Management's Discussion and Analysis of Financial Condition and Results of Operations of Profound Medical Corp. for the Three Months Ended March 31, 2018

The following Management's Discussion and Analysis ("**MD&A**") prepared as of May 10, 2018 should be read in conjunction with the March 31, 2018 unaudited interim condensed consolidated financial statements and related notes of Profound Medical Corp. ("**Profound**", the "**Company**", "**us**" or "**our**"). The unaudited interim condensed consolidated financial statements of Profound and related notes were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IFRS**") applicable to the preparation of interim financial statements, including International Accounting Standard ("**IAS**") 34, Interim Financial Reporting. Unless stated otherwise, all references to "$" are to Canadian dollars. In this MD&A, unless the context requires otherwise, references to "we" or "our" are references to Profound.

FORWARD-LOOKING STATEMENTS

This MD&A contains "forward-looking statements" which include all statements other than statements of historical fact contained in this MD&A, such as statements that relate to the Company's current expectations and views of future events. Often, but not always, forward-looking statements can be identified by the use of words such as "may", "will", "expect", "anticipate", "predict", "aim", "estimate", "intend", "plan", "seek", "believe", "potential", "continue", "is/are likely to", "is/are projected to" or the negative of these terms, or other similar expressions intended to identify forward-looking statements. These forward-looking statements include, among other things, statements relating to:

- the completion of the TACT Pivotal Clinical Trial (as defined herein) and the timing thereof;
- the submission of an application to the FDA (as defined herein) for approval to market the TULSA-PRO® in the United States;
- the use of proceeds of the 2018 Offering (as defined herein) and 2017 Offering (as defined herein);
- expectations regarding current and future clinical trials and the costs thereof;
- expectations regarding regulatory approvals;
- expectations regarding the safety and efficacy of our products;
- expectations regarding the Company's relationship with Philips (as defined herein);
- expectations regarding the use of our products including treating conditions that our products do not currently treat;
- plans for and timing of expansion of our product and service offerings;
- the Company's mission and future growth plans;
- our ability to attract and develop and maintain relationships with suppliers, manufacturers, distributors, strategic partners, physicians/clinicians, etc.;
- our ability to attract and retain personnel;
- expectations regarding growth in our product markets and competitive position;
- our ability to raise debt and equity capital to fund future product development;
- anticipated trends and challenges in Profound's business and the markets in which we operate;
- ability to integrate acquired businesses including the Sonalleve®, new products and services offerings; and
- expectations regarding the additional consideration to be paid to Philips pursuant to the Sonalleve® Transaction (as defined herein).

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Profound to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements, including those factors discussed in the section entitled "Risk Factors" in the Company's Annual Information Form prepared as of April 20, 2018 for the year ended December 31, 2017 (the "**AIF**") available on SEDAR at www.sedar.com, such as:

- successful completion of clinical trial phases with respect to Profound's devices;
- risks related to the integration of business and products acquired by the Company, including the Sonalleve®, with the current businesses and product offerings of the Company;
- obtaining regulatory approvals in relevant jurisdictions to market Profound's devices;
- risks related to the regulation of Profound, including the healthcare market;
- lack of funding may limit the ability to commercialize and market Profound's products;
- fluctuating input prices, international trade and political uncertainty;
- healthcare regulatory regime may affect financial viability;
- reimbursement models in relevant jurisdictions may not be advantageous;
- risks related to managing growth;
- competition may limit the growth of Profound;
- reliance on third parties and risks related to the transition of manufacturing and installation services;
- if Profound breaches any of the agreements under which it licenses rights from third parties, Profound could lose license rights that are key to its business;
- loss of key personnel may significantly harm Profound's business;

- past performance is not indicative of future performance; and
- history of negative operating cash flow.

Forward-looking statements contained herein are made as of the date of this MD&A and Profound disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise, unless required by applicable law. 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. Accordingly, readers should not place undue reliance on forward-looking statements due to the inherent uncertainty in them.

BUSINESS OVERVIEW

Profound (TSX-V: PRN; OTCQX: PRFMF) develops, manufactures and markets a therapeutic platform that provides the precision of real-time magnetic resonance ("**MR**") imaging combined with the safety and accuracy of directional and focused ultrasound technology for incision-free ablation of diseased tissue. Profound's TULSA-PRO® is a catheter based magnetic resonance imaging ("**MRI**") guided robotic ablation system that combines real time temperature map and thermal ultrasound with process control software for precise ablation of diseased prostate from the inside out while minimizing side effects and healthy tissue damage. The Company acquired the Sonalleve® focused ultrasound system in 2017 from Koniuklijke Philips N.V. ("**Philips**") to create an MR-guided therapeutic ultrasound platform that can offer ablative therapies for use in the treatment of multiple disease conditions, broadening the scope of the Company's long-term product offerings.

