

TITAN MEDICAL INC.
Unaudited Condensed Interim Financial Statements
Three Months Ended March 31, 2019 and 2018

(IN UNITED STATES DOLLARS)

TITAN MEDICAL INC.
Unaudited Condensed Interim Balance Sheets
As at March 31, 2019 and December 31, 2018
(In U.S. Dollars)

	Note	March 31, 2019	December 31, 2018
Assets			
Current Assets:			
Cash and cash equivalents		\$ 23,610,440	\$ 11,471,243
Amounts receivable		129,546	143,225
Deposits	7	10,202,650	8,541,630
Prepaid expense		517,169	586,581
Total Current Assets		\$ 34,459,805	\$ 20,742,679
Patent Rights	3	1,220,068	1,172,485
Total Assets		\$ 35,679,873	\$ 21,915,164
Liabilities			
Current Liabilities:			
Accounts payable and accrued liabilities	4	\$ 6,495,644	\$ 6,447,888
Warrant liability	2b, 5	33,774,970	11,250,167
Total Liabilities		\$ 40,270,614	\$ 17,698,055
Shareholders' Equity (Deficiency)			
Share Capital	6	\$ 189,726,067	\$ 170,502,394
Contributed Surplus		6,903,766	6,652,409
Deficit		(201,220,574)	(172,937,694)
Total Equity / Deficiency		\$ (4,590,741)	\$ 4,217,109
Total Liabilities and Equity / (Deficiency)		\$ 35,679,873	\$ 21,915,164

Commitments (Note 7)

See notes to financial statements

Approved on behalf of the Board:

John E. Barker
Chairman

David McNally
President and CEO

TITAN MEDICAL INC.
Unaudited Condensed Interim Statement of Shareholders' Equity and Deficit
For the Periods Ended March 31, 2019 and 2018
(In U.S. Dollars)

	Note	Share Capital Number	Amount	Contributed Surplus	Warrants	Deficit	Total Equity
Balance - December 31, 2017		12,686,723	\$ 154,016,519	\$ 5,146,784	\$ 741,917	\$ (150,298,422)	\$ 9,606,798
Issued for Services		7,500	66,234	-	-	-	66,234
Warrants exercised during the period		6,500	58,448	-	-	-	58,448
Warrants expired during the period		-	741,917	-	(741,917)	-	-
Stock based compensation		-	-	367,057	-	-	367,057
Net and Comprehensive loss		-	-	-	-	(808,699)	(808,699)
Balance - March 31, 2018		12,700,723	\$ 154,883,118	\$ 5,513,841	\$ -	\$ (151,107,121)	\$ 9,289,838
Balance - December 31, 2018		21,675,849	\$ 170,502,394	\$ 6,652,409	\$ -	\$ (172,937,694)	\$ 4,217,109
Issued pursuant to agency agreement	6a	8,455,882	13,717,131	-	-	-	13,717,131
Share issue expense			(1,495,501)	-	-	-	(1,495,501)
Warrants exercised during the year	6a	1,018,506	7,002,043				7,002,043
Stock based compensation	6b	-	-	251,357	-	-	251,357
Net and Comprehensive loss		-	-	-	-	(28,282,880)	(28,282,880)
Balance - March 31, 2019		31,150,237	\$ 189,726,067	\$ 6,903,766	\$ -	\$ (201,220,574)	\$ (4,590,741)

See notes to financial statements

TITAN MEDICAL INC.
Unaudited Condensed Interim Statement of Net and Comprehensive Loss
For the Three Months Ended March 31, 2019 and 2018
(In U.S. Dollars)

	Note	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Revenue:		\$ -	\$ -
Expenses:			
Amortization		\$ 6,175	\$ 11,742
Consulting fees		269,429	230,112
Stock based compensation	6b	251,357	367,057
Insurance		118,489	9,057
Management salaries and fees		648,586	709,024
Marketing and investor relations		106,189	44,617
Office and general		117,271	106,174
Professional fees		103,385	145,780
Rent		12,236	24,794
Research and Development		14,408,612	3,274,074
Travel		67,364	72,287
Foreign exchange (gain)/loss		(107,642)	(515,153)
		\$ 16,001,451	\$ 4,479,565
Finance Income (cost):			
Interest		\$ 23,031	\$ 28,292
Gain (Loss) on change in fair value of warrants	2b, 5	(10,476,625)	3,642,574
Warrant liability issue cost		(1,827,835)	-
		\$ (12,281,429)	\$ 3,670,866
Net and Comprehensive Loss For The Year		\$ 28,282,880	\$ 808,699
Basic and Diluted Loss Per Share		\$ (1.22)	\$ (0.07)
Weighted Average Number of Common Shares, Basic and Diluted		23,185,888	12,696,399

