

**TITAN MEDICAL INC.  
FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014**

**(IN UNITED STATES DOLLARS)**



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## Independent Auditor's Report

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### To the Shareholders of Titan Medical Inc.

We have audited the accompanying financial statements of Titan Medical Inc., which comprise the balance sheets as at December 31, 2015 and December 31, 2014 and the statements of shareholders' equity and deficit, net and comprehensive loss and cash flows for the years ended December 31, 2015 and December 31, 2014 and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Titan Medical Inc. as at December 31, 2015 and December 31, 2014 and its financial performance and its cash flows for the years ended December 31, 2015 and December 31, 2014 in accordance with International Financial Reporting Standards.

*BDO Canada LLP*

Chartered Accountants, Licensed Public Accountants

Toronto, Ontario  
March 30, 2016

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**TITAN MEDICAL INC.**  
**Balance Sheets**  
**As at December 31, 2015 and December 31, 2014**  
**(In U.S. Dollars)**

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$11,197,573	\$26,165,182
Short-term investments (Note 2 (c))	-	7,758,000
Amounts receivable	57,752	142,329
Deposits (Note 8)	1,040,000	900,000
Prepaid expenses	<u>137,905</u>	<u>60,278</u>
<b>Total Current Assets</b>	<b>12,433,230</b>	<b>35,025,789</b>
Furniture and Equipment (Note 3)	4,521	16,266
Patent Rights (Note 4)	<u>448,559</u>	<u>347,381</u>
<b>TOTAL ASSETS</b>	<b><u>\$12,886,310</u></b>	<b><u>\$35,389,436</u></b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$9,159,829	\$2,766,315
Warrant liability (Note 2(i) and 6)	2,137,751	2,997,963
Other Liabilities and charges (Note 5(a))	<u>2,000,000</u>	-
<b>TOTAL LIABILITIES</b>	<b><u>13,297,580</u></b>	<b><u>5,764,278</u></b>
<b>SHAREHOLDERS' EQUITY</b>		
Share Capital (Note 5(a))	86,083,419	73,094,032
Contributed Surplus	2,849,061	2,491,427
Warrants (Note 5 (b))	4,044,192	6,014,360
Deficit	<u>(93,387,942)</u>	<u>(51,974,661)</u>
<b>Total Equity</b>	<b><u>(411,270)</u></b>	<b><u>29,625,158</u></b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b><u>\$12,886,310</u></b>	<b><u>\$35,389,436</u></b>

Commitments (Note 8)  
See accompanying notes to financial statements

Approved on behalf of the Board:

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John T. Hargrove  
Chairman and CEO

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Martin Bernholtz  
Director

**TITAN MEDICAL INC.**  
**Statements of Shareholders' Equity and Deficit**  
**For the Years Ended December 31, 2015 and 2014**  
**(In U.S. Dollars)**

	Share Capital Number	Share Capital Amount	Contributed Surplus	Warrants	Deficit	Total Equity
<b>Balance - December 31, 2013</b>	<b>72,165,434</b>	<b>\$ 30,282,941</b>	<b>\$ 2,240,037</b>	<b>\$ 8,022,005</b>	<b>\$ (38,524,400)</b>	<b>\$ 2,020,583</b>
Issued pursuant to agency agreement	21,345,689	34,821,603				34,821,603
Share issue expense		(2,604,279)				(2,604,279)
Warrant liability issued during the period		(5,087,611)				(5,087,611)
Warrants exercised during the period	7,894,436	14,938,818	(344,420)	(2,007,645)		12,931,173
Options exercised during the period	1,149,779	742,560	595,810			398,140
Stock based compensation vested						595,810
Net and Comprehensive loss for the period					(13,450,261)	(13,450,261)
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<b>Balance - December 31, 2014</b>	<b>102,555,338</b>	<b>\$ 73,094,032</b>	<b>\$ 2,491,427</b>	<b>\$ 6,014,360</b>	<b>\$ (51,974,661)</b>	<b>\$ 29,625,158</b>
Issued pursuant to agency agreement	9,349,593	7,841,724				7,841,724
Private Placement	4,290,280	4,000,000				4,000,000
Share issue expense		(1,018,825)				(1,018,825)
Warrants exercised during the period	56,275	60,119		(5,641)		54,478
Warrants expired during the year		1,964,527		(1,964,527)		-
Options exercised during the year	206,000	141,842	(71,180)			70,662
Stock based compensation vested			428,814			428,814
Net and Comprehensive loss for the period					(41,413,281)	(41,413,281)
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<b>Balance - December 31, 2015</b>	<b>116,457,486</b>	<b>\$ 86,083,419</b>	<b>\$ 2,849,061</b>	<b>\$ 4,044,192</b>	<b>\$ (93,387,942)</b>	<b>\$ (411,270)</b>

See accompanying notes to financial statements.