The Company's TULSA-PRO® technology is designed to provide a minimally invasive and precise ablation of the prostate while simultaneously protecting critical surrounding anatomy from potential side effects. TULSA-PRO® provides the surgeons with the flexibility to personalize the treatment to the patient's specific anatomy and pathology thus enabling prostate ablation for patients with localized prostate cancer in a whole gland to targeted (focal) approach, as well as ablative therapies for the treatment of benign prostatic hyperplasia ("**BPH**"). In the Phase I clinical trial results published in 2016, TULSA-PRO® demonstrated accurate and precise ablation of targeted prostate tissue, while providing a well-tolerated favourable safety profile with minor impact on urinary, erectile and bowel function at 12 months. TULSA-PRO® ablation clinical trial (the "**TACT Pivotal Clinical Trial**"), is a prospective, open-label, single-arm pivotal clinical study, of 110 prostate cancer patients across 13 research sites in the United States, Canada and Europe. The TACT Pivotal Clinical Trial completed patient enrolment in January 2018, and if successful, it is expected to support Profound's application to the U.S. Food and Drug Administration ("**FDA**") for clearance to market this technology in the United States. TULSA-PRO® is CE marked for ablation of targeted benign and malignant prostate tissue. The TULSA-PRO® system received CE Certificate of Conformity from its notified body in the European Union in April 2016 and initiated its pilot commercial launch within the jurisdiction in Q4 2016. The Company also continues to invest in additional research and development, clinical studies, and acquisitions in order to expand the applications of its platform technology and its sales.

Business Update

Over time, surgery has evolved from 'open' technique to 'laparoscopic' to robotic surgery. The surgeon's motivation behind this evolution has been to create procedures that reduce invasiveness, with improved clinical outcomes, while reducing recovering times. Profound is now taking the same concept to the next level by providing incision-free targeted surgery via MR-guided ultrasound ablation offered through the TULSA-PRO® and Sonalleve® systems. The incision-free targeted surgery will offer surgeons an option of providing precise and personalized procedures that further reduce invasiveness, offer the potential to improve clinical outcomes and further reduce hospital stays and patient recovery times.

TULSA-PRO® sales include capital sale for the upfront equipment, disposable sales for the single use components of the system, and service revenues for long term maintenance of the system. Profound is currently pursuing a commercial launch of TULSA-PRO® in CE marked jurisdictions. The key customer segments targeted by Profound include academic/university/clinical leadership hospitals as well as private clinics with access to MRI scanners. Profound relies on its strategic partners Philips and Siemens Healthcare GmbH ("**Siemens**") for lead generation and distribution of the capital units. Profound has established its own direct sales and marketing teams for sales of the disposable components of TULSA-PRO®. The primary focus of the direct sales team is to support clinical customers with the TULSA- PRO® procedure and increase the utilization of the disposable units. Recurring revenues are expected to be generated from the sale of disposables as well as service.

Sonalleve® is a capital only sale with recurring service revenues. Given that it is currently only compatible on the Philips MRI scanners, Profound relies primarily on its strategic partnership with Philips for lead generation and sale of the capital units. With regulatory approval for sale in a number of jurisdictions, the 2018 focus will be primarily in Europe and Asia.

Profound also continues to focus on further demonstrating the clinical and economic value, including reimbursement for TULSA-PRO® and Sonalleve® procedures.

On January 31, 2018, Profound announced the completion of patient enrollment in the TACT Pivotal Clinical Trial across 13 research sites in the United States, Canada and Europe. The primary efficacy endpoint of TACT Pivotal Clinical Trial is the proportion of patients achieving a post-treatment prostate-specific antigen ("**PSA**") reduction of no less than 75% of their pre-treatment baseline value. The Company's pre-established performance goal for the success proportion is 50% of patients. Based on a preliminary analysis performed by the Company, of the first 63 evaluable patients, the median PSA reduction to-date is 93%, and 92% (58 out of 63) have achieved the PSA reduction success proportion. The primary safety endpoint is the frequency and severity of adverse events, with additional secondary endpoints focused on quality-of-life side effects commonly associated with current prostate cancer therapies, such as erectile dysfunction and urinary incontinence. As the standard evaluation period for these side effects is 12 months post-treatment, the sample size of evaluable patients is not yet large enough to assess. However, to-date, the Company has received TACT Pivotal Clinical Trial patient follow-up data for 110 patients at 1 month, 69 patients at 6 months and 24 patients at 12 months and is witnessing a positive trend.

If successful, the TACT Pivotal Clinical Trial is expected to support Profound's application to the FDA for approval to market the TULSA-PRO® system in the United States. Based on a new predicate device cleared by the FDA in October 2015, Profound intends to pursue a 510(k) submission of the TULSA-PRO® system with the FDA as a Class II device.

