TITAN MEDICAL INC.

Financial Statements
Years Ended December 31, 2019 and 2018

(IN UNITED STATES DOLLARS)

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Report of Independent Registered Public Accounting Firm

To the Shareholders of Titan Medical Inc.

Opinion on the Financial Statements

We have audited the accompanying financial statements of Titan Medical Inc. (the "Company"), which comprise the balance sheets as of December 31, 2019, and 2018 the related statements of changes in shareholders' equity and deficit, net and comprehensive loss, and cash flow for the years ended December 31, 2019, and 2018 and the related notes including a summary of significant accounting policies and other explanatory information (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019, and 2018 and the results of their operations and their cash flows for the years ended December 31, 2019, and 2018 in conformity with International Financial Reporting Standards (IFRSs) as issued by International Accounting Standards Board ("IASB").

Going Concern Uncertainty

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. Further, we are required to be independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada and to fulfill our other ethical responsibilities in accordance with these requirements.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

(signed) BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Canada

March 30, 2020

We have served as the Company's auditor since 2010.

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

	Note	December 31, 2019	December 31, 2018
Assets			
Current Assets:			
Cash and cash equivalents		$ 814,492	$ 11,471,243
Amounts receivable		84,097	143,225
Deposits	9	481,400	8,541,630
Prepaid expense		369,453	586,581
Total Current Assets		$ 1,749,442	$ 20,742,679
Right of use assets - Leases	3	30,394	-
Patent Rights	4	1,601,745	1,172,485
Total Assets		**$ 3,381,581**	**$ 21,915,164**
Liabilities			
Current Liabilities:			
Accounts payable and accrued liabilities	5	$ 11,412,896	$ 6,447,888
Current portion of lease liability	3	21,071	-
Warrant liability	6	3,621,444	11,250,167
Total Current Liabilities		**$ 15,055,411**	**$ 17,698,055**
Long-term lease liability	3	$ 8,001	$ -
Total Liabilities		**$ 15,063,412**	**$ 17,698,055**
Shareholders' Equity / (Deficiency)			
Share Capital	7	$ 194,859,415	$ 170,502,394
Contributed Surplus		8,303,527	6,652,409
Deficit		(214,844,773)	(172,937,694)
Total Equity / (Deficiency)		**$ (11,681,831)**	**$ 4,217,109**
Total Liabilities and Equity / (Deficiency)		**$ 3,381,581**	**$ 21,915,164**

Going Concern (Note 1(d))
Commitments (Note 9)
Subsequent events (Note 14)
See notes to financial statements

Approved on behalf of the Board:

"signed"	*"signed"*
Charles Federico **Chairman**	**David McNally** **President and CEO**

TITAN MEDICAL INC.
Statements of Net and Comprehensive Loss
For the Years Ended December 31, 2019 and 2018
(In U.S. Dollars)

	Note	Year Ended December 31, 2019	Year Ended December 31, 2018
Revenue:		**$ -**	**$ -**
Expenses:			
Amortization		$ 32,555	$ 29,041
Consulting fees		1,136,146	785,128
Stock based compensation	7b	1,651,119	1,505,625
Insurance		480,362	252,514
Management salaries and fees		2,547,484	2,683,187
Marketing and investor relations		289,350	231,032
Office and general		436,051	412,039
Professional fees		943,535	485,639
Rent		58,064	97,782
Research and Development		51,418,056	32,858,339
Travel		272,594	350,016
Interest charges		422,989	-
Foreign exchange (gain)/loss		37,972	(979,894)
		$ 59,726,277	**$ 38,710,448**
Finance Income (cost):			
Interest		$ 115,584	$ 288,300
Gain on change in fair value of warrants	2(h), 6	19,800,645	17,095,220
Warrant liability issue cost	2(h)	(2,097,031)	(1,312,344)
		$ 17,819,198	**$ 16,071,176**
Net and Comprehensive Loss For The Year		**$ 41,907,079**	**$ 22,639,272**
Basic and Diluted Loss Per Share		**$ (1.37)**	**$ (1.36)**
Weighted Average Number of Common Shares Basic and Diluted		**30,689,545**	**16,635,092**

See notes to financial statements

TITAN MEDICAL INC.
Statement of Shareholders' Equity and Deficit
For the Years Ended December 31, 2019 and 2018
(In U.S. Dollars)

	Note	Share Capital Number	Share Capital Amount	Contributed Surplus	Warrants	Deficit	Total Equity / (Deficiency)
Balance - December 31, 2017		12,686,723	$ 154,016,519	$ 5,146,784	$ 741,917	$ (150,298,422)	$ 9,606,798
Issued pursuant to agency agreement		8,975,126	16,915,394	-	-	-	16,915,394
Share issue expense			(1,297,668)	-	-	-	(1,297,668)
Issued Other		7,500	66,234	-	-	-	66,234
Warrants exercised during the year		6,500	59,998	-	-	-	59,998
Warrants expired during the year		-	741,917	-	(741,917)	-	-
Stock based compensation		-	-	1,505,625	-	-	1,505,625
Net and Comprehensive loss		-	-	-	-	(22,639,272)	(22,639,272)
Balance - December 31, 2018		21,675,849	$ 170,502,394	$ 6,652,409	$ -	$ (172,937,694)	$ 4,217,109