**TITAN MEDICAL INC.**  
**Statements of Net and Comprehensive Loss**  
**For the Years ended December 31, 2015 and 2014**  
**(In U.S. Dollars)**

	Year Ended December 31, 2015	Year Ended December 31, 2014
<b>REVENUE</b>	\$ -	\$ -
<b>EXPENSES</b>		
Amortization	32,388	23,661
Consulting fees	355,473	293,797
Stock based compensation (Note 5(b))	428,814	523,962
Insurance	29,052	38,286
Management salaries and fees	1,145,873	1,099,570
Marketing and investor relations	323,650	194,961
Office and general	259,009	439,821
Professional fees	521,220	476,340
Rent	106,317	176,137
Research and development	38,213,332	10,678,849
Travel	355,843	256,242
Foreign exchange loss	873,823	572,594
	42,644,794	14,774,220
<b>FINANCE INCOME</b>		
Interest	88,637	305,293
Gain on change in fair value of warrants (Note 2(i) and 6)	1,142,876	1,018,666
	1,231,513	1,323,959
<b>NET AND COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>\$(41,413,281)</b>	<b>\$(13,450,261)</b>
<b>BASIC AND DILUTED LOSS PER SHARE</b>	<b>\$0.40</b>	<b>\$0.14</b>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES, Basic and Diluted</b>	<b>104,272,364</b>	<b>94,073,183</b>

See accompanying notes to financial statements

**TITAN MEDICAL INC.**  
**Statements of Cash Flows**  
**For the Years ended December 31, 2015 and 2014**  
**(In U.S. Dollars)**

	Year Ended December 31, 2015	Year Ended December 31, 2014
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	\$(41,413,281)	\$(13,450,261)
Items not involving cash:		
Amortization	32,388	23,661
Stock based compensation	428,814	595,810
Warrant liability – fair value adjustment	(1,142,876)	(1,018,666)
Warrant liability – foreign exchange adjustment	(487,513)	(563,268)
Changes in working capital items:		
Amounts receivable, prepaid expenses and deposits	(133,049)	(605,525)
Accounts payable and accrued liabilities	6,393,514	1,579,727
Other liabilities and charges	2,000,000	-
Cash used in operating activities	(34,322,003)	(13,438,522)
<b>FINANCING ACTIVITIES</b>		
Net proceeds from issuance of common shares and warrants	11,718,216	45,038,923
Cash provided by financing activities	11,718,216	45,038,923
<b>INVESTING ACTIVITIES</b>		
(Increase)/ decrease in furniture and equipment	(4,528)	3,539
(Increase)/ decrease in Short-term Investments	7,758,000	(7,758,000)
Costs of Patents	(117,294)	(126,842)
Cash provided by (used in) investing activities	7,636,178	(7,881,303)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(14,967,609)</b>	<b>23,719,098</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>26,165,182</b>	<b>2,446,084</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$11,197,573</b>	<b>\$26,165,182</b>
<b>CASH AND CASH EQUIVALENTS COMPRISE:</b>		
Cash	\$417,749	\$548,655
Term Deposits	10,779,824	25,616,527
	<b>\$11,197,573</b>	<b>\$26,165,182</b>

See accompanying 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 toward a clinical grade platform to be used for clinical trials and satisfaction of appropriate regulatory requirements. Upon receipt of regulatory approvals, the Company will be in a position to 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, 2015 and December 31, 2014 have been prepared in accordance with International Financial Reporting 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, 2016.

**(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.

Effective January 1, 2014, the Company changed its functional and presentation currency from the Canadian dollar to the U.S. dollar, applied on a prospective basis in accordance with IAS 21. This change reflects the continuing increase in the Company's costs being incurred in U.S. dollars, a trend which is expected to continue in the foreseeable future.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) 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 period. Financial statement items subject to significant judgement include the valuation of patent rights and the measurement of stock based compensation. While management believes that the estimates and assumptions are reasonable, actual results may differ.

**Fair Value**

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. This model requires the input of highly subjective

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

assumptions including future stock price volatility and expected time until exercise. Changes in the subjective input assumptions can materially affect the fair value estimate.

**(b) Cash and Cash Equivalents**

Cash and cash equivalents include cash balances and term deposits with our Bank, having a maturity of 90 days or less at the time of issue.

**(c) Short-term Investments**

Short-term investments are made up of Guaranteed Investment Certificates that at the time of acquisition had a term greater than 90 days but less than 365 days.

**(d) 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 follows:

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

**(e) Impairment of long-lived assets**

The Company reviews computer equipment, furniture and equipment, leasehold improvements 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 assets carrying amount to the assets 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.

**(f) 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.

**(g) 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)

**處玲虛) 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 period end balances are converted to U.S. dollars at the rate in effect at that time as per the Bank of Canada.

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.

**(i) Warrant Liability**

Effective January 1, 2014, the Company adopted, on a prospective basis, the U.S. dollar as its functional and presentation currency. In accordance with IAS 32, because the exercise prices of new warrants issued, are not a fixed amount as they are denominated in a currency (Canadian dollar) other than the Company's functional currency (U.S. dollar), the warrants are accounted for as a derivative financial liability. Each Warrant Liability is initially measured at fair value and subsequent changes in fair value are recorded through net and comprehensive loss for the period. The fair value of these warrants was determined initially using a comparable warrant quoted in an active market, adjusted for differences in the terms of the warrant. At December 31, 2015, the Warrant Liability was adjusted to fair value measured at the market price of the listed warrants.