In 2017, Profound made significant reimbursement progress in Germany for TULSA-PRO®. TULSA-PRO® received a dedicated procedure code in Germany, securing an initial Diagnosis-Related Group payment of €3,963 starting in January 1, 2018. The Company believes that this reimbursement will help to offset approximately 40-60% of the cost of the procedure and is working closely with clinicians and reimbursement consultant experts to enhance the reimbursement levels.

Sonalleve® currently does not have significant reimbursement in the European markets.

The Company is also pursuing reimbursement activities for the United States market and other key European markets.

Sonalleve® Transaction

On July 31, 2017, Profound closed an asset and share purchase agreement (the "**Agreement**") with Philips in order to seek to expand the existing collaboration and acquire Philip's Sonalleve® MR-HIFU business (the "**Sonalleve® Transaction**"), establishing Profound as a market leader in MR-ultrasound ablation therapy.

Under the terms of the Agreement, Philips transferred its Sonalleve® assets to Profound for upfront consideration of 7,400,000 common shares ("**Common Shares**") in the capital of Profound. Under the Agreement, the earn-out provisions include a requirement that Profound pay additional consideration of: (i) 5% of Net Sales occurring after July 31, 2017 for the calendar year 2017; (ii) 6% of Net Sales occurring in the calendar year 2018; and (iii) 7% of Net Sales occurring in calendar years 2019 and 2020. To the extent that the cumulative Net Sales for the full calendar years 2017 through 2020 exceeds €45,300,000, Profound will be required to pay an additional earn-out equal to 7% of Net Sales for the period beginning after July 31, 2017 through December 31, 2019.

"**Net Sales**" include the revenues (less any royalties) received by Profound or its affiliates or others on their behalf in respect of the sale or transfer of Sonalleve®, any subsequent, successor or next-generation product the treatment technology of which is primarily based on Sonalleve® and which utilizes intellectual property rights acquired under the Agreement or any future product that combines the technologies of Sonalleve® and TULSA-PRO® and any amounts received by Profound with respect to service agreements, but does not include any revenues with respect to disposables.

As part of the Sonalleve® MR-HIFU Transaction, Philips and Profound expanded their non-exclusive strategic sales relationship for Profound's TULSA-PRO® system to include distribution of Sonalleve®.

The Sonalleve® Transaction has expanded Profound's core competency in MR-ultrasound ablation therapy. Management believes that Profound is now the only company to provide a therapeutics platform that provides the precision of real-time MR imaging combined with the safety and ablation power of directional (inside-out) and focused (outside-in) ultrasound technology for the incision-free ablation of diseased tissue.

Sales Strategy

Profound sells capital equipment and disposables, which are sold on a per patient basis. The company has partnered with Philips and Siemens for sales of its capital equipment, while it expects to sell the disposables to the end users, directly. As of January 1, 2018, the capital parts of the TULSA-PRO® system and Sonalleve® are available through the Philips sales catalog. Similarly, as of April 1, 2018, TULSA-PRO® systems are available for sale through the Siemens sales catalog. The catalogs provide access and enables the sales teams of each company to provide quotations for potential sales, in those jurisdictions where the product is approved for sale by regulatory

bodies. Profound is in the process of training the sales teams from both companies and expects to work closely with them help build a pipeline of potential buyers of the company's technologies.

The Company continues to pursue growth opportunities both organically, increasing its existing business by gaining new customers, increasing product and service penetration with existing clients, as well as through transactions in which the Company acquires new operating entities. Over the past year, the Company has enhanced its corporate development capabilities to execute transactions, through significant investments in people, technology and other organizational resources, and has developed techniques, processes and other intellectual capital, all with the objective of creating a powerful combination of real-time MR-guidance imaging platforms and ultrasounds for delivering non-invasive ablative tools to clinicians.

HIGHLIGHTS

- On March 20, 2018, Profound completed a bought deal financing pursuant to a short form prospectus for total gross proceeds of $34,500,000 including the exercise of the underwriters' over-allotment option.
- On February 28, 2018, Profound announced the upsizing of the $20,000,000 bought deal offering to $30,000,000.
- On February 27, 2018, Profound announced $20,000,000 bought deal financing.
- On February 26, 2018, Profound announced the participation in 2018 BTIG Healthcare Conference.
- On January 31, 2018, Profound announced the completion of patient enrollment in the TACT Pivotal Clinical Trial.