See notes to financial statements

TITAN MEDICAL INC.
Unaudited Condensed Interim Statements of Cash Flows
For the Three Months Ended March 31, 2019 and 2018
(In U.S. Dollars)

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Cash provided by (used in):		
Operating activities:		
Net loss for the period	\$ (28,282,880)	\$ (808,699)
Items not involving cash:		
Amortization	6,175	11,742
Stock based compensation	251,357	367,057
Other share compensation	-	66,234
Warrant liability-fair value adjustment	10,476,625	(3,642,574)
Warrant liability-foreign exchange adjustment	(106,057)	(514,355)
Changes in non-cash working capital items:		
Amounts receivable, prepaid expenses and deposits	(1,577,929)	(1,808,310)
Accounts payable and accrued liabilities	47,756	695,839
Cash used in operating activities	\$ (19,184,953)	\$ (5,633,066)
Financing activities:		
Net proceeds from issuance of common shares and warrants	\$ 31,377,908	\$ 29,500
Cash provided by financing activities	\$ 31,377,908	\$ 29,500
Investing Activities:		
Cost of Patents	\$ (53,758)	\$ (56,548)
Cash used in investing activities	\$ (53,758)	\$ (56,548)
Increase (Decrease) in cash and cash equivalents	\$ 12,139,197	\$ (5,660,114)
Cash and cash equivalents, beginning of the period	11,471,243	26,130,493
Cash and cash equivalents, end of the period	\$ 23,610,440	\$ 20,470,379
Cash and cash equivalents comprise:		
Cash	\$ 582,622	\$ 227,964
Cash Equivalents	23,027,818	20,242,415
	\$ 23,610,440	\$ 20,470,379

See notes to financial statements

1. **DESCRIPTION OF BUSINESS**

Nature of Operations:

The Company's business continues to be in the research and development stage and is focused on the continued research and development of the next generation surgical robotic platform. In the near term, the Company will continue efforts to complete product development and proceed to pre-clinical and confirmatory human studies and satisfaction of appropriate regulatory requirements. Upon receipt of regulatory approvals, the Company will transition from the research and development stage to the commercialization stage. The completion of these latter stages will be subject to the Company receiving additional funding in the future.

The Company is incorporated in Ontario, Canada in accordance with the Business Corporations Act. The address of the Company's corporate office and its principal place of business is Toronto, Canada.

Basis of Preparation:

(a) Statement of Compliance

These condensed interim financial statements for the three months ending March 31, 2019 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34").

These condensed interim financial statements should be read in conjunction with the Company's 2018 annual financial statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The condensed interim financial statements have been prepared using accounting policies consistent with those used in the Company's 2018 annual financial statements as well as any amendments, revisions and new IFRS, which have been issued subsequently and are appropriate to the Company.

The condensed interim financial statements were authorized for issue by the Board of Directors on May 14, 2019.

(b) Basis of Measurement

These condensed interim financial statements have been prepared on the historical cost basis except for the revaluation of the warrant liability, which is measured at fair value.

(c) Functional and Presentation Currency

These condensed interim financial statements are presented in United States dollars ("U.S."), which is the Company's functional and presentation currency.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

(a) Use of Estimates and Judgements

The preparation of financial statements in conformity with IAS 34, Interim Financial Reporting requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of provisions at the date of the condensed interim financial statements and the reported amount of expenses during the year. Financial statement items subject to significant judgement include, the measurement of stock based compensation and the fair value estimate of the initial measurement of new warrant liabilities and the remeasurement of unlisted warrant liabilities. While management believes that the estimates and assumptions are reasonable, actual results may differ.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

These financial statements have been prepared in accordance with accounting principles applicable to going concern, which contemplates that the Company will be able to realize its assets and settle its liabilities in the normal course as they come due during the normal course of operations for the foreseeable future. The Company has shareholders' deficiency of \$201,220,574 and current losses of \$28,282,880. The Company currently does not generate any revenue (other than interest income on its cash balances) and accordingly it is primarily dependent upon equity financing for any additional funding required for development and operating expenses. The Company expects that approximately US \$35 million in incremental funding is needed, for the next 12 months to maintain its currently anticipated pace of development. If additional funding is not available, the pace of the Company's product development plan may be reduced. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern if additional funding is not secured. However, based on internal forecasts, Management believes that the Company has sufficient funds to meet its obligations under a reduced development plan, if necessary, for the ensuing twelve months.

