

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Profound Medical Corp.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Profound Medical Corp. and its subsidiaries (the Company) as of December 31, 2024 and 2023, and the related consolidated statements of operations and comprehensive loss, of shareholders' equity and of cash flows for the years then ended, including the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Revenue Recognition

As described in Notes 2 and 12 to the consolidated financial statements, the Company's revenue was \$10.7 million for the year ended December 31, 2024. Recurring non-capital revenue consists of revenues from the sale of one-time-use devices and services associated with extended warranties. Capital equipment revenue consists of revenues from the sale of capital equipment including installation and training amounts. The amount of revenue to be recognized is based on the transaction price the Company expects to receive in exchange for its goods and services. For contracts that contain multiple performance obligations the Company allocates the transaction price to each performance obligation and recognizes the related revenue when or as control of each individual performance obligation is transferred to customers. Revenue from sale of one-time-use devices and capital equipment is recognized when control is transferred to the customers, which generally occurs at the time of shipment. Service revenue related to extended warranties is deferred and recognized on a straight-line basis over the extended warranty period covered by the customer contract.

The principal considerations for our determination that performing procedures relating to revenue recognition is a critical audit matter is the high degree of audit effort in performing procedures and evaluating audit evidence related to revenue recognition.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included, among others, evaluating the recognition of revenue on a sample basis by (i) evaluating the customer contract terms; (ii) identifying and assessing performance obligations; and (iii) obtaining and evaluating the underlying purchase orders, shipping documents, invoices and payment support, as applicable.

/s/ PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

March 7, 2025

We have served as the Company's auditor since 2013.

Profound Medical Corp.
Consolidated Balance Sheet
As at December 31, 2024 and 2023
In USD (000s)

	2024 \$	2023 \$
Assets		
Current assets:		
Cash	54,912	26,213
Trade and other receivables, net (note 3)	7,045	7,288
Inventory (note 4)	5,801	6,989
Prepaid expenses and deposits	1,307	1,406
Total current assets	<u>69,065</u>	<u>41,896</u>
Property and equipment, net (note 5)	425	909
Intangible assets, net (note 6)	261	490
Right-of-use assets, net (note 9)	396	661
Deferred tax assets, net (note 13)	87	—
Total assets	<u>70,234</u>	<u>43,956</u>
Liabilities		
Current liabilities:		
Accounts payable	1,317	865
Accrued expenses and other current liabilities (note 7)	2,835	2,419
Deferred revenue	419	721
Long-term debt (note 8)	1,737	2,104
Lease liabilities (note 9)	257	259
Total current liabilities	<u>6,565</u>	<u>6,368</u>
Deferred tax liabilities, net (note 13)	—	59
Deferred revenue	49	728
Long-term debt (note 8)	2,924	5,000
Lease liabilities (note 9)	203	504
Other non - current liabilities (note 9)	71	73
Total liabilities	<u>9,812</u>	<u>12,732</u>
Commitments and contingencies (note 15)		
Shareholders' equity		
Common shares, no par value, unlimited shares authorized, 30,039,809 and 21,370,565 issued and outstanding at December 31, 2024 and 2023, respectively (note 10)	281,552	222,205
Additional paid-in capital	21,298	20,808
Accumulated other comprehensive income	2,742	5,565
Accumulated deficit	(245,170)	(217,354)
Total shareholders' equity	<u>60,422</u>	<u>31,224</u>
Total liabilities and shareholders' equity	<u>70,234</u>	<u>43,956</u>

The accompanying notes are an integral part of these consolidated financial statements.

Profound Medical Corp.

Consolidated Statements of Operations and Comprehensive Loss

For the year ended December 31, 2024 and 2023

In USD (000s)

	2024	2023
	\$	\$
Revenue (note 12)		
Recurring - non-capital	8,240	6,806
Capital equipment	2,440	393
	10,680	7,199
Cost of sales	3,643	2,887
Gross profit	7,037	4,312
Operating expenses		
Research and development	16,965	14,424
Selling, general and administrative	23,134	18,539
Total operating expenses	40,099	32,963
Operating loss	33,062	28,651
Other (income) expenses		
Net finance (income) expense	(1,436)	(775)
Net foreign exchange (gain) loss	(3,808)	575
Total other (income) expenses	(5,244)	(200)
Net loss before income taxes	27,818	28,451
Income tax (recovery) expense (note 13)	144	(187)
Deferred tax expense (note 13)	(146)	59
Total income tax (recovery) expense	(2)	(128)
Net loss attributed to shareholders for the year	27,816	28,323
Other comprehensive (income) loss		
Item that may be reclassified to (income) loss		
Foreign currency translation adjustment	2,823	(644)
Net loss and other comprehensive loss for the year	30,639	27,679
Loss per share (note 14)		
Basic and diluted net loss per common share	1.12	1.34
Basic and diluted weighted average common shares outstanding	24,765,503	21,182,558

The accompanying notes are an integral part of these consolidated financial statements.

Profound Medical Corp.

Consolidated Statements of Shareholders' Equity

For the year ended December 31, 2024 and 2023

In USD (000s)

	Common Shares		Additional Paid-in Capital \$	Accumulated Other Comprehensive Income \$	Accumulated Deficit \$	Total \$
	Shares	Amount \$				
Balance – January 1, 2023	20,879,497	216,453	20,254	4,921	(189,031)	52,597
Net loss for the year	—	—	—	—	(28,323)	(28,323)
Cumulative translation adjustment – net of tax of \$nil	—	—	—	644	—	644
Exercise of share options (note 11)	33,799	403	(158)	—	—	245
Exercise of warrants (note 8)	285,138	3,705	(1,264)	—	—	2,441
Vesting of RSUs (note 11)	162,131	1,509	(1,509)	—	—	—
Vesting of DSUs (note 11)	10,000	135	(135)	—	—	—
Change in terms of DSUs (note 11)	—	—	203	—	—	203
Share-based compensation (note 11)	—	—	3,417	—	—	3,417
Balance – December 31, 2023	21,370,565	222,205	20,808	5,565	(217,354)	31,224
Net loss for the year	—	—	—	—	(27,816)	(27,816)
Cumulative translation adjustment – net of tax of \$nil	—	—	—	(2,823)	—	(2,823)
Shares issued in private placement and public offerings (note 10)	8,425,039	57,211	—	—	—	57,211
Exercise of share options (note 11)	7,101	76	(31)	—	—	45
Vesting of RSUs (note 11)	228,774	1,990	(1,990)	—	—	—
Vesting of DSUs (note 11)	8,330	70	(70)	—	—	—
Share-based compensation (note 11)	—	—	2,581	—	—	2,581
Balance – December 31, 2024	30,039,809	281,552	21,298	2,742	(245,170)	60,422

The accompanying notes are an integral part of these consolidated financial statements.

Profound Medical Corp.
Consolidated Statements of Cash Flows
For the year ended December 31, 2024 and 2023
In USD (000s)

	2024 \$	2023 \$
Cash flows from operating activities		
Net loss for the year	(27,816)	(28,323)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation of property and equipment (note 5)	707	727
Amortization of intangible assets (note 6)	229	202
Non-cash lease expense adjustment	(38)	(45)
Share-based compensation (note 11)	2,581	3,417
Interest and accretion expense (note 8)	600	727
Change in amortized cost of trade and other receivables	(307)	146
Changes in operating assets and liabilities:		
Trade and other receivables (note 3)	186	(956)
Inventory (note 4)	656	353
Prepaid expenses and deposits	31	(158)
Accounts payable, accrued expenses and other liabilities (note 7)	815	1,354
Deferred revenue	(948)	187
Income taxes payable (note 13)	—	(299)
Deferred tax liabilities (note 13)	(58)	59
Deferred tax assets (note 13)	(91)	—
Net cash used in operating activities	(23,453)	(22,609)
Cash flows from financing activities		
Issuance of commons shares (note 10)	62,106	—
Payments of financing costs (note 10)	(4,895)	—
Repayments of long-term debt (note 8)	(2,560)	(912)
Proceeds from the exercise of stock options (note 11)	45	245
Proceeds from the exercise of warrants (note 8)	—	2,423
Net cash provided by financing activities	54,696	1,756
Net increase (decrease) in cash and cash equivalents	31,243	(20,853)
Effect of exchange rate changes on cash	(2,544)	549
Cash, beginning of year	26,213	46,517
Cash, end of year	54,912	26,213

The accompanying notes are an integral part of these consolidated financial statements.

1 Description of business

Profound Medical Corp. (Profound) and its subsidiaries (together, the Company) were incorporated under the Ontario Business Corporations Act on July 16, 2014. The Company is a commercial-stage medical device company focused on the development and marketing of customizable, incision-free therapeutic systems for the ablation of diseased tissue utilizing platform technologies.

The Company's registered address is 2400 Skymark Avenue, Unit 6, Mississauga, Ontario, Canada, L4W 5K5.