	Note	Share Capital Number	Share Capital Amount	Contributed Surplus	Warrants	Deficit	Total Equity / (Deficiency)
Balance - December 31, 2018		21,675,849	$ 170,502,394	$ 6,652,409	$ -	$ (172,937,694)	$ 4,217,109
Issued pursuant to agency agreement	7a	8,455,882	13,717,131	-	-	-	13,717,131
Issued pursuant to private placements	7a	8,757,444	5,727,971	-	-	-	5,727,971
Share issue expense			(2,090,124)	-	-	-	(2,090,124)
Warrants exercised during the year	7a	1,018,506	7,002,043		-	-	7,002,043
Stock based compensation	7b	-	-	1,651,118	-	-	1,651,118
Net and Comprehensive loss		-	-	-	-	(41,907,079)	(41,907,079)
Balance - December 31, 2019		39,907,681	$ 194,859,415	$ 8,303,527	$ -	$ (214,844,773)	$ (11,681,831)

See notes to financial statements

TITAN MEDICAL INC.
Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018
(In U.S. Dollars)

	Note	Year Ended December 31, 2019	Year Ended December 31, 2018
Cash provided by (used in):			
Operating activities:			
Net loss for the year		$ (41,907,079)	$ (22,639,272)
Items not involving cash:			
Amortization		32,555	29,041
Stock based compensation	7(b)	1,651,119	1,505,625
Other share compensation		-	66,234
Warrant liability-fair value adjustment	6	(19,800,645)	(17,095,220)
Warrant liability-foreign exchange adjustment		17,687	(984,462)
Non-cash issuance costs		744,501	-
Changes in non-cash working capital items:			
Amounts receivable, prepaid expenses and deposits		8,336,486	(6,508,259)
Accounts payable and accrued liabilities		4,965,008	4,229,536
Cash used in operating activities		$ (45,960,368)	$ (41,396,777)
Financing activities:			
Net proceeds from issuance of common shares and warrants		35,766,754	27,158,114
Repayment of lease liabilities	3	(5,100)	-
Cash provided by financing activities		$ 35,761,654	$ 27,158,114
Investing Activities:			
Cost of Patents		(458,037)	(420,587)
Cash used in investing activities		$ (458,037)	$ (420,587)
Decrease in cash and cash equivalents		(10,656,751)	(14,659,250)
Cash and cash equivalents, beginning of the year		11,471,243	26,130,493
Cash and cash equivalents, end of the year		**$ 814,492**	**$ 11,471,243**
Cash and cash equivalents comprise:			
Cash		$ 141,768	$ 100,130
Cash equivalents		672,724	11,371,113
		$ 814,492	$ 11,471,243

See notes to financial statements

1. *DESCRIPTION OF BUSINESS*

Nature of Operations:

Titan Medical Inc.'s ("Titan" or the "Company"), 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 financial statements for the year ended December 31, 2019 and December 31, 2018 have been prepared in accordance with International Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements were authorized for issue by the Board of Directors on March 30, 2020.

(b) Basis of Measurement

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

(d) Going Concern

These financial statements have been prepared in accordance with accounting principles applicable to a 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 $11,681,831 and current year losses of $41,907,079. The Company currently does not generate any revenue and accordingly it is primarily dependent upon equity financing for any additional funding required for development and operating expenses. 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.

(e) Use of Estimates and Judgements

The preparation of financial statements in conformity with IFRS 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 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 warrants. While management believes that the estimates and assumptions are reasonable, actual results may differ.

(In U.S. Dollars)

1. DESCRIPTION OF BUSINESS (continued)

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Cash and Cash Equivalents

Cash and cash equivalents include cash balances and amounts on deposit in interest saving accounts with interest rates of less than 1%.

(b) Furniture and Equipment

Furniture and equipment are recorded at cost less accumulated amortization and accumulated impairment losses, if any. The Company records amortization using the straight-line method over the estimated useful lives of the capital assets as follow:

a) Computer Equipment	3 years
b) Furniture and Fixtures	3 – 5 years
c) Leasehold Improvements	Term of the lease

(c) Leases – Right-of-use Assets

In the current year, the Company has applied IFRS 16 Leases (as issued by the IASB effective January 1, 2019). IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets.

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses a reasonable commercial borrowing rate. For the year ended December 31, 2019, the Company used a 6% discount rate.

As at January 1, 2019, the date of initial application of IFRS 16, the Company had no leases with terms greater than 12 months. As such, the Company's initial application of IFRS 16 is as of November 1, 2019, the date of commencement of its first long-term lease. The Company is not subject to retrospective application of IFRS 16 nor restatement of comparative information.

In applying IFRS 16, the Company:

a) recognizes right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments;
b) recognizes amortization of right-of-use assets and interest on lease liabilities in the statement of profit or loss; and

2. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*

c) separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

Lease payments included in the measurement of the lease liability comprise fixed lease payments less any lease incentives (e.g. free rent period). Non-lease components outlined in the lease are accounted as operating expenses in the period charged. Note, IFRS does permit a lessee not to separate non-lease components and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this expedient.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Company has opted to recognize a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented, if any, within general expenses in the statement of profit or loss.

(d) Patent Rights

Patent rights are recorded at cost less accumulated amortization and accumulated impairment loss. Straight line amortization is provided over the estimated useful lives of the assets, as prescribed by the granting body, which range up to twenty years.

