Management's Discussion and Analysis of Financial Condition and Results of Operations of Profound Medical Corp. for the Three and Nine Months Ended September 30, 2017

The following Management's Discussion and Analysis ("**MD&A**") prepared as of November 7, 2017 should be read in conjunction with the September 30, 2017 unaudited interim condensed consolidated financial statements and related notes of Profound Medical Corp. ("**Profound**" or the "**Company**"). 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 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) enrollment and the timing thereof;
- the use of proceeds of the 2017 Offering (as defined herein) and 2016 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 relationships, 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® MR-HIFU (as defined herein), new products and services offerings; and
- expectations regarding the additional consideration to be paid to Philips pursuant to the Sonalleve® MR-HIFU 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 March 28, 2017 for the year ended December 31, 2016 (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® MR-HIFU, with the current business 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;
- reliance on key personnel; 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 is a Canadian medical device company creating a therapeutics platform that provides the precision of real-time Magnetic Resonance ("**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.

Profound is commercializing a novel technology, TULSA-PRO®, which combines real-time MR Imaging with transurethral, robotically-driven therapeutic ultrasound and closed-loop thermal feedback control that is designed to provide precise ablation of the prostate while simultaneously protecting critical surrounding anatomy from potential side effects. TULSA-PRO® is CE marked and Profound is currently conducting a pilot commercial launch of the technology in key European and other CE mark jurisdictions.

Profound is also commercializing Sonalleve® MR high intensity focused ultrasound ("**MR-HIFU**"), an innovative therapeutic platform that combines real-time MR imaging and thermometry with thermal ultrasound to enable precise and incision-free ablation of diseased tissue. Sonalleve® is CE marked for the treatment of uterine fibroids and palliative pain treatment of bone metastases. MR-HIFU, as a technology, has also been shown to have clinical application in other medical conditions, including non-invasive ablation of abdominal cancers and hyperthermia for cancer therapy.

The common shares in the capital of Profound ("**Common Shares**") are listed on the TSX Venture Exchange (TSXV:PRN) and OTCQX Market (PRFMF).

Business Update

Profound's core technology is based on specific research conducted at Sunnybrook Health Sciences Centre ("**Sunnybrook**"), pursuant to licensing arrangements between Sunnybrook and Profound. In 2010, Profound in collaboration with Sunnybrook, developed working prototypes and completed institutionally sponsored clinical research trials. In 2011, Profound finalized the system design under formal design controls. In 2012, preclinical studies were completed, which led to the finalization of the development of our clinical stage device and the successful outsourcing of manufacturing of certain components of the TULSA-PRO® system. In 2013, Profound announced initiation of the 30 patient TULSA (Transurethral Ultrasound Ablation) study in Canada and subsequently, additional clinical sites were added to include Germany and the United States. In 2014, Profound completed enrollment and treatment of 30 patients ("**Phase 1**") in the TULSA multi-jurisdictional safety and feasibility study. On October 15, 2015, Profound presented 12-month follow-up data at the European Symposium on Focused Ultrasound Therapy held in London, England. The results of this study were also published in the September 2016 issue of European Urology. In this study, the TULSA-PRO® system demonstrated accurate and precise ablation of targeted prostate tissue, while providing a well-tolerated favorable safety profile with minor impact on urinary, erectile and bowel function at 12 months. In 2016, Profound announced that it has affixed the CE mark to the TULSA-PRO® system, enabling Profound to market the TULSA-PRO® system in the European Union and in other CE mark jurisdictions. Profound is currently conducting a pilot commercial launch of TULSA-PRO® in key European and other CE mark jurisdictions.

Profound received an Investigational Device Exemption from the United States Food and Drug Administration ("**FDA**") on May 19, 2016, a prerequisite to launching the TULSA-PRO® ablation clinical trial (the "**TACT Pivotal Clinical Trial**"). The TACT Pivotal Clinical Trial is a prospective, single-arm pivotal clinical study of 110 patients aimed at further evaluating the safety and efficacy of the TULSA-PRO® system to ablate prostate tissue in patients with localized, organ-confined prostate cancer. Please refer to the AIF for more information. All 110 patients will have consented to complete 12 month follow-up visits. As of September 30, 2017, 60 patients have been treated under the TACT Pivotal Clinical Trial, of which 14 patients had 6 months, 32 patients had 3 months and 49 patients had 1 month of follow-up visits. In Phase 1, 30 patients were treated, of which 80% had low-risk prostate cancer and 20% had intermediate-risk prostate cancer. The TACT Pivotal Clinical Trial is actively enrolling, and in comparison with Phase 1, the first 30 enrolled patient population had 50% low-risk and 50% had intermediate-risk prostate cancer. Profound expects to complete the enrollment of the TACT Pivotal Clinical Trial by mid Q1 2018.