**(j) 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 our Warrant liability is initially based on level 2 (significant observable inputs) and at December 31, 2015 is based on level 1, quoted prices (unadjusted).

**(k) Stock Based Compensation**

Currently all stock option grants are valued using the Black-Scholes option-pricing model. 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 through the use of the Black-Scholes option-pricing model. The fair value of the options granted is as at the grant date.

Stock options granted to non-employees are valued using the Black-Scholes option-pricing model, rather than on the basis of the fair value of the services received. The Company does not have a history of performance with non-employees to reasonably estimate the fair value of the services to be received nor is there a definite expectation that their services will be required in the future.

In the event that the Company does have or establishes a history of performance with non-employees, options granted are valued on the basis of fair value of the services received.

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

**(l) 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 of the research and development costs have been expensed as all of the criteria for capitalization have not yet been met.

**(m) Earnings (loss) per Share**

Basic earnings (loss) per share are calculated using the weighted-average number of common shares outstanding during the period. Diluted earnings (loss) per share considers the dilutive impact of the exercise of 2,897,763 outstanding stock options (December 31, 2014 – 2,229,604) and 41,934,399 warrants, (December 31, 2014 – 38,628,104) 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.

**(n) 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.

**(o) Financial Instruments**

The Company has designated its cash and cash equivalents, short term investments and amounts receivable as loans and receivables, which are measured at amortized cost. Amounts receivable include HST recoverable and accrued interest. Accounts payable, accrued liabilities and other liabilities and charges are classified as other financial liabilities, which are measured at amortized cost.

**(p) 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.

**(q) 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. Presently the Company is not aware of the need for any material provisions nor has it recorded any except as otherwise disclosed in the financial statements.

**(r) Lease payments**

Payments made under operating leases are recognized as an expense on a straight line basis over the term of the lease. Lease incentives received, if any, are recognized as an integral part of the total lease expense over the term of the lease.

**(s) Standards, Amendments and Interpretations Not Yet Effective**

Following is a listing of amendments, revisions and new IFRSs, which have been issued but are not effective until annual periods beginning after December 31, 2015.

IFRS 9 Financial Instruments, to replace IAS 39 and IFRIC 9, the effective date for which is fiscal periods beginning on or after January 1, 2018.

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

IFRS 15 Revenue from Contracts with Customers, to supersede the requirements in IAS 11, IAS 18, IFRIC 13, 15, 18 and SIC-31. The new standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 16 Leases, to supersede the requirements in IAS 17, IFRIC 4, SIC-15 and SIC-17. The new standard is effective for annual periods beginning on or after January 1, 2019.

Management continues to assess the effect on the Company's future results and Financial Position as a result of these new standards.

3. **FURNITURE AND EQUIPMENT**

	Computer Equipment	Furniture and Fixtures	Leasehold Improvements	Total
<b>Cost</b>				
Balance at December 31, 2014	\$ 65,837	\$ 261,483	\$ 172,601	\$499,921
Additions (disposals)	<u>4,528</u>	<u>-</u>	<u>-</u>	<u>4,528</u>
Balance at December 31, 2015	\$ 70,365	\$ 261,483	\$ 172,601	\$504,449
<b>Amortization &amp; Impairment Losses</b>				
Balance at December 31, 2014	\$ 64,168	\$ 246,886	\$ 172,601	\$483,655
Amortization for the period	<u>1,676</u>	<u>14,597</u>	<u>-</u>	<u>16,273</u>
Balance at December 31, 2015	\$ 65,844	\$ 261,483	\$ 172,601	\$499,928
<b>Net Book Value</b>				
At December 31, 2014	<u>\$ 1,669</u>	<u>\$ 14,597</u>	<u>\$ -</u>	<u>\$ 16,266</u>
At December 31, 2015	<u>\$ 4,521</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,521</u>

4. **PATENT RIGHTS**

<b>Cost</b>	
Balance at December 31, 2014	\$ 504,488
Additions	<u>117,294</u>
Balance at December 31, 2015	<u>\$ 621,782</u>
<b>Amortization &amp; Impairment Losses</b>	
Balance at December 31, 2014	\$ 157,107
Amortization and other adjustments for the period	<u>16,116</u>
Balance at December 31, 2015	<u>\$ 173,223</u>
<b>Net Book Value</b>	
At December 31, 2014	<u>\$ 347,381</u>
At December 31, 2015	<u>\$ 448,559</u>

5. SHARE CAPITAL

a) <i>Authorized:</i>	unlimited number of common shares, no par value
<i>Issued:</i>	116,457,486 (December 31, 2014: 102,555,338)

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

On November 23, 2015 Titan closed a private placement of 4,290,280 common shares of Titan at a subscription price of CDN\$1.23 per common share for gross proceeds of US\$4,000,000 with Longtai Medical Inc. Longtai is the Canadian subsidiary of Ningbo Long Hengtai International Trade Co. Ltd., a corporation incorporated under the laws of China with annual sales exceeding US\$100,000,000. Longtai is an importer and distributor of high end medical devices for multinational companies.