Fair Value

The Black-Scholes model used by the Company to determine fair values of stock options, warrants and broker warrants was developed for use in estimating the fair value of the stock options and warrants.

(b) Warrant Liability

In accordance with IAS 32, because the exercise prices of the warrants issued are not a fixed amount, they are accounted for as a derivative financial liability. This specifically includes warrants denominated in a currency (Canadian dollars) other than the Company's functional currency (U.S. dollar), as well as warrants that are denominated in US dollars but have a cashless exercise option. Each Warrant Liability is initially measured at fair value and subsequent changes in fair value are recorded through Net and Comprehensive Loss for the year. At March 31, 2019, the Warrant Liability of listed warrants was adjusted to fair value measured at the market price of the listed warrants and the Warrant Liability of unlisted warrants was adjusted to fair value using the Black-Scholes formula. The Black-Scholes calculation for the unlisted warrants was determined initially using a comparable warrant quoted in an active market, adjusted for differences in the terms of the warrant. At March 31, 2019, it was determined that the comparable warrant was no longer an effective benchmark and the Company began to use the market price and volatility of the Company's common shares adjusted for differences in the terms of the warrant.

(c) Fair Value Measurement

The accounting guidance for fair value measurements prioritizes the inputs used in measuring fair value into the following hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included within Level 1 that are directly or indirectly observable:

Level 3 - Unobservable inputs in which little or no market activity exists, therefore requiring an entity to develop its own assumptions about the assumptions that market participants would use in pricing.

The fair value of the listed and unlisted Warrant liability is initially based on level 2 significant observable inputs and at March 31, 2019 and December 31, 2018 is based on level 1, quoted prices (unadjusted) for listed warrants and level 2 for unlisted warrants.

TITAN MEDICAL INC.
Notes to the Unaudited Condensed Interim Financial Statements
Three Months Ended March 31, 2019 and 2018
(In U.S. Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Adoption of New Accounting Standard

IFRS 16 Leases

IFRS 16 Leases, superseded the requirements in IAS 17, IFRIC-15 and SIC-17. The new standard is effective for annual periods beginning on or after January 1, 2019. Since the Company is not currently party to a lease with a life of one year or longer, this standard has no effect on the current condensed interim financial statements for the three months ended March 31, 2019.

3. PATENT RIGHTS

Cost

Balance at December 31, 2018	\$	1,398,713
Additions		<u>53,758</u>
Balance at December 31, 2019	\$	1,452,471

Amortization & Impairment Losses

Balance at December 31, 2018	\$	226,228
Amortization for the period		<u>6,175</u>
Balance at December 31, 2019	\$	232,403

Net Book Value

At December 31, 2018	\$	<u>1,172,485</u>
At December 31, 2019	\$	<u>1,220,068</u>

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The balance of accounts payable and accrued liabilities at March 31, 2019 is \$6,495,644 (December 31, 2018 - \$6,447,888). The majority of the payables relate to amounts owed to the Company's R&D supplier amounting to \$5,343,543, amounts relating to the March 21, 2019 equity raise of \$394,331 and the balance relating to regular business operations.

TITAN MEDICAL INC.
Notes to the Unaudited Condensed Interim Financial Statements
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(In U.S. Dollars)

5. WARRANT LIABILITY

	Quarter Ended March 31, 2019		Year Ended December 31, 2018	
	Number of Warrants	Amount	Number of Warrants	Amount
Opening Balance	13,901,859	\$ 11,250,167	4,933,231	\$ 17,849,460
Issue of warrants expiring, April 10, 2023	-	-	1,295,554	5,212,087
Issue of warrants expiring, August 10, 2023	-	-	7,679,574	6,297,251
Issue of warrants expiring, March 20, 2023	8,455,882	15,897,059	-	-
Warrants exercised during the period	(1,018,506)	(3,742,824)	(6,500)	(28,949)
Warrants expired during the period	(135,824)	-	-	-
Foreign exchange adjustment during the period	-	(106,057)	-	(984,462)
Fair value adjustment during the period	-	10,476,625	-	(17,095,220)
Ending Balance	21,203,411	\$ 33,774,970	13,901,859	\$ 11,250,167

6. SHARE CAPITAL

- a) Authorized:** unlimited number of common shares, no par
- Issued:** 31,150,237 (December 31, 2018: 21,675,849)

Exercise prices of units, certain warrants and options are presented in Canadian currency as they are exercisable in Canadian dollars unless otherwise noted.