(e) Impairment of Long-Lived Assets

The Company reviews computer equipment, furniture and equipment, leasehold improvements, right-of-use assets and patent rights for objective evidence of impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. Recoverability is measured by comparison of the asset's carrying amount to the asset's recoverable amount, which is the greater of fair value less cost to sell and value in use. Value in use is measured as the expected future discounted cash flows expected to be derived from the asset. If the carrying value exceeds the recoverable amount, the asset is written down to the recoverable amount. The Company's patent rights were tested for impairment in the current year and no adjustment to carrying value was required.

(f) Deferred Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, unused tax losses and income tax reductions, and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Management has determined not to recognize its net deferred tax assets, as it is not considered probable that future tax benefits will be realized.

2. ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)***

(g) Foreign Currency

Transactions in currencies other than U.S. dollars are translated at exchange rates in effect at the date of the transactions. Foreign exchange differences arising on settlement are recognized separately in net and

comprehensive loss. Monetary year end balances are converted to U.S. dollars at the rate in effect at that time. Non-monetary items in a currency other than U.S. dollars that are measured in terms of historical cost are translated using the exchange rate at the date of transaction or date of adoption of U.S. functional currency, whichever is later. Foreign exchange gains and losses are included in net and comprehensive loss.

(h) Warrant Liability

Certain of the Company's warrants have exercise prices that are not fixed and as such in accordance with IAS 32, they must be recorded as a derivative financial liability. This applies both in the case where the Company's warrants are denominated in a currency (Canadian dollars) other than the Company's functional currency (U.S. dollars), and when a warrant is issued with a cashless exercise option. In each case, these warrants are initially measured at fair value and subsequent changes in fair value are recorded through Net and Comprehensive Loss for the year. A proportional amount of costs associated with the issue of shares and warrants is allocated to the warrants and recorded through Net and Comprehensive Loss for the year. At each balance sheet date, the Company reviews the classification of each Warrant Liability to determine whether the appropriate classification remains with Liabilities or requires reclassification to Equity.

At each balance sheet date, the Warrant Liability of listed warrants is adjusted to fair value measured at the market price of the listed warrants and the Warrant Liability of unlisted warrants is adjusted to fair value using the Black-Scholes model. Prior to March 31, 2019, the Black-Sholes model for the unlisted warrants was determined using a comparable warrant quoted in an active market, adjusted for differences in the terms of the warrant. Since 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.

(i) 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 warrant liability relating to listed and unlisted warrants is initially based on Level 2 significant observable inputs and at subsequent dates is adjusted using Level 1 inputs for listed warrants and Level 2 inputs for unlisted warrants.

2. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*

(j) Stock Based Compensation

IFRS 2 requires options granted to employees and others providing similar services to be measured at the fair value of goods or services received, unless that fair value cannot be estimated reliably. If the entity cannot estimate reliably the fair value of the goods or services received, the entity shall measure the value and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted, which the Company does using the Black-Scholes option pricing model. The fair value of the options granted is determined as at the grant date.

Stock options granted to non-employees are valued at the fair value of the goods or service received, measured at the date on which the goods are received, or the services rendered. If the entity cannot estimate reliably the fair value of the goods or services received, the entity shall measure the value and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted, which the Company does using the Black-Scholes option pricing model. The fair value of the options granted is determined as at the grant date.

Stock options are issued to vest immediately or when used as a long-term incentive, are commonly issued over a vesting period of up to seven years. The expense related to options with a vesting period are recorded over the vesting period in accordance with the terms of the options.

(k) Research and Development Costs

Research and development activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding are expensed as incurred. The costs of developing new products are capitalized as deferred development costs, if they meet the development capitalization criteria under IFRS. These criteria include the ability to measure development costs reliably, the product is technically, and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. To date, all the research and development costs have been expensed as the criteria for capitalization have not yet been met.

(l) Earnings (loss) per Share

Basic earnings (loss) per share are calculated using the weighted-average number of common shares outstanding during the year. Diluted earnings (loss) per share considers the dilutive impact of the exercise of outstanding stock options and warrants, as if the events had occurred at the beginning of the period or at a time of issuance, if later. Diluted loss per share has not been presented in the accompanying financial statements, as the effect would be anti-dilutive.

(m) Investment Tax Credits

As a result of incurring scientific research and development expenditures, management has estimated that there will be non-refundable federal and refundable and non-refundable provincial investment tax credits receivable following the completion of an audit process by tax authorities. Investment tax credits are recorded when received or when there is reasonable assurance that the credits will be realized. Upon recognition, amounts will be recorded as a reduction of research and development expenditures.

(n) Financial Instruments

Financial assets include cash and cash equivalents, and amounts receivable which are measured at amortized cost. Amounts receivable include HST recoverable and other receivables. Financial liabilities include accounts payable

(In U.S. Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

and accrued liabilities which are measured at amortized cost.

(o) Short-term Employee Benefits

Short-term employee benefit obligations including Company paid medical, dental and life insurance plans, are measured on an undiscounted basis and are expensed as the related service is provided.

(p) Provisions

A provision is recognized, if as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(q) Standards, Amendments and Interpretations not yet Effective

There are currently no amendments, revisions and new IFRS standards, which have been issued but not effective until annual periods beginning after December 31, 2019 that are expected to have a material impact on the Company.

(r) Adoption of New Accounting Standard

IFRS 16 Leases, supersedes the requirements in IAS 17, IFRIC-15 and SIC-17. The new standard was effective for annual periods beginning on or after January 1, 2019.

