

TITAN MEDICAL

TITAN MEDICAL INC.

Management's
Discussion and Analysis
for the three and nine months
ended September 30, 2023

November 2, 2023

NOTICE OF NO AUDITOR REVIEW OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102 – *Continuous Disclosure Obligations* (“**NI 51-102**”), Section 4.3(3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor. The accompanying unaudited condensed interim consolidated financial statements of Titan Medical Inc. (referred to hereinafter as “**Titan**”, the “**Company**”, “**we**”, “**us**” and “**our**”) have been prepared by and are the responsibility of the Company’s management. The Company’s independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity’s auditor.

INTRODUCTION

The following Management’s Discussion and Analysis (“**MD&A**”) is prepared as of November 2, 2023 and should be read in conjunction with the unaudited condensed interim consolidated statements of financial position and the related notes thereto for the three and nine months ended September 30, 2023 (the “**Interim Financial Statements**”) of the Company and the annual audited financial statements for the year ended December 31, 2022. The Interim Financial Statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) 34, Interim Financial Reporting (“**IAS 34**”) as issued by the International Accounting Standards Board.

Unless otherwise indicated, all financial information in this MD&A is reported in thousands of US dollars except for share and earnings (loss) per share data which is reported in number of shares and US dollars respectively. The tables and charts included in this document form an integral part of this MD&A.

The common shares of the Company (the “**Common Shares**”) are listed under the symbol “**TMD**” on the Toronto Stock Exchange (the “**TSX**”) and trade on the OTC Markets under the symbol “**TMDIF**”.

This MD&A has been prepared with reference to NI 51-102. Additional information related to Titan, including our Annual Information Form (“**AIF**”) for the year ended December 31, 2022, is available via our website at www.titanmedicalinc.com and on SEDAR at www.sedar.com.

This MD&A includes references to the Company’s trade-marks and trade names, such as Titan, Titan Medical, and Enos, some of which may be protected under applicable intellectual property laws of one or more countries and which the Company believes is its property. Solely for convenience, the Company’s trade-marks referred to in this MD&A may appear without the TM or ® symbols, but such references are not intended to indicate, in any way, that the Company will not assert, to the fullest extent under applicable law, its rights to these trade-marks and trade names.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This discussion includes certain statements that may be deemed “forward-looking statements”. All statements in this discussion other than statements of historical facts that address future events, developments, or transactions that the Company expects, are forward-looking statements. These forward-looking statements are made as of the date of this MD&A. Forward-looking statements are frequently, but not always, identified by words such as “expect”, “anticipate”, “estimate”, “may”, “could”, “might”, “will”, “would”, “should”, “intend”, “believe”, “target”, “budget”, “plan”, “strategy”, “goals”, “objectives”, “predicts”; “potential”, “projects”, “possible”, “milestones”, “projection” or the negative of any of these words and similar expressions, although these words may not be present in all forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, but are not limited to, the factors discussed in the section entitled “*Risk Factors*” in the AIF. Although

the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this MD&A and, other than as required by law, the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements are based on a number of assumptions, which may prove to be incorrect, including but not limited to the assumptions discussed in the section entitled “Cautionary Note Regarding Forward Looking Statements” in the Company’s AIF. Accordingly, readers should not place undue reliance on forward-looking statements.

This MD&A also includes market data and forecasts. Although the Company is responsible for all of the disclosure contained in this MD&A, in some cases the Company relies on and refers to market data and certain industry forecasts that were obtained from third party surveys, market research, consultant surveys, publicly available information and industry publications and surveys that it believes to be reliable. Unless otherwise indicated, all market and industry data and other statistical information and forecasts contained in this MD&A are based on independent industry publications, reports by market research firms or other published independent sources and other externally obtained data that the Company believes to be reliable. Any such market data, information or forecast may prove to be inaccurate because of the method by which it was obtained or because it cannot always be verified with complete certainty given the limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties, including those discussed in the AIF under the heading “*Risk Factors*”. As a result, although the Company believes that these sources are reliable, it has not independently verified the information.

The sections of the AIF titled “*Cautionary Note Regarding Forward-Looking Statements*” and “*Risk Factors*” are expressly incorporated by reference into this MD&A. The AIF is available on SEDAR+ at www.sedarplus.ca.

BUSINESS UPDATE

The following are the key developments that related to the strategic review and occurred before and after the quarter ended September 30, 2023:

- On November 30, 2022, the Company announced the commencement of a strategic review process to consider a full range of strategic alternatives including corporate sale, merger or other business combination, a sale of all or a portion of the Company’s assets, strategic investment or other significant transaction (the “**Strategic Review**”). After speaking with several investments banks as part of its selection process, the Company engaged Raymond James as its financial advisor for the Strategic Review.
- On December 6, 2022, the Company announced it would implement certain cost-cutting measures with a view of preserving capital to support the Strategic Review while limiting work to tasks related to the Strategic Review, the investigation device exemption (“**IDE**”) filing with the U.S. Food and Drug Administration (“**FDA**”) and fulfilling certain other contractual development and supply obligations. The measures included the furlough of 40 employees at the Chapel Hill, North Carolina facility of the Company’s wholly owned subsidiary, Titan Medical USA Inc. (“**Titan USA**” or the “**Subsidiary**”).
- On December 27, 2022, the Nasdaq Listing Qualifications Staff notified the Company that, based upon the Company’s non-compliance with the minimum bid price requirement set forth in Nasdaq Listing Rule 5550(a)(2) (the “**Rule**”), as of December 26, 2022, the Company’s securities would be delisted unless the Company timely requested a hearing before the Nasdaq Hearings Panel (the “**Nasdaq Panel**”). The Company requested a hearing and on March 9, 2023, the Company

announced the decision of the Nasdaq Panel to delist the Company's common shares effective March 10, 2023.

- On February 8, 2023, the Company provided an update with respect to the Strategic Review, announcing that none of the parties approached as part of the Strategic Review process expressed an interest in pursuing a transaction with the Company and that, as a result the board of directors ("**Board**") had determined to prioritize the sale of all or a portion of the Company's assets, including its intellectual property ("**IP**") portfolio. The Company also implemented further cost reduction activities, including a layoff of 48 employees with the Company's remaining 18 employees focusing on i) supporting a potential strategic transaction including a sale of the Company's assets; ii) continuing to complete deliverables pursuant to certain contractual development and supply obligations; iii) maintaining its IP portfolio; and iv) continuing corporate administrative and compliance obligations. The Company also halted all expenditures related to the development of its Enos single access robotic-assisted surgical platform (the "**Enos System**"), including work on the IDE filing with the FDA. The Company also indicated that it would consider further cost-cutting measures, including further reductions in workforce, as needed. As a result, the Company initiated various cost-cutting measures and announced that its Board had determined to prioritize the sale of all or a portion of the Company's assets.
- On February 14, 2023, the Company announced that, as part of further cost reduction activities, it had laid off a number of senior management personnel.
- On March 22, 2023, the Company announced the delayed filing of its annual financial statements, the related management's discussion and analysis and annual information form, and the accompanying chief executive officer and chief financial officer certification for its financial year ended December 31, 2022 (the "**Annual Filings**"). The Company also announced its application to the Ontario Securities Commission (the "**OSC**"), as its principal regulator, under National Policy 12-203 – *Cease Trade Orders for Continuous Disclosure Defaults* requesting that a management cease trade order (the "**MCTO**") be imposed in respect of the late filing of the Annual Filings. The Company announced a receipt of the MCTO on April 4, 2023, which restricts all trading in and all acquisitions of the securities of the Company, directly or indirectly, by the Chief Executive Officer and the Chief Financial Officer of the Company until two full business days following the receipt by the OSC of the Annual Filings and any other filings the Company is required to make under Ontario securities laws, or upon the further order of the director of the OSC.
- On April 3, 2023, the Company provided a corporate update indicating that it continues to evaluate options for the business including the sale and/or licensing of all or a portion of the Company's assets, including its IP, and that it retains 14 employees (reduced to 12 employees as of April 17, 2023) focused on i) supporting a potential strategic transaction, including a sale and/or licensing of the Company's assets; ii) maintaining its IP portfolio; iii) continuing to complete deliverables pursuant to certain contractual development and supply obligations; iv) preparing and filings its Annual Filings; and v) continuing corporate administrative and compliance obligations.
- On May 26, 2023, the Company announced that it had entered into a non-exclusive licence agreement with Intuitive Surgical, Inc. (the "**Intuitive License Agreement**") for an upfront payment of \$7.5 million in respect of certain IP of the Company.
- On May 29, 2023, the Company provided an update on the Strategic Review, announcing that the Board approved a strategic transition ("**Strategic Transition**") in the Company's business from the development and commercialization of robotic assisted surgery ("**RAS**") technologies to evaluating new opportunities to further develop and license its IP. With the Strategic Transition, the Company continues to retain the rights necessary to develop and commercialize RAS technologies, should it choose to do so, including the Enos System and as announced on January 9, 2023, a three-instrument single-access RAS system that builds on the Enos System technologies. In connection with the Strategic Review, Raymond James Ltd. and members of Titan's leadership team, conducted a comprehensive outreach to over 55 potential counterparties, engaged in a number of management presentations and cooperated in confidential due diligence reviews by a subset of the potential counterparties. While none of the parties expressed an interest in acquiring the Company's business, the Company entered into the Intuitive License Agreement and continues to

evaluate additional licensing opportunities. The Company also announced the conclusion of its engagement with Raymond James with respect to the Strategic Review. While focusing on the Strategic Transition, the Company will continue to review and evaluate further strategic alternatives for the business, including a corporate sale, merger or other business combination, a sale of all or a portion of the company's assets, strategic investment or other significant transaction.