2 Summary of significant accounting policies

Basis of preparation

The Company prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States (US GAAP). The consolidated financial statements include the accounts of wholly owned subsidiaries, after elimination of intercompany accounts and transactions. The consolidated financial information presented herein reflects all financial information that, in the opinion of management, is necessary for a fair statement of financial position, results of operations and cash flows for the periods presented.

Use of estimates

The preparation of the Company's consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant estimates and assumptions reflected in these consolidated financial statements include, but are not limited to, assumptions related to the valuation of inventory, the determination of the amortized cost of trade and other receivables, determination of expected credit loss, and the valuation of stock options and warrants. The Company based its estimates on historical experience, known trends and other market-specific or other relevant factors that it believes to be reasonable under the circumstances. On an ongoing basis, management evaluates its estimates when there are changes in circumstances, facts and experience. Changes in estimates are recorded in the period in which they become known. Actual results could differ from those estimates.

Certain of the Company's revenue is generated from sales to distributors. Where these sales have payment terms based on installation, the Company exercises judgement in determining when to recognize revenue. Once revenue is recognized, the Company records a contract asset until such time as the right to payment is not just subject to the passage of time, typically related to installation of the product.

Consolidation

The financial statements include the accounts of the Company and all its consolidated subsidiaries after elimination of intercompany transactions and balances. The Company consolidates all entities that it controls either through a majority voting interest or as the primary beneficiary of variable interest entities (VIE).

Currently, the Company has no involvement with variable interest entities. All subsidiaries are evaluated under the voting interest entity model. The Company consolidates those entities it controls through a majority voting interest.

The consolidated financial statements of the Company include the following wholly owned subsidiaries: Profound Medical Inc. (Canada), Profound Medical Oy (Finland), Profound Medical GmbH (Germany), Profound Medical (U.S.) Inc. (United States), Profound Medical Technology Services (Beijing) Co., Ltd. (China) and 2753079 Ontario Inc. (Canada).

Segment reporting

Operating segments reflect the way the Company is managed, and for which separate financial information is available and evaluated regularly by the Company's chief operating decision maker (CODM) in deciding how to allocate resources and assess performance. The chief executive officer, who is the CODM, views the Company's operations and manages its business in one operating segment, which is medical technology focused on magnetic resonance guided ablation procedures for the treatments to ablate the prostate gland, uterine fibroids, osteoid osteoma and nerves for palliative pain relief for patients with metastatic bone disease.

Foreign currency translation

The consolidated financial statements are presented in US dollars. The functional currency of Profound Medical Corp. is Canadian dollars. The functional currency of each subsidiary is determined based on facts and circumstances in the financial and operational environment relevant for each subsidiary. Where the Company's presentation currency of US dollars differs from the functional currency of a subsidiary, the assets, liabilities and equity of the subsidiary are translated from the functional currency into the presentation currency at the exchange rates as at the reporting date. The income and expenses of the subsidiaries are translated at rates approximating the exchange rates at the dates of the transactions. Exchange differences arising on the translation of the consolidated financial statements of the Company's subsidiaries are recognized in other comprehensive (income) loss.

Foreign currency transactions are translated into the functional currency of the Company or its subsidiaries, using the exchange rates prevailing at the dates of these transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in the consolidated statements of operations and comprehensive loss, within net foreign exchange (gain) loss.

Fair value measurements

Certain assets and liabilities of the Company are carried at fair value under US GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Financial assets and liabilities carried at fair value are to be classified and disclosed in one of the following three levels of the fair value hierarchy, of which the first two are considered observable and the last is considered unobservable:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Observable inputs (other than Level 1 quoted prices), such as quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active for identical or similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data.
- Level 3 - Unobservable inputs that are supported by little or no market activity that are significant to determining the fair value of the assets or liabilities, including pricing models, discounted cash flow methodologies and similar techniques.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing the categorization at the end of each reporting period. There were no transfers between levels during the period presented. The Company currently does not have any level 3 financial instruments.

The Company considers its cash, trade and other receivables, net, prepaid expenses and deposits, accounts payable, accrued expenses and other liabilities and long-term debt to be financial instruments.

Concentrations of credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and trade and other receivables, net. The Company maintains its cash balances in various operating accounts including cash deposited at a major financial institution that management believes to be creditworthy. Management has not previously experienced non-performance by any financial institution. Concentrations of credit risk with respect to trade and other receivables, net are limited due to a large number of customers who are widely dispersed. The Company monitors the creditworthiness of its customers to which it grants credit terms in the normal course of business.

Trade and other receivables and allowance for expected credit losses

Trade and other receivables are stated net of an allowance for expected credit losses. The Company grants credit to customers in the normal course of business and maintains an allowance for expected credit losses which reflect the current estimate of credit losses expected to be incurred over the life of the receivables. The Company considers various factors in establishing, monitoring, and adjusting its allowance for expected credit losses, including the aging of the accounts and aging trends, the historical level of charge-offs, and specific credit exposures related to particular customers. The Company also monitors other risk factors, such as country risk, when determining credit limits for customers and establishing adequate allowances. Uncollectible accounts are written-off against the allowance 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 180 days past due.

Inventory

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the first-in, first-out method for finished goods and weighted average cost for raw materials.

The Company evaluates the carrying value of inventory on a regular basis, taking into account factors such as historical and anticipated future sales compared with quantities on hand, the price the Company expects to obtain for products in their respective markets compared with historical cost, obsolescence due to development of technology.

Property and equipment, net

Property and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of property and equipment consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been put into operation, such as repairs and maintenance, are charged to the consolidated statements of operations and comprehensive loss during the year in which they are incurred.

The major categories of property and equipment are depreciated on a straight-line basis as follows:

Furniture and fittings	5 years
Equipment under operating lease	2 years
Leasehold improvements	Lesser of the estimated useful life or the lease term

Residual values, methods of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Intangible assets

The Company's intangible assets are stated at cost, less accumulated amortization and accumulated impairment losses. Intangible assets are amortized on a straight-line basis in the consolidated statements of operations and comprehensive loss over their estimated useful lives.

The major categories of intangible assets are amortized as follows:

Exclusive licence agreement	20 years
Software	5 years

Impairment of long-lived assets

Property and equipment, net, right-of-use assets, and intangible assets with finite lives are tested for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. These assets are evaluated for impairment on an individual asset or group of assets with similar characteristics basis. If indicators of impairment are present, the asset is tested for recoverability by comparing the carrying value of the asset to the related estimated undiscounted future cash flows expected to be derived from the asset, which include the amount and timing of the projected future cash flows. If the expected undiscounted cash flows are less than the carrying value of the asset, then the asset is considered to be impaired and its carrying value is written down to fair value, based on the related estimated discounted future cash flows.

Accounts payable, accrued expenses and other current liabilities

These amounts represent liabilities for goods and services provided to the Company before the end of the financial year, which are unpaid. Accounts payable, accrued expenses and other current liabilities are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

Long-term debt

Long-term debt is initially recognized at fair value, net of transaction costs incurred. Long-term debt is subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the principal amount is recognized in the consolidated statements of operations and comprehensive loss over the contractual lives of the long-term debt using the effective interest method.

Long-term debt is removed from the consolidated balance sheets when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished and the consideration paid is recognized in the consolidated statements of operations and comprehensive loss, within other (income) expense, net.

Warrants

The Company issued warrants to certain of its debt holder and equity investors and accounts for warrant instruments as either equity-classified or liability-classified instruments based on an assessment of the specific terms of the warrants and applicable authoritative guidance in ASC 480 Distinguishing Liabilities from Equity (ASC 480) and ASC 815, Derivatives and Hedging (ASC 815). The assessment considers whether the warrants are freestanding financial instruments pursuant to ASC 480, meet the definition of a liability pursuant to ASC 480, and meet all of the requirements for equity classification under ASC 815, including whether the warrants are indexed to the Company's own stock and whether the holders of the warrants could

potentially require net cash settlement in a circumstance outside of the Company's control, among other conditions for equity classification.

Leases

Leases where the Company is the Lessee

The Company accounts for leases in accordance with ASC 842, Leases (ASC 842). At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company determines the initial classification and measurement of its right-of-use assets and lease liabilities at the lease commencement date. The lease term includes any renewal options and termination options that the Company is reasonably certain to exercise.

Lease liabilities and the corresponding right-of-use assets are recorded based on the present values of lease payments over the terms. The present value of the lease payments is determined using the rate implicit in that lease. If the information necessary to determine the rate implicit in a lease is not available, the Company uses its incremental borrowing rate at the commencement of the lease, which represents the rate of interest that the Company would incur to borrow on a collateralized basis over a similar term.

All leases must be classified as either an operating lease or finance lease. The classification is determined based on whether substantive control has been transferred to the lessee. The classification governs the pattern of lease expense recognition. For leases classified as operating leases, total lease expense over the term of the lease is equal to the undiscounted payments due in accordance with the lease arrangement. Fixed lease expense is recognized on a straight-line basis over the term of each lease and includes: (i) imputed interest during the period on the lease liability determined using the effective interest rate method plus (ii) amortization of the right-of-use asset for that period. Amortization of the right-of-use asset during the period is calculated as the difference between the straight-line expense and the imputed interest on the lease liability for that period. Variable lease expense is recognized in the period in which the obligation for variable lease payments is incurred. All of the Company's leases are classified as operating leases.