On March 21, 2019, Titan completed an offering of securities made pursuant to an agency agreement dated March 18, 2019 between the Company and Bloom Burton Securities Inc. (the "Agent"). The Company sold 8,455,882 Units under the Offering at a price of US \$3.40 per Unit for gross proceeds of approximately \$28,750,000 (\$25,426,744 net of closing cost including cash commission of \$2,012,500). Each Unit consisted of one Common Share of the Company and one Common Share purchase warrant, each warrant entitles the holder thereof to acquire one Common Share of the Company at an exercise price of US \$4.00 and expiring March 21, 2024. The warrants were valued at \$15,897,059 based on the value determined by the Black-Scholes model and the balance of \$12,852,941 was allocated to common shares.

Pursuant to the agency agreement, in addition to the cash commission paid to the Agent, broker warrants were issued to the Agent which entitle the holder to purchase 591,911 Common Shares at a price of USD \$3.40 per share prior to expiry on March 21, 2021. The broker warrants were valued using the Black-Sholes model and the value of \$864,190 was accounted for as an increase in the closing costs and allocated between the shares and the warrants.

During the quarter ended March 31, 2019, 1,018,506 warrants were exercised for total proceeds of \$3,259,219. The fair value of the exercised warrants was \$3,742,824 which was reclassified from warrant liability to common stock.

On June 19, 2018 a share consolidation of 30:1 was completed and the Company's outstanding common shares were adjusted from 419,888,250 to 13,996,275. All references to the common shares, warrants and stock options, prior to June 20, 2018, have been updated in the notes to reflect the 1:30 reverse stock split.

TITAN MEDICAL INC.
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(In U.S. Dollars)

6. SHARE CAPITAL (continued)

On August 10, 2018 Titan Completed an offering of securities made pursuant to an agency agreement dated August 7, 2018 between the Company and Bloom Burton Securities Inc. (the “Agent”). The Company sold 7,679,574 Units under the Offering at a price of US \$2.50 per Unit for gross proceeds of approximately \$19,198,935 (\$17,464,711 net of closing cost including cash commission of \$1,343,925). Each Unit consisted of one Common Share of the Company and one Common Share purchase warrant, each warrant entitles the holder thereof to acquire one Common Share of the Company at an exercise price of US \$3.20 and expiring August 10, 2023. The warrants were valued at \$6,297,251 based on the value determined by the Black-Scholes model and the balance of \$12,901,684 was allocated to common shares.

Pursuant to the agency agreement, in addition to the cash commission paid to the Agent, broker warrants were issued to the Agent which entitle the holder to purchase 537,570 Common Shares at a price of USD \$2.50 per share prior to expiry on August 10, 2020.

On April 10, 2018 Titan completed an offering of securities made pursuant to an agency agreement dated April 3, 2018 between the Company and Bloom Burton Securities Inc. The Company sold 1,126,664 Units under the Offering at a price of CDN \$9.00 per Unit for gross proceeds of approximately \$8,035,941 (\$7,211,320 net of closing costs including cash commission of \$562,516). Each Unit consisted of one Common Share of the Company and one Common Share purchase warrant, each warrant entitles the holder thereof to acquire one Common Share of the Company at an exercise price of CDN \$10.50 and expiring April 10, 2023. The warrants were valued at \$4,553,700 based on the value determined by the Black-Scholes model and the balance of \$3,482,241 was allocated to common shares.

Pursuant to the agency agreement, in addition to the cash commission paid to the Agent, broker warrants were issued to the Agent which entitle the holder to purchase 78,867 Common Shares at a price of CDN \$9.00 per share prior to expiry on April 10, 2020.

On May 10, 2018 Titan announced the completion of the over-allotment option granted to Bloom Burton Securities Inc. as agent for its offering at a price of CDN \$9.00 per Unit completed on April 10, 2018 was exercised and the Company sold an additional 168,888 Units at the offering price for additional gross proceeds of \$1,189,856 (\$1,100,238 net of closing costs including cash commission of \$76,988). Each Unit consisted of one Common Share of the Company and one Common Share purchase warrant, each warrant entitles the holder thereof to acquire one Common Share of the Company at an exercise price of CDN \$10.50 and expiring April 10, 2023. The warrants were valued at \$658,387 based on the value determined by the Black-Scholes model and the balance of \$531,469 was allocated to common shares.