- On May 29, 2023, the Company also announced that in order to further reduce operating cost in the business, the following management changes would occur effective June 1, 2023:
 - Cary Vance will step down as the Company's President and CEO, and Paul Cataford will be appointed Interim President and CEO while the Company continues with its Strategic Transition. Mr. Vance will remain on the Board, replacing Mr. Cataford on each of his Board Committee assignments. Mr. Cataford will continue as chair of the Board.
 - Chien Huang, the Company's Vice President, Finance will be appointed Chief Financial Officer and the Company's current Chief Financial Officer, Stephen Lemieux, will transition to a consulting role to ensure an orderly transition and provide ongoing support to Mr. Huang, Mr. Cataford and the Board.
 - Jasminder Brar, the Company's Vice President, Legal and IP, General Counsel and Corporate Secretary, will transition to a consulting role to assist and advise the Company with IP transition and strategy.
 - Bill Fahey, the Company's Vice President, Operations and Manufacturing, will transition to a consulting role to assist the Company with technical matters.
 - Nate Jones, the Company's Director of Human Resources will transition to a consulting role to assist the Company with human resources matters related to Titan USA.
- On June 5, 2023, the Company announced that it had entered into an asset purchase and licence agreement with Medtronic (the "**Medtronic APLA**") for an upfront payment of \$8.0 million in respect of certain IP of the Company.
- On June 16, 2023, the Company announced that the MCTO granted on April 3, 2023 by the Ontario Securities Commission under National Policy 12-203 – *Management Cease Trade Orders* lapsed on June 13, 2023 following the filing, on May 31, 2023, of the Company's annual financial statements and accompanying management's discussion and analysis for the fiscal year ended December 31, 2022 and the filing, on June 9, 2023, of the Company's first quarter financial statements and accompanying management's discussion and analysis for the period ended March 31, 2023.
- On August 14, 2023, the Company announced the appointment of Dr. Daniel O'Brien, MD, MBA, PHD to its Board of Directors.
- On August 21, 2023, the Company announced a licensing agreement with Auris Health, Inc., a Johnson & Johnson MedTech Company.
- On October 18, 2023, the Company announced it has changed its auditor from BDO Canada LLP to MNP LLP.

OVERVIEW

Titan is a medical technology company headquartered in Toronto, Ontario that previously had operations in Chapel Hill, North Carolina through its subsidiary Titan USA. Titan has developed an expansive patent portfolio related to the enhancement of robotic assisted surgery. As of May 26, 2023, the Company is focused on evaluating new opportunities to license its intellectual property, while reviewing and evaluating further strategic alternatives for the business, including a corporate sale, merger or other business combination, a sale of all or a portion of the company's assets, strategic investment or other significant

transaction. Certain of Titan's RAS technologies and related intellectual property have been licensed to Medtronic and Intuitive while retaining world-wide rights to commercialize the technologies for use with the Enos System.

The Enos System has not been authorized for marketing by the FDA or approved by any other regulatory authority in any other jurisdiction and is not commercially available.

The Company is the successor corporation formed pursuant to two separate amalgamations under the *Business Corporations Act* (Ontario) on July 28, 2008. The address of the Company's corporate office and its principal place of business is 76 Berkeley Street, Toronto, Ontario, Canada M5A 2W7. On May 29, 2020, the Company established Titan USA, a Delaware corporation and a wholly owned subsidiary of the Company.

SIGNIFICANT TRANSACTIONS

Intuitive Licence Agreement

On May 26, 2023, the Company announced that it had entered into the Intuitive License Agreement. Under the terms of the Intuitive License Agreement, Titan granted Intuitive a non-exclusive license with regard to certain IP of the Company for an upfront payment of \$7.5 million received on May 26, 2023 with no further royalty payments due thereunder. Titan retains ownership of the licensed IP, along with the associated rights including the right to continue to develop and commercialize the technologies covered by the licensed IP and the right to license the IP to other third parties.

Agreements with Medtronic

On June 3, 2020, the Company entered into a development and license agreement (the "**Medtronic Development Agreement**") with an affiliate of Medtronic in connection with the development of RAS technologies and a separate license agreement (the "**Medtronic License Agreement**", and together with the Medtronic Development Agreement, the "**Medtronic Agreements**") with Medtronic with respect to certain previously developed Company technologies.

Under the terms of the Medtronic License Agreement, Titan granted Medtronic an exclusive license with regard to certain RAS technologies, including patents and know-how, for a one-time upfront payment of \$10 million. Under the terms of the Medtronic Development Agreement, Titan granted Medtronic an exclusive license with respect to the technologies developed under the Medtronic Development Agreement in exchange for payments totaling \$30.6 million as described below, with the last payment being received on January 26, 2022. While the IP exclusively licensed to Medtronic under the Medtronic Agreements may not be licensed to a third party, Titan retained the rights to continue to develop, commercialize and use the licensed IP and the licensed technologies for the Company's own business in single access RAS, including the Enos System.

