, inventory and accounts payable.

Cash flows from operating activities during the three months ended September 30, 2023, were \$360,674; primarily consisting of the operating loss reduced by depreciation and non-cash share-based compensation and adjusted for changes in working capital components during the period. Changes in working capital resulted from decreases in prepaid expenses and increases in accounts receivable, inventory and accounts payable.

Cash flows used in financing activities during the three months ended September 30, 2024, were \$86,483 related to payments of the principal portion of lease liabilities. Cash flows used in financing activities during the three months ended September 30, 2023, were \$65,585 related to the payments of the principal portion of lease liabilities.

Cash flows used in investing activities during the three months ended September 30, 2024, were \$68,697. Cash flows used in investing activities during the three months ended September 30, 2023, were \$308,336. These amounts relate primarily to the purchase of instruments used by surgeons to implant devices.

### **Comparative – Nine Months Ended September 30, 2024, and 2023**

During the nine months ended September 30, 2024, the Company generated revenues in the amount of \$12,860,465 compared to \$10,476,201 during the same period the previous year, an increase of \$2,384,264 or 22.8%. The current period saw increased activity in the pain market with increased SI joint implant sales related to SiLO TFX and continued growth in Zip implants. The Company has been targeting the pain market with increased marketing, training, new product releases, and an increase in the sales force. This has resulted in a changing product mix with large increases in our ZIP 51 and SiLO TFX sales.

During the current period, cost of sales was \$4,946,348 and gross profit was \$7,914,117 as compared to \$4,559,927 and \$5,916,274 respectively in the comparable period last year. Gross margin in the current period was 61.5% of revenue compared to 56.5% of revenue in the comparable period. Gross margin was higher due to increased sales of higher margin implants and lower distributor commissions, offset by higher shipping and royalty costs.

Operating expenses during the current period were \$8,264,028 compared to \$7,311,242 during the same period the previous year, an increase of \$952,786. Operating expenses are higher during the current period primarily due to an increase in sales staff offset by a decrease in research and development and marketing fees. Salary costs and travel costs increased as the Company hired more salespeople.

Executive compensation during the period was \$435,829 compared to \$400,956 during the same period the previous year. Salary expenses during the period were \$3,236,381 compared to \$2,239,546 during the same period the previous year. The Company hired new salespeople starting in Q3 2023 continuing through Q3 2024 and paid higher internal commission rates. Commissions were also higher due to increased sales.

Consulting fees incurred during the current period were \$502,342 compared to \$390,833 during the same period the previous year. These fees are paid to independent sales consultants and physicians consulting on new and existing products.

General and administrative expenses were \$1,675,135 during the current period compared to \$1,387,742 during the same period the previous year. General and administrative expenses include business travel, office expenses, supplies, foreign exchange gain/loss and professional fees. Professional fees during the current period were \$322,909 compared to \$337,057 in the prior period. Professional fees include legal fees, regulatory audits, financial audits and tax preparation.

Research and development expenses during the current period were \$489,643 compared to \$809,587 during the prior period. The study related fees were lower as the Zip study finished enrollment, and as R&D projects completed in 2023 expenses were lower in the nine-month period ended September 30, 2024.

Marketing costs were \$488,273 during the current period compared to \$678,991 in the same period the previous year. Marketing expenses primarily relate to tradeshow attendance, advertising, promotion, and lab training. Lab training is used to train doctors on the Company's products and promote new products in a lab setting in which instruments and implants can be evaluated by doctors on a cadaver. The difference is due to the timing of society meetings and lab training in 2024 compared to 2023.

Insurance expenses during the current period were \$483,702 compared to \$429,353 during the same period the previous year. Insurance expenses include health insurance for the employees and premium costs for product insurance and general liability insurance. The increase relates primarily to health insurance due to a higher head count in 2024 as compared to the same period the previous year.

As a result of the above, EBITDAC during the nine months ended September 30, 2024, was \$602,810 compared to (\$420,735) during the same period the previous year, an improvement of \$1,023,545.

### **Cash Flows – Nine Months Ended September 30, 2024, and 2023**

Cash flows from operating activities during the nine months ended September 30, 2024, were \$741,047; primarily consisting of the operating loss reduced by depreciation and non-cash share-based compensation and adjusted for changes in working capital components during the period. Changes in working capital resulted from increases in prepaid expenses, inventory, and accounts payable and a decrease in accounts receivables.

Cash flows used in operating activities during the nine months ended September 30, 2023, were \$57,963; primarily consisting of the operating loss reduced by depreciation and non-cash share-based compensation and adjusted for changes in working capital components during the period. Changes in working capital resulted from decreases in receivables and prepaid expenses and increases in inventory and accounts payable.

Cash flows used in financing activities during the nine months ended September 30, 2024, were \$200,814 related to payments of the principal portion of lease liabilities. Cash flows received from financing activities during the nine months ended September 30, 2023, were \$523,505 due to warrants being exercised in the period reduced by the payment of the principal portion of lease liabilities.