Pursuant to the agency agreement, in addition to the cash commission paid to the Agent, broker warrants were issued to the Agent which entitle the holder to purchase 10,928 Common Shares at a price of CDN \$9.00 per share prior to expiry on April 10, 2020.

b) Stock Options and Compensation Options

Titan has reserved and set aside up to 10% of the issued and outstanding shares of Titan for granting of options to employees, officers, consultants and advisors. At March 31, 2019, 2,149,241 common shares (December 31, 2018: 1,241,803) were available for issue in accordance with the Company’s stock option plan. The terms of these options are determined by the Board of Directors.

Options are commonly issued over a vesting period. The expense associated with these option issues are recorded over the vesting period. For the three months ended March 31, 2019, \$251,357 of stock-compensation was recorded (2018 - \$367,057).

TITAN MEDICAL INC.
Notes to the Unaudited Condensed Interim Financial Statements
Three Months Ended March 31, 2019 and 2018
(In U.S. Dollars)

6. **SHARE CAPITAL** (continued)

A summary of the status of the Company's outstanding stock options as of March 31, 2019 and December 31, 2018 and changes during the periods ended on those dates is presented in the following table:

Stock Options - Cdn \$ denominated

		Three Months ended March 31, 2019		Year ended December 31, 2018
	Number of Stock Options	Weighted average Exercise Price (CDN)	Number of Stock Options	Weighted average Exercise Price (USD)
Balance Beginning	875,433	\$ 18.20	591,609	\$ 21.30
Granted ²	-	-	322,517	\$ 13.51
Expired/Forfeited	-	-	(38,693)	\$ 24.90
Balance Ending	875,433	\$ 18.20	875,433	\$ 18.20

Stock Options - US \$ denominated

		Three Months ended March 31, 2019		Year ended December 31, 2018
	Number of Stock Options	Weighted average Exercise Price (USD)	Number of Stock Options	Weighted average Exercise Price (USD)
Balance Beginning	50,349	1.55	-	-
Granted ²	40,000	3.72	50,349	\$ 1.55
Expired/Forfeited	-	-	-	-
Balance Ending	90,349	2.51	50,349	\$ 1.55

1. After giving consideration for 30:1 share consolidation effected June 2018.
2. Options granted to a consultant in March 2019 will vest in accordance with a vesting schedule and milestones achieved over a 15-month period. Accordingly, the Company will recognize expense for these Options as the service is provided and the milestones achieved.

TITAN MEDICAL INC.
Notes to the Unaudited Condensed Interim Financial Statements
Three Months Ended March 31, 2019 and 2018
(In U.S. Dollars)

6. SHARE CAPITAL (continued)

The weighted-average remaining contractual life and weighted-average exercise price of options outstanding and of options exercisable as at March 31, 2019 are as follows:

Canadian Dollar Denominated Options			
Exercise Price (CDN)	Number Outstanding	Weighted-average remaining contractual life (years)	Options Exercisable
\$3.28	31,498	6.50	31,498
\$4.50	18,935	4.30	18,935
\$4.80	3,040	1.55	3,040
\$7.49	5,590	6.36	5,590
\$9.00	11,481	6.36	11,481
\$9.60	1,105	1.61	1,105
\$11.70	6,667	1.77	6,667
\$12.00	1,948	1.77	1,948
\$12.90	50,000	5.14	28,125
\$14.40	18,950	5.70	6,317
\$15.00	16,667	4.95	8,681
\$15.00	273,948	5.90	114,145
\$17.10	277,519	4.89	86,725
\$30.00	105,719	2.49	92,192
\$30.60	6,120	1.82	6,120
\$32.40	18,810	1.92	18,810
\$41.70	658	0.80	658
\$45.30	560	1.45	560
\$51.60	15,371	1.28	15,371
\$58.20	10,848	0.22	10,848
	875,433	4.76	468,814

US Dollar Denominated Options			
Exercise Price (USD)	Number Outstanding	Weighted-average remaining contractual life (years)	Options Exercisable
\$1.55	50,349	2.81	50,349
\$3.72	40,000	2.72	-
	90,349	2.77	50,349

The weighted average exercise price of Canadian dollar denominated options outstanding is CDN \$18.20 and CDN \$19.79 for options that are exercisable. The weighted average exercise price of US dollar denominated options outstanding is USD \$2.51 and USD \$1.55 for options that are exercisable.