On September 9, 2022, the Company entered into an agreement with Medtronic (the "**Development and Pre-Clinical Supply Agreement**") that includes a limited development program, preclinical collaboration to evaluate the performance of various instruments and cameras in gynecological procedures, and the supply of certain instruments and cameras to Medtronic. The total commitment of work under the Development and Pre-Clinical Supply Agreement is approximately \$2.6 million. In connection with the Pre-Clinical Supply Agreement, in May 2022, the Company received a purchase order from Medtronic for the \$2.6 million and received a deposit of \$1.2 million in July 2022, which was recorded as deferred revenue at the time of receipt. Subsequent to the year end, the Company continued its work related to the Development and Pre-Clinical Supply Agreement.

On June 5, 2023, the Company announced that it had entered into the Medtronic APLA. Under the terms of the Medtronic APLA, for an upfront payment of \$8.0 million, Titan sold to Medtronic the patents exclusively licensed by Titan to Medtronic under the Medtronic Agreements (“**Acquired Rights**”) and granted Medtronic a non-exclusive license to certain other Titan intellectual property, excluding the Acquired Rights (“**Licensed IP**”). Medtronic has granted Titan a limited non-exclusive license back to the Acquired Rights and Titan retains ownership of the Licensed IP, along with the associated rights including the right to continue to develop and commercialize the technologies covered by the Licensed IP and the right to further license the Licensed IP to other third parties.

RESEARCH AND DEVELOPMENT

Enos System Development

While the Company has halted all development activities towards the commercialization of RAS technologies, the Company has previously developed certain innovative surgical technologies for single access RAS requiring only a single access point/port, including the development of an expansive IP portfolio. The Company worked on the development of the Enos System, which comprises a surgeon-controlled patient cart with a 3D high-definition vision system and multi-articulating instruments to enable a surgeon to perform surgical procedures, and a surgeon workstation designed to provide the surgeon with an ergonomic interface to the patient cart and a 3D high-definition view of the surgical procedure.

The design of the Enos System patient cart provides for the delivery of two multi-articulating instruments and a flexible 3D high-definition endoscopic camera through a single access port through an insertion tube/cannula with a diameter of approximately 25 millimeters that includes an integrated 2D high-definition camera. The endoscopic camera and multi-articulating instruments are designed to be controlled by the surgeon via the surgeon workstation. The reusable multi-articulating instruments are designed to provide dexterous movements and to facilitate an assortment of end effectors.

Through the development of RAS technologies, the Company has evaluated its technologies for IP protection through a combination of trade secrets and patent application filings.

“Enos 2.0” Development

The Company has developed next generation RAS technology that leverages and builds on the technology of the Enos System and that generated under the previously completed Development Agreement (the “**Enos 2.0 Technology**”). The Enos 2.0 Technology includes an iterative design of a surgeon-controlled patient cart that supports three multi-articulating instruments and a 3D high-definition endoscope camera that are remotely positionable and surgeon-controlled about a remote center of motion at a single access point/port.

Regulatory Overview

RAS systems are highly regulated, complex medical devices that require regulatory approval and/or authorization in each country where such product would be commercialized. While the Company is not presently seeking regulatory authorization for its technologies, based on prior communications with the FDA, the US regulatory pathway would likely involve marketing authorization through a classification request for novel devices in accordance with section 513(f)(2) of the U.S. Federal Food, Drug and Cosmetic Act (the “**FD&C Act**”), commonly known as a De Novo classification submission.

Since the Company has not submitted any applications for marketing authorization, it is not possible to predict the outcome of any future review by the FDA and the time required to complete activities necessary for regulatory marketing authorization.

Prior to postponing its activities, the Company was working towards an IDE submission with the FDA to seek approval to perform human surgeries as part of a proposed clinical study with the Enos System. An IDE allows the investigational device to be used in a clinical study in order to collect safety and effectiveness data and would be required prior to seeking marketing authorization.

Development Plan

As of May 29, 2023, the Company announced a Strategic Transition of its business from the development and commercialization of RAS technologies to evaluating new opportunities to further develop and license its IP.

INTELLECTUAL PROPERTY AND LICENSING

The Company has developed an expansive patent portfolio related to the enhancement of RAS, including through a single access point, and is currently focused on evaluating new opportunities to further develop and license its intellectual property.

Pursuant to the Medtronic Agreements and the Medtronic APLA, the Company has licensed certain IP of the Company and sold certain IP of the Company to Medtronic (see “*Significant Transactions - Agreements with Medtronic*”).

Pursuant to the Intuitive License Agreement the Company non-exclusively licensed to Intuitive certain IP of the Company (see “*Significant Transactions – Intuitive License Agreement*”).

IP Exclusivity and Independence

Under the Medtronic APLA, while Titan sold certain of its IP to Medtronic, Titan received a limited license back to the Acquired Rights consistent with the rights retained by Titan for the exclusively licensed IP under the Medtronic Agreements to commercialize the licensed technologies in single access RAS, including with the Enos System and enhancements thereof, should the Company choose to do so. Under the Medtronic APLA Titan may assign its IP rights thereunder in connection with the sale of all or substantially all of the assets of Titan or in connection with a “change of control” (as such term is defined therein). Titan retains ownership of the Licensed IP, along with the associated rights including the right to continue to develop and commercialize the technologies covered by the Licensed IP and the right to further license the Licensed IP to other third parties. Under the Intuitive License Agreement, Titan retains ownership of the licensed IP, along with the associated rights including the right to continue to develop and commercialize the technologies covered by the licensed IP and the right to license the IP to other third parties.

