Management Discussion and Analysis of Profound Medical Corp.
for the Three and Six Months Ended June 30, 2016

The following Management Discussion and Analysis ("MD&A") prepared as of August 16, 2016 should be read in conjunction with the June 30, 2016 unaudited interim condensed consolidated financial statements and related notes of Profound Medical Corp. and its subsidiaries (together, "Profound" or the "Company"). The unaudited interim condensed consolidated financial statements 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 and are presented in Canadian dollars unless otherwise noted. Unless stated otherwise, all references to "$" are to Canadian dollars.

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 expectations regarding future clinical trials, expectations regarding regulatory approvals, expectations regarding the safety and efficacy of its product, expectations regarding the use of its product and its revenue, expenses and operations, plans for and timing of expansion of its product and service offerings, future growth plans, ability to attract and develop and maintain relationships with suppliers, physicians/clinicians, etc., ability to attract and retain personnel, expectations regarding growth in its product markets, competitive position and its expectations regarding competition, ability to raise debt and equity capital to fund future product development, and anticipated trends and challenges in Profound's business and the markets in which it operates.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. The results, performance and achievements of the Company will be affected by, among other things, the "Risk Factors' set out in the Company's Annual Information Form prepared as of August 9, 2016 for the year ended December 31, 2015 available on SEDAR at www.sedar.com.

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.

OVERVIEW

Qualifying Transaction

On April 29, 2015, Profound entered into an amalgamation agreement (the "**Amalgamation Agreement**") and completed its qualifying transaction (the "**Transaction**"). The Transaction proceeded by way of a "three-cornered" amalgamation among Mira IV Acquisition Corp. ("**Mira IV**"), a capital pool company listed on the Toronto Stock Exchange Venture Exchange (the "**Exchange**"), Mira IV Subco Inc., a wholly-owned subsidiary of Mira IV, and Profound Medical Inc. ("**PMI**"), a private Ontario corporation incorporated on June 13, 2008. On June 5, 2015, and prior to the completion of the Transaction, Mira IV changed its name to "Profound Medical Corp." and completed a consolidation of its share capital on the basis of one post-consolidation common share for every 13.6363 pre-consolidation common shares. As a result of the Transaction, PMI became a wholly-owned subsidiary of Profound.

The Transaction resulted in a reverse takeover of Mira IV by the shareholders of PMI (the "**Reverse Takeover**") and, for accounting purposes, PMI was deemed the acquirer. The Transaction constituted a reverse takeover but did not meet the definition of a business under IFRS 3 - Business Combinations; accordingly the Company has accounted for the Transaction in accordance with IFRS 2, Share Based Payments. The identifiable assets and liabilities of Mira IV are recognized at fair value as at the acquisition date, with the excess of the fair value of the equity interest issued over the fair value of net assets charged to the consolidated statement of loss and comprehensive loss as a listing expense.

Following the completion of the Transaction, a total of 39,442,337 common shares of Profound were issued and outstanding.

On June 8, 2015, the shares of Profound commenced trading on the TSX Venture Exchange under the ticker symbol PRN.

As at August 16, 2016, a total of 39,485,577 common shares were issued and outstanding.

BUSINESS UPDATE AND STRATEGY

The Company is a Canadian medical device company that has developed a unique MR guided ablation procedure for prostate care. Profound's novel technology combines real-time magnetic resonance imaging guidance and ultrasound energy to provide a thermal ablative therapy to the prostate gland. This method of prostate ablation offers short treatment times and low morbidity, allowing for fast patient recovery.