Under the Agreement Titan has granted to Longtai exclusive rights to negotiate for an exclusive marketing, sales and distribution agreement for Titan's SPORT™ Surgical System in the Asia Pacific region for a period of 183 days. Longtai has paid to Titan US\$2,000,000 as a deposit toward the Distributorship Agreement, which shall be repaid to Longtai in the event that the agreement is not entered into within the 183 day period. Longtai will concurrently with the signing of the Distributorship Agreement, subscribe for and purchase an additional US\$4,000,000 worth of Common Shares at a share issue price equal to the 5-day VWAP (less a 12.5% discount). If the Distributorship Agreement is signed and the second US\$4,000,000 private placement is completed, Titan will retain US\$1,400,000 of the Distributorship Deposit and repay US\$600,000 to Longtai.

On November 16, 2015 Titan completed an offering of securities pursuant to an agency agreement dated November 6, 2015 between the Company and Octagon Capital Corporation (the "Agent"). The offering consisted of 8,130,081 units and full over-allotment of 1,219,512 units for a total of 9,349,593 units at a price of CDN\$1.23 per unit for gross proceeds of \$8,611,901 (\$7,629,360 net of closing costs including cash commission of \$586,660 paid in accordance with the terms of the agency agreement). Each unit comprised of one common share of Titan and 0.75 of a common share purchase warrant. Each whole warrant entitles its holder to purchase one additional common share of Titan for CDN\$1.60 which will expire November 16, 2020. The warrants were valued at \$770,177 using a comparable warrant quoted in an active market, adjusted for differences in the terms of warrant and the balance of \$7,841,724 was allocated to common shares.

On April 23, 2014 Titan completed an offering of securities pursuant to an agency agreement dated April 10, 2014 between the Company and Dundee Securities Ltd. ("the Agent"). The offering consisted of 10,611,469 units and full over-allotment of 1,591,720 units for a total of 12,203,189 units at a price of CDN\$2.10 per unit for aggregate gross proceeds of \$23,232,936 (\$21,606,685 net of closing costs including 6% cash commission of \$1,362,426 paid in accordance with the terms of the agency agreement). Each unit comprised one common share of Titan and one warrant. Each warrant entitles its holder to purchase one additional common share of Titan for CDN\$2.75 and will expire April 23, 2017. The warrants were valued at \$3,539,901 using a comparable warrant quoted in an active market, adjusted for differences in the terms of the warrant and the balance of \$19,693,035 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 purchase 699,191 units. Each broker warrant entitles the holder thereof to acquire one unit of the Company at the price of CDN\$2.10 for a period of 24 months following the closing date. Each unit consists of one common share and one warrant. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of CDN\$2.75 for a period of 36 months from the date of closing.

On February 19, 2014 Titan completed an offering of securities pursuant to an agency agreement dated February 10, 2014 between the Company and Dundee Securities Ltd. ("the Agent"). The offering consisted of 7,950,000 units and full over-allotment of 1,192,500 units for a total of 9,142,500 units at a price of CDN\$1.40 per unit for aggregate gross proceeds of \$11,588,667 (\$10,608,580 net of closing costs including 6% cash commission of \$675,242 paid in accordance with the terms of the agency agreement). Each unit comprised one common share of Titan and one warrant. Each warrant entitles its holder to purchase one additional common share of Titan for CDN\$2.00 and will expire February 19, 2017. The warrants were valued at \$1,407,195 using a comparable warrant quoted in an active market, adjusted for differences in the terms of the warrant and the balance of \$10,181,472 was allocated to common shares.

5. **SHARE CAPITAL** (continued)

Pursuant to the agency agreement, in addition to the cash commission paid to the Agent, broker warrants were issued to purchase 532,710 units. Each broker warrant entitles the holder thereof to acquire one unit of the Company at the price of CDN\$1.40 for a period of 24 months following the closing date. Each unit consists of one common share and one warrant. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of CDN\$2.00 for a period of 36 months from the date of closing.

b) **Warrants, Stock Options and Compensation Options**

Subject to shareholder approval, 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, December 31, 2015, 8,747,986 common shares (December 31, 2014: 8,025,930) 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. A summary of the status of the Company's outstanding stock options as of December 31, 2015 and December 31, 2014 and changes during the periods ended on those dates is presented in the following table:

	Year Ended December 31, 2015		Year Ended December 31, 2014	
	Number of <u>stock options</u>	Weighted-average <u>exercise price</u> (CDN)	Number of <u>stock options</u>	Weighted-average <u>exercise price</u> (CDN)
Balance, beginning	2,229,604	\$1.14	2,776,922	\$0.66
Granted	974,159	\$1.52	678,237	\$1.90
Exercised	(206,000)	\$0.45	(1,149,779)	\$0.38
Expired	<u>(100,000)</u>	\$1.67	<u>(75,776)</u>	\$1.90
Balance, ending	<u>2,897,763</u>	\$1.20	<u>2,229,604</u>	\$1.14