See “*Significant Transactions - Agreements with Medtronic*” and “*Significant Transactions – Intuitive License Agreement*”).

RESULTS OF OPERATIONS

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Revenue	450	-	17,132	-
Expenses				
Research and development	89	7,612	897	26,721
General and administrative	1,136	3,008	7,720	8,668
	1,225	10,620	8,617	35,389
Net (loss) income from operations	(775)	(10,620)	8,515	(35,389)
Finance income	(172)	(34)	(200)	(95)
Finance expenses	41	42	183	77
Foreign exchange loss (gain)	8	(34)	25	(6)
Gain on disposal of PPE	(237)	-	(237)	-
Loss on disposal of patents	-	-	57	-
Gain on AP settlement	(442)	-	(1,134)	-
Gain on fair value of warrant	(41)	(224)	(375)	(4,891)
Total other income	(843)	(250)	(1,681)	(4,915)
Net and comprehensive income (loss)	68	(10,370)	10,196	(30,474)
Diluted income (loss) per share	--	(0.09)	0.07	(0.27)

<i>Financial Position</i>	September 30, 2023	December 31, 2022
Cash	8,895	3,289
Total assets	11,070	7,119
Total liabilities	3,016	10,283
Total equity	8,054	(3,164)

Revenue

Revenue was \$0.5 million and \$17.1 million for the three and nine months ended September 30, 2023 compared to \$nil for the three and nine months ended September 30, 2022. In the current period, the Company recognized \$15.0 million in revenue from the Medtronic APLA and the Intuitive License Agreement as the agreements allow both Medtronic and Intuitive to use the Company's intellectual property as it exists when the licence is granted. The Company also recognized \$1.7 million of revenue for the completion of the final deliverables on the purchase order for Medtronic.

Research and Development

Research and development ("R&D") expenses were \$0.1 million for the three months ended September 30, 2023 compared to \$7.6 million for the three months ended September 30, 2022. R&D expenses were \$0.9 million for the nine months ended September 30, 2023 compared to \$26.7 million for the nine months ended September 30, 2022.

The decrease in R&D expenses is related to the Strategic Review. In the three and nine months ended September 30, 2023, the Company implemented cost-cutting measures that significantly reduced R&D expenses. In the comparative period, R&D expenses were related to the development of the Enos System and transferring key components of the Enos System to manufacturing.

General and Administrative

General and administrative (“G&A”) expenses were \$1.1 million and \$7.7 million for the three and nine months ended September 30, 2023 compared to \$3.0 million and \$8.7 million for the comparative periods ended September 30, 2022. The decrease in G&A expenses in the current period is related cost-cutting measures.

Net Income (loss) from Operations

Net loss from operations was \$0.8 million and income of \$8.5 million for the three and nine months ended September 30, 2023 compared to net loss of \$10.6 million and \$35.4 million for the three and nine months ended September 30, 2022. The improvement in net income from operations in 2023 compared to 2022 is primarily related to the Medtronic APLA and the Intuitive License Agreement as well as the Strategic Review. As part of the Strategic Review, the Company implemented cost-cutting measures that reduced both R&D and G&A expenses including a reduction in its labour force.

Other (income) Expenses

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Finance income	(172)	(34)	(200)	(95)
Finance expenses	41	42	183	77
Foreign exchange loss (gain)	8	(34)	25	(6)
Loss on disposal of patents	-	-	57	-
Gain on disposal of PPE	(237)	-	(237)	-
Gain on AP settlement	(442)	-	(1,134)	-
Gain on fair value of warrant	(41)	(224)	(375)	(4,891)
Total other income	(843)	(250)	(1,681)	(4,915)

Finance Income

Finance income was \$172 for the three months ended September 30, 2023 compared to \$34 for the three months ended September 30, 2022. Finance income was \$200 for the nine months ended September 30, 2023 compared to \$95 for the nine months ended September 30, 2022. The increase in finance income in 2023 compared to 2022 is related to higher interest yield earned on the Company's cash balances.

Finance Expenses

Finance expenses were \$41 for the three months ended September 30, 2023 compared to \$42 for the three months ended September 30, 2022. In the current and comparative quarter, the finance expenses included the non-cash interest inherent in lease obligations for the Company's Chapel Hill facility.

Finance expenses were \$183 for the nine months ended September 30, 2023 compared to \$77 for the nine months ended September 30, 2022. In the current nine-month period, the finance expenses relate to the non-cash interest inherent in lease obligations for the Company's Chapel Hill facility and interest on supplier accounts. In the comparative nine-month period finance expenses included the non-cash interest inherent in lease obligations for the Company's Chapel Hill facility.