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.

On October 26, 2017, Health Canada refused Medical Device License approval of TULSA-PRO® requiring further clinical evidence beyond the Phase I data. Profound management is in the process of evaluating the additional requirements, in terms of required effort and time. From a commercialization strategy perspective, the Canadian market is not considered a priority.

In 2017, Profound made significant reimbursement progress in Germany for TULSA-PRO®. TULSA received a dedicated procedure code (OPS code) in Germany, securing an initial Diagnosis-Related Group (DRG) payment of €3,963 starting in January 1, 2018. In order to obtain on-top DRG reimbursement through the NUB process (on-top DRG reimbursement for new and innovative products), TULSA needed to be pre-reviewed via the GBA's (Joint Federal Committee) § 137h SGB V process. On October 19, 2017, GBA panel voted in favor of Profound's positioning in the § 137h SGB V process, stating that although TULSA is a new procedure, it is considered a next step innovation of the already accepted transrectal HIFU methodology, hence enabling hospitals to submit NUB enquiries without having to provide additional clinical evidence. NUB applications have now been submitted and a status decision is expected in January 2018.

Sonalleve® MR-HIFU Transaction

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

Under terms of the Agreement, Philips transferred its Sonalleve® MR-HIFU assets to Profound for upfront consideration of 7,400,000 Common Shares. 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 the calendar years 2019 and 2020. To the extent that the cumulative Net Sales for the full calendar years 2017-2020 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 the Sonalleve® MR-HIFU, any subsequent, successor or next-generation product the treatment technology of which is primarily based on Sonalleve® MR-HIFU and which utilizes intellectual property rights acquired under the Agreement or any future product that combines the technologies of Sonalleve® MR-HIFU and TULSA-PRO® and any amounts received by Profound with respect to service agreements, but does not include any revenues with respect to consumables.

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® MR-HIFU. For a limited time following the transition of the Sonalleve® MR-HIFU business to Profound, Philips will also provide other services, including, but not limited to, manufacturing and installation.

The Sonalleve® MR-HIFU 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.

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.

The Company will consider acquisitions ranging in size and structure, but all share the characteristic of having a strong underlying strategic rationale, which include enhancing the Company's position in existing markets or providing entry into new markets, expanding the Company's administrative and technological capabilities, providing new supplier relationships and enhancing the breadth and depth of the Company's product and service offering.

Q3-2017 HIGHLIGHTS

- Profound announces third quarter revenues totaling $1,465,412.
- On July 31, 2017, Profound completed the Sonalleve® MR-HIFU Transaction, establishing Profound as a market leader in MR-ultrasound ablation therapy.
- On September 20, 2017, Profound completed a bought deal financing pursuant to a short form prospectus (the "**2017 Offering**") for total gross proceeds of $10 million. The 2017 Offering was completed through a syndicate of underwriters led by Echelon Wealth Partners Inc. and including CIBC World Markets Inc.

RESULTS OF OPERATIONS

The Company's financial results for the three and nine months ended September 30, 2017 partially reflected the results of the Sonalleve® MR-HIFU Transaction which closed on July 31, 2017.