PMI was founded, initially, on certain research conducted at Sunnybrook Health Sciences Centre ("**Sunnybrook**"), pursuant to licensing arrangements between Sunnybrook and PMI. In 2010, in collaboration with Sunnybrook, PMI developed working prototypes and completed institutionally sponsored clinical research trials. In 2011, PMI finalized the system design under formal design controls. In 2012, preclinical studies were completed leading to the finalization of development of our clinical stage device and successful outsourcing of the manufacturing. In April 2013, PMI announced initiation of the Health Canada approved 30 patient multi-center TULSA (Transurethral Ultrasound Ablation) safety and feasibility study of its device. Clinical sites were subsequently expanded to include Germany and the United States, with approvals from the Federal Institute for Drugs and Medical Devices in Germany in July 2013 and the United States Food and Drug Administration ("**FDA**") in September 2013. In March 2014, PMI completed enrollment and treatment of 30 patients in the TULSA multi-jurisdictional safety and feasibility study. On October 15, 2015, the Company presented 12-month follow-up data Phase I clinical outcomes at the European Symposium on Focused Ultrasound Therapy held in London, England. The study demonstrated that Profound's TULSA procedure is well tolerated by patients and to date resulted in low side effects. On April 11, 2016, Profound announced that it has affixed the CE mark to the TULSA-PRO™ system, enabling Profound to market the TULSA-PRO™ in the European Union and in other CE mark jurisdictions. Profound also expects to pursue regulatory market clearance in Canada in the fourth quarter of 2016.

Profound received Investigational Device Exemption ("IDE") from the FDA on May 19, 2016, a prerequisite to launching the Pivotal Trial (as more fully described in the Annual Information Form, dated August 9, 2016 (the "**AIF**")). Also see the AIF for a full description of the regulatory approval process under the heading "Government Regulation", which process is intended to provide evidence and reasonable assurance of safety and efficacy in order to obtain FDA clearance for marketing the Company's device. 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 and has engaged in pre-submission consultations with FDA officials in this regard. The Company intends to demonstrate appropriate clinical data through the Pivotal Trial (which is currently designed to involve approximately 110 patients from approximately 10-15 clinical sites in total). These clinical sites will be located in the United States, Canada and Europe). Profound expects the Pivotal Trial to commence in Q3 2016.

CORPORATE HIGHLIGHTS

- On May 11, 2016, Profound announced a sales and marketing agreement with Royal Philips (NYSE:PHG) (AEX:PHIA). Under the terms of the agreement, Profound and Royal Philips will collaborate in the commercialization of the TULSA-PRO™ system in Europe, followed by Canada, the United States and other markets, subject to regulatory clearance in those jurisdictions.

- On May 19, 2016, the Company announced that the FDA had granted IDE approval with respect to the multicenter Pivotal Trial. The objective of this trial is to evaluate the efficacy of the TULSA-PRO™ system in ablating tissue in patients with localized prostate cancer.

- On June 20, 2016, the Company announced the first sale of the TULSA-PRO™ system in the United Kingdom to University College London and University College London Hospitals NHS Foundation Trust. This marked the first sale under the Company's collaboration with Royal Philips.

- On June 21, 2016, the Company announced the first sale of the TULSA-PRO™ system in Germany to University Hospital of Cologne, also resulting from the collaboration with Royal Philips.

- On June 22, 2016, the Company announced the results of the votes on the matters considered at its Annual Meeting of Shareholders that was held on June 21, 2016. A total of 27,135,424 common shares, representing 68.74% of the shares outstanding, were represented in person and by proxy at the meeting.

- On August 15, 2016, Profound announced the appointment of Arun Menawat, Ph.D. as its new Chief Executive Officer. Steven Plymale, Profound's current Chief Executive Officer, will transition to President and Chief Operating Officer of Profound. Rashed Dewan has also been promoted from Corporate Controller to Vice President, Finance.

RESULTS OF OPERATIONS

The following is selected unaudited financial information for the three and six months ended June 30, 2016 and June 30, 2015.