Foreign Exchange Loss (gain)

Foreign exchange loss was \$8 for the three months ended September 30, 2023 compared to a foreign exchange gain of \$34 for the three months ended September 30, 2022. Foreign exchange loss was \$25 for the nine months ended September 30, 2023 compared to a gain of \$6 for the nine months ended September 30, 2022. Foreign exchange is related to the revaluation of the Canadian dollar non-monetary assets.

Loss on disposal of patents

On June 5, 2023, the Company announced that it had entered into the Medtronic APLA for an upfront payment of \$8.0 million in respect of certain IP of the Company. The Company has allocated \$0.5M of the total consideration received under the Medtronic APLA to the patents sold to Medtronic under the Medtronic APLA (the “Medtronic Acquired Patents”) and recognized a loss on disposal. The Medtronic Acquired Patents were previously exclusively licensed by the Company to Medtronic under the June 2020 Agreements. The remaining \$7.5 million received under the Medtronic APLA was allocated to the non-exclusive licensed IP.

Gain on AP settlement

During quarter, the Company has reduced its outstanding financial obligations to vendors by \$1.4 million from the second quarter of 2023 and recognized a gain of \$442 from the amount settled that is less than the book value. On a year-to-date basis, the Company has reduced its outstanding financial obligations to vendors by \$5.3 million from the first quarter of 2023 and has recognized a gain of \$1.1 million.

Gain on Fair Value of Warrant Derivative

For the three months ended September 30, 2023, the gain on the fair value of the warrant derivative was \$41 compared to \$224 for the three months ended September 30, 2022. For the nine months ended September 30, 2023, the gain on the fair value of the warrant derivative was \$375 compared to a gain of \$4.9 million for the nine months ended September 30, 2022.

Net and Comprehensive Income (loss)

Net and comprehensive income was \$68 for the three months ended September 30, 2023 compared to net loss of \$10.4 million for the three months ended September 30, 2022. Net and comprehensive income was \$10.2 million for the nine months ended September 30, 2023 compared to a net loss of \$30.5 million for the nine months ended September 30, 2022.

The improvement in net income from operations in 2023 compared to 2022 is primarily related to the Medtronic APLA and the Intuitive License Agreement as well as the Strategic Review. The Company implemented cost-cutting measures that reduced both R&D and G&A expenses including a reduction in its labour force.

FINANCIAL POSITION

Working Capital

The Company defines working capital as current assets less current liabilities. Working capital was \$7.6 million at September 30, 2023 compared to a working capital deficit of \$3.9 million at December 31, 2022. The Company commenced the Strategic Review in November 2022 to address the working capital deficiency (see “*Business Update*”). On May 26, 2023, the Company announced that it had entered into the Intuitive License Agreement for an upfront payment of \$7.5 million in respect of certain IP of the Company. On June 5, 2023, the Company announced that it had entered into the Medtronic APLA for an upfront payment of \$8.0 million in respect of certain IP of the Company.

In addition to the Strategic Review, unexpected increases in costs and expenses due to operational and financial decisions made by the Company and/or factors beyond the Company’s control, such as pandemics and international conflicts, including the COVID-19 pandemic and the Russian invasion of Ukraine, or any

delays related to sourcing of parts and materials or higher than expected inflation rates impacting pricing of parts and materials could cause a material impact on working capital resources of the Company.

LIQUIDITY AND CAPITAL RESOURCES

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Cash (used in) from operating activities	(1,766)	(8,222)	5,326	(19,676)
Cash used in financing activities	(142)	(101)	(305)	(306)
Cash from (used in) investing activities	182	(220)	585	(688)
Net change in cash during the period	(1,726)	(8,543)	5,606	(20,670)
Cash and cash equivalents, beginning of period	10,621	20,179	3,289	32,306
Cash and cash equivalents, end of period	8,895	11,636	8,895	11,636

The Company had cash of \$8.9 million at September 30, 2023 compared to \$3.3 million at December 31, 2022.

Operating Activities

Cash used in operating activities was \$1.8 million for the three months ended September 30, 2023 compared to cash used in operating activities of \$8.2 million for the three months ended September 30, 2022. Cash from operating activities was \$5.3 million for the nine months ended September 30, 2023 compared to cash used in operating activities of \$19.7 million for the nine months ended September 30, 2022.

The improvement in cash from operating activities in the three- and nine-months periods ending September 30, 2023 was primarily related to the Medtronic APLA and the Intuitive License Agreement as well as the Strategic Review.

Cash used in operating activities in the comparative nine-month period was primarily related to the costs associated with the development of the Enos System, offset by the recovery of working capital related to the final milestone payment of \$8.3 million from Medtronic that was received in the January 2022.

Financing Activities

Cash used in financing activities was \$142 for the three months ended September 30, 2023 compared to cash used in financing activities of \$101 for the three months ended September 30, 2022.

Cash used in financing activities was \$305 for the nine months ended September 30, 2023 compared to cash used in financing activities of \$206 for the nine months ended September 30, 2022.

In both the three- and nine-month periods, cash used in financing was related to the repayment of lease obligations for the Company's facility in Chapel Hill. In the current nine-month period, the Company applied a rent credit to reduce cash lease costs.