	Three months ended September 30				Nine months ended September 30			
	2017	2016	Change		2017	2016	Change	
	$	$	$	%	$	$	$	%
Revenue	**1,465,412**	-	1,465,412	-	**3,014,068**	-	3,014,068	-
Cost of sales	**1,185,674**	-	1,185,674	-	**1,968,258**	-	1,968,258	-
Gross profit	**279,738**	-	279,738	-	**1,045,810**	-	1,045,810	-
Expenses								
Research and development	**2,812,684**	2,506,112	306,572	12%	**7,113,785**	7,229,806	(116,021)	-2%
General and administrative	**1,631,967**	998,795	633,172	63%	**4,478,566**	2,848,075	1,630,491	57%
Selling and distribution	**703,783**	274,726	429,057	156%	**2,751,435**	734,448	2,016,987	275%
Total operating expenses	**5,148,434**	3,779,633	1,368,801	36%	**14,343,786**	10,812,329	3,531,457	33%
Finance costs	**659,902**	302,122	357,780	118%	**1,080,038**	840,228	239,810	29%
Finance income	**(8,524)**	(25,270)	16,746	-66%	**(89,318)**	(123,785)	34,467	-28%
Net finance costs	**651,378**	276,852	374,526	135%	**990,720**	716,443	274,277	38%
Loss before income taxes	**5,520,074**	4,056,485	1,463,589	36%	**14,288,696**	11,528,772	2,759,924	24%
Income tax expense	**-**	4,723	(4,723)	-	**4,653**	9,380	(4,727)	-50%
Net loss for the period	**5,520,074**	4,061,208	1,458,866	36%	**14,293,349**	11,538,152	2,755,197	24%
Item that may be reclassified to profit or loss								
Foreign currency translation adjustment	**(3,674)**	5,341	(9,015)	-169%	**14,522**	10,495	4,027	38%
Net loss and comprehensive loss for the period	**5,516,400**	4,066,549	1,449,851	36%	**14,307,871**	11,548,647	2,759,224	24%
Basic and diluted net loss per common share	**0.09**	0.10	(0.01)	-10%	**0.25**	0.29	(0.04)	-14%

Revenue

For the three months ended September 30, 2017, the Company recorded revenues totaling $1,465,412, with $1,452,773 from sale of products and $12,639 from installation and training services, related to the commercial sales of the systems and disposables.

For the nine months ended September 30, 2017, the Company recorded revenues totaling $3,014,068, with $2,925,536 from sale of products and $88,532 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 Healthcare GmbH and Philips.

Results for the three and nine months ended September 30, 2016 do not reflect any sale activities and are accordingly not comparable.

Gross Margin

For the three months ended September 30, 2017, the Company recorded cost of sales of $1,185,674, related to the commercial sales of the systems and disposables. These costs include cost of finished goods, inventory provisions, royalties, warranty, freight and direct overhead expenses. The gross margin was lower due to changes in the product mix and overhead allocation due to lower production this quarter.

For the nine months ended September 30, 2017, the Company recorded cost of sales of $1,968,258, related to the commercial sales of the systems and disposables. These costs include cost of finished goods, inventory provisions, royalties, warranty, freight and direct overhead expenses.

Results for the three and nine months ended September 30, 2016 do not reflect any sale activities and are accordingly not comparable.

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 September 30, 2017, R&D expenses were higher by $306,572 compared to the three months ended September 30, 2016. Overall, the increase in R&D spending was attributed to the TACT Pivotal Clinical Trial ongoing activities, increased workforce costs and the inclusion of Sonalleve® MR-HIFU operations. Clinical trial costs, salaries and benefits, rent and travel increased by $232,446, $389,947, $102,739 and $35,650, respectively, resulting from ongoing activities related to the initiation of clinical sites visits, enrollment initiatives and patient treatment. Amortization of intangible assets increased by $186,847 due to the Sonalleve® MR-HIFU Transaction, license agreement costs and software upgrades being amortized. Offsetting this amount was a decrease in materials, consulting fees and other expenses by $360,512, $173,805, and 127,533 respectively. These costs were lower compared to the three months ended September 30, 2016, due to lower R&D initiatives and the in-house manufacturing of disposables.

For the nine months ended September 30, 2017, R&D expenses were lower by $116,021 compared to the nine months ended September 30, 2016. Overall, the decrease in R&D spending reflects the advanced stages of development of the Company's products and the ramp-up of commercial operations. Material expenses were lower by $1,754,671 due to lower material costs and R&D initiatives associated with our TACT Pivotal Clinical Trial. Offsetting this amount was an increase in clinical trial costs, salaries and benefits, consulting fees and travel by $1,151,089, $355,727, $68,030 and $65,163, respectively, resulting from ongoing activities related to the initiation of clinical sites visits, enrollment initiatives, patient treatment and workforce costs.