	Three months ended				Six months ended			
	June 30, 2016	June 30, 2015	Change		June 30, 2016	June 30, 2015	Change	
	$	$	$	%	$	$	$	%
Expenses								
Research and development	2,247,697	1,105,381	1,142,316	103%	4,723,694	1,940,582	2,783,112	143%
General and administrative	1,182,177	3,393,128	(2,210,951)	-65%	2,309,002	3,975,638	(1,666,636)	-42%
Total operating expenses	3,429,874	4,498,509	(1,068,635)	-24%	7,032,696	5,916,220	1,116,476	19%
Finance costs - net								
Preferred share dividend expense	-	194,256	(194,256)	-100%	-	481,354	(481,354)	-100%
Interest and accretion expense	254,145	4,764,823	(4,510,678)	-95%	538,106	5,082,292	(4,544,186)	-89%
Interest income	(47,951)	(5,618)	(42,333)	754%	(98,515)	(13,389)	(85,126)	636%
Listing expense	-	2,058,234	(2,058,234)	100%	-	2,058,234	(2,058,234)	100%
Loss on recognition of convertible notes	-	-	-	0%	-	2,094,565	(2,094,565)	100%
Gain on conversion of convertible notes	-	(1,759,885)	1,759,885	-100%	-	(1,759,885)	1,759,885	-100%
Change in fair value of convertible notes	-	35,393	(35,393)	-100%	-	(334,680)	334,680	-100%
Gain on extinguishment of long-term debt	-	(63,568)	63,568	-100%	-	(63,568)	63,568	-100%
Change in fair value of derivatives	-	(224,436)	224,436	-100%	-	(2,086,406)	2,086,406	-100%
Total finance costs	206,194	4,999,199	(4,793,005)	-96%	439,591	5,458,517	(5,018,926)	-92%
Loss before income taxes	3,636,068	9,497,708	(5,861,640)	-62%	7,472,287	11,374,737	(3,902,450)	-34%
Tax expense	4,657	(798,991)	803,648	-101%	4,657	(726,071)	730,728	-101%
Net loss for the period	3,640,725	8,698,717	(5,057,992)	-58%	7,476,944	10,648,666	(3,171,722)	-30%
Item that may be reclassified to profit or loss								
Foreign currency translation adjustment	2,267	-	2,267	100%	5,154	-	5,154	100%
Net loss and comprehensive loss for the period	3,642,992	8,698,717	(5,055,725)	-58%	7,482,098	10,648,666	(3,166,568)	-30%
Basic and diluted net loss per common share	0.09	0.67	(0.58)	-87%	0.19	1.41	(1.22)	-87%

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 occur in clinical R&D. Clinical R&D refers to internal and external activities associated with clinical studies of TULSA-PRO in humans and advancing the clinical product towards our goal of obtaining regulatory approval to manufacture and market this product in various jurisdictions.

Expenditures for R&D for the three months ended June 30, 2016 were higher by $1,142,316 compared to the three months ended June 30, 2015. The increase was primarily due to the activities in preparing regulatory filings for marketing approval of TULSA-PRO in Canada, and preparation for the initiation of the multi-jurisdictional Pivotal Trial. Preparations for the Pivotal Trial include organizing the IDE submission for approximately 15 clinical sites, designed to support a 510(k) submission in the United States to provide a pathway for Class II classification for the TULSA-PRO system. As a result material costs increased by $46,029, consulting expense increased by $224,614 and validation expense for clinical trials increased by $170,530. The number of employees involved in R&D also increased during this period, resulting in salaries and benefits increasing by $391,928. We have also recorded reduced investment tax credits in the three months ended June 30, 2016. Since becoming a public company, the Company does not qualify for refundable investment tax credits other than Ontario Innovation tax credits.

Expenditures for R&D for the six months ended June 30, 2016 were higher by $2,783,112 compared to the six months ended June 30, 2015. The increase was primarily due to the preparation of clinical data from the 30 patient TULSA safety and feasibility trial, which was evaluated and submitted for regulatory clearances by the applicable regulatory authority in Canada and Europe for a Medical Device License and CE Mark, respectively. The increase was also due to preparations for an IDE submission and a Pivotal Trial in approximately 15 clinical sites, designed to support a 510(k) submission in the United States to provide a pathway for Class II classification for the TULSA-PRO system. As a result material costs increased by $496,495, consulting expense increased by $317,236 and validation expense for clinical trials increased by $388,574. The number of employees involved in R&D also increased during this period to support these activities resulting in salaries and benefits increasing by $705,185. We have also recorded reduced investment tax credits in the six months ended June 30, 2016.