The Company has elected not to record on the consolidated balance sheets a lease for which the term is 12 months or less.

Leases where the Company is the Lessor

Revenue from leasing arrangements is not subject to the revenue standard for contracts with customers and remains separately accounted for under ASC 842. In accordance with ASC 842, lessors should classify and account for a lease as an operating lease or a finance lease. All of the Company's leases are qualified as operating leases. The Company does not derecognize the leased equipment at the time of the arrangement but depreciates the leased equipment over its useful life.

Revenue

Revenue is derived primarily from the sale of the TULSA-PRO and Sonalleve systems and one time use devices. All products generally contain a one-year warranty.

The Company recognizes revenue when the customer obtains control of promised goods or services and in an amount that reflects the consideration to which the Company expects to be entitled to receive in exchange for those goods or services. To achieve this core principle, the Company applies the five-step revenue model to contracts within its scope: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

The amount of revenue to be recognized is based on the transaction price the Company expects to receive in exchange for its goods and services. For contracts that contain multiple performance obligations, the Company allocates the transaction price to each performance obligation and recognizes the related revenue when or as control of each individual performance obligation is transferred to customers.

Recurring – non-capital

Recurring - non-capital revenue consists of the sale of one-time-use devices and services associated with extended warranties. Revenue from sale of one-time-use devices is recognized when control is transferred to the customers, which generally occurs at the time of shipment. Service revenue related to extended warranties is deferred and recognized on a straight-line basis over the extended warranty period covered by the customer contract.

Capital equipment

Capital equipment revenue consists of the sale of capital equipment including installation and training amounts. Revenue is recognized when the Company transfers control to the customer, which is generally at the time of shipment. The Company's customer arrangements generally do not provide a right of return.

Contract Assets

Contract assets arise from billed amounts in customer arrangements and the Company's right to payment is not just subject to the passage of time, typically related to installation of the product. The Company recognizes a receivable at the point in time at which it has an unconditional right to payment.

Sales to distributors

The Company markets and sells its products primarily through its direct sales force, which sells its products to end customers. A portion of the Company's revenue is generated by sales to distributors primarily in Europe and Asia. When the Company transacts with a distributor, its contractual arrangement is with the distributor and not with the end customer. Whether the Company transacts business with and receives the order from a distributor or directly from an end customer, its revenue recognition policy and resulting pattern of revenue recognition for the order are generally the same.

Cost of sales

Cost of sales primarily includes the cost of finished goods, depreciation of equipment under lease, inventory write-downs, royalties, warranty expense, freight and direct overhead and labor expenses necessary to acquire or manufacture the finished goods.

Income taxes

The Company accounts for income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the consolidated financial statements. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

Changes in deferred tax assets and liabilities are recorded in the provision for income taxes. The Company assesses the likelihood that its deferred tax assets will be recovered from future taxable income and, to the extent it believes, based upon the weight of available evidence, that it is more likely than not that all or a portion of the deferred tax assets will not be realized, a valuation allowance is established through a charge to income tax expense. Potential for recovery of deferred tax assets is evaluated by estimating the future taxable profits expected and considering prudent and feasible tax planning strategies.

The Company accounts for uncertainty in income taxes recognized in the consolidated financial statements by applying a two-step process to determine the amount of tax benefit to be recognized. First, the tax position must be evaluated to determine the likelihood that it will be sustained based on the technical merits of the position. If the tax position is deemed more-likely-than-not to be sustained, the tax position is then assessed to determine the amount of benefit to recognize in the consolidated financial statements. The amount of the benefit that may be recognized is the largest amount that has a greater than 50% likelihood of being realized upon ultimate settlement with the tax authority. The provision for income taxes includes the effects of unrecognized tax benefits, as well as the related interest and penalties.

Share-based compensation

The Company grants share options periodically to certain employees, directors and officers.

Options currently outstanding vest over four years and have a contractual life of ten years. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period using the graded vesting method by increasing additional paid-in capital based on the number of awards expected to vest.

The Company has a long-term incentive plan (LTIP) with a requisite service period of 3 years. For each Restricted Share Unit (RSU) and Deferred Share Unit (DSU) granted under the long-term incentive plan, the Company recognizes an expense equal to the market value of a Profound common share at the date of grant based on the number of RSUs and DSUs expected to vest, recognized over the term of the vesting period, with a corresponding credit to additional paid-in capital for share-based compensation anticipated to be equity settled or a corresponding credit to a liability for those anticipated to be cash settled. Share-based compensation is adjusted for subsequent changes in management's estimate of the number of RSUs or DSUs that are expected to vest, for RSUs or DSUs anticipated to be cash settled and changes in the market value of Profound common shares. The effect of these changes is recognized in the period of the change. Vested RSUs and DSUs are settled either in Profound common shares or in cash or a combination thereof at the discretion of the Company.

As of December 31, 2024, the Company authorized for issuance under the share-based compensation a total of 3,089,175 share option, 716,000 RSUs and 100,000 DSUs.

Share-based compensation is recognized in the consolidated statements of operations and comprehensive loss in the same manner as the award recipients' other compensation costs. Forfeitures are recognized as a reduction of share-based compensation expense as they occur.

Research and development costs

Research and development costs are charged to expense as incurred.

Clinical trial expenses result from obligations under contracts with vendors, consultants and clinical site agreements in connection with conducting clinical trials. The financial terms of these contracts are subject to negotiations, which vary from contract to contract and may result in payment flows that do not match the periods over which materials or services are provided to the Company. These expenses are recorded according to the progress of the clinical trial as measured by patient progression and the timing of various aspects of the clinical trial. Clinical trial accrual estimates are determined through discussions with internal clinical personnel and outside service providers as to the progress or state of completion of clinical trials, or the services completed. Service provider status is then compared to the contractually obligated fees to be paid for such services. During the course of a clinical trial, the Company may adjust the rate of clinical expense recognized if actual results differ from management's estimates.

Advertising and marketing costs

Advertising and marketing costs are expensed as incurred. These costs are included in selling, general and administrative expenses and were \$4,478 and \$3,348 for the years ended December 31, 2024 and 2023, respectively.

Loss per share

Basic loss per share is calculated by dividing the net loss by the weighted average number of common shares outstanding during the reporting period. Diluted loss per share is calculated by dividing the applicable net loss by the sum of the weighted average number of shares outstanding during the reporting period and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued during the reporting period, except where the effect of such common shares would be antidilutive.

For all periods presented, there is no difference in the number of shares used to calculate basic and diluted shares outstanding as inclusion of the potentially dilutive common shares would be antidilutive.

Comprehensive (income) loss

Comprehensive (income) loss comprises of net (income) loss and other comprehensive (income) loss. Other comprehensive (income) loss includes foreign currency translation adjustments. Accumulated other comprehensive (income) loss is recorded as a component of shareholders' equity.

Contingencies

The Company records a liability in the consolidated financial statements on an undiscounted basis for loss contingencies related to legal actions when a loss is known or considered probable and the amount may be reasonably estimated. If the reasonable estimate of a known or probable loss is a range, and no amount within the range is a better estimate than any other, the minimum amount of the range is accrued. If a loss is reasonably possible but not known or probable, and may be reasonably estimated, the estimated loss or range of loss is disclosed.

Recently adopted accounting pronouncements

In September 2022, the Financial Accounting Standards Board (FASB) issued ASU 2022-04, Liabilities—Supplier Finance Programs (Subtopic 405-50), which requires that a buyer in a supplier finance program disclose sufficient information about the program to allow a user of financial statements to understand the program's nature, activity during the period, changes from period to period, and potential magnitude. The Company adopted this guidance on January 1, 2024. The adoption of this standard did not have an impact on the Company's consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting: Improvements to Reportable Segment Disclosures. This ASU modified the disclosure and presentation requirements primarily through enhanced disclosures of significant segment expenses and clarified that single reportable segment entities must apply ASC 280 in its entirety. This guidance is effective for the Company for the year beginning January 1, 2024, with early adoption permitted. The amendments should be applied retrospectively to all prior periods presented in the financial statement. The Company adopted ASU 2023-07 on January 1, 2024 and the adoption did not have a material effect on the Company's consolidated financial statements.

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In December 2023, the FASB issued ASU 2023-09, Income Taxes (ASC 740): Improvements to Income Tax Disclosures, which includes amendments that further enhance income tax disclosures, primarily through standardization and disaggregation of rate reconciliation categories and income taxes paid by jurisdiction. The amendments are effective for all public entities for fiscal years beginning after December 15, 2024, and early adoption is permitted. The Company elected to early adopt ASU 2023-09 on January 1, 2024 retrospectively and the adoption has an effect on the Company's disclosures on income taxes (note 13).