As of January 1, 2019, the Company was not party to any leases of greater than 12 months and as such was not required to make any restatements to its financial reports at January 1, 2019. The Company has implemented the new standard beginning with a new lease entered into during the current year. See Significant Accounting Policies (c) Leases – Right-of-use Assets above for further details.

3. LEASE ASSETS

For the year ended December 31, 2019		Cost		Accumulated Amortization		Net Book Value
Balance at December 31, 2018	$	-	$	-	$	-
Additions during the year		34,172		-		34,172
Amortization in the year		-		(3,778)		(3,778)
Balance at December 31, 2019	$	34,172	$	(3,778)	$	30,394

The Company entered into an 18-month lease for its corporate head office in Toronto, Ontario in November 2019. The Company recognized a right-of-use asset offset by a prepayment and a lease liability in the statement of financial position, initially measured at the present value of future lease payments (net of non-lease general expenses which are expensed as incurred).

For the period ended December 31, 2019, the Company has recognized $3,778 of amortization and $3,340 in interest expense relating to this lease and has repaid $5,100 of the lease liability.

(In U.S. Dollars)

3. ***LEASE ASSETS (continued)***

On September 4, 2019, the Company entered into a lease agreement with a third party to lease certain office space in Chapel Hill, North Carolina. The term of the lease is 62 full months and the average monthly base rent is $8,320. The lease will commence on or about March 31, 2020, once the space is ready-for-use. Upon commencement, the Company shall recognize a right-of-use asset and a lease liability relating to this lease.

4. ***PATENT RIGHTS***

For the year ended December 31, 2019		Cost		Accumulated Amortization & Impairment Losses		Net Book Value
Balance at January 1, 2018	$	978,126	$	(203,901)	$	774,225
Additions during the year		420,587		-		420,587
Amortization in the year		-		(22,327)		(22,327)
Balance at December 31, 2018	$	1,398,713	$	(226,228)	$	1,172,485
Additions during the year		458,037		-		458,037
Amortization in the year		-		(28,777)		(28,777)
Balance at December 31, 2019	$	1,856,750	$	(255,005)	$	1,601,745

5. ***ACCOUNTS PAYABLE AND ACCRUED LIABILITIES***

The balance of accounts payable and accrued liabilities at December 31, 2019 is $11,412,896 (December 31, 2018 - $6,447,888). The majority of the payables relate to amounts owed to the Company's R&D suppliers amounting to $10,049,622, for legal and audit an amount of $560,904 and the balance relating to regular business operations.

Naglreiter Consulting Litigation

On October 16, 2019, Naglreiter Consulting, LLC ("Naglreiter") filed a Complaint for breach of contract against the Company in the U.S. District Court for the Southern District of Florida. The Complaint, which was served on the Company on October 24, 2019, alleges that the Company has not paid the amounts owed under several invoices and, further, that the invoices total approximately $5 million.

On December 5, 2019, the Company filed an Answer, Affirmative Defenses and Counterclaim denying the allegations, asserting defenses to the Complaint, and asserting counterclaims against Naglreiter for (i) breach of contract including that the services that were rendered by Naglreiter were not rendered in a satisfactory manner and that Naglreiter failed to return property paid for by the Company, (ii) fraudulent inducement, (iii) negligent misrepresentation, (iv) indemnification and (v) conversion for refusing to return Titan's property.

On February 13, 2020, Naglreiter filed an Amended Complaint against the Company to add a complaint of unjust enrichment alleging that Naglreiter had conferred benefits on the Company without the Company paying fair market value for them and asked the courts for a constructive trust over certain property of the Company in Naglreiter's possession.

On March 9, 2020, the Company filed an Answer and Affirmative Defenses to the Amended Complaint and an Amended Counterclaim, denying the allegations, asserting defenses to the Amended Complaint, and bringing

5. *ACCOUNTS PAYABLE AND ACCRUED LIABILITIES (continued)*

additional counterclaims of (i) replevin to recover possession of personal property held by Naglreiter, (ii) civil theft for depriving the Company of its right to certain property in Naglreiter's possession and (iii) injunctive relief to have Naglreiter cease and desist the violation of confidentiality provisions in the parties' agreements.

The Company is seeking a return of property having a value of over $4 million as well as the return of amounts paid for work not done or inadequately done by Naglreiter. The Company intends to defend itself vigorously in this matter and pursue all relief to which it is entitled.

The Company has included in its accounts $2,889,626 for outstanding invoices relating to the period that Naglreiter was engaged with the Company.

6. *WARRANT LIABILITY*

	Year Ended December 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 21, 2024	8,455,882	15,897,059	-	-
Warrants exercised during the year	(1,018,506)	(3,742,824)	(6,500)	(28,949)
Warrants expired during the year	(135,824)	-	-	-
Foreign exhange adjustment during the year	-	17,687	-	(984,462)
Fair value adjustment during the year	-	(19,800,645)	-	(17,095,220)
Ending Balance	21,203,411	$ 3,621,444	13,901,859	$ 11,250,167

7. *SHARE CAPITAL*

a) **Authorized:** unlimited number of common shares, no par

Issued: 39,907,681 (December 31, 2018: 21,675,849)

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

On December 23, 2019, the Company entered into a common share purchase agreement (the "Aspire Agreement") with Aspire Capital Fund, LLC ("Aspire Capital") whereby Aspire Capital committed to purchase up to $35 million of common shares of Titan ("Common Shares") at Titan's request from time to time, until June 23, 2022 (the "Aspire Transaction"). On commencement of the Aspire Agreement, Titan issued to Aspire Capital 973,000 Common Shares, then issued and outstanding, as consideration for entering into the Aspire Agreement.