We expect that our R&D expenditures throughout 2016 will be higher as compared to the same periods in 2015, due to the ongoing submission preparation for a Canadian Medical Device License, and initiation of the Pivotal Trial.

Selling, General and Administrative
Our selling, general and administrative ("SG&A") expenses are comprised of management and business development costs related to the development and commercialization of our TULSA-PRO system, including salaries, benefits, our various management and administrative support functions and other operating and occupancy costs.

SG&A expenses for the three months ended June 30, 2016 were lower by $2,210,951 compared to the three months ended June 30, 2015, primarily due to marketing expense of $2,303,034 related to the excess of proceeds received on the $4,000,000 secured loan from Knight Therapeutics Inc. ("Knight Loan"), which represents additional value provided to the Company as a result of the Knight relationship. Professional and consulting fees increase of $100,290 related to Board of Directors fees, and legal fees related to contracts and corporate matters.

SG&A expenses for the six months ended June 30, 2016 were lower by $1,666,636 compared to the six months ended June 30, 2015 primarily due to marketing expense of $2,303,034 related to the excess of proceeds received on the $4,000,000 secured loan from Knight Therapeutics Inc. ("Knight Loan"), which represents additional value provided to the Company as a result of the Knight relationship. This was offset by higher salaries and benefits of $86,777, and share-based compensation of $12,854. The number of employees in SG&A were higher due to the hiring of a Director of Marketing and other employees. Professional and consulting fees increase of $318,630 related to recruiting fees, Board of Directors fees, and legal fees related to contracts and corporate matters.

Preferred share dividend expense
The holders of Series A1 preferred shares and A2 preferred shares (collectively, the "Preferred Shares") were, when such Preferred Shares were issued and outstanding, entitled to receive, if, as and when declared by the Board of Directors, cumulative dividends at an annual rate of 8%, compounded annually commencing on their respective date

of issuance. The Preferred Shares were converted into common shares of Profound pursuant to the Transaction. Accordingly, there was no preferred share dividend expense for the three and six months ended June 30, 2016. The preferred share dividend expense for the three and six months ended June 30, 2015 was $194,256 and $481,354, respectively.

Interest and accretion expense

Interest and accretion expense relates to the following, all of which are accounted for at amortized cost using the effective interest rate method (i) the Preferred Shares accreting to their respective redemption prices over their expected life, including accelerated accretion due to the conversion of the Preferred Shares prior to their maturity date, (ii) the Federal Economic Development Agency loan accreting to the principal amount repayable, (iii) the Health Technology Exchange loan accreting to the principal amount repayable and its related interest expense, (iv) the Knight Loan accreting to the principal amount repayable and its related interest expense, (v) the convertible notes (the Notes) interest expense, (vi) the bank loan interest expense, and (vii) the 0.5% royalty to Knight.

Interest and accretion expense for the three months ended June 30, 2016 was lower by $4,510,678 compared to the three months ended June 30, 2015. The decrease is primarily due to accretion expense on the Preferred Shares and Notes which terminated with their conversion to common shares on June 4, 2015 pursuant to the terms of the Transaction, partially offset by the Knight Loan which was entered into on April 30, 2015.

Interest and accretion expense for the six months ended June 30, 2016 was lower by $4,544,186 compared to the six months ended June 30, 2015. The decrease is primarily due to accretion expense on the Preferred Shares and Notes which terminated with their conversion to common shares on June 4, 2015 pursuant to the terms of the Transaction, partially offset by the Knight Loan which was entered into on April 30, 2015.

Loss on recognition of convertible notes

On January 27, 2015, the Company closed a financing of Notes in the principal amount of $1,500,000, with an original maturity date of January 27, 2016. The Notes accrued interest at a rate of 12% per annum. All or any part of the Notes were convertible at any time after February 20, 2015 at a conversion price per Preferred Share equal to the Preferred Share conversion price at the option of the holder. In the event that a financing occurred, all of the Notes would automatically convert into the class or series of Preferred Shares, common shares or units acquired by the new investors at a price per share or unit equal to 75% of the price paid. On April 20, 2015, the Notes were amended to eliminate the discount such that the Notes would automatically convert at a price per common share or unit equal to 100% of the price paid by the new investors.