RESULTS OF OPERATIONS

	Three months ended March 31			
	2018	2017	Change	
	$	$	$	%
Revenue	**376,335**	591,517	(215,182)	-36%
Cost of sales	**231,075**	311,225	(80,150)	-26%
Gross profit	**145,260**	280,292	(135,032)	-48%
Expenses				
Research and development	**2,516,781**	1,883,129	633,652	34%
General and administrative	**1,303,204**	1,118,014	185,190	17%
Selling and distribution	**946,902**	1,150,499	(203,597)	-18%
Total operating expenses	**4,766,887**	4,151,642	615,245	15%
Finance costs	**319,963**	289,700	30,263	10%
Finance income	**(39,804)**	(48,565)	8,761	-18%
Net finance costs	**280,159**	241,135	39,024	16%
Loss before income taxes	**4,901,786**	4,112,485	789,301	19%
Income tax expense	**36,400**	2,297	34,103	1485%
Net loss for the period	**4,938,186**	4,114,782	823,404	20%
Other comprehensive income (loss)				
Item that may be reclassified to profit or loss				
Foreign currency translation adjustment	**(43,248)**	2,640	(45,888)	-1738%
Net loss and comprehensive loss for the period	**4,894,938**	4,117,422	777,516	19%
Basic and diluted net loss per common share	**0.06**	0.07	(0.01)	-14%

Revenue

For the three months ended March 31, 2018, the Company recorded revenues totaling $376,335, with $372,494 from sale of products and $3,841 from installation and training services, related to the commercial sales of the systems and disposables. For the three months ended March 31, 2017, the Company recorded revenues totaling $591,517, with $552,918 from sale of products and $38,599 from installation and training services, related to the commercial sales of the systems and disposables. The Company sold the systems and disposables through its partnership agreements with Siemens and Philips. The decrease in revenue was driven by the fact that no new system sales were closed in Q1 2018. Since the company remains in its pilot sales launch phase and is in the process of training its sales partners, revenues on a quarter over quarter basis are expected to fluctuate in the near term. The company expects to deliver sales growth on a year over year basis compared to 2017.

Gross Margin

For the three months ended March 31, 2018, the Company recorded cost of sales of $231,075, related to the commercial sales of the systems and disposables, which represent a 39% gross margin. These costs include cost of finished goods, inventory provisions, royalties, warranty, freight and direct overhead expenses.

For the three months ended March 31, 2017, the Company recorded cost of sales of $311,225, related to the commercial sales of the systems and disposables, which represent a 47% gross margin. These costs include cost of finished goods, inventory provisions, royalties, warranty, freight and direct overhead expenses. The gross margin was lower in 2018 due to changes in the product mix as a result of the Sonalleve® Transaction.

Operating Expenses

Research and development

Our research and development ("**R&D**") expenses are comprised of costs incurred in performing R&D activities, including clinical trial and related clinical manufacturing costs, materials and supplies, salaries and benefits, contract research costs, patent procurement costs, and occupancy costs. Our R&D activities relate to clinical R&D. Clinical R&D refers to internal and external activities associated with clinical studies of the systems in humans, and the advancement of the clinical products towards our goal of obtaining regulatory approval to both manufacture and market these products within various jurisdictions.

For the three months ended March 31, 2018, R&D expenses were higher by $633,652 compared to the three months ended March 31, 2017. Overall, the increase in R&D spending was attributed to the Sonalleve® Transaction, which occurred after Q1 2017. Salaries and benefits, consulting fees and rent increased by $711,618, $63,510 and $54,346, respectively. These costs were higher compared to the three months ended March 31, 2017, due to a higher number of R&D personnel, new initiatives with the Sonalleve® product and new facilities in Finland Offsetting these amounts was a decrease in clinical trial costs, materials and share based compensation by $371,083, $55,380 and $38,935, respectively, resulting from the completion of the TACT Pivotal Clinical Trial enrollment initiatives and the forfeiture of certain share options. Amortization of intangible assets increased by $270,500 due to the Sonalleve® Transaction and amortization of the acquired intangible assets.

General and administrative expenses

Our general and administrative ("**G&A**") expenses are comprised of management costs, including salaries and benefits, various management and administrative support functions and other operating and occupancy costs.

G&A expenses for the three months ended March 31, 2018 were higher by $185,190 compared to the three months ended March 31, 2017. Consulting fees, share based compensation and office and other increased by $56,068, $155,680 and $80,293, respectively, due to increased legal fees associated with the Sonalleve® patents, the inclusion of Sonalleve® operations and increased share option vesting this quarter. These costs were offset by a decrease in salaries and benefits and rent by $169,217 and $26,894, respectively, primarily due to the termination expense related to a former executive officer occuring in Q1 2017. Depreciation expense increased by $86,880 primarily due to leasehold improvements for the new facility that were constructed in the later part of 2017.

Selling and distribution expenses

Our selling and distribution expenses are comprised of business development costs related to the development and commercialization of our systems, including salaries and benefits, management and support functions and other operating and occupancy costs.