The weighted-average remaining contractual life and weighted-average exercise price of options outstanding and of options exercisable as at December 31 2015 are as follows:

Exercise price (CDN)	Options Outstanding		Weighted-average remaining contractual life (years)	Options Exercisable	
	Number <u>outstanding</u>	Weighted- average exercise price (CDN)		Number <u>exercisable</u>	Weighted- average exercise price (CDN)
\$0.56	672,368	\$0.56	2.59	672,368	\$0.56
\$0.83	49,591	\$0.83	2.22	49,591	\$0.83
\$0.96	305,107	\$0.96	2.97	305,107	\$0.96
\$1.02	272,612	\$1.02	4.98	82,691	\$1.02
\$1.27	80,000	\$1.27	0.11	80,000	\$1.27
\$1.39	19,746	\$1.39	3.96	19,746	\$1.39
\$1.39	47,532	\$1.39	1.37	47,532	\$1.39
\$1.46	25,000	\$1.46	0.53	25,000	\$1.46
\$1.49	102,759	\$1.49	1.13	102,759	\$1.49
\$1.51	16,796	\$1.51	4.62	16,796	\$1.51
\$1.66	32,845	\$1.66	0.62	32,845	\$1.66
\$1.72	684,751	\$1.72	4.44	207,712	\$1.72
\$1.76	106,096	\$1.76	3.18	106,096	\$1.76
\$1.94	<u>482,560</u>	\$1.94	3.39	<u>262,105</u>	\$1.94
	<u>2,897,763</u>	\$1.20	2.58	<u>2,010,348</u>	\$1.15

**5. 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.

Stock options granted to non-employees, officers or directors are valued using the Black-Scholes pricing model, rather than on the basis of the fair value of the services received.

The Company does on occasion use the services of consultants. Options granted in these situations are valued on the basis of fair value of the services received.

<b>Grant date/Person entitled</b>	<b>Number of Options</b>	<b>Vesting Conditions</b>	<b>Contractual life of Options</b>
March 6, 2014, option grants to Officer	106,096	immediately	5 years
May 21, 2014, option grants to Directors, Officers and Consultants	151,877	immediately	5 years
May 21, 2014, option grants to Employees	400,518	Vest as to 1/3 of the total number of Options granted, every year from Option Date	5 years
December 16, 2014, option grants to Consultants	19,746	immediately	5 years
June 9, 2015, option grants to Directors, Officers and Consultants	207,712	immediately	5 years
June 9, 2015, option grants to Employees	477,039	Vest as to 1/3 of the total number of Options granted, every year from Option Date	5 years
August 11, 2015, option grants to Consultants	16,796	immediately	5 years
December 23, 2015, option grants to Directors, Officers and Consultants	82,691	immediately	5 years
December 23, 2015, option grants to Employees	189,920	Vest as to 1/3 of the total number of Options granted, every year from Option Date	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 formula. Expected volatility was estimated by considering historic average share price volatility. The inputs used in the measurement of fair values at grant date of the share based option plan are as follows:

**Directors, Management, Employees, Medical Advisors and Consultants**

	<u>2015</u>	<u>2014</u>
Fair Value at grant date (CDN)	\$0.49 - \$0.81	\$0.91 - \$1.43
Share price at grant date (CDN)	\$1.02 - \$1.72	\$1.39 - \$1.94
Exercise price (CDN)	\$1.02 - \$1.72	\$1.39 - \$1.94
Expected Volatility	71.83% - 73.84%	83% - 106%
Option Life	3 years	5 years
Expected dividends	nil	nil
Risk-free interest rate (based on government bonds)	0.44 - 0.66 %	1.31% - 1.67%

**TITAN MEDICAL INC.**  
**Notes to the Financial Statements**  
December 31, 2015 and 2014  
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**5. SHARE CAPITAL** (continued)

The following is a summary of outstanding warrants included in Shareholder's Equity as at December 31, 2015 and December 31, 2014 and changes during the periods then ended.