The Notes represented a financial liability that included embedded derivatives related to the conversion feature that required separation. The Company had elected an accounting policy choice to measure the Notes at fair value without separating the embedded derivatives. On initial recognition the fair value of the Notes was $3,594,565 and the difference between the fair value and the initial value of $1,500,000, or $2,094,565 was recognized in the interim consolidated statements of loss and comprehensive loss for the six months ended June 30, 2015.

Fair value (loss) gain on convertible notes

The Notes are re-measured at fair value at each period with any changes recognized in the interim consolidated statements of loss and comprehensive loss. For the three months ended June 30, 2015 a fair value loss of $35,393 was recognized. For the six months ended June 30, 2015 a fair value gain on the Notes of $334,860 was recognized.

Gain on conversion of convertible notes

The principal and accrued interest on the Notes were converted on June 4, 2015 into common shares at $1.50 per common share. On June 4, 2015 the fair value of the Notes was $3,259,885 and the difference between the fair value at June 4, 2015 and the principal value of $1,500,000, or $1,759,885 was recognized in the interim consolidated statements of loss and comprehensive loss for the three and six months ended June 30, 2015.

Change in fair value of derivatives

The Preferred Shares when outstanding, represented a financial liability that includes multiple embedded derivatives that required separation. The embedded derivatives were then measured at fair value at each reporting period with any changes recognized in the interim consolidated statements of loss and comprehensive loss.

There were no derivatives related to the Preferred Shares as at June 30, 2016. The change in fair value of derivatives for the three and six months ended June 30, 2016 was $nil compared to a gain of $224,436 and $2,086,406 respectively, for the three and six months ended June 30, 2015.

Tax expense

If holders of Preferred Shares were paid, or were deemed to have been paid, any dividends on such shares, the Company would have become liable for the payment of taxes under Part VI.1 of the Income Tax Act (Canada). On conversion of the Preferred Shares, no dividends were paid or deemed paid, resulting in the reversal of all the accrued Part VI.1 taxes payable. Part VI.1 tax recovery for the three and six months ended June 30, 2016 were $nil, compared to $798,991 and $726,071 for the three and six months ended June 30, 2015.

Net loss

The Company recorded a net loss for the three months ended June 30, 2016 of $3,640,725 or $0.09 per common share, compared with a net loss of $8,698,717 or $0.67 per common share for the three months ended June 30, 2015. For the three months ended June 30, 2016, the net loss was primarily attributed to the R&D expenses of $2,247,697, the SG&A expenses of $1,182,177 and the interest and accretion expense of $254,145 partially offset by the interest income of $47,951. For the three months ended June 30, 2015, the net loss was attributed to the finance costs related to the listing expense of the Transaction of $2,058,234, the interest and accretion expense of $4,764,823 largely related to acceleration of the accretion of the Preferred Shares at the time of their conversion to common shares, partially offset by the gain on conversion of the Notes of $1,759,885, in addition to the ongoing R&D expenses of $1,105,381, and the SG&A expenses of $3,393,128. SG&A expense includes marketing expense of $2,303,034 related to the Knight loan.

The Company recorded a net loss for the six months ended June 30, 2016 of $7,476,944 or $0.19 per common share, compared with a net loss of $10,648,666 or $1.41 per common share for the six months ended June 30, 2015. For the six months ended June 30, 2016, the net loss was primarily attributed to the R&D expenses of $4,723,694, the SG&A expenses of $2,309,002 and the interest and accretion expense of $538,106 partially offset by the interest income of $98,515. For the six months ended June 30, 2015, the net loss was attributed to the finance costs related to the listing expense of the Transaction of $2,058,234, the loss on recognition of the Notes of $2,094,565, the interest and accretion expense of $5,082,292 largely related to acceleration of the accretion of the Preferred Shares at the time of their conversion to common shares, the loss in fair value of derivatives of $2,086,406, partially offset by the gain on conversion of the Notes of $1,759,885, in addition to the ongoing R&D expenses of $1,940,582, and the SG&A expenses of $3,975,638. SG&A expense includes marketing expense of $2,303,034 related to the Knight loan.