Recently issued accounting pronouncements

In October 2023, the FASB issued ASU 2023-06, Disclosure Improvements. The amendments in this update are the result of the FASB's decision to incorporate into the Codification certain disclosures referred by the SEC that overlap with, but require incremental information to, US GAAP. The amendments in this update represent changes to clarify or improve disclosure and presentation requirements of a variety of topics in the Codification. For entities subject to the SEC's existing requirements, the effective date for each amendment will be the date on which the SEC's removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective, with early adoption prohibited. The amendments in this update should be applied prospectively. The Company is currently evaluating the impact of this guidance.

The Company does not believe there are any other recently issued, but not yet effective, accounting standards that would have a significant impact on the Company's financial position or results of operations.

3 Trade and other receivables, net

Trade receivables and other receivables, net, as of December 31, 2024 and 2023 consist of the following:

	2024 \$	2023 \$
Trade receivables, gross	5,245	3,048
Contract assets, gross	1,340	4,097
Trade receivables and contract assets	6,585	7,145
Allowance for expected credit losses	(158)	(76)
Less amortized cost adjustment	—	(315)
Trade receivables, net	6,427	6,754
Tax receivables	308	414
Other receivables	310	120
Total trade and other receivables, net	7,045	7,288

During the year ended December 31, 2024, \$2,147 (2023 – \$nil) of trade receivables were written off.

The activity in the allowance for expected credit losses for trade receivables was as follows:

	2024 \$	2023 \$
Balance, beginning of year	76	—
Provision for allowance for expected credit losses	82	76
Balance, end of year	158	76

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The allowance for expected credit losses as at December 31, 2024 and 2023 for trade receivables is as follows:

	2024						
	Current	0-30 days	31-60 days	61-90 days	90+ days	Contract assets	Total
Expected loss rate	0.84 %	3.02 %	3.02 %	5.96 %	6.02 %	6.02 %	
Gross carrying amount	4,180	713	—	—	352	1,340	6,585
Allowance for expected credit losses	35	21	—	—	21	81	158

	2023						
	Current	0-30 days	31-60 days	61-90 days	90+ days	Contract assets	Total
Expected loss rate	0.84 %	1.42 %	1.35 %	2.46 %	3.62 %	0.84 %	
Gross carrying amount	2,400	—	93	—	555	4,097	7,145
Allowance for expected credit losses	20	—	1	—	20	35	76

4 Inventory

Inventory as of December 31, 2024 and 2023 consist of the following:

	2024	2023
	\$	\$
Finished goods	3,837	4,638
Raw materials	1,964	2,351
Inventory	5,801	6,989

During the year ended December 31, 2024, \$3,178 (2023 - \$2,704) of inventory was recognized in cost of sales. The Company recognized \$43 inventory write - downs in cost of sales during the year ended December 31, 2024 (2023 - \$3).

5 Property and equipment, net

The major components of property and equipment, net, as of December 31, 2024 and 2023 consist of the following:

	2024	2023
	\$	\$
Leasehold improvements	542	542
Equipment under operating lease	2,273	2,583
Total	2,815	3,125
Accumulated depreciation	(2,390)	(2,216)
Property and equipment, net	425	909

Depreciation expense for the year ended December 31, 2024 was \$707 (2023 - \$727). During the year ended December 31, 2024, the Company sold \$532 (2023 - \$nil) of equipment under operating lease to various customers.

6 Intangible assets

The major components of intangible assets as of December 31, 2024 and 2023 consist of:

	Weighted Average Remaining Useful Lives (Years)	2024 \$			2023 \$		
		Gross Carrying Amount	Accumulated Amortization and Impairments	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization and Impairments	Net Carrying Amount
Exclusive licence agreement	4.7	231	(142)	89	231	(114)	117
Software	1	978	(806)	172	978	(605)	373
		<u>1,209</u>	<u>(948)</u>	<u>261</u>	<u>1,209</u>	<u>(719)</u>	<u>490</u>

The Company has a licence agreement (the licence) with Sunnybrook Health Sciences Centre (Sunnybrook), pursuant to which Sunnybrook licenses to the Company certain intellectual property and exclusively licenced-in rights that enable the Company to use Sunnybrook's technology for MRI-guided trans-urethral ultrasound therapy. The Company has the option to acquire rights to improvements to the relevant technology and intellectual property. If the Company fails to comply with any of its obligations or otherwise breaches this agreement, Sunnybrook may have the right to terminate the licence.

Amortization expense for the year ended December 31, 2024 was \$229 (2023 - \$202). Aggregate amortization expense for each of the five succeeding years related to intangible assets held as of December 31, 2024 is estimated as follows:

2025	189
2026	21
2027	19
2028	19
2029	13
Total	<u>261</u>

7 Accrued expenses and other current liabilities

Accrued expenses and other current liabilities, as of December 31, 2024 and 2023 consist of the following:

	2024 \$	2023 \$
Accrued employee compensation	706	752
Clinical trials	325	663
Other general accruals	1,804	1,004
Accrued expenses and other current liabilities	<u>2,835</u>	<u>2,419</u>

8 Long-term debt

On November 3, 2022, the Company signed a credit agreement with CIBC (the "**Original CIBC Credit Agreement**") to provide a secured loan for total gross proceeds of C\$10,000 maturing on November 3, 2027 with an interest rate based on CIBC prime plus 2% (CIBC Loan). The Company was required to make interest only payments until October 31, 2023 and monthly repayments of C\$208 plus accrued interest commenced on October 31, 2023. All obligations of the Company under the credit agreement with CIBC are guaranteed by current and future subsidiaries of the Company and include security of first priority interests in the assets of the Company and its subsidiaries. Initially, the Company had financial covenants in relation to the CIBC Loan where unrestricted cash is at all times greater than EBITDA for the most recent six-month period, reported on

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a monthly basis and that revenue for any fiscal quarter must be 15% greater than revenue for the same fiscal quarter in the prior fiscal year, reported on a quarterly basis. The term loan matures in November 2027.

On September 26, 2023, an amendment to the CIBC Loan resulted in a change to the financial covenants. The amended covenants are that unrestricted cash must at all times be greater of: (i) to the extent EBITDA is negative for such period, EBITDA for the most recent nine-month period and (ii) \$7,500, reported on a monthly basis; and that recurring revenue for any fiscal quarter must be 15% greater than recurring revenue for the same fiscal quarter in the prior fiscal year, reported on a quarterly basis.

On May 3, 2024, a second amendment to the CIBC Loan resulted in another change to the financial covenants. The amended covenants are that the recurring revenue covenant shall not be tested for any fiscal quarter in the 2024 fiscal year so long as unrestricted cash is no less than 2.5 multiplied by the principal amount of outstanding CIBC Loan at all times. The Company is in compliance with these financial covenants as at December 31, 2024.

	2024	2023
	\$	\$
Balance - Beginning of year	7,104	7,174
Interest and accretion expense	600	727
Foreign exchange	(483)	115
Repayment	(2,560)	(912)
Balance - End of year	4,661	7,104
Less: Current portion	1,737	2,104
Long-term portion	2,924	5,000

Principal payments required on long-term debt outstanding at December 31, 2024 are \$1,737 in 2025, \$1,738 in 2026, and \$1,186 in 2027.

In connection with the CIBC term loan agreements, the Company had issued warrants to CIBC on July 30, 2018 and November 3, 2022, with each warrant entitling the holder to acquire one common share at a price of C\$9.70 and C\$5.29 per common share, respectively, with a cashless exercise feature (collectively, CIBC Warrants). These warrants were determined to be equity classified and the fair value of the warrants on issuance date was recognized in additional paid-in capital. On June 14, 2023, all of the outstanding CIBC Warrants were exercised resulting in the issuance of common shares of the Company, resulting in a reclassification from additional paid-in capital to share capital. There were no CIBC Warrants outstanding as of December 31, 2024 and 2023.

9 Leases

Leases where the Company is the Lessee

The Company leases certain office premises. Its operating leases have fixed payment structures expiring in 2026. Lease liabilities and corresponding right-of-use assets were recognized based on the present value of future lease payments.

Lease expense for the years 2024 and 2023 include:

	2024	2023
	\$	\$
Operating lease costs	243	247
Total lease costs	243	247

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Other information related to operating leases for 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Cash paid from operating cash flows for amounts included in the measurement of lease liabilities	288	292
Weighted average remaining lease term	1.75 years	2.75 years
Weighted average discount rate	5.99 %	5.99 %

Maturities of the operating lease liabilities and minimum payments for operating leases having initial or remaining noncancellable terms in excess of one year as of December 31, 2024 were as follows:

2025	274
2026	206
Total	<u>480</u>
Less: Imputed interest	20
Present value of remaining lease payments	<u>460</u>
Less: Current portion	257
Non-current portion	<u>203</u>

Leases where the Company is the lessor

Certain medical equipment are leased to customers under contractual arrangements that typically include an operating lease as well as performance obligations for sale of one-time-use devices. Contract terms vary by customer and may include options to terminate the contract or options to extend the contract. Where instruments are provided under operating lease arrangements, some portion or the entire lease revenue may be variable and collected as part of expected sales of certain related goods, which are separate performance obligations from subsequent non-lease component (e.g., sale of one-time-use devices). The allocation of revenue between the lease and non-lease components is based on standalone selling prices.