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 September 30, 2017 were higher by $633,172 compared to the three months ended September 30, 2016. Professional and consulting fees increased by $240,720 primarily due to legal fees associated with the Sonalleve® MR-HIFU Transaction and the inclusion of Sonalleve® MR-HIFU operations relating to bookkeeping and IT costs. Share-based

compensation increased by $277,835 due to the options granted to executive officers in the fourth quarter of 2016 and depreciation expense increased by $104,248 primarily due to the new property and equipment for the new facility.

G&A expenses for the nine months ended September 30, 2017 were higher by $1,630,491 compared to the nine months ended September 30, 2016. Salaries and benefit expenses increased by $237,481, primarily related to a separation payment to a former executive officer and the addition of key executives. In addition, professional and consulting fees increased by $763,753 primarily due to legal fees associated with the Sonalleve® MR-HIFU Transaction and the inclusion of Sonalleve® MR-HIFU operations relating to bookkeeping and IT costs. Share-based compensation and rent increased by $441,277 and $63,907, respectively, due to new options issued to executive officers while rent was due to relocation to a larger facility in July 2016. Depreciation expense increased by $150,953 primarily due to the new property and equipment for the new facility.

Selling and distribution expenses

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

Selling and distribution expenses for the three months ended September 30, 2017 were higher by $429,057 compared to the three months ended September 30, 2016. The increase is attributable to the commissions payable provision of $50,798 related to the Siemens Healthcare shortfall of revenue share payments compared to the minimum amounts contractually required. In addition, salaries and benefits increased by $151,382, resulting from additional direct sales force personnel. Professional and consulting fees, marketing, office and other and travel expenses increased by $98,491, $32,028, $24,594 and $65,743, respectively. These increases relate directly to marketing-related efforts and an increased sales force.

Selling and distribution expenses for the nine months ended September 30, 2017 were higher by $2,016,987 compared to the nine months ended September 30, 2016. The increase is largely attributable to recognizing commissions payable on commercial sales of $62,712 and a provision of $663,226 related to the estimated shortfall of revenue share payments compared to the minimum amounts contractually required. In addition, salaries and benefits increased by $467,511, resulting from additional direct sales force personnel. Professional and consulting fees, marketing, office and other and travel expenses increased by $307,133, $224,018, $75,836 and $192,191, respectively. These increases relate directly to marketing-related efforts and an increased sales force.

Finance costs

Finance costs are primarily comprised of interest and accretion expense relates 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.

Financing costs for the three months ended September 30, 2017 were higher by $357,780 compared to the three months ended September 30, 2016. During the three months ended September 30, 2017, the Company revised the fair value of the royalty liability to Knight, using future revenue forecasts for the term of the Knight Loan and a discount rate of 18%, and recognized an interest accretion expense of $41,388. As part of the Sonalleve® MR-HIFU Transaction, the Company is required to repay the Knight Loan at an accelerated rate and therefore recognized $326,863 of accelerated accretion expense. During the period, the Company revised the fair value of the contingent consideration and recognized a change in fair value of $52,342.

Finance costs for the nine months ended September 30, 2017 were higher by $239,810 compared to the nine months ended September 30, 2016. During the nine months ended September 30, 2017, the Company revised the fair value of the royalty payable to Knight, using future revenue forecasts for the term of the Knight Loan and a discount rate of 18%, and recognized an interest accretion recovery of $32,914. As part of the Sonalleve® MR-HIFU Transaction, the Company is required to repay the Knight Loan at an accelerated rate and therefore recognized $326,863 of accelerated accretion expense. During the period, the Company revised the fair value of the contingent consideration and recognized a change in fair value of $52,342.

Net loss

Net loss for the three months ended September 30, 2017 was $5,520,074 or $0.09 per Common Share, compared to a net loss of $4,061,208 or $0.10 per Common Share for the three months ended September 30, 2016. The increase in net loss was primarily attributed to an increase in R&D expenses of $306,572, selling and distribution expenses of $429,057, G&A expenses of $633,172 and an increase in financing costs of $357,780. These increases were offset by a gross profit of $279,738.