SUMMARY OF QUARTERLY RESULTS

Quarter Ended	Net loss	Basic and diluted net loss per common share
	$	$
June 30, 2016	3,640,725	0.09
March 31, 2016	3,836,219	0.10
December 31, 2015	2,769,896	0.07
September 30, 2015	2,957,179	0.08
June 30, 2015	8,698,717	0.67
March 31, 2015	1,949,949	0.90
December 31, 2014	2,408,512	1.11
September 30, 2014	1,528,125	0.71

It is important to note that historical patterns of revenue and expenditures cannot be taken as an indication of future revenue and expenditures. Net loss has been variable and has been impacted primarily by the availability of funding, the level of our R&D spending, listing costs related to the Transaction, and conversion of the Notes and Preferred Shares into common shares.

The net loss in the second quarter of 2016 of $3,640,725 was primarily attributed to the ongoing R&D expense of $2,247,697 and the SG&A expense of $1,182,177. The net loss in the first quarter of 2016 of $3,836,219 was primarily attributed to the ongoing R&D expense of $2,475,997 and the SG&A expense of $1,126,825.

The net loss in the fourth quarter of 2015 of $2,769,896 was primarily attributed to the ongoing R&D expenses of $1,538,566 and the SG&A expenses of $1,010,613. The net loss in the third quarter of 2015 of $2,957,179 was primarily attributed to the ongoing R&D expenses of $1,657,700 and the SG&A expenses of $1,099,798. The net loss in the second quarter of 2015 of $8,698,717 was attributed to the finance costs related to the listing expense of the Transaction of $2,058,234, the interest and accretion expense of $4,764,823 largely related to acceleration of the accretion of the Preferred Shares at the time of their conversion to common shares, partially offset by the gain on conversion of the Notes of $1,759,885, the ongoing R&D expenses of $1,105,381, and the SG&A expenses of $3,393,128. SG&A expense includes marketing expense of $2,303,034 related to the Knight loan. The net loss in the first quarter of 2015 of $1,949,949 was attributed to the ongoing R&D expenses of $835,201, and the finance costs related to the loss on initial recognition of the Notes $2,094,565, partially offset by the change in fair value of derivatives of $1,861,970. Upon closing of the Transaction on June 4, 2015, the number of common shares outstanding increased significantly, resulting in a lower loss per share in the subsequent periods.

The net loss in the fourth quarter of 2014 of $2,408,512 was attributed to the SG&A expenses of $1,018,906, the ongoing R&D expenses of $879,062, and the finance costs related to the Preferred Shares and long-term debt of $521,329. The Company incurred additional SG&A expenses in the fourth quarter of 2014 related to the adoption of IFRS in the preparation of audited financial statements, increased legal costs related to the Transaction discussed above and an increase in the number of employees. The net loss in the third quarter of 2014 of $1,528,125 was attributed to the finance costs related to the Preferred Shares and long-term debt of $668,730, the ongoing R&D expenses of $453,669 and the SG&A expenses of $353,067.

LIQUIDITY AND CAPITAL RESOURCES

	Six months ended		Change	
	June 30, 2016	June 30, 2015		
	$	$	$	%
Cash flows used in operating activities	(6,953,738)	(2,931,014)	(4,022,724)	137%
Cash flows provided by (used in) investing activities	(353,290)	1,053,562	(1,406,852)	-134%
Cash flows provided by (used in) financing activities	(243,350)	27,430,184	(27,673,534)	-101%
Increase (decrease) in cash	(7,550,378)	25,552,732	(33,103,110)	-130%
Cash - beginning of period	10,522,520	406,495	10,116,025	2489%
Cash - end of period	2,972,142	25,959,227		

The Company had cash and short-term investments of $12,972,142 as at June 30, 2016 compared to $20,522,520 as at December 31, 2015. The decrease in cash and short-term investments during the six months ended June 30, 2016 is mainly a result of the cash used in operating activities.