Assets related to operating leases are reported within property and equipment, net on the consolidated balance sheets. The original cost and the net book value of such assets were \$2,273 and \$332, respectively, as of December 31, 2024 (2023 - \$2,583 and \$751, respectively).

10 Share capital

Common shares

The Company is authorized to issue an unlimited number of common shares.

<u>Issued and outstanding (with no par value)</u>	<u>2024</u>	<u>2023</u>
	\$	\$
30,039,809 (2023 – 21,370,565) common shares	<u>281,552</u>	<u>222,205</u>

On January 2, 2024, the Company closed a public offering, resulting in the issuance of 2,666,667 common shares at a price of \$7.50, for gross proceeds of \$20,000 (\$18,238, net of transaction costs).

On January 16, 2024, the Company closed a non-brokered private placement, resulting in the issuance of 391,667 common shares at a price of \$7.50, for gross proceeds of \$2,938 (\$2,841, net of transaction costs).

On December 10, 2024, the Company closed a public offering, resulting in the issuance of 5,366,705 common shares at a price of \$7.50, for gross proceeds of \$40,250 (\$36,132, net of transaction costs).

Voting Power

Except as otherwise required by law, the holders of common shares possess all voting power for the election of the Company's directors and all other matters requiring shareholder action. Holders of common shares are entitled to one vote per share on matters to be voted on by shareholders.

Dividends

Holders of common shares will be entitled to receive such dividends, if any, as may be declared from time to time by the Company's board of directors in its discretion out of funds legally available therefor. In no event will any stock dividends or stock splits or combinations of stock be declared or made on common stock unless the shares of common stock at the time outstanding are treated equally and identically.

Liquidation, Dissolution and Winding Up

In the event of the Company's voluntary or involuntary liquidation, dissolution, distribution of assets or winding-up, the holders of the common stock will be entitled to receive an equal amount per share of all of the Company's assets of whatever kind available for distribution to shareholders, after the rights of the creditors have been satisfied.

Warrants

A summary of warrants outstanding is shown below for the year ended December 31, 2023. There are no warrants outstanding at December 31, 2024:

	Number of warrants	Weighted average exercise price C\$	Weighted average remaining contractual life (years)
Balance - January 1, 2023	772,270	13.29	0.82
Expired	(458,477)	14.00	—
Exercised	(313,793)	13.48	—
Balance - December 31, 2023	—	—	—

11 Share-based payments

Share options

Effective May 20, 2020, the Company adopted amendments to the share option plan (the Share Option Plan). The maximum number of common shares reserved for issuance under the share option plan and the long-term incentive plan is 3,905,175 common shares or such other number as may be approved by the holders of the voting shares of the Company.

As at December 31, 2024, 2,291,152 (2023 – 1,474,809) options are outstanding. Each share option granted allows the holder to purchase one common share, at an exercise price not less than the lesser of the closing trading price of the common shares on the TSX (or other exchange where the common shares are listed), on the date a share option is granted and the volume-weighted average price of the common shares for the five trading days immediately preceding the date the share option is granted. Share options granted under the Share Option Plan generally have a maximum term of ten years and vest over a period of up to four years.

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A summary of the share option activity during the year presented and the total number of share options outstanding as at those dates are set forth below:

	Number of options	Weighted average exercise price C\$	Weighted average remaining contractual term	Aggregate intrinsic value
Balance - January 1, 2023	1,511,773	16.07		
Granted	59,300	15.42		
Exercised	(33,799)	9.86		
Forfeited/expired	(62,465)	16.13		
Balance - December 31, 2023	1,474,809	16.19	6.08	474
Exercisable - December 31, 2023	1,218,581	15.46	5.75	470
Expected to vest -December 31, 2023	1,474,809	16.19	6.08	474
Balance - January 1, 2024	1,474,809	16.19		
Granted	946,900	11.14		
Exercised	(7,101)	8.99		
Forfeited/expired	(123,456)	16.17		
Balance - December 31, 2024	2,291,152	14.13	5.36	429
Exercisable - December 31, 2024	1,326,573	15.98	4.92	348
Expected to vest -December 31, 2024	2,291,152	14.13	5.36	429

The Company estimated the fair value of the share options granted during the year using the Black-Scholes option pricing model with the weighted average assumptions below. The Company estimated the expected future stock price volatility for its common stock by using its historical volatility based on daily price observations for the most recent historical period equal to the length of the instrument's expected life of options.

Grant date	November 18, 2024	March 18, 2024
Exercise price	C\$11.14	C\$11.24
Expected volatility	70 %	70 %
Expected life of options	6 years	6 years
Risk-free interest rate	3.17 %	3.54 %
Dividend yield	—	—

Grant date	March 22, 2023	June 12, 2023	September 8, 2023	November 16, 2023
Exercise price	C\$13.39	C\$19.87	C\$12.38	C\$12.41
Expected volatility	70 %	70 %	69 %	70 %
Expected life of options	6 years	6 years	6 years	6 years
Risk-free interest rate	3.38 %	3.22 %	3.71 %	4.16 %
Dividend yield	—	—	—	—

The weighted average grant date fair values of share options granted for the year ended December 31, 2024 were C\$11.14 (2023 - C\$10.10). The total remaining unrecognized compensation expense related to non-vested share options for the year ended December 31, 2024 was \$4,160, which will be amortized over the weighted-average period of 1.6 years.

Long-term incentive plan

Effective May 17, 2023, the Company adopted the amended long term incentive plan (the LTIP). The LTIP is an incentive-based equity compensation plan that provides for the grant of restricted share units (the RSUs) and deferred share units (the

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DSUs, together with the RSUs, the Units). The maximum number of units which may be reserved for issuance under this LTIP in respect of grants of RSUs and DSUs shall not exceed 4.9% of the issued and outstanding common shares on a non-diluted basis, provided that, the maximum number of shares which may be reserved for issuance pursuant to all of the Company's security-based compensation arrangements shall not in the aggregate exceed 13% of the issued and outstanding common shares on a non-diluted basis. The Company may grant Units to officers, directors or employees of the Company. Each Unit represents the right to receive one common share in accordance with the terms of the LTIP. The number of Units granted at any particular time will be calculated by dividing the dollar amount of such grant by the market value of a common share on the applicable grant date, which is equal to the volume weighted average trading price of all common shares traded on the TSX (or other exchange where the Common Shares are listed) for the five trading days immediately preceding such date. RSUs and DSUs granted under the LTIP vest over a period of up to three years.

The following table summarizes RSUs activities:

	Number of RSUs	Weighted average grant date fair value per share C\$
Balance - January 1, 2023	443,861	12.62
Granted	235,500	12.38
Vested	(162,131)	13.82
Forfeited	(23,834)	10.15
Balance - December 31, 2023	493,396	12.23
Granted	107,500	11.02
Vested	(228,774)	13.33
Forfeited	(47,501)	11.25
Balance - December 31, 2024	324,621	11.18

The total remaining unrecognized compensation expense related to non-vested RSUs for the year ended December 31, 2024 was \$2,522, which will be amortized over the weighted-average period of 1.8 years.

Effective May 17, 2023, the Company adopted the approval of revision to the amended LTIP. Previously, vested DSUs were settled either in common shares or in cash or a combination thereof at the discretion of the holder and were classified as a cash-settled liability. Under the amended LTIP, vested DSUs are settled either in common shares or in cash or a combination thereof at the discretion of the Company. The change in terms resulted in the DSUs being classified as equity settled and the effect of this change was recognized in 2023 resulting in a reclassification between accrued expenses and other current liabilities and additional paid-in capital of \$203.

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A summary of the DSUs changes during the year are set forth below:

	Number of DSUs	Weighted average grant date fair value per share C\$
Balance - January 1, 2023	60,000	9.41
Granted	25,000	12.38
Vested	(10,000)	9.41
Balance - December 31, 2023	75,000	10.40
Granted	25,000	11.07
Vested	(8,330)	12.38
Balance - December 31, 2024	91,670	10.40

The total remaining unrecognized compensation expense related to non-vested DSUs for the year ended December 31, 2024 was \$512, which will be amortized over the weighted-average period of 1.7 years.

Share-based compensation expense

The following table presents the components and classification of share-based compensation recognized for share options, RSUs, and DSUs for the years ended December 31, 2024 and 2023:

	2024 \$	2023 \$
Share options	635	1,211
RSUs	1,517	1,914
DSUs	429	292
Share-based compensation	2,581	3,417
Cost of sales	24	104
Research and development	636	758
Selling, general and administrative	1,921	2,555
Share-based compensation	2,581	3,417

12 Revenue

The following table provides information about disaggregated revenue by products and services:

	For the year ended December 31, 2024		
	Contracts with customers \$	Leasing \$	Total \$
Revenue			
Recurring - non-capital	7,300	940	8,240
Capital equipment	2,440	—	2,440
	9,740	940	10,680

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	For the year ended December 31, 2023		
	Contracts with customers \$	Leasing \$	Total \$
Revenue			
Recurring - non-capital	5,506	1,300	6,806
Capital equipment	393	—	393
	<u>5,899</u>	<u>1,300</u>	<u>7,199</u>

13 Income taxes

Taxes on earnings reflect the annual effective rates, including charges for interest and penalties. Deferred income taxes reflect the tax consequences on future years of differences between the tax bases of assets and liabilities and their financial reporting amounts.