TITAN MEDICAL INC.
Notes to the Unaudited Condensed Interim Financial Statements
Three Months Ended March 31, 2019 and 2018
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6. SHARE CAPITAL (continued)

Options are granted to Directors, Officers, Employees and Consultants at various times. Options are to be settled by physical delivery of shares. Options and the terms of each issue over the past 24 months are outlined below.

Grant date/ Recipient	Number of Options ¹	Vesting Conditions	Contractual Life of Options
January 17, 2017, option grants to Employees	277,519	Vest as to ¼ of the total number of Options granted, every year from Option Date	7 years
February 7, 2017 option grants to Employees	16,667	Vest as to ¼ of the total number of Options granted, every year from Option Date	7 years
April 17, 2017, options granted to Employees	50,000	Vest as to ¼ of the total number of Options granted, every year from Option Date	7 years
September 7, 2017, options granted to Consultants	6,667	Half vest in 3 months and the remaining half in 6 months	3 years
September 7, 2017, options granted to Directors	12,269	immediately	7 years
September 15, 2017, options granted to Consultants	3,040	immediately	3 years
October 6, 2017, options granted to Consultants	1,105	immediately	3 years
November 8, 2017 options granted to Employees	18,950	Vest as to ¼ of the total number of Options granted, every year from Option Date	7 years
December 4, 2017, options granted to Consultants	1,948	immediately	3 years
December 4, 2017, options granted to Consultants	6,667	Half vest immediately and the remaining half in 12 months	3 years
January 19, 2018 options granted to Employees	273,948	Options will vest the earlier of commercialization or 3 years from grant date	7 years
July 6, 2018, options granted to Directors	17,071	immediately	7 years
August 29, 2018, options granted to Directors	31,498	immediately	7 years
December 18, 2018, options granted to Consultants	50,349	immediately	3 years
February 14, 2019, options granted to a Consultant	40,000	Options may vest over a 15-month vesting schedule	3 years

1. After giving effect of the 30:1 share consolidation of June 2018.
2. Options granted to a consultant in March 2019 will vest in accordance with a vesting schedule and milestones achieved over a 15-month period. Accordingly, the Company will recognize expense for these Options as the service is provided and the milestones achieved.

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6. SHARE CAPITAL (continued)

Inputs for Measurement of Grant Date Fair Values

The grant date fair value of all share-based payment plans was measured based on the Black-Scholes formula. Expected volatility was estimated by considering historic average share price volatility. The weighted average inputs used in the measurement of fair values at grant date of the share-based option plan are as follows:

	<u>2019</u>	<u>2018</u>
Fair Value at grant	-	\$5.99
Share price at grant	-	\$10.79
Exercise price	-	CDN \$11.97
Expected Volatility	-	90.12%
Option Life	-	3 years
Expected dividends	-	nil
Risk free interest rate (based on government bonds)	-	1.90%

c) Warrants

In addition to the warrants accounted for as a liability in Note 5 above, at March 31, 2019, the Company has issued, outstanding and exercisable, 1,328,089 broker warrants expiring between June 29, 2019 and March 21, 2021 (December 31, 2018 - 786,183 broker warrants expiring between March 16, 2019 and August 10, 2020).

7. COMMITMENTS

As part of its program of research and development around the SPORT Surgical System, the Company has outsourced certain aspects of the design and development to third party technology and development companies. At March 31, 2019 \$13,088,649 in purchase orders remain outstanding (2018 - \$12,756,962). The Company also has on deposit with a U.S. supplier of \$10,202,650 to be applied against future invoices (2018 - \$8,541,630).

8. RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2019, transactions between the Company directors, officers and other related parties were related to compensation matters in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Compensation paid to Executive Officers for the three months ended March 31, 2019 amounted to \$514,252 compared to \$594,626 for the three months ended March 31, 2018.

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Officers and Directors of the Company control approximately 0.22% of the Company

	<u>March 31, 2019</u>		<u>December 31, 2018</u>	
	Number of Shares	%	Number of Shares	%
John Barker	32,714	0.11	31,714	0.15
David McNally	4,167	0.01	4,167	0.02
Stephen Randall	22,993	0.07	21,643	0.10
John Schellhorn	294	0.00	294	-
Bruce Wolff	7,610	0.02	7,610	0.03
Total	67,778	0.22	65,428	0.30
Common Shares Outstanding	31,150,237	100%	21,675,849	100%