Selling and distribution expenses for the three months ended March 31, 2018 were lower by $203,597 compared to the three months ended March 31, 2017. The decrease is attributable to the reduced revenue share obligation expense of $389,245 related to the Siemens shortfall of revenue share payments compared to the minimum amounts contractually required. These costs were offset by salaries and benefits and consulting fees, which increased by $182,393 and $55,959, respectively, due to additional direct sales force personnel, increased marketing-related efforts and product branding development.

Finance costs

Finance costs are primarily comprised of interest and accretion expense relate to the following: (i) the Federal Economic Development Agency Loan (as defined herein) accreting to the principal amount repayable; (ii) the Health Technology Exchange Loan (as defined herein) accreting to the principal amount repayable and its related interest expense; (iii) the Knight Loan (as defined herein) accreting to the principal amount repayable and its related interest expense; (iv) the 0.5% royalty liability to Knight Therapeutics Inc. ("**Knight**") accreting to the estimated amount payable; and (v) the change in fair value of the contingent consideration payable to Philips.

Finance costs for the three months ended March 31, 2018 were higher by $30,263 compared to the three months ended March 31, 2017. During the three months ended March 31, 2018, the Company recognized $82,492 of foreign exchange loss and a $48,647 change in fair value to the contingent consideration. This was offset by a decrease in the Knight Loan, Health Technology Exchange Loan and Federal Economic Development Agency Loan accretion expense by $97,182 and $18,884, respectively, resulting from monthly and quarterly repayments of the loan balances resulting in less interest.

Net loss

Net loss for the three months ended March 31, 2018 was $4,901,786 or $0.06 per Common Share, compared to a net loss of $4,112,485 or $0.07 per Common Share for the three months ended March 31, 2017. The increase in net loss was primarily attributed to an increase in R&D expenses of $633,652, an increase in G&A expenses of $185,190, an increase in net finance costs of $39,024 and a decrease in gross profit of $135,032. These were partially offset by a decrease in selling and distribution expenses of $203,597.

SUMMARY OF QUARTERLY FINANCIAL RESULTS

The summary financial information provided below is derived from the Company's unaudited quarterly financial statements for each of the last eights quarters that are prepared under IFRS in Canadian dollars.

	2018	2017				2016		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
		$	$	$	$	$	$	$
Revenue	376,335	1,890,482	1,465,412	957,139	591,517	-	-	-
Cost of Sales	231,075	1,063,950	1,185,674	471,359	311,225	-	-	-
Gross profit	145,260	826,532	279,738	485,780	280,292	-	-	-
Operating expenses	4,766,887	5,155,423	5,148,434	5,043,710	4,151,642	4,828,085	3,779,633	3,429,874
Net finance costs	280,159	130,632	651,378	98,207	241,135	(44,142)	276,852	206,194
Loss before income taxes	4,901,786	4,459,523	5,520,074	4,656,137	4,112,485	4,783,943	4,056,485	3,636,068
Income tax expense	36,400	69,470	-	2,356	2,297	4,674	4,723	4,657
Net loss for the period	4,938,186	4,528,993	5,520,074	4,658,493	4,114,782	4,788,617	4,061,208	3,640,725
Loss per common share Basic and diluted	0.06	0.06	0.09	0.08	0.07	0.10	0.10	0.09

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2018, the Company had cash of $38,014,963 compared to $11,103,223 at December 31, 2017.

Federal Economic Development Agency Loan

Pursuant to a loan agreement dated December 16, 2011, the Federal Economic Development Agency provided the Company with an unsecured and non-interest bearing loan of $867,000 (the "**Federal Economic Development Agency Loan**"). Repayment commenced on April 1, 2015 with a payment of $14,450, followed by 48 monthly instalments of $7,225 from May 1, 2015 to April 1, 2019 and 11 monthly instalments of $45,977 from May 1, 2019 to March 1, 2020. As at March 31, 2018, the principal balance outstanding on the Federal Economic Development Agency Loan is $599,675 (December 31, 2017 - $621,350).

Health Technology Exchange Loan

Pursuant to a loan agreement dated May 25, 2011, as amended April 1, 2012, and a loan agreement dated May 31, 2014, the Health Technology Exchange provided the Company with an unsecured loan of $1,500,000 bearing interest at 4.5% per annum (the "**Health Technology Exchange Loan**"). The final payment of $1,094,698 including accrued interest was made on March 31, 2018. As at March 31, 2018, the principal balance outstanding on the Health Technology Exchange Loan was nil (December 31, 2017 - $800,000).

Knight Loan

Pursuant to a loan agreement dated April 30, 2015, Knight provided the Company with a secured loan of $4,000,000 bearing interest at 15% per annum (the "**Knight Loan**"). Repayment commenced on June 30, 2017 with a payment of $1,427,258, followed by seven quarterly instalments of $285,714 plus accrued interest from September 30, 2017 to March 31, 2019, and a final instalment of $2,052,603 on June 3, 2019. As at March 31, 2018, the principal balance outstanding on the Knight Loan was $3,142,857 (December 31, 2017 - $3,428,571).