Net loss for the nine months ended September 30, 2017 was $14,293,349 or $0.25 per Common Share, compared to a net loss of $11,548,647 or $0.29 per Common Share for the nine months ended September 30, 2016. The increase in net loss was primarily attributed to an increase in selling and distribution expenses of $2,016,987, G&A expenses of $1,630,491 and an increase in financing costs of $239,810. These increases were offset by a gross profit of $1,045,810.

SUMMARY OF QUARTERLY FINANCIAL RESULTS

	2017				2016			2015
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	$	$	$	$	$	$	$	$
Revenue	1,465,412	957,139	591,517	-	-	-	-	-
Cost of Sales	1,185,674	471,359	311,225	-	-	-	-	-
Gross profit	279,738	485,780	280,292	-	-	-	-	-
Operating expenses	5,148,434	5,043,710	4,151,642	4,828,085	3,779,633	3,429,874	3,602,822	2,549,179
Net finance costs	651,378	98,207	241,135	(44,142)	276,852	206,194	233,397	220,717
Loss before income taxes	5,520,074	4,656,137	4,112,485	4,783,943	4,056,485	3,636,068	3,836,219	2,769,896
Income tax expense	-	2,356	2,297	4,674	4,723	4,657	-	-
Net loss for the period	5,520,074	4,658,493	4,114,782	4,788,617	4,061,208	3,640,725	3,836,219	2,769,896
Loss per common share								
Basic	0.09	0.08	0.07	0.10	0.10	0.09	0.10	0.07
Diluted	0.09	0.08	0.07	0.10	0.10	0.09	0.10	0.07

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2017, the Company had cash of $16,307,428 compared to $20,833,061 at December 31, 2016.

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 September 30, 2017, the principal balance outstanding on the Federal Economic Development Agency Loan is $643,025 (December 31, 2016 - $708,050).

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, 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 remaining repayment of $800,000 plus accrued interest is due March 31, 2018. As at September 30, 2017, the principal balance outstanding on the Health Technology Exchange Loan was $800,000 (December 31, 2016 - $1,300,000).

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 7 quarterly instalments of $285,714 plus accrued interest from September 30, 2017 to June 30, 2019, and a final instalment of $2,052,603 on June 3, 2019. As at September 30, 2017, the principal balance outstanding on the Knight Loan was $3,865,519 (December 31, 2016 - $4,000,000).

In addition to the Knight Loan, the Company granted Knight a 0.5% royalty on total net sales of all products for the duration 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 and nine month ended September 30, 2017, the Company revised the fair value of the royalty, using future revenue forecasts for the term of the Knight Loan and a discount rate of 18%, and recognized an interest accretion expense of $41,388 and

recovery $32,914, respectively (three and nine months ended September 30, 2016 – accretion expense of $19,530 and $56,106, respectively). The current portion of this liability as at September 30, 2017 is $67,244 (December 31, 2016 - $39,357) and non-current portion is $40,501 (December 31, 2016 - $109,044).

As part of the Sonalleve® MR-HIFU Transaction, the Company committed to repay all amounts outstanding under the Knight Loan on or before July 31, 2018. Subsequent to September 30, 2017, the Agreement with Philips was amended to require full repayment of 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 will need additional capital to fund R&D activities and any significant expansion of operations. Potential sources of capital could include equity and/or debt financings, the collection of revenues resulting from commercialization activities and/or new strategic partnerships.

There can be no assurance that the Company will be able to obtain sufficient capital to meet any or all of the Company's needs. The availability of equity or debt financing will be affected by, among other things, the results of the Company's R&D, the ability to obtain regulatory approvals, the market acceptance of its product, the state of the capital markets generally, strategic alliance agreements and other relevant commercial considerations. In addition, if the Company raises additional funds by issuing equity securities, its existing security holders will likely experience dilution, and any incurring of indebtedness would result in increased debt service obligations and could require the Company to agree to operating and financial covenants that would restrict its operations. Any failure on the Company's part to raise additional funds on terms favorable to it or at all may require it to significantly change or curtail its 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 the Company not taking advantage of business opportunities, the termination or delay of clinical trials for its products, the curtailment of its product development programs, the sale or assignment of rights to its technologies and/or products and the inability to file market approval applications at all or in time to competitively market its products.