The components of loss before income taxes for 2024 and 2023 consist of:

	2024 \$	2023 \$
Domestic	(28,286)	(29,351)
Foreign	468	900
	<u>(27,818)</u>	<u>(28,451)</u>

The components of (provision for) benefit from income taxes for 2024 and 2023 consist of:

	2024 \$	2023 \$
Current		
Foreign	144	(187)
Total current income tax expense	<u>144</u>	<u>(187)</u>
Deferred		
Foreign	(146)	59
Total deferred tax expense	<u>(146)</u>	<u>59</u>
Total income tax (recovery) expense	<u>(2)</u>	<u>(128)</u>

During the year ended December 31, 2024, the Company has early adopted ASU 2023-09 to enhance the income taxes disclosures regarding income taxes paid and the rate reconciliation disclosure. The income taxes paid by the Company are as follows:

	2024 \$	2023 \$
United States	<u>252</u>	<u>160</u>
	<u>252</u>	<u>160</u>

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The (provision for) benefit from income taxes differs from the expected amount calculated by applying the Company's Canadian federal statutory rate to loss before income taxes for 2024 and 2023 as follows:

	2024		2023	
	\$	%	\$	%
Loss before income taxes	(27,818)	—	(28,451)	—
(Provision for) benefit from income taxes				
Canadian federal statutory rate of 15% (2023 - 15%)	(4,173)	15.0	(4,268)	15.0
Provincial tax / state tax	(2,998)	10.8	(3,073)	10.8
Foreign tax effects				
United States				
Statutory tax rate differences between United States and Canada	16	—	15	—
Finland				
Statutory tax rate differences between Finland and Canada	10	—	19	—
Germany				
Statutory tax rate differences between Germany and Canada	(42)	0.1	—	—
Changes in valuation allowance	7,085	(25.5)	6,944	(24.5)
Non-taxable or non-deductible items	206	(0.7)	467	(1.6)
True-up and other adjustments	(106)	0.3	(232)	0.8
	(2)	—	(128)	0.5

The components of deferred tax assets and liabilities are summarized as follows:

	2024	2023
	\$	\$
Deferred tax assets:		
Operating loss carry forwards	43,031	36,067
SR&ED expenditure pool	4,344	4,202
Benefit of Investment tax credits	2,078	2,786
Excess of tax value of property and equipment over book value	2,392	2,112
Long term debt	(32)	78
Financing fees	1,042	543
Reserves	827	220
Total deferred tax assets	53,682	46,008
Valuation allowance	(53,595)	(46,008)
Net deferred tax assets	87	—
Deferred tax liabilities:		
Excess of accounting value of property, plant and equipment over tax value	—	59
Total deferred tax liabilities	—	59

Deferred income taxes reflect future tax effects of temporary differences between the tax and financial reporting basis of the Company's assets and liabilities measured using enacted tax laws and statutory tax rates applicable to the periods when the temporary differences will affect taxable income. When necessary, deferred tax assets are reduced by a valuation allowance, if based on the weight of available positive and negative evidence, it is more likely than not that some portion or all the deferred tax assets will not be realized. The Company has \$53,595 in valuation allowance against its deferred tax assets, for the year ended December 31, 2024 (2023 - \$46,008).

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The Company has non-capital loss carry-forwards in Canada of approximately \$157,555 which expires as follows:

	\$
2028	128
2029	215
2030	51
2031	446
Thereafter	156,715
Total	<u>157,555</u>

The Company has SR&ED expenditures in Canada of approximately \$15,905 as at December 31, 2024, which can be carried forward indefinitely to reduce future years' taxable income.

The Company has approximately \$3,471 of Canadian federal and provincial tax credits that are available to be applied against Canadian federal and provincial taxes otherwise payable in future years and that expire in varying amounts from 2028 to 2044.

14 Loss per share

The following table shows the calculation of basic and diluted loss per share:

	2024	2023
Net loss for the year	\$ 27,816	\$ 28,323
Weighted average number of common shares	24,765,503	21,182,558
Basic and diluted loss per share	\$ 1.12	\$ 1.34

The computation of diluted loss per share is equal to the basic loss per share due to the anti-dilutive effect of the share options, RSUs, DSUs and warrants. Of the 2,291,152 (2023 – 1,474,809) share options, 324,621 (2023 – 493,396) RSUs, and 91,670 (2023 – 75,000) DSUs not included in the calculation of diluted loss per share for the year ended December 31, 2024, 1,326,573 (2023 – 1,218,581) were exercisable.

15 Commitments and contingencies

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 certain lenders and underwriters in relation to certain debt and equity 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 lenders or their affiliates against certain liabilities.

As of December 31, 2024 and 2023, no material amounts were accrued for the Company's obligations under these indemnification provisions.

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16 Segment reporting

The Company's operations are categorized into one industry segment, which is medical technology focused on magnetic resonance guided ablation procedures for the treatments to ablate the prostate gland, uterine fibroids, osteoid osteoma and nerves for palliative pain relief for patients with metastatic bone disease. The CODM regularly reviews the operating results of the Company on a consolidated basis as part of making decisions for allocating resources and evaluating performance. Further, the CODM is regularly provided with the consolidated expenses as noted on the consolidated statements of operations and comprehensive loss.

The following tables represent total revenue by geographic area, based on the location of the reporting entity for the years ended December 31, 2024 and 2023, respectively:

	For the year ended December 31, 2024			
	Canada	USA	Germany	Total
	\$	\$	\$	\$
Revenue				
Recurring - non-capital	891	6,458	891	8,240
Capital equipment	1,548	892	—	2,440
	2,439	7,350	891	10,680

	For the year ended December 31, 2023			
	Canada	USA	Germany	Total
	\$	\$	\$	\$
Revenue				
Recurring - non-capital	230	5,126	1,450	6,806
Capital equipment	—	—	393	393
	230	5,126	1,843	7,199

The following tables represent other geographic information for the years ended December 31, 2024 and 2023, respectively:

	For the year ended December 31, 2024					
	Canada	USA	Germany	China	Finland	Total
	\$	\$	\$	\$	\$	\$
Total assets	58,743	6,351	1,661	92	3,387	70,234
Intangible assets	261	—	—	—	—	261
Property and equipment	93	332	—	—	—	425
Right-of-use assets	396	—	—	—	—	396
Amortization of intangible assets	229	—	—	—	—	229
Depreciation of property and equipment	66	641	—	—	—	707

	For the year ended December 31, 2023					
	Canada	USA	Germany	China	Finland	Total
	\$	\$	\$	\$	\$	\$
Total assets	34,302	4,067	1,952	82	3,553	43,956
Intangible assets	490	—	—	—	—	490
Property and equipment	158	751	—	—	—	909
Right-of-use assets	661	—	—	—	—	661
Amortization of intangible assets	202	—	—	—	—	202
Depreciation of property and equipment	57	670	—	—	—	727

17 Subsequent events

On February 1, 2025, the President of the United States issued three executive orders directing the United States to impose new tariffs on imports originating from Canada, Mexico and China. These orders call for additional 25% duty on imports into the United States of Canadian-origin and Mexican-origin products and 10% duty on Chinese origin products, except for Canadian energy resources that are subject to an additional 10% duty. The Company is assessing the direct and indirect impacts to its business of such tariffs, retaliatory tariffs or other trade protectionist measures implemented as this situation develops, and such impacts could be material.

On March 3, 2025, the Company entered into an amended and restated credit agreement with CIBC (the “**CIBC Credit Agreement**”), which amended the terms of the CIBC Loan and the existing long-term debt provided under the Original CIBC Credit Agreement was repaid with proceeds from a new revolving line of credit provided by CIBC to the Company. The line of credit bears interest at the Wall Street Journal Prime Rate subject to a floor of 6.25%. The CIBC Credit Agreement contains certain financial covenants, and the obligations thereunder are secured by, *inter alia*, a general security agreement over the assets of the Company and its subsidiaries. The revolving line of credit matures on March 3, 2027 and provides an option to increase the amount of the revolving commitment by \$5,000 within 18 months from March 3, 2025, subject to achieving a minimum trailing 12 month revenue exceeding \$15,000. The exercise of the option would result in the size of the revolving commitment increasing from \$10,000 to a maximum of \$15,000. Additionally, the CIBC Credit Agreement provides that the Company may request a one-time increase in the principal amount of the revolving line of credit up to a maximum amount of \$10,000, which is subject to the approval of CIBC in its sole discretion.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. Our principal executive officer and principal financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Form 10-K, have concluded that, based on such evaluation, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting. The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended, as a process designed by, or under the supervision of, the company's principal executive and principal financial officers and effected by the company's board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2024. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework.