In addition to the Knight Loan, the Company granted Knight a 0.5% royalty on total net sales of all products until the original maturity date of the Knight Loan. The royalty was initially recorded at fair value and subsequently carried at amortized cost using the effective interest rate method. The initial fair value of the royalty was determined using future revenue forecasts for the term of the Knight Loan and a discount rate of 18%. During the three months ended March 31, 2018, the Company revised the fair value of the royalty, using future revenue forecasts for the term of the Knight Loan. The current portion of this liability as at March 31, 2018 is $80,461 (December 31, 2017 - $68,922) and non-current portion is $11,529 (December 31, 2017 - $27,972).

In the event the Company repays the Knight Loan before the end of the term, it would be subject to a prepayment fee. The prepayment fee is the greater of the total unpaid annual interest that would have been payable during the year in which the prepayment is made and $200,000.

As part of the Sonalleve® Transaction, the Company committed to repay all amounts outstanding under the Knight Loan on or before December 31, 2018.

Cash Flow

The Company manages liquidity risk by monitoring actual and projected cash flows. A cash flow forecast is performed regularly to ensure that the Company has sufficient cash to meet operational needs while maintaining sufficient liquidity.

The Company may require additional capital to fund R&D activities and any significant expansion of our operations. Potential sources of capital could include equity and/or debt financings, development agreements or marketing license agreements, the collection of revenues resulting from future commercialization activities and/or new strategic partnership agreements to fund some or all costs of development. There can be no assurance that the Company will be able to obtain the capital sufficient to meet any or all of the Company needs. The availability of equity or debt financing will be affected by, among other things, the results of our R&D, our ability to obtain regulatory approvals, the market acceptance of our products, the state of the capital markets generally, strategic alliance agreements and other relevant commercial considerations. In addition, if we raise additional funds by issuing equity securities, our existing security holders will likely experience dilution, and any incurring of indebtedness would result in increased debt service obligations and could require us to agree to operating and financial covenants that would restrict our operations. Any failure on our part to raise additional funds on terms favorable to us or at all may require us to significantly change or curtail our current or planned operations in order to conserve cash until such time, if ever, that sufficient proceeds from operations are generated, and could result in our not taking advantage of business opportunities, in the termination or delay of clinical trials for our products, in curtailment of our product development programs designed

to identify new products, in the sale or assignment of rights to our technologies, product and/or our inability to file market approval applications at all or in time to competitively market our products.

	Three months ended	
	March 31, 2018	**March 31, 2017**
	$	**$**
Cash provided by (used in) operating activities	(3,721,343)	(3,867,723)
Cash provided by (used in) in investing activities	-	(62,353)
Cash provided by (used in) financing activities	30,633,083	(10,950)
Net increase (decrease) in cash	26,911,740	(3,941,026)

Net cash provided by (used in) operating activities for the three months ended March 31, 2018 was $3,721,343 versus $3,867,723 for the three months ended March 31, 2017. The principle uses of the operating cash flows during this period related to additional costs associated with the commercialization of the products, sales and marketing initiatives and increased workforce costs.

Net cash provided by (used in) investing activities for the three months ended March 31, 2018 was nil versus $62,353 for the three months ended March 31, 2017. This change primarily related to fewer purchases of property and equipment and intangible assets during the three months ended March 31, 2018 compared to the three months ended March 31, 2017.

Net cash provided by (used in) financing activities for the three months ended March 31, 2018 were $30,633,083 versus $(10,950) for the three months ended March 31, 2017. These cash flows related to repayments on the Health Technology Exchange Loan, Federal Economic Development Agency Loan and the Knight Loan and gross proceeds from the 2018 Offering, as defined herein, less cash transactions costs paid.

Use of Proceeds

2018 Offering

The Company received net proceeds of $32,130,756 from the public offering of units completed on March 20, 2018 (the "**2018 Offering**"). Each unit consisted of one Common Share of the Company and one-half of one warrant. The following table compares the intended use of net proceeds with the actual expenditures as at March 31, 2018, by which time the proceeds from the 2018 Offering were partially expended.