Cash flows used in investing activities during the nine months ended September 30, 2024, were \$425,012. Cash flows used in during the nine months ended September 30, 2023, were \$515,558. These amounts relate primarily to the purchase of instruments used by surgeons to implant devices. On March 22, 2024, the Company acquired the assets of Expleo, an unlisted company based in Carlsbad, California that specializes in the manufacture of medical equipment and implants. The Company purchased intangible assets in the amount of \$185,000 and tools and equipment totaling \$22,000. The acquisition allows the Company to expand instrument and implant manufacturing and allows for fast prototyping of new products.

### **LIQUIDITY AND CAPITAL RESOURCES**

Our objective is to maintain enough liquid resources to meet operational requirements. As at September 30, 2024, the Company had cash of \$882,050 (December 31, 2023 – \$766,829). Working capital as at September 30, 2024 is \$5,112,691 (December 31, 2023 – \$5,228,732). 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

At September 30, 2024, the liability related to the right of use assets is \$1,031,424 (2023 -\$1,084,294) of which \$746,598 (2023- \$853,195) is non-current and \$284,826 (2023- \$231,099) is current.

The lease liability is secured by the related underlying asset. Future minimum lease payments as at September 30, 2024 are as follows:

September 30, 2024	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Total
Lease payments	\$ 341,325	\$ 315,048	\$ 238,403	\$ 171,865	\$ 87,542	\$ 1,154,184
Finance charges	45,532	32,970	20,112	10,198	1,467	110,280
	\$ 386,858	\$ 348,018	\$ 258,515	\$ 182,063	\$ 89,009	\$ 1,264,464

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, 2024, and December 31, 2023.

### SI Joint System – Commitment and Royalty Agreement

In November 2018, the Company entered into an agreement whereby the Company agreed to pay a 7% royalty for sales of the SiLO TFX implant quarterly, within 45 days of the end of each quarter. The license agreement allows the Company to offset the royalties earned with training expenses related to the SiLO TFX implant up to the royalty amount. Royalties expensed in the nine-month period ended September 30, 2024, were \$318,701 (\$192,197 in year 2023).

### 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 legal 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.

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

For the six-months ended	September 30, 2024	September 30, 2023
Salaries	\$ 435,829	\$ 400,956
Share-based compensation	38,706	602
Total	\$ 474,535	\$ 401,558

As at September 30, 2024 and December 31, 2023, 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. The promissory note was modified in 2024, and the due date was extended to on or before June 2026. No gain or loss was recorded due to the modification. As at September 30, 2024 and December 31, 2023, the accrued interest related to the loan is \$1,069,500 and \$961,500, respectively. The promissory note is secured by the tangible and intangible assets of the Company.

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 consumed 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 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 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.

### **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 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.

## **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 the 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 subsidiary's functional currency is the USD for Aurora Spine, Inc. 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 loss and 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 accounts 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 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 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 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.

Account 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 accounts payable.

## 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 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.

### 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 is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts and trade receivables.

An expected credit loss (ECL) analysis is performed at each reporting date. The provision amounts are based on direct management consultation with the customer. The calculations reflect the probability-weighted outcome with reasonable and supportable information that is available at the reporting date while also considering past events as well as current and future economic conditions. Accounts receivables are written off when there is no reasonable expectation of recovery which indicators include amongst others, business failure, failure to make contractual payments, and the failure of a debtor to engage in a repayment plan.

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, 2024	December 31, 2023
	\$	\$
Current	<b>1,606,912</b>	1,605,501
Past due 1-30 days	<b>870,465</b>	729,406
Past due 31-60 days	<b>518,875</b>	536,969
Past due over 60 days	<b>485,708</b>	1,048,080
Accounts Receivable balance and maximum credit risk	<b>3,481,960</b>	3,919,956
Expected credit loss	<b>(111,522)</b>	(143,714)
Net receivables, net of expected credit loss	<b>3,370,438</b>	3,776,242

## **Cash**

Cash is deposited in bank accounts held with major banks in the United States. As most of the Company's cash is held in one bank there is a concentration of credit risk. The risk is managed by using major banks that are US-based federally insured banks.

## **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 has foreign currency risk as it raises money in CAD and converts it to USD. Currency risk as at September 30, 2024 and December 31, 2023 is 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 \$5,112,691 (December 31, 2023 - \$5,228,732). 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.

## **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, 2024 was \$5,023,092 (December 31, 2023 - \$5,297,323).

## **Risk Factors**

In addition to the other information included in this report, readers should carefully consider 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 3<sup>rd</sup> 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.
- There is no assurance that hospitals and ambulatory surgery centers in areas affected by the recent hurricanes will continue to function or pay the company on time.

#### **ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE**

This MD&A was prepared as of October 24, 2024. 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](http://www.sedarplus.ca), and on our website at [www.aurora-spine.com](http://www.aurora-spine.com).

This report was approved on October 24, 2024.