Based on our assessment, management believes that, as of December 31, 2024, the Company's internal control over financial reporting was not effective based on those criteria as a result of a material weakness in internal control over financial reporting discussed in the paragraphs below.

A material weakness is a deficiency, or a combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

In conjunction with the preparation of the Company's financial statements for the year ended December 31, 2024, and specifically in connection with the recognition of revenue under *ASC 606, Revenue from contracts with customers*, management has determined that the controls over the review of contract terms and arrangements with customers did not operate effectively during 2024. This material weakness resulted in audit adjustments to revenue, trade and other receivables and prepaid expenses, deposits and other assets, which were recorded prior to the issuance of the financial statements as of and for the year ended December 31, 2024.

Management considers these adjustments to constitute a material weakness that requires remediation, and management is in the process of implementing remediation measures to address the identified material weakness.

Management's Remediation Plan. In an effort to address the identified material weakness and enhance our internal controls related to revenue recognition, management plans to expand the finance team to include more Chartered Professional Accountants (CPAs) with technical expertise and experience in evaluating more complex areas of US GAAP in evaluating contract terms and arrangements with customers, and engage third-party consultants to assist with assessing the accounting for more complex revenue contracts, as necessary. Management's efforts are ongoing and its remediation plan is expected to be completed during 2025.

If these remedial measures are insufficient to address the material weakness described above, or are not implemented timely, or additional deficiencies arise in the future, a reasonable possibility exists that a material misstatement in our interim or annual financial statements may occur in the future.

Changes in Internal Control Over Financial Reporting. Other than the material weakness described above, there were no changes in our internal control over financial reporting, identified in connection with the evaluation of such internal control that occurred during our most recently completed fiscal year and fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Attestation Report of the Registered Public Accounting Firm. We are a smaller reporting company, and therefore our independent registered public accounting firm has not issued a report on the effectiveness of internal control over financial reporting.

Item 9B. OTHER INFORMATION

Rule 10b5-1 Trading Plans

During the fiscal quarter ended December 31, 2024, none of our directors or executive officers adopted, modified or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement" as defined in Item 408(c) of Regulation S-K.

Item 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Executive Officers and Directors

The following table provides information regarding our executive officers and directors, including their ages as of March 7, 2025:

Name	Age	Position
Arun Menawat	70	Chief Executive Officer and Director, Chair of the Board (Principle Executive Officer)
Rashed Dewan	57	Chief Financial Officer (Principal Financial and Accounting Officer)
Mathieu Burtnyk	43	President
Tom Tamberrino	45	Chief Commercial Officer
Brian Ellacott ⁽²⁾	67	Director, Lead Independent Director
Cynthia Lavoie ⁽¹⁾	57	Director
Murielle Lortie ⁽¹⁾⁽³⁾	55	Director
Arthur Rosenthal ⁽¹⁾⁽²⁾⁽⁴⁾	78	Director
Kris Shah ⁽²⁾	63	Director

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Human Resources and Corporate Governance Committee.

- (3) Chair of the Audit Committee.
- (4) Chair of the Human Resources and Corporate Governance Committee.

Executive Officers

Arun Menawat – Chief Executive Officer and Director – Dr. Menawat has served as the Chief Executive Officer of Profound since 2016. He has an accomplished history of executive leadership success in the healthcare industry. Prior to joining Profound in August 2016, he served as the Chairman, President and CEO of Novadaq Technologies Inc., a TSX and Nasdaq listed company that marketed medical imaging and therapeutic devices for use in the operating room, from 2003 to 2016. Previously, he was President and Chief Operating Officer and Director of another publicly listed medical imaging software company, Cedara Software. His educational background includes a Bachelor of Science in Biology, University of District of Columbia, Washington, D.C., and a Ph.D. in Chemical Engineering, from the University of Maryland, College Park, MD, including graduate research in Biomedical Engineering from the National Institute of Health, Bethesda, MD. He also earned an Executive M.B.A. from the J.L. Kellogg School of Management, Northwestern University, Evanston, IL.

Rashed Dewan – Chief Financial Officer - Mr. Rashed Dewan has served as Chief Financial Officer of Profound since March 2022. He previously served as Chief Accounting Officer of Profound from May 2021 to March 2022, and as VP Finance of Profound from July 2015 to May 2021. He has over 20 years of finance and accounting experience in public and private companies, with expertise in the medical device sector. Mr. Dewan has extensive experience with systems design and implementation and a strong track record of success in accounting, finance, sales and operations management. Mr. Dewan is a Certified Public Accountant and has a Bachelor of Science Degree with a concentration in Accounting from the University of Southern California.

Mathieu Burtnyk – President - Dr. Mathieu Burtnyk has over 20 years of experience creating and developing imaging technologies and therapeutic ultrasound solutions, from benchtop to bedside, with a focus on prostate disease. He started his career in academia, obtaining his PhD in Medical Biophysics at the University of Toronto and Sunnybrook Health Sciences Center. He is the inventor of the patented closed-loop temperature feedback control algorithm used by the TULSA-PRO today in clinic. Dr. Burtnyk joined Profound in 2011, leading the scientific design and execution of pre-clinical through Phase I and TACT Pivotal clinical studies. Dr. Burtnyk has served as President of Profound since November 2024. He previously served as Chief Operating Officer of Profound from March 2024 to November 2024, as SVP Product Leader for TULSA-PRO of Profound from February 2021 to February 2024, and as VP of Clinical Affairs of Profound from July 2019 to February 2021. Dr. Burtnyk received his Ph.D. in Medical Biophysics from the University of Toronto.

Tom Tamberrino – Chief Commercial Officer - Mr. Tom Tamberrino has served as Chief Commercial Officer of Profound since October 2024. He is a seasoned leader with a distinguished career in sales and marketing leadership, business development, and executive management, with much of his success rooted in the U.S. healthcare industry. He brings a wealth of experience, including a history of entrepreneurial ventures and significant contributions to the medical technology sector. Prior to joining Profound Medical, Mr. Tamberrino served as Managing Partner of AKB LLC from February 2018 to October 2024. Earlier in his career, Mr. Tamberrino held progressive sales management positions at LifeCell Corporation, eventually serving as Area Director. During his time at LifeCell Corporation, he led a 50-person sales team across the Northeastern U.S. and Canada, marketing regenerative tissue matrices. He previously served as Vice President of Sales and Marketing at Novadaq Technologies Inc. for several years.. Mr. Tamberrino holds a Bachelor of Science degree in Marketing with a Minor in Psychology from Georgetown University and a Master of Business Administration from Emory University.

Non-Employee Directors

Brian Ellacott – Director – Mr. Ellacott is an experienced global medical device executive. Mr. Ellacott has served as Chief Executive Officer of Belmont Instrument since December 2017. Belmont Instrument is a Boston based private equity owned medical device company with a leading global position in fluid warming and infusion systems. Prior to Belmont Instrument, Mr. Ellacott was the President and CEO of Laborie. Laborie is a Urology and Gastroenterology medical device company based in Toronto with manufacturing facilities in Toronto, Montreal, Enschede, NL, Attikon, Switzerland and Portsmouth, New Hampshire. Mr. Ellacott joined private equity owned Laborie as President and CEO in July 2013 and in four years completed 14 global acquisitions tripling Laborie’s revenue and increasing EBITDA eight-fold. The company was ranked as one of the fastest growing and most profitable medical device companies in the world. Prior to joining Laborie, Mr. Ellacott served as Executive Vice President and General Manager of Invacare’s (NYSE: IVC) \$1 billion North and South American homecare and rehabilitation business. Mr. Ellacott has also held executive positions

with Baxter International and American Hospital Supply, with assignments in Canada, Australia and the United States. Mr. Ellacott serves on the board of Belmont Instrument and is the past Chairman of the board of the Canadian Assistive Devices Association. Mr. Ellacott holds a Bachelor of Business Administration Degree from Wilfrid Laurier University, Waterloo, Ontario, Canada and is a dual United States and Canadian citizen.

Cynthia Lavoie – Director – Dr. Lavoie has served as President and Managing Director of AllosteRx Capital Management (“AllosteRx”) since August 2018. She also serves as President and Chief Investment Officer of CCRM Enterprises since August 2020. Prior to co-founding AllosteRx, Cynthia was a General Partner with TVM Life Science Management Inc. (“TVM”), a global venture capital group with main offices in Munich and Montreal. She was recruited to TVM from VG (VenGrowth) Partners Inc., where she was a Partner and co-headed its life sciences fund. Cynthia is currently chair of the board of directors at Fibrocor Therapeutics, a fibrosis company in Toronto and Board Director of Apiary Therapeutics, a cell therapy start-up based in Toronto. A seasoned healthcare investment professional with 20 years of experience in venture capital, Dr. Lavoie’s expertise includes creating companies de novo and leading investments into businesses developing therapeutics, devices, and diagnostic tools. Cynthia has taken active roles on boards of companies located in Canada and the US from start-up to revenue-generating stages. These include Acer Therapeutics (NASDAQ: ACER), Cytochroma (acquired by OPKO Health), VisualSonics (acquired by SonoSite, now FujiFilm SonoSite), and Trillium Therapeutics (NASDAQ: TRIL) (acquired by Pfizer). Before joining the investment community, Dr. Lavoie served in a variety of academic and scientific leadership positions for 10 years, working with research institutes and life science companies. Cynthia earned her MBA with first class honors from Rotman School of Management at the University of Toronto and earned her Ph.D in Molecular Biology with Dean’s honors from McGill University.