	Estimated per 2018 Offering	**Total spending as at March 31, 2018**
To support certain costs and expenses of other clinical trial support and the ongoing TACT Pivotal Clinical Trial follow up and finalization		
Patient follow up costs (based on an agreed amount for each patient with the participating hospitals)	$2,100,000 to $2,700,000	$115,000
Increased personnel requirements and employee travel expenses related to support of the clinical procedures for patients	$1,200,000 to $1,500,000	-
Ongoing expansion of infrastructure to execute on global sales and marketing plans with respect to the TULSA-PRO® system and recently acquired Sonalleve® MR-HIFU system		
TULSA-PRO® sales and marketing activities	$3,300,000 to $3,800,000	-
Sonalleve® MR-HIFU sales and marketing activities	$2,000,000 to $2,200,000	-
To support ongoing research and development and continue to invest in additional research and development and acquisitions in order to expand the applications for current and future platforms	$6,400,000 to $7,100,000	-
For general corporate purposes		
Scheduled repayment under the Knight Loan and other indebtedness	$4,200,000	$413,000

Material and inventory purchases	$3,800,000 to $4,100,000	-
General working capital purposes	$2,000,000 to $2,200,000	-
Totals		$528,000

Although it is intended the remainder of the net proceeds from the 2018 Offering (being $31,717,756) will be used as set out above based on the current knowledge and planning of the Company's management, there may be circumstances where, for sound business reasons, a reallocation of funds may be deemed prudent or necessary and the use of proceeds may vary materially from that set forth above.

2017 Offering

The Company received net proceeds of $8,913,868 from the public offering of units completed on September 20, 2017. Each unit consisted of one Common Share of the Company and one-half of one warrant (the "**2017 Offering**"). The following table compares the intended use of net proceeds with the actual expenditures as at March 31, 2018, by which time the proceeds from the 2017 Offering were expended.

	Estimated per 2017 Offering	**Total spending as at March 31, 2018**
To support certain costs and expenses of the TACT Pivotal Clinical Trial		
Equipment costs (e.g., TULSA-PRO® system and disposables)	$100,000 to $200,000	$699,500
Patient enrollment costs (based on an agreed amount for each patient with the participating hospitals)	$1,200,000 to $2,200,000	$1,769,710
Increased personnel requirements and employee travel expenses related to support of the clinical procedures for patients	$500,000 to $1,200,000	$1,218,800
Ongoing expansion of infrastructure to execute on global sales and marketing plans with respect to the TULSA-PRO® system and recently acquired Sonalleve® MR-HIFU system		
TULSA-PRO® sales and marketing activities	$1,000,000 to $2,400,000	$1,965,600
Sonalleve® MR-HIFU sales and marketing activities	$800,000 to $1,200,000	$1,258,300
For general corporate purposes, including working capital and scheduled payments under the Knight Loan and other indebtedness	$1,800,000 to $5,500,000	$2,001,958
Totals		$8,913,868

Non-IFRS Financial Measures

Non-IFRS measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS. These measures are defined with reference to the nearest comparable IFRS measure in order that a reconciliation to the nearest comparable IFRS measure can be completed. Accordingly, these measures may not be comparable to similar measures presented by other companies. We use non-IFRS measures in order to provide additional financial information to complement the closest IFRS measures in order to provide investors with a further understanding of our operations from management's perspective. Investors should not consider that these non-IFRS measures are a substitute for analyses of the financial information that we report under IFRS. We use these non-IFRS measures in order to provide investors with a supplemental measure of our operating performance and thus highlight trends in our business that may not otherwise be apparent when relying solely on IFRS measures.

The Company's working capital (defined as current assets less current liabilities) is a non-IFRS financial measure. The working capital as at March 31, 2018 is set forth in the table below. The Company defines working capital as current assets less current liabilities, with the exclusion of deferred revenue. Deferred revenue represents the excess of amounts billed and revenue earned on service contracts. The amount is amortized into revenue as services are rendered, in accordance with the revenue recognition policies described in the Company's interim financial statements.

Deferred revenue is a non-cash liability and therefore management believes that adding back the deferred revenue provides a more accurate reflection of the liquidity and working capital position of the Company.

	March 31, 2018	December 31, 2017
	$	$
Current assets	41,966,220	17,602,066
Less: Current liabilities	7,267,253	10,725,193
Working capital	34,698,967	6,876,873
Add back: Deferred revenue	250,454	241,316
Net working capital	34,949,421	7,118,189

Working capital has increased by $27,831,232 to a surplus of $34,949,421 at March 31, 2018 compared to the surplus of $7,118,189 at December 31, 2017. The change in working capital is due to a decrease in current liabilities of $3,457,940, which was primarily the result of quarterly repayment of the Knight Loan and full repayment of the Health Technology Exchange Loan. Accounts payable and accrued liabilities decreased by $2,150,507 due to the timing of payments made to certain vendors. The increase in working capital correlates to the increased cash balance of $38,014,963 resulting from the 2018 Offering for net proceeds of $32,130,756.

COMMITMENTS & CONTIGENCIES

The Company has commitments under operating leases for the rental of office space. On March 28, 2016, the Company signed a lease for new office space and took possession of this office space effective July 1, 2016. Included in prepaid expenses and deposits is an amount of $300,000 related to prepaid rent for this lease that is drawn down at $10,000 per month starting effective October 1, 2016. The future minimum obligation are as follows:

	$
No later than 1 year	456,954
Later than 1 year and no later than 5 years	2,221,450
Later than 5 years	2,024,638
	4,703,042

In 2016, the Company signed an agreement that includes revenue sharing with a minimum amount payable of US$3,500,000 over a five year period.