(In U.S. Dollars)

The value of the Common Shares issued of $423,440, has been included in capital, offset by a fee valued at the same amount plus $35,122 for other costs incurred pursuant to the Aspire Transaction. Titan did not sell Common

7. SHARE CAPITAL (continued)

Shares to Aspire pursuant to the Aspire Agreement until after the year ended December 31, 2019. See Subsequent events Note 10.

On August 29, 2019, the Company entered into a common share purchase agreement (the "First Aspire Agreement") with Aspire Capital whereby Aspire Capital committed to purchase up to $35 million of common shares of Titan at Titan's request from time to time, until February 28, 2022. On commencement of the First Aspire Agreement, Titan immediately sold to Aspire 1,777,325 Common Shares, representing 5.3% of the Common Shares then issued and outstanding, at a price of US $1.6879 per Common Share for gross proceeds of $3.0 million and issued to Aspire Capital 639,837 Common Shares, representing 1.9% of the Common Shares then issued and outstanding, as consideration for entering into the First Aspire Agreement. Northland Securities, Inc. acted as the Company's agent and financial advisor in connection with the offering and pursuant to an agency agreement, was paid a cash fee of $160,000. Gross proceeds of $3.0 million, net of costs and fees of $417,113, was included in capital. Subsequent to August 29, 2019 and subject to the First Aspire Agreement, the Company issued Common Shares to Aspire as outlined in the following table:

Grant Date	Common shares issued		Value
August 30, 2019	2,417,162	$	3,000,000
November 8, 2019	100,000		42,560
November 8, 2019	100,000		42,560
November 12, 2019	100,000		42,970
November 12, 2019	100,000		42,000
November 13, 2019	100,000		42,970
November 14, 2019	300,000		128,910
November 15, 2019	2,500,000		1,074,250
November 19, 2019	2,067,282		888,311
	7,784,444	$	5,304,531

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. ("Bloom Burton"). 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 Bloom Burton, broker warrants were issued to Bloom Burton which entitle the holder to purchase 591,911 Common Shares at a price of US $3.40 per share prior to expiry on March 21, 2021. The broker warrants were valued using the Black-Scholes 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 reclassed from warrant liability to common stock. No additional warrants were exercised during 2019.

7. 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. 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 per share 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 Boom Burton, broker warrants were issued to Bloom Burton which entitle the holder to purchase 537,570 Common Shares at a price of US $2.50 per share prior to expiry on August 10, 2020.

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 30:1 share consolidation.

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. 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 Bloom Burton, broker warrants were issued to Bloom Burton 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 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 Bloom Burton, broker warrants were issued to Bloom Burton, 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

On May 29, 2019, the shareholders of Titan approved an increase of its reserve for options from 10% and set aside up to 15% of the issued and outstanding shares of Titan for granting of options to employees, officers, consultants and advisors. At December 31, 2019, 5,986,152 common shares (December 31, 2018: 1,241,803) were available for issue in accordance with the Company's stock option plan (the "Option Plan"). The terms of

(In U.S. Dollars)

7. SHARE CAPITAL (continued)

these options are determined by the Board of Directors.

For the period ended December 31, 2019, $1,651,119 of stock-compensation expense was recognized (December 31, 2018 – $ 1,505,625).

On May 29, 2019, the shareholders approved amendments to the exercise prices of options previously granted to executive officers and other employees of the Company under the Option Plan. The exercise price was amended to be US $3.40 (CDN $4.54) per option, being the higher of the March 21, 2019 offering price of US $3.40 per share and the five-day volume weighted average price as determined as of the close of business on May 28, 2019.

In accordance with IFRS 2, the options affected by the amendments were revalued just prior to the amendment and just after the amendment based on the values determined by the Black-Scholes model. The incremental value of CDN $622,460 (US $475,622) was recognized as stock based compensation with CDN $382,390 (US $292,184) recognized immediately and CDN $240,070 (US $183,437) to be amortized and recognized as stock-based compensation over the remaining vesting period in accordance with the vesting schedule of each particular option agreement.

The amended fair value of all affected 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 the amendment date of the share-based option plan are as follows:

	May 29, 2019 before the amendments	**May 29, 2019 after the amendments**
Fair Value calculated	CDN $0.01-$1.40	CDN $1.06-$2.10
Share price at grant	CDN $3.47	CDN $3.47
Exercise price	CDN $12.90-$51.60	CDN $4.54
Expected Volatility	98.6%-99.4%	98.6%-99.4%
Expected Option Life	1.0-3.5 years	1.0-3.5 years
Expected dividends	Nil	Nil
Risk free interest rate (based on government bonds)	1.48%-1.57%	1.48%-1.57%

(In U.S. Dollars)

7. SHARE CAPITAL (continued)

A summary of the status of the Company's outstanding stock options as of December 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

Year ended	December 31, 2019		December 31, 2018	
	Number of Stock Options	Weighted average Exercise Price (CDN)	Number of Stock Options (1)	Weighted average Exercise Price (CDN)
Balance Beginning	875,433	$ 18.20	591,609	$ 21.30
Granted	35,719	4.54	322,517	13.51
Expired/Forfeited	(50,773)	31.79	(38,693)	24.90
Balance Ending	860,379	$ 5.89	875,433	$ 18.20