Murielle Lortie – Director – Ms. Lortie has an accomplished history of financial leadership success within the global life science industry. She currently serves as Chief Financial Officer of Claridge Inc since September 2021. Prior to joining Claridge Inc., Ms. Lortie was Chief Financial Officer Liminal BioSciences Inc. (“Liminal”), a Nasdaq-listed, clinical-stage biopharmaceutical company from September 2018 to September 2021. Prior to joining Liminal, Ms. Lortie was Vice President & Chief Financial Officer and Advisor to the CEO, Global Strategy, Mergers & Acquisitions at Pharmascience Inc. Previously, she has held senior positions in finance at Bristol Myers Squibb, including Vice-President of Finance for Bristol Myers Squibb Canada Co. and Global Director of Finance supporting BMS Headquarters. Ms. Lortie is a Chartered Professional Accountant and member of the Ordre des comptables professionnels agréés du Québec. She holds a Graduate Diploma in Accountancy from Concordia University and a Bachelor of Business Administration Bishop’s University. She has extensive corporate governance experience, previously serving on the Boards of Bellus Health Inc. and Pharmascience Barbados Ltd. & Pharmascience International Ltd. Ms. Lortie is currently the Chair of the Board at Bishops University.

Arthur L. Rosenthal – Director – Dr. Rosenthal has served as director of Profound since June 2018. Dr. Rosenthal formerly served as director and Chair of Compensation Committee for LivaNova PLC, a UK global medical technology company. Prior, Dr. Rosenthal served on the Cyberonics board of directors as a non-executive director and Chair of the Compensation Committee from January 2007 to October 2015. Since June 2010, Dr. Rosenthal has served as Professor of Practice in the Biomedical Engineering Department at Boston University. Since December 2011, Dr. Rosenthal has also served as CEO of gEyeCue, Ltd., which he co-founded, a development stage medical device company working on a guided biopsy for lower and upper gastrointestinal cancer screening. From June 2011 until July 2012, Dr. Rosenthal served as executive vice chairman of Cappella Medical Devices Ltd. (now ArraVasc Ltd.), a development-stage company focused on novel device solutions for coronary artery disease. From June 2009 until June 2011, Dr. Rosenthal served as President and CEO of Cappella, Inc. Dr. Rosenthal served as chairman, from January 2002, and CEO, commencing in January 2005, of Labcoat, Ltd. until its acquisition by Boston Scientific Corporation in December 2008. From January 1994 to May 2000, Dr. Rosenthal was a Senior Vice President, Corporate Officer, and Chief Development Officer of Boston Scientific, and from May 2000 until his retirement in January 2005, he was a Senior Vice President, Chief Scientific Officer, and Executive Committee Member of Boston Scientific. From 2000 until 2010, Dr. Rosenthal served as a non-executive director, and from 2006 through 2009, as chairman of the Remuneration Committee, of Renovo, Ltd., a U.K. based pharmaceutical company that became publicly traded in 2006. In July 2009, Dr. Rosenthal joined the board of Interface Biologics, Inc., a Toronto-based development stage company focused on drug delivery devices, as a non-executive director. In April 2011, Dr. Rosenthal was elected Chairman at Interface Biologics, Inc. From April 2013 to May 2015, Dr. Rosenthal served as non-executive director and Member of the Compensation Committee of Arch Technologies, Inc. and is currently a member of Arch’s Clinical Advisory Board. In 2015, Dr. Rosenthal was appointed to the Industrial Advisory Committee, CURAM (National University in Galway, Ireland). Since 2003, Dr. Rosenthal has been a Fellow of the American Institute of Medical and Biological Engineering.

Kris Shah – Director – Kris Shah is the president of Baylis Medical Technologies, Inc. (“Baylis”), a leader in the development and commercialization of innovative medical devices in the fields of radiology and neurosurgery. Headquartered in Canada, Baylis also

provides contract manufacturing services to some of the world's leading medical device companies. Kris joined Baylis in 1989 as a co-founder and served as president from 2015 until it was acquired by Boston Scientific in 2022. Baylis is a leading developer, manufacturer, and distributor of specialized medical devices for interventional cardiology. Baylis had previously divested its interventional pain management business to Kimberly Clark Corporation (now Avanos Medical, Inc.) in 2009, and its bone tumor ablation business (OsteoCool) to Medtronic plc in 2016. Kris also co-founded the consulting business OME Group in 1991, which was sold to Ernst and Young in 2011. Kris is an active board member for AdvaMed Accel and Intellijoint Surgical. In the past he has served on the boards of Venture Lab, MEDEC, and the Business Advisory Committee of HTX and Conavi Medical Inc. His list of accomplishments includes numerous patents, the Ernst and Young Entrepreneur Award for Healthcare in Quebec (2011) and the University of Waterloo Alumni Achievement Award (2014). Kris has a B.Sc. in Electrical Engineering from the University of Waterloo.

Board Mandate

The Board has responsibility for the stewardship of the Company. The Board has adopted a written mandate for the Board (the “**Mandate**”) to confirm and enhance the Board's ongoing duty and responsibility for stewardship of the Company, a copy of which is available on the Company's website at www.profoundmedical.com. The Board is ultimately responsible for supervising the management of the business and affairs of the Company and, in doing so, is required to act in the best interests of the Company. The Board generally discharges its responsibilities either directly or through the Audit Committee and the Human Resources and Corporate Governance Committee. Specific responsibilities of the Board set out in the Mandate include:

- (a) Appointing Management – including approval of the Chief Executive Officer, the compensation of the executive officers and the oversight of succession planning programs;
- (b) Board Organization – including responding to recommendations received from the Human Resources and Corporate Governance Committee, but the Board retains the responsibility for managing its own affairs;
- (c) Strategic Planning – including the review and approval of the Company's business, financial and strategic plans on at least an annual basis;
- (d) Monitoring of Financial Performance and Other Financial Reporting Matters – including the review of the Company's ongoing financial performance and results of operations and review and approval of the Company's audited and interim consolidated financial statements and management's discussion and analysis of financial conditions and results of operations;
- (e) Risk Management – including the identification of the Company's principal business risks and the implementation of appropriate systems to effectively monitor and manage such risks;
- (f) Policies and Procedures – including the approval and monitoring of all policies and procedures including those related to corporate governance, ethics and confidentiality;
- (g) Communication and Reporting – including the oversight of the timely and accurate disclosure of financial reports and other material corporate developments; and
- (h) Other Responsibilities – including those related to position descriptions, orientation and continuing education, nomination of directors and Board evaluations and matters in respect of any disposition, material commitment or venture, or significant expenditure in either monetary or business terms.

Role of Board in Risk Oversight

One of the key functions of the Board is to oversee the Company's risk management process. The Board is responsible for identifying the Company's principal business risks and the implementation of appropriate systems to effectively monitor and manage such risks. The Audit Committee has the responsibility to review and discuss our major financial risk exposures and the policy steps management will take to monitor and control such exposures. The Audit Committee also monitors compliance with legal and regulatory requirements.

Board Composition

Our Board presently has six members. As a foreign private issuer, under the listing requirements and rules of Nasdaq, we are not required to have independent directors on our board of directors, except that our audit committee is required to consist fully of independent directors. However, our board of directors has determined that Brian Ellacott, Cynthia Lavoie, Murielle Lortie, Arthur Rosenthal and Kris Shah are all “independent” as such term is defined by National Instrument 58-101 – *Disclosure of Corporate Governance Practices* and Nasdaq rules. Arun Menawat is a non-independent director as he is our Chief Executive Officer. Each of the independent directors has no direct or indirect material relationship with the Company, including any business or other relationship, which could reasonably be expected to interfere with the director’s ability to act with a view to the best interests of the Company or which could reasonably be expected to interfere with the exercise of the director’s independent judgment.

If the Chairman is not independent, the independent directors may select one of their members to be appointed lead independent director of the Board (“Lead Independent Director”) for such term as the independent directors may determine. The Lead Independent Director is responsible for chairing meetings of the independent directors and seeking to ensure that the Board is able to carry out its role.

Dr. Arun Menawat acts as Chairman of the Board. Since Dr. Menawat is not independent, Brian Ellacott has been appointed Lead Independent Director of the Board.

Meetings of Independent Directors

The entire complement of independent directors on the Board and each of the committees meet regularly without management present. The Chairman of the Board conducts these sessions at Board meetings and the Chair of each committee conducts them at committee meetings. During the last financial year ended December 31, 2023, there were eight such meetings of the independent directors.

Chairman of the Board