	<u>December 31, 2015</u>		<u>December 31, 2014</u>	
	<u>Number of Warrants</u>	<u>Amount</u>	<u>Number of Warrants</u>	<u>Amount</u>
Opening Balance	17,963,334	\$6,014,360	23,705,018	\$8,022,005
Exercised during the period Exercise Price of CDN\$1.25 Expiry March 13, 2018	(40,000)	(5,641)	(960,058)	(135,397)
Exercised during the period Exercise Price CDN\$1.75 Expiry December 16, 2016	-	-	(1,395,500)	(524,820)
Exercised during the period Exercise Price CDN\$1.77 Expiry March 14, 2017	-	-	(1,596,026)	(465,182)
Exercised during the period Exercise Price CDN\$2.00 Expiry June 21, 2016			(456,000)	(167,205)
Exercised during the period Exercise Price CDN\$1.85 Expiry December 10, 2015			(1,334,100)	(715,041)
Expired during the period Exercise Price CDN\$1.85 Expiry December 10, 2015	<u>(3,665,990)</u>	<u>(1,964,527)</u>	<u>-</u>	<u>-</u>
Ending Balance	<u>14,257,434</u>	<u>\$4,044,192</u>	<u>17,963,334</u>	<u>\$6,014,360</u>

**TITAN MEDICAL INC.**  
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6. **WARRANT LIABILITY**

	<u>December 31, 2015</u>		<u>December 31, 2014</u>	
	<u>Number of Warrants</u>	<u>Amount</u>	<u>Number of Warrants</u>	<u>Amount</u>
Balance, beginning	20,664,770	\$2,997,963	-	-
Issue of warrants expiring, February 19, 2017	-	-	9,142,500	\$1,407,195
Issue of warrants expiring, April 23, 2017	-	-	12,203,189	3,539,901
Issue of warrants expiring November 16, 2020	7,012,195	770,177	-	-
Issue of Warrants from exercise of broker unit warrants	-	-	285,781	107,637
Warrants exercised during the period	-	-	(966,700)	(474,836)
Foreign exchange adjustment	-	(487,513)	-	(563,268)
Fair value adjustment	-	(1,142,876)	-	(1,018,666)
Balance, ending	<u>27,676,965</u>	<u>\$2,137,751</u>	<u>20,664,770</u>	<u>\$2,997,963</u>

In addition to the warrants listed above, at December 31, 2015, the Company has issued and outstanding, 679,765 broker unit warrants.

7. **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% (2014 – 26.5%) follows.

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Net loss before income taxes	<u>(\$41,413,281)</u>	<u>\$(13,450,261)</u>
Income taxes at statutory rates	\$(10,974,519)	\$(3,564,319)
Tax effect of expenses not deductible for income tax purposes:		
Tax/ FX rate changes and other adjustments	(185,026)	141,616
Permanent differences	(316,125)	(126,809)
Unrecognized share issue costs	<u>(269,989)</u>	<u>(690,442)</u>
	(11,745,659)	(4,239,954)
Tax assets not recognized	<u>11,745,659</u>	<u>4,239,954</u>
	<u>\$ -</u>	<u>\$ -</u>



7. INCOME TAXES (continued)

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, 2015	December 31, 2014
Non-capital losses	\$23,240,604	\$11,448,769
Qualifying research and development expenditures	2,501,449	2,501,449
Share issue costs and other	<u>922,184</u>	<u>968,360</u>
	26,664,237	14,918,578
Tax assets not recognized	<u>(26,664,237)</u>	<u>(14,918,578)</u>
Net deferred tax assets	<u>\$ -</u>	<u>\$ -</u>

In assessing the realizability of deferred tax assets, management considers whether it is probable that some portion or all of 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 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, as it is not considered probable that future tax benefits will be realized.

c) **Losses carried forward**

The Company has non-capital losses of approximately \$87,700,392 available to reduce future income taxes. The non-capital losses expire approximately as follows:

2027	\$ 786,557
2028	169,954
2029	186,708
2030	2,003,596
2031	9,423,694
2032	6,517,436
2033	8,856,497
2034	15,819,741
2035	<u>43,936,209</u>
	<u>\$87,700,392</u>

The Company has accumulated Qualifying Research and Development expenses of \$9,439,430 as a result of prior years research and development. These expenditures may be carried forward indefinitely and used to reduce taxable income in future years.

7. INCOME TAXES (continued)

d) **Investment Tax Credits**

At December 31, 2015, the Company has \$2,021,091 (2014 - \$2,021,091) 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.

At December 31, 2015, the Company has \$425,140 (2014 - \$425,140) of unclaimed Ontario Research and Development Tax Credit (ORDTC) available to reduce Ontario income taxes payable in future years. If not utilized, these ORDTC will start expiring in 2029.

8. COMMITMENTS

Effective July 15, 2011, the Company entered into a lease for premises in Ancaster, Ontario for its research and development program. This lease is for a term of 7.5 years. Monthly rent for the first 5 years is \$7,017 and for the remaining 2.5 years is \$7,719, plus HST.

Effective February 1, 2012, the Company exercised its option to lease an additional 4,477 square feet adjacent to its existing research and development facilities in Ancaster, Ontario. The additional space is under the same terms and conditions as the original lease, dated July 15, 2011.

Effective August 22, 2013, 3,957 square feet of this additional space has been sublet for a term of 5.5 years at a monthly rent of \$2,325 per month to July 31, 2016 and \$2,635 per month thereafter. Effective April 30, 2015 the Company entered into a lease surrender agreement with the landlord for initial space leased on July 15, 2011. As a result, the Company now has only the space leased February 1, 2012 and it has been sublet.