Stock Options – US $ denominated

Year ended	December 31, 2019		December 31, 2018	
	Number of Stock Options	Weighted average Exercise Price (USD)	Number of Stock Options[1]	Weighted average Exercise Price (USD)
Balance Beginning	50,349	$ 1.55	-	$ -
Granted	843,693	2.72	50,349	1.55
Expired/Forfeited	(40,000)	3.72	-	-
Balance Ending	854,042	$ 2.65	50,349	$ 1.55

1. After giving consideration for 30:1 share consolidation effected June 20, 2018.

(In U.S. Dollars)

7. SHARE CAPITAL (continued)

The weighted-average remaining contractual life and weighted-average exercise price of options outstanding and of options exercisable as at December 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	5.67	31,498
$4.50	18,936	3.28	18,936
$4.54	743,122	6.76	296,807
$4.80	3,040	0.71	3,040
$7.49	5,590	5.52	5,590
$9.00	11,481	5.52	11,481
$9.60	1,105	0.77	1,105
$11.70	6,667	0.94	6,667
$12.00	1,948	0.93	1,948
$30.00	28,260	1.65	28,260
$30.60	2,096	0.98	2,096
$32.40	810	1.08	810
$45.30	560	0.61	560
$51.60	5,266	0.44	5,268
	860,379	**4.37**	**414,066**

US Dollar Denominated Options

Exercise Price (USD)	Number Outstanding	Weighted-average remaining contractual life (years)	Options Exercisable
$1.55	50,349	1.97	50,349
$2.20	469,420	6.53	2,165
$3.40	294,273	6.37	197,273
$3.72	40,000	2.69	-
	854,042	**6.28**	**249,787**
Total	**1,714,421**	**5.32**	**663,853**

The weighted average exercise price of Canadian dollar denominated options outstanding is CDN $5.89 and CDN $7.35 for options that are exercisable. The weighted average exercise price of US dollar denominated options outstanding is US $2.65 and US $3.02 for options that are exercisable.

(In U.S. Dollars)

7. *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 year ended December 31, 2019 are outlined below.

Grant date/ Recipient	Number of Options	Vesting Conditions	Contractual Life of Options
February 14, 2019, options granted to a Consultant	40,000	Options may vest over a 15-month vesting schedule	Cancelled
May 29, 2019, options granted to a Director	253,000	Options vest over a specified vesting period not exceeding 4 years	7 years
June 28, 2019, options granted to an Employee	10,000	Options vest as to 1/3 of the total number of Options granted, every year from Grant Date	7 years
July 18, 2019, options granted to a Director	25,719	Options vest immediately	7 years
July 19, 2019, options granted to an Employee	467,255	Options vest as to 1/4 of the total number of Options granted, every year from Grant Date	7 years
July 19, 2019, options granted to a Consultant	2,165	Options vest as to 1/3 of the total number of Options granted, every year from Grant Date	7 years
July 19, 2019, options granted to a Director	41,273	Options vest immediately	7 years
September 9, 2019, options granted to a Consultant	40,000	Options vest over a 15-month vesting schedule subject to achieving certain milestones.	2.5 years

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 model. Expected volatility was estimated by considering historic average share price volatility. The weighted average inputs (in CDN$ or US$ as per the grant) used in the measurement of fair values at grant date of the share-based option plan are as follows:

	2019	2019	2018
Fair Value calculated	**US $1.48**	**CDN $1.61**	**CDN $5.99**
Share price at grant	**US $2.36**	**CDN $2.90**	**CDN $10.79**
Exercise price	**US $2.72**	**CDN $4.54**	**CDN $11.97**
Expected Option Life	**3.5 years**	**3.4 years**	**3 years**
Risk free interest rate (based on government bonds)	**1.50%**	**1.43%**	**1.90%**
Expected Volatility	**97.90%**	**98.10%**	**90.12%**
Expected dividends	**Nil**	**Nil**	**Nil**

(In U.S. Dollars)

7. *SHARE CAPITAL (continued)*

c) Warrants

In addition to the warrants accounted for as a liability (see Note 6), at December 31, 2019, the Company has 1,219,276 broker warrants that are issued, outstanding and exercisable (December 31, 2018 - 786,183). These broker warrants expire between April 10, 2020 and March 21, 2021 (December 31, 2018 - broker warrants had expiry dates between March 16, 2019 and August 10, 2020).

8. *INCOME TAXES*

a) Current Income Taxes

A reconciliation of combined federal and provincial corporate income taxes at the Company's effective tax rate of 26.5% (2018 – 26.5%).

	December 31, 2019	December 31, 2018
Net Loss before income taxes	$ (41,907,079)	$ (22,639,272)
Income taxes at statutory rates	$ (11,105,376)	$ (5,999,407)
Tax effect of expenses not deductible for income tax purposes:		
Tax/FX rate changes and other adjustments	-	-
Permanent differences	(4,800,780)	(4,374,564)
Unrecognized share issue costs	(625,220)	(354,072)
Tax/foreign currency rate changes and other adjustments	93,724	-
Total tax recovery	(16,437,652)	(10,728,043)
Tax recovery not recognized	16,437,652	10,728,043
	$ -	$ -

b) Deferred Income Taxes

Deferred income tax assets and liabilities result primarily from differences in recognition of certain timing differences that give rise to the Company's future tax assets (liabilities) and are as follows:

	December 31, 2019	December 31, 2018
Non-Capital Losses	$ 63,740,497	$ 47,679,897
Qualifying Research and Development expenditures	1,493,309	1,493,309
Share issue costs and other	1,999,584	1,622,533
Total tax assets	67,233,390	50,795,739
Tax assets not recognized	(67,233,390)	(50,795,739)
Net deferred tax assets	$ -	$ -

In assessing the realizability of deferred tax assets, management considers whether it is probable that some or all the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable

(In U.S. Dollars)

8. *INCOME TAXES (continued)*

income and tax planning strategies in making this assessment. Management, based on IFRS criteria, has determined, at this time, not to recognize its deferred tax assets.

c) Losses carried forward

The Company has non-capital losses of approximately $240,594,715 available to reduce future income taxes. The non-capital losses expire approximately as follows:

2027	$ 786,557
2028	169,954
2029	186,708
2030	2,003,594
2031	12,735,836
2032	7,260,729
2033	8,856,497
2034	15,819,741
2035	43,934,918
2036	28,310,254
2037	19,604,159
2038	40,255,192
2039	60,670,576
	$ 240,594,715

The Company has accumulated Qualifying Research and Development expenses of $5,635,128 from prior years research and development. These expenditures may be carried forward indefinitely and used to reduce taxable income in future years.

As a result of a Canada Revenue Agency (CRA) audit completed in 2017 and 2016, regarding Titan's 2012 and 2011 SR&ED claim, the 2012 loss of $6,517,436 has been adjusted to $7,260,729 and the 2011 loss of $9,423,694 has been adjusted to $12,735,836. The qualifying SR&ED expenditures has also been adjusted from $9,439,430 to $5,635,128. CRA concluded that the claimed work did not satisfy the SR&ED criteria. Titan is appealing this decision by CRA.

d) Investment Tax Credits

At December 31, 2019, the Company has $1,167,560 (2018 - $1,167,560) of unclaimed investment tax credits available to reduce federal income taxes payable in future years. If not utilized, these investment tax credits will start expiring in 2028. The amounts have been adjusted to reflect changes due to the CRA audit.

At December 31, 2019, the Company has $237,997 (2018 - $237,997) of unclaimed Ontario Research and Development Tax Credit available to reduce Ontario income taxes payable in future years. If not utilized, this credit will start expiring in 2029. The amounts have been adjusted to reflect changes due to the CRA audit.

(In U.S. Dollars)

9. *COMMITMENTS*

As part of its program of research and development around the single-port robotic surgical system, the Company has outsourced certain aspects of the design and development to third party technology and development companies. At December 31, 2019, $1,327,294 in purchase orders remain outstanding (2018 - $ 12,756,962), however work relating to these commitments is currently delayed pending additional funding and the ramp up in the Company's development projects. The Company also has on deposit with a U.S. supplier $481,400 to be applied against future invoices (2018 - $8,541,630).

10. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2019, transactions between the Company's 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 year ended December 31, 2019 amounted to $1,495,611 compared to $1,552,367 for the year ended December 31, 2018.

	December 31, 2019		December 31, 2018	
	Number of Shares	%	Number of Shares	%
John Barker	32,714	0.08	31,714	0.15
Stephen Randall	22,993	0.06	21,643	0.10
David McNally	4,167	0.01	4,167	0.02
John Schellhorn	294	0.00	294	0.00
Bruce Wolff [1]	-	-	7,610	0.03
Total	**60,168**	**0.15**	**65,428**	**0.30**
Common Shares Outstanding	**39,907,681**	**100%**	**21,675,849**	**100%**

1: Bruce Wolff retired as a Director effective May 29, 2019

11. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying values, unless otherwise noted, due to the short maturities of these instruments or the discount rate applied. Warrant liabilities are valued at fair value as described in note 2(h).

11. FINANCIAL INSTRUMENTS (continued)

The Company's risk exposures and their impact on the Company's financial instruments are summarized below:

a) Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents and amounts receivable. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents are held with reputable financial institutions, from which management believes the risk of loss to be remote. Financial instruments included in amounts receivable consists of HST tax due from the Federal Government of Canada and interest receivable from interest saving account and short-term promissory notes. Management believes that the credit risk concentration with respect to financial instruments included in amounts receivable is remote.

b) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due and when appropriate will scale back its operations. As at December 31, 2019, the Company had cash and cash equivalents of $814,492 (December 31, 2018 -$11,471,243) to settle liabilities of $11,441,668 (December 31, 2018 - $6,447,888) excluding warrant liabilities of $3,621,444 (December 31, 2018 – $11,250,167).

The Company currently does not generate any revenue or income (other than interest income on its cash balances) and accordingly, it is (and it will be for the foreseeable future) dependent primarily upon equity financing for any additional funding required for development and operating expenses.

The ability of the Company to arrange such financing in the future will depend in part upon prevailing capital market conditions and the business success of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares or convertible securities from treasury, control of the Company may change, and shareholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, the Company may not be able to take advantage of opportunities, or otherwise to resume and continue its technology development program.

c) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

(i) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in interest savings accounts and short-term promissory notes. The Company periodically monitors the investments it makes and is satisfied with the credit risk of its bank.

(ii) Foreign currency risk

The Company's functional currency is the U.S. dollar. Expenditures transacted in foreign currency are converted to U.S. dollars at the rate in effect when the transaction is initially booked. The gain or loss on exchange, when the transaction is settled, is booked to the Statement of Net and Comprehensive Loss. Management acknowledges that there is a foreign exchange risk derived from currency conversion and believes this risk to be low as the Company now maintains a minimum balance of Canadian dollars.