	Three months ended		Nine months ended	
	September 30, 2017	**September 30, 2016**	**September 30, 2017**	**September 30, 2016**
			$	**$**
Cash used in operating activities	(2,367,431)	(2,769,262)	(10,274,970)	(9,723,000)
Cash provided by (used in) investing activities	(852,004)	9,382,498	(1,165,796)	9,029,208
Cash provided by (used in) financing activities	8,860,396	(18,000)	6,915,133	(261,350)
Net decrease in cash	5,640,960	6,595,236	(4,525,633)	(955,142)

Net cash used in operating activities for the three months ended September 30, 2017 was $2,367,431 versus $2,769,262 for the three months ended September 30, 2016. The principal uses of the periods operating cash flows were related to additional costs associated to the commercialization of the products, sales and marketing initiatives, increased workforce costs and trade and other receivables.

Net cash used in operating activities for the nine months ended September 30, 2017 was $10,274,970 versus $9,723,000 for the nine months ended September 30, 2016. The principal uses of the periods operating cash flows were related to additional costs associated to the commercialization of the products, sales and marketing initiatives, increased workforce costs and trade and other receivables.

Net cash flows provided by (used in) investing activities for the three months ended September 30, 2017 was $(852,004) versus $9,382,498 for the three months ended September 30, 2016. This change was primarily related to transaction costs associated with the Sonalleve® MR-HIFU Transaction, fewer purchases of property and equipment and the sale of short-term investments in the amount of $10,000,000 which occurred in the three months ended September 30, 2016 but did not have a corresponding amount in 2017.

Net cash flows provided by (used in) investing activities for the nine months ended September 30, 2017 was $(1,165,796) versus $9,029,208 for the nine months ended September 30, 2016. This change was primarily related to transaction costs associated with the Sonalleve® MR-HIFU Transaction, fewer purchases of property and equipment and the sale of short-term investments in the amount of $10,000,000 which occurred in the three months ended September 30, 2016 but did not have a corresponding amount in 2017.

Net cash flows provided by (used in) financing activities for the three months ended September 30, 2017 were $8,860,396 versus $(18,000) for the three months ended September 30, 2016. These cash flows related to repayments on the Federal Economic

Development Agency Loan, the Health Technology Exchange Loan and the Knight Loan and cash receipt of the gross proceeds from the 2017 Offering less cash transactions costs paid.

Net cash flows provided by (used in) financing activities for the nine months ended September 30, 2017 were $6,915,133 versus $(261,350) for the nine months ended September 30, 2016. These cash flows related to repayments on the Federal Economic Development Agency Loan, the Health Technology Exchange Loan and the Knight Loan and cash receipt of the gross proceeds from the 2017 Offering less cash transactions costs paid.

Use of Proceeds

2017 Offering

The Company received net proceeds of $8,934,868 from the 2017 Offering of compared to expected proceeds of $9,000,000. The following table compares the intended use of net proceeds with the actual expenditures as at September 30, 2017, by which time the proceeds from the 2017 Offering were partially expended.

	Estimated per 2017 Offering	Total spending as at September 30, 2017
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	$105,000
Patient enrollment costs (based on an agreed amount for each patient with the participating hospitals)	$1,200,000 to $2,200,000	$480,900
Increased personnel requirements and employee travel expenses related to support of the clinical procedures for patients	$500,000 to $1,200,000	$304,700
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	$301,000
Sonalleve® MR-HIFU sales and marketing activities	$800,000 to $1,200,000	$189,200
For general corporate purposes, including working capital and scheduled payments under the Knight Loan and other indebtedness	$1,800,000 to $5,500,000	$426,000
Totals	-	$1,806,800

Although it is intended the remainder of the net proceeds from the 2017 Offering (being $7,128,068) and 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.

2016 Offering

The Company received net proceeds of $16,182,977 from the public offering of Common Shares completed on November 14, 2016 (the "**2016 Offering**") compared to expected proceeds of $16,152,881. The following table compares the intended use of net proceeds with the actual expenditures as at September 30, 20117, by which time the proceeds from the 2016 Offering were partially expended.