Investing Activities

Cash from investing activities was \$182 and \$585 for the three and nine months ended September 30, 2023 compared to usage of \$220 and \$688 for the three and nine months ended September 30, 2022. In the current quarter, the company disposed of equipment for proceed of \$237. In the year-to-date periods,

the Company has allocated \$0.5M of the total consideration to the set of patents sold to Medtronic. These set of patents were previously exclusively licensed to Medtronic on June 3, 2020. In the comparative period, cash used in investing activities related to the purchase of equipment for the development of the Enos System and patent costs.

SELECTED QUARTERLY INFORMATION

The following is selected financial data for each of the eight most recently completed quarters, derived from the Company's financial statements, and calculated in accordance with IFRS. Net and comprehensive income (loss) include the non-cash effects of adjustments in the valuation of outstanding warrant liability.

	Revenue	Net and comprehensive income (loss)	Diluted income (loss) per share
	\$	\$	\$
September 30, 2023	450	68	--
June 30, 2023	16,682	12,699	0.09
March 31, 2023	-	(2,571)	(0.02)
December 31, 2022	-	(12,068)	(0.11)
September 30, 2022	-	(10,370)	(0.09)
June 30, 2022	-	(10,883)	(0.10)
March 31, 2022	-	(9,221)	(0.08)
December 31, 2021	10,000	9,431	0.08

Significant changes in key financial data from March 1, 2021 through September 30, 2023 reflect the following:

- the Strategic Review process that commenced in November 2022 and the subsequent events related thereto (see "*Business Update*");
- the revenue recognition of the payments received pursuant to the Medtronic Agreements;
- the resumption of product development following receipt of license fees earned pursuant to the Medtronic License Agreement and Development Agreement;
- the equity capital raises in the capital markets, all since the third quarter of 2020;
- the Company established in-house R&D capabilities in Q3 2020 that increased staffing costs; and
- the ongoing non-cash impact associated with the requirement to revalue the Company's warrant derivative liability at fair value, with subsequent changes recorded through net and comprehensive loss for the period.

Historically, operating results have fluctuated on a quarterly basis and the Company expects that quarterly results will continue to fluctuate in the future even with the Strategic Transition. Operating results for interim periods should not be relied upon as an indication of the results to be expected or achieved in any future period or any fiscal year as a whole. Risk factors affecting revenue and results are discussed in the section entitled "*Risk Factors*" in the AIF.

CAPITAL MANAGEMENT

The Company's objective when managing capital is to maintain a strong statement of financial position. In November 2022, the Company commenced the Strategic Review process to consider strategic alternatives as the Company's available working capital was nominal. In December 2022, the Company announced cost-cutting measures with a view of preserving capital to support the Strategic Review while limiting work to tasks related to the Strategic Review, the IDE filing with the FDA and fulfilling certain other contractual development and supply obligations. On May 26, 2023, the Company announced that it had entered into the Intuitive License Agreement for an upfront payment of \$7.5 million in respect of certain IP of the Company. On June 5, the Company announced that it had entered into the Medtronic APLA for an upfront

payment of \$8.0 million. The receipt of the \$15.5 million in proceeds from these agreements significantly improved the Company's working capital position.

The Company defines its capital as cash and shareholders' equity, which as at September 30, 2023 totaled \$16.9million (December 31, 2022 - \$0.1 million).

The Company does not have any debt other than accounts payable and accrued liabilities and lease liabilities.

In managing its capital, the Company estimates future cash requirements by preparing an annual budget for review and approval by its Board. The budget establishes the approved activities for the upcoming year and estimates the costs associated with these activities.

Historically, the Company has funded its operations through the issuance of additional Common Shares and common share purchase warrants that upon exercise are converted to Common Shares and through license revenue received under licensing agreements. While management regularly monitors the capital markets, general market conditions, and the availability of capital, there are no assurances that funds will be made available to the Company in the required amounts or when required.

Base Shelf

On August 25, 2022, the Company's Form F-3 registration statement became effective (the "**Base Shelf**") that qualifies for distribution of up to \$90.0 million of Common Shares, warrants, or units (the "Securities") in the U.S. In connection with the Company's de-registration from the United States Securities and Exchange Commission, the Base Shelf ceased to be effective on April 10, 2023.

On July 30, 2019, the Company filed a Form F-3 registration statement that qualified for distribution of up to \$125.0 million of Common Shares, warrants, or units (the "**Securities**") in the U.S. This base shelf expired on July 30, 2022.

Nasdaq Compliance

On December 30, 2021, the Company received a notification from Nasdaq's Listing Qualifications Department that it was not in compliance with the minimum bid price requirement set forth in Nasdaq Rule 5550(a)(2) since the closing bid price for the Company's Common Shares listed on Nasdaq was below US\$1.00 for 30 consecutive business days. Nasdaq Rule 5550(a)(2) requires the shares to maintain a minimum bid price of US\$1.00 per share, and Nasdaq Rule 5810(c)(3)(A) provides that failure to meet such a requirement exists when the bid price of the shares is below US\$1.00 for a period of 30 consecutive business days.