11. *FINANCIAL INSTRUMENTS (continued)*

d) Sensitivity analysis

Cash equivalents include cash balances and amounts on deposit in interest savings account and short-term promissory notes. Sensitivity to a plus or minus 1% change in interest rates could affect annual net loss by $62,071 (December 31,2018 - $113,711) based on the current level of cash invested in cash equivalents.

A strengthening of the U.S. dollar at December 31, 2019, as indicated below, against current assets and accounts payable and accrued liabilities denominated in Canadian currency of CDN $556,276 (December 31, 2018 - $277,228) and warrant liability of CDN $868,855 (December 31, 2018 - $5,520,457) would result in increased equity and an increased profit for the period of $32,541 (December 31, 2018 - $192,059) as shown on the chart below. This analysis is based on foreign currency exchange rate variances that the Company considers to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular, interest rates, remain constant. The analysis is performed on the same basis for December 31, 2018.

December 31, 2019	**Profit of (Loss)**
5% strengthening	
CDN Current assets	$ (19,687)
CDN Accounts payable and accrued liabilities	$ 52,228
	$ 32,541
December 31, 2018	
5% strengthening	
CDN Current assets	$ (10,155)
CDN Accounts payable and accrued liabilities	$ 202,214
	$ 192,059

A weakening of the U.S. dollar against the Canadian dollar at December 31, 2019 and December 31, 2018 would have had the equal but opposite effect on the above currencies to the amount shown above, on the basis that all other variables remain constant.

12. *SEGMENTED REPORTING*

The Company operates in a single reportable operating segment – the research and development of the Company's single-port robotic surgical system, the next generation of surgical robotic platform. The Company's long-term assets are domiciled in Toronto, Canada.

13. *CAPITAL MANAGEMENT*

The Company's capital is composed of shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, to support the development of its single-port robotic surgical system. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of

13. CAPITAL MANAGEMENT (continued)

its single-port robotic surgical system. The Company has further progress to make in the development of the single-port robotic surgical system and anticipates that the cost of completion will exceed its current resources. Accordingly, the Company will be dependent on external financing to fund its future activities. To carry out the completion of the single-port robotic surgical system and pay for administrative costs, the Company will continue to raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2019.

The Company is not subject to externally imposed capital requirements other than the Nasdaq requirement that the Company maintain a minimum market value of $35 million. The Company currently does not meet this requirement and has until May 25, 2020 to regain compliance otherwise the Company’s securities are subject to potential de-listing.

14. SUBSEQUENT EVENTS

COVID-19

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

March 2020 Offering

On March 25, 2020, the Company entered into definitive agreements with institutional investors that provide for the purchase and sale of 7,000,000 common shares of the Company (the “Common Shares”) at a per share purchase price of US $0.17 per Common Share and 3,500,000 Common Share purchase warrants (each, a “Warrant”), resulting in total gross proceeds of approximately $1.2 million (approximately $0.885 million net of closing costs including cash commission described below). Each whole Warrant is exercisable to purchase one Common Share (a “Warrant Share”) at an exercise price of US $0.19 per Common Share for a period of five years following the date of closing of the offering. The warrants were valued at $618,100 based on the value determined by the Black-Scholes model and the balance of $571,900 was allocated to common shares.

H.C. Wainwright & Co.(“Wainwright”) acted as the exclusive placement agent for the offering. Pursuant to the placement agency agreement, in addition to the cash commission paid to Wainwright of $83,300, broker warrants were issued to Wainwright which entitle the holder to purchase 490,000 Common Shares at a price of US $0.2125 per share prior to expiry on March 25, 2025.

Titan intends to use the net proceeds from the offering for general corporate purposes including: resuming the development of its single-port robotic surgical system, instruments and accessories; funding working capital (including the reduction of outstanding payables); and capital expenditures.

(In U.S. Dollars)

14. SUBSEQUENT EVENTS (continued)

December 2019 Aspire Agreement

On December 23, 2019, the Company entered into a common share purchase agreement with Aspire Capital whereby Aspire Capital committed to purchase up to $35 million of common shares of Titan at Titan's request from time to time, until June 23, 2022. Subsequent to the commencement of the Aspire Agreement and subsequent to December 31, 2019, Titan sold Common Shares to Aspire pursuant to the Aspire Agreement as outlined in the following table:

Grant Date	Common shares issued	Value
January 3, 2020	500,000	$ 219,600
January 6, 2020	500,000	229,300
January 8, 2020	400,000	195,160
January 10, 2020	500,000	247,550
January 17, 2020	600,000	303,000
January 23, 2020	600,000	295,320
February 6, 2020	600,000	282,000
February 13, 2020	708,048	300,000
	4,408,048	$ 2,071,930

Stock Options

On January 28, 2020, the Company issued 25,765 stock options with an exercise price of CDN $0.657 to a director in exchange for services rendered. The options vest immediately and have a contractual life of 7 years.

January Equity Transaction

On January 3, 2020, the Company announced that Cambridge Design Partnership Ltd. ("Cambridge"), has subscribed for common shares of the Company. The Company issued 501,148 Common Shares at a unit price of $0.50 for satisfaction of the trade payable with Cambridge of $250,574 which has been included in capital.