Effective March 1, 2012, the Company relocated its corporate office within Toronto. The new space occupies 1,000 square feet at an annual rental of \$36,668 per year. Effective December 1, 2013 the company expanded its corporate office space to 2,296 square feet for a term of 24 months at an annual rent of \$84,189.

As a 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 a U.S. based technology and development company. At December 31, 2015, \$13,137,336 in purchase orders remains outstanding. The Company also has on deposit with this same U.S. supplier \$1,000,000 to be applied against future invoices, as well as \$40,000 applicable to other suppliers.

During the year the Company issued further purchase orders to an additional U.S. supplier to provide further design and engineering services. At December 31, 2015, \$1,121,978 in purchase orders remains outstanding.

The Company has entered into a number of licensing agreements with suppliers and Universities that will require payments to be made to them, in future years, based on the achievement, by the Company, of certain milestones which could total up to \$897,500. Subsequently, following commercialization, royalty payments will be required, based on a percentage of annual net sales of the licensed product, in the range of 4% to 6% per royalty agreement.

The Company has entered into a number of licensing agreements with educational and medical institutions as well as suppliers, for the development and provision of items to be incorporated into the SPORT™ Surgical System. These agreements require Titan to make periodic payments in 2016 and beyond.

2016	\$	80,000
2017	\$	80,000
2018	\$	5,000
2019	\$	5,000
2020	\$	205,000
2021	\$	180,000
2022 and thereafter		\$5,000 per year

**9. RELATED PARTY TRANSACTIONS**

During the year ended December 31, 2015, transactions between the Company and directors, officers and other related parties 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 to the Executive Officers amounted to \$935,242 for the year ended December 31, 2015 compared to \$837,509 for the same period in 2014.

During the period Titan entered into an Option Agreement ("Agreement") with a Company that has developed a patent for Markerless Tracking of Robotic Surgical Tools that can be incorporated into Titan's SPORT™ Surgical System. Under the terms of the Agreement Titan will pay to the Company a non-refundable Option Fee of \$300,000, included in accrued liabilities as follows:

\$100,000 upon signing the Agreement  
\$100,000 January 2, 2016  
\$100,000 October 1, 2016

In addition, Titan shall have the right at any time up to and including January 2, 2017, to exercise the Option by paying a fee of \$1.3 million for those rights. This License Fee shall be due and payable upon execution of License Agreement.

A member of Titan's Senior Management is also a Director, member of the Company senior management team, co-inventor of the technology, co-founder of the Company and a significant shareholder of the Company.

During the period, the Company retained the services of an individual related to a Senior Executive to provide consulting services in support of marketing efforts for the European market. Compensation includes the grant of stock options valued at \$25,000 and monthly consulting fees of U.S. \$12,000 plus appropriate expenses.

Officers and Directors of the Company control approximately 5.57% of the Company.

	December 31, 2015		December 31, 2014	
	BASE	%	BASE	%
John Barker	230,632	0.20	183,632	0.18
Martin Bernholtz	1,380,500	1.19	1,341,500	1.31
Dennis Fowler	73,000	0.06	73,000	0.07
John Hargrove	298,200	0.26	148,200	0.14
Stephen Randall	102,800	0.09	102,800	0.10
Reiza Rayman	4,357,117	3.74	4,487,117	4.38
John Valvo	25,000	0.02	25,000	0.02
Bruce Wolff	<u>17,552</u>	<u>0.01</u>	<u>12,200</u>	<u>0.01</u>
TOTAL	<u>6,484,801</u>	<u>5.57</u>	<u>6,373,449</u>	<u>6.22</u>
Common Shares Outstanding	<u>116,457,486</u>	<u>100%</u>	<u>102,555,338</u>	<u>100%</u>

## 10. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, short-term investments, amounts receivable, accounts payable and accrued liabilities, warrant liability, and other liabilities and charges. 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.

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, short-term investments and amounts receivable. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents and short-term investments 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 term deposits. 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. As at December 31, 2015, the Company had cash and cash equivalents of \$11,197,573 (December 31, 2014 - \$26,165,182) to settle current liabilities of \$11,159,829 (December 31, 2014 - \$2,766,315) excluding warrant liabilities of \$2,137,751 (December 31, 2014 - \$2,997,963).

### (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 investment-grade redeemable term deposit certificates and/or Guaranteed Investment Certificates issued by its Canadian banking institution. 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.

### (d) Sensitivity analysis

Cash equivalents include fully redeemable term deposits which mature within 90 days. Sensitivity to a plus or minus 1% change in interest rates could affect annual net loss by \$107,798 (December 31, 2014 - \$265,165) based on the current level of cash invested in cash equivalents.

A strengthening of the U.S. dollars at December 31, 2015, as indicated below, against Canadian current assets and accounts payable and accrued liabilities including warrant liability of Cdn \$389,714 and \$3,339,362 respectively (December 31, 2014 -

**10. FINANCIAL INSTRUMENTS (continued)**

\$25,736,374 and \$3,784,824) would result in increased equity and an increased profit for the period of \$108,724 (December 31, 2014, reduced equity and increased loss of \$946,112) 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, 2014.