	Estimated per 2016 Offering	Total spending as at September 30, 2017
To support certain costs and expenses of the TACT Pivotal Clinical Trial	$3,200,000 to $6,400,000	$3,879,900[(1)]
Ongoing expansion of infrastructure to execute on European sales and marketing plans	$3,200,000 to $6,400,000	$3,053,500

For general corporate purposes, including working capital	$3,400,000 to $9,800,000	$8,312,800
Totals	-	$15,246,200

Note:

(1) Actual spending from the net proceeds of the 2016 Offering on the TACT Pivotal Clinical Trial for the period indicated was as follows: (i) approximately $1,833,900 for setup costs (e.g., contracting with each participating hospital, training-related travel); (ii) approximately $625,500 for equipment costs (e.g., TULSA-PRO® system and disposables); and (iii) approximately $1,420,500 for employees and their travel expenses related to support of the clinical procedures for patients.

Spending with respect to general corporate purposes is anticipated to be higher, and spending with respect to the expansion of infrastructure to execute on European sales and marketing plans is anticipated to be lower, than originally estimated in connection with 2016 Offering as internal costs to support the Company's sales and marketing efforts were greater than expected. The foregoing variance will have no material adverse impact on the ability of the Company to achieve its business objectives and milestones.

Although it is intended the remainder of the net proceeds from the 2016 Offering (being $936,977) and 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.

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 September 30, 2017 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 income as services are rendered, in accordance with the revenue recognition policies described in the Company's 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.

	September 30, 2017	**December 31, 2016**
	$	**$**
Current assets	20,767,871	22,477,129
Less: current liabilities	10,304,085	4,947,127
Working Capital	10,463,786	17,530,002
Add back: Deferred revenue	149,298	-
Net working capital	10,613,084	17,530,002

Working capital has decreased by $6,916,918 to a surplus of $10,613,084 at September 30, 2017 compared to the surplus of $17,530,002 at December 31, 2016. The change in working capital is due to an increase in current liabilities of $5,356,958, which was primarily the result of an increase in long term debt and accounts payable as a result of the change in the repayment terms of the Knight Loan. The decrease was also caused by lower cash balance by $4,525,633 due to the repayments of the Knight Loan, clinical trial expenses and vendor balances; offset by an increase in trade and other receivables of $2,309,834, which was the result of increased revenue in the third quarter.

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 $360,000 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	405,838
Later than 1 year and no later than 5 years	2,186,251
Later than 5 years	2,313,871
	4,905,960

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

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 2017 Offering 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		Nine months ended	
	September 30, 2017	**September 30, 2016**	**September 30, 2017**	**September 30, 2016**
	$	**$**	**$**	**$**
Salaries and employee benefits	239,386	284,068	786,803	768,888
Termination benefits	-	-	138,125	-
Directors fees	19,740	(47,713)	61,729	35,037
Share-based compensation	400,649	126,007	897,203	460,216
Total	659,775	362,362	1,883,860	1,264,141

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 November 7, 2017, the date of this MD&A, the Company had the following securities outstanding:

	Number
Common shares	73,117,377
Share purchase options	4,660,279
Warrants	5,000,000

OFF BALANCE SHEET ARRANGEMENTS

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

RECENT ACCOUNTING PRONOUNCEMENTS

IFRS 9, Financial Instruments (IFRS 9)

The final version of IFRS 9, Financial Instruments, was issued by IASB in July 2014 and will replace IAS 39, Financial Instruments - Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking expected loss impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of evaluating the impact of the standard.

IFRS 15, Revenue from Contracts with Customers (IFRS 15)

This standard replaces IAS 11, Construction Contracts, IAS 18, Revenue, and International Financial Reporting Interpretations Committee 13, Customer Loyalty Programmes. This standard outlines a single comprehensive model for entities to account for revenue arising from contracts with customers. The latest date of mandatory implementation of IFRS 15 is January 1, 2018. The Company is in the process of evaluating the impact. The Company has determined that it will apply this standard on a fully retrospective basis.

IFRS 16, Leases (IFRS 16)

On January 13, 2016, the IASB published a new standard, IFRS 16, Leases. 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 (IFRIC 23)

In June 2017, the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments 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 retained earnings 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.