For the six months ended June 30, 2016, net cash flows used in operating activities increased to $6,939,123 as compared to net cash flows used in operating activities for the six months ended June 30, 2015 of $2,931,014. The June 30, 2016 increase was primarily due to the preparations for an IDE submission and a Pivotal Trial in approximately 15 clinical sites, designed to support a 510(k) submission in the United States to provide a pathway for Class II classification for the TULSA-PRO™ system. The number of employees also increased. For the six months ended June 30, 2016 and June 30, 2015, R&D expense was $4,723,694 and $1,940,582, respectively.

As an R&D company, Profound may claim investment tax credits from various levels of government related to the Canadian Federal Scientific Research & Experimental Development ("SR&ED") program. Eligible SR&ED expenses

include salaries for employees involved in SR&ED, cost of materials, third party contract services and overhead expenditures. As of April 29, 2015, the date of the amalgamation agreement which formed a component of the Transaction, the Company is no longer eligible for the enhanced refundable investment tax credits, but will be eligible for the refundable Ontario innovation tax credit. Based on management's best estimate, realization of SR&ED amounts is subject to review and approval by the tax authorities. The Company expects to receive approximately $123,100 from the tax authorities related to the six months ended June 30, 2016.

For the six months ended June 30, 2016, net cash flows used in investing activities of $367,905 related mainly to the purchase of research equipment in support of further optimization of the TULSA-PRO system, ERP implementation, and leasehold improvements at the new office building. The Company has an outstanding commitment of $368,468 related to leasehold improvements. For the six months ended June 30, 2015, net cash flows provided by investing activities of $1,053,562 related mainly to the cash acquired in connection with the Transaction, partially offset by the purchase of research equipment in support of further optimization of the TULSA-PRO system.

Net cash flows used in financing activities for the six months ended June 30, 2016 of $243,350 relate principally to the repayment of Health Technology Exchange and Federal Economic Development Agency loans (collectively the "long-term debt"). Net cash flows provided by financing activities for the six months ended June 30, 2015 of $27,430,184 relate principally to the issuance of common shares in connection with the private placement for gross proceeds of $24,008,828, the $4,000,000 proceeds from the Knight Loan, the $1,500,000 proceeds from the Notes, partially offset by the $700,000 repayment of the bank loan and $1,341,667 of transaction costs.

Working capital (defined as current assets minus current liabilities) of $10,809,492 as at June 30, 2016 was a decrease of $8,850,834 from the December 31, 2015 working capital of $19,660,326. The decrease was related to cash used in operating, investing and financing activities as described above along with the inclusion of $ 1,427,258 Knight Loan payment which will be due in June 2017.

We expect to satisfy our operating cash and debt payment requirements beyond the next twelve months from cash on hand, through managing operating expense levels, from proceeds of equity and/or debt financings and/or new strategic partnership agreements to fund some or all costs of development.

We will need additional capital beyond the next 12 months to fund any R&D activities and to fund 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, although there can be no assurance that we will be able to obtain any such capital on terms or in amounts sufficient to meet our needs or at all. 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 product, 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 product, 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 product.

OUTSTANDING SHARE INFORMATION

The number of common shares outstanding as of June 30, 2016 was 39,473,327, no change from December 31, 2015. The number of share options outstanding as of June 30, 2016 was 3,126,393, a decrease of 280,890 from December 31, 2015 (30,000 new options granted, 310,890 forfeited). The number of compensation options outstanding as of June 30, 2016 was 649,568, no change from December 31, 2015.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

During the three and six months ended June 30, 2016 the Company did not enter any material transactions with related parties.

Details of the transactions between the Company, key management and other related parties are disclosed below. Key management includes the Company's directors and senior management. The remuneration of directors and senior management for the three and six months ended June 30, 2016 and June 30, 2015 were as follows:

	Three months ended		Six months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
	$	$	$	$
Salaries and employee benefits	240,323	232,399	484,820	458,401
Directors' fees	41,375	11,311	82,750	22,662
Share-based compensation	141,622	215,239	334,209	253,369
	423,320	458,949	901,779	734,432

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