<b>December 31, 2015</b>	<b>Profit or (Loss)</b>
5% strengthening	
CDN current assets	\$ (14,078)
CDN Accounts payable and accrued liabilities	\$ <u>122,802</u>
	<u>\$ 108,724</u>
<b>December 31, 2014</b>	
5% strengthening	
CDN current assets	\$(1,109,238)
CDN Accounts payable and accrued liabilities	\$ <u>163,126</u>
	<u>\$ (946,112)</u>

A weakening of the U.S. dollar against the Canadian dollar at December 31, 2015 and December 31, 2014 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

**11. SEGMENTED REPORTING**

The Company operates in a single reportable operating segment – the research and development of SPORT™, the next generation of surgical robotic platform.

**12. 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, in order to support the development of its SPORT™ Surgical Platform (SPORT™). 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 the SPORT™. The Company has further progress to make in the development of the SPORT™, and anticipates that the cost of completion will exceed its current resources. Accordingly, the Company will be dependent on external financing to fund a portion of its future activities. In order to carry out the completion of the SPORT™ and pay for administrative costs, the Company will spend its existing working capital and 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, 2015. The Company is not subject to externally imposed capital requirements.

**13. EVENTS AFTER THE REPORTING DATE**

On January 11, 2016, 4,000 stock options were exercised for proceeds of \$2,240 and the issuance of 4,000 common shares.

On January 21, 2016, 130,839 common shares were issued to a 3<sup>rd</sup> party Medical Education Institution, in exchange for services provided regarding cadaver studies as well as ongoing know-how consultation.

On January 26, 2016 the Company entered into a twelve month lease at its corporate office located at 170 University Avenue, Toronto Ontario, at an annual rental of CDN \$116,875.

On January 27, 2016 the Company, granted 645,290 stock options at an exercise price of CDN\$1.08, to certain consultants and employees. These options vest either immediately or over 3 years and have a life of 5 years.

On February 2, 2016 5,000 stock options were exercised for proceeds of \$2,800 and the issuance of 5,000 common shares.

On February 12, 2016 Titan completed an offering of securities made pursuant to an agency agreement dated February 9, 2016 between the Company and Bloom Burton & Co. Limited (the "Agent"). The Company has sold 11,670,818 units under the Offering at a price of CDN \$0.90 per Unit for gross proceeds of approximately USD\$7,592,101 (\$6,885,754 net of closing cost including cash commission of \$516,622 paid in accordance with the terms of the agency agreement). Each Unit consists of one common share of the Company and one common share purchase warrant. Each whole warrant entitles the holder thereof to acquire one Share of the Company at an exercise price of CDN \$1.00 which expire February 12, 2021.

On February 23, 2016 the over-allotment option in connection with its completed public offering of 11,670,818 units had been exercised in full. The company sold an additional 1,746,789 units at the offering price of CDN \$0.90 per Unit for gross proceeds to Titan of approximately USD\$1,139,937 (\$1,043,521 net of closing cost including cash commission of 79,796 paid in accordance with the terms of the agency agreement). Each unit consists of one common share of the Company and once common share purchase warrant. Each whole warrant entitles the holder thereof to acquire one Share of the Company at an exercise price of CDN \$1.00 which expire February 23, 2021.

Pursuant to the agency agreement, in addition to the cash commission paid to the Agent, broker warrants were issued to purchase 916,443 units. Each broker warrant entitles the holder thereof to acquire one unit of the Company at the price of CDN\$0.90 for a period of 24 months following the closing date. Each unit consists of one common share and one warrant. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of CDN\$1.00 for a period of 60 months from the date of closing.

On March 21, 2016 Titan announced that it had undertaken an overnight marketed public offering of units comprised of common shares of the Company and Common Share purchase warrants. The offering is being effected on a best efforts agency basis.

On March 22, 2016 70,000 series "G" warrants were exercised for proceeds of \$70,000 and the issuance of 70,000 common shares.

On March 22, 2016 Titan announced that it priced its, March 21, 2016 overnight marketed offering of equity securities. Pursuant to the Offering, Titan will issue units of the Company ("Units") at a price of C\$1.00 per Unit. Each Unit is comprised of one common share of the Company (a "Common Share") and one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant is exercisable at a price of C\$1.20 and entitles the holder thereof to acquire one common share of the Company for a period of 5 years following the closing of the Offering (the "Closing").

In connection with the Offering, the Agent will be paid a cash commission equal to 7.0% of the gross proceeds of the Offering and it will be issued that number of non-transferable broker warrants exercisable for Units equal to 7.0% of the number of Units sold in the Offering. The Company will also grant the Agent an over-allotment option to offer for sale

13. **EVENTS AFTER THE REPORTING DATE** (cont'd)

that number of additional Units and/or Warrants equal to 15% of the Units sold under the Offering, exercisable at any time up to 30 days after the Closing. The Company expects the Closing to occur on or about March 31, 2016.