All directors and officers of the Company are indemnified by the Company for various items including, but not limited to, all costs to settle lawsuits or actions due to their association with the Company, subject to certain restrictions. The Company has purchased directors' and officers' liability insurance to mitigate the cost of any potential future lawsuits or actions. The term of the indemnification is not explicitly defined, but is limited to events for the period during which the indemnified party served as a director or officer of the Company. The maximum amount of any potential future payment cannot be reasonably estimated but could have a material adverse effect on the Company.

The Company has also indemnified the underwriters in relation to the offerings and their respective affiliates and directors, officers, employees, shareholders, partners, advisers and agents and each other person, if any, controlling any of the underwriters or their affiliates against certain liabilities.

RELATED PARTY TRANSACTIONS

Key management includes the Company's directors and senior management team. The remuneration of directors and the senior management team were as follows:

	Three months ended	
	March 31, 2018	**March 31, 2017**
	$	**$**
Salaries and employee benefits	203,726	327,489
Termination benefits	114,750	138,125
Directors fees	19,947	22,250
Share-based compensation	172,804	73,151
Total	511,227	561,015

Executive employment agreements allow for additional payments in the event of a liquidity event, or if the executive is terminated without cause.

OUTSTANDING SHARES

As at May 10, 2018, the date of this MD&A, the Company had the following securities outstanding:

	Number
Common shares	107,617,377
Share purchase options	5,212,591
Warrants	22,250,000

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements other than those disclosed in this MD&A.

RECENT ACCOUNTING PRONOUNCEMENTS

Accounting standards recently adopted

A number of new or amended standards became applicable for the current reporting period and the Company had to change its accounting policies as a result. The impact of the adoption of these standards are disclosed below.

IFRS 9, Financial Instruments

IFRS 9, Financial Instruments ("**IFRS 9**"), replaces the provisions of IAS 39, Financial Instruments: Recognition and Measurement ("**IAS 39**") that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 from January 1, 2018 resulted in changes in the Company's accounting policies but it did not result in any adjustments. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

The Company has one type of financial asset that is subject to IFRS 9's new expected credit loss model being trade and other receivables. The Company was required to revise its impairment methodology under IFRS 9 for trade and other receivables and this had no change on the Company's deficit or equity at January 1, 2018. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. On that basis, the loss

allowance as at January 1, 2018 and March 31, 2018 is nil as the Company only transacts with large well known customers and has not incurred any credit losses since commencing revenue recognition.

Trade and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, failure to make contractual payments for a period of greater than 120 days past due. While cash is also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

There was no impact on the Company's financial liabilities as a result of the adoption of IFRS 9 and no material change to the Company's accounting polices for financial liabilities. All historical changes to the Company's debt agreements were accounted for as extinguishments under IAS 39 which is consistent with the required treatment under IFRS 9.

IFRS 15, Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers ("**IFRS 15**"), amends revenue recognition requirements and establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The adoption of IFRS 15 from January 1, 2018 resulted in changes in accounting policies of the Company but it did not result in any adjustments. In accordance with the transitional provisions in IFRS 15, the Company has adopted the new rules on a fully retrospectively basis.

The Company sells separately priced extended warranty service contracts that extend maintenance coverage beyond the base warranty for its medical devices. The separately priced service contracts typically range from 12 to 24 months. As at January 1, 2018, the Company had $241,316 of deferred revenue related to unfulfilled performance obligations associated with these extended warranty service contracts.

Accounting standards issued but not yet adopted

IFRS 16, Leases

On January 13, 2016, the International Accounting Standards Board ("**IASB**") published a new standard, IFRS 16, Leases ("**IFRS 16**"). The new standard will eliminate the distinction between operating and finance leases and will bring most leases on the consolidated balance sheet for lessees. This standard is effective for annual reporting periods beginning on or after January 1, 2019. The Company intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning January 1, 2019, and will recognize assets and liabilities for all leases, except for its low value leases, on the consolidated balance sheet upon adoption.

IFRIC 23, Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments ("**IFRIC 23**"), with a mandatory effective date of January 1, 2019. The interpretations provide guidance on how to value uncertain income tax positions based on the probability of whether the relevant tax authorities will accept the Company's tax treatments. A company is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so. IFRIC 23 is to be applied by recognizing the cumulative effect of initially applying these guidelines in opening deficit without adjusting comparative information. The extent of the impact of the adoption of IFRIC 23 has not yet been determined.

Additional information relating to the Company is available on SEDAR at www.sedar.com, including the AIF.