In accordance with Listing Rule 5810(c)(3)(A), Nasdaq will provide written notification that the Company has achieved compliance with the minimum bid price requirement (and will consider such deficiency matters closed) upon the bid price of the shares closing at or above US\$1.00 per share for a minimum of 10 consecutive business days. The Company had a period of 180 calendar days from the date of notification, being until June 28, 2022, to regain such compliance. Since it was not able to achieve compliance with the minimum bid price requirement by the June 28, 2022 deadline, the Company applied for, and on June 29, 2022 was granted, an additional 180 calendar day period, through December 26, 2022, to evidence compliance with the US\$1.00 minimum bid price requirement for continued listing on Nasdaq.

On December 27, 2022, the Nasdaq Listing Qualifications Staff notified the Company that, based upon the Company's non-compliance with the minimum bid price requirement set forth in Nasdaq Listing Rule 5550(a)(2) (the "**Rule**") as of December 26, 2022, the Company's securities would be delisted unless the Company timely requested a hearing before the Nasdaq Hearings Panel (the "**Nasdaq Panel**"). The Company requested a hearing and on March 9, 2023, the Company announced the decision of the Nasdaq Panel to delist the Company's common shares effective March 10, 2023. On April 4, 2023, the Company filed Form 25 with the United States Security and Exchange Commission to deregister as a reporting issuer.

The Company is also listed on the TSX and the notification does not affect the company's compliance status with such listing. The Company also trades on the OTC Markets.

CONTRACTUAL OBLIGATIONS

Contractual obligations relating to accounts payable and accrued liabilities, long-term debt, and lease liabilities and purchase order commitments as at September 30, 2023, are as follows:

	Total	Less than 1 year	2 – 3 years	4 – 5 years	Greater than 5 years
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	1,480	1,480	-	-	-
Lease liabilities	1,536	450	1,086	-	-
Purchase order commitments ¹	-	-	-	-	-
TOTAL	3,016	1,930	1,086	-	-

Note:

1. Purchase order commitments are obligations that are not reflected on the balance sheet.

OFF-BALANCE SHEET ARRANGEMENTS

As of the date of this report, the Company had no off-balance sheet arrangements.

OUTSTANDING COMMON SHARE DATA

The following table summarizes the outstanding share capital as of November 1, 2023:

Type of Securities	Number of Common Shares issued or issuable upon conversion
Common Shares	113,848,393
Stock options	4,581,627
Restricted share units	4,676,836
Derivative warrant units	8,455,882
Equity warrants	3,933,207

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

A description of the Company's significant accounting policies are included in Note 2 of the Company's audited consolidated financial statements for the year ended December 31, 2022.

The preparation of the Consolidated Financial Statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenue and expenses during the reporting periods. Management has identified accounting estimates that it believes are most critical to understanding the Consolidated Financial Statements and those that require the application of

management's most subjective judgments, often requiring the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. The Company's actual results could differ from these estimates and such differences could be material.

Financial statement items subject to significant judgement include, (a) incremental borrowing rate used to measure lease liabilities, (b) the fair value estimate of the measurement of lease, warrant derivative liabilities and the note payable, (c) the assessment of the Company's ability to meet its obligations as they come due and (d) the assessment of impairments on property, plant and equipment and right of use assets. While management believes that the estimates and assumptions are reasonable, actual results may differ.

RELATED PARTY TRANSACTIONS

During the three and nine months ended September 30, 2023, and September 30, 2022, transactions between the Company and directors, officers and other related parties were related to compensation matters in the normal course of operations and are measured at the fair value, which is the amount of consideration established and agreed to by the related parties.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts payable and accrued liabilities and the warrant derivative liability. The fair value of these financial instruments approximates their carrying values, unless otherwise noted, due to the short-term maturities of these instruments, the discount rate applied or in the case of the warrant liability, due to the application of mark-to-market policy.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for the design of internal controls over financial reporting ("**ICFR**") within the Company, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* requires the Chief Executive Officer and Chief Financial Officer to certify that they are responsible for establishing and maintaining ICFR for the Company and that those internal controls have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Chief Executive Officer and Chief Financial Officer are also responsible for disclosing any changes to the internal controls for the Company that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Management, including the Interim Chief Executive Officer and Chief Financial Officer, does not expect that the internal controls over financial reporting of the Company will prevent or detect all errors and all fraud or will be effective under all potential future conditions. A control system is subject to inherent limitations and, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control systems objectives will be met.

Further, the design of a control system must reflect that there are resource constraints, and the benefits of controls must be considered relative to their costs. Inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of some persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. The design of any control system is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions.

Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

There have been no changes in the ICFR of the Company during the period of this MD&A that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

RISK FACTORS

For a detailed description of risk factors associated with the Company, refer to the "Risk Factors" section of the AIF, which is available on SEDAR+ at www.sedarplus.ca.

An investment in the Company's securities is speculative and involves a high degree of risk due to the nature of the Company's business. It is recommended that investors consult with their own professional advisors before investing in the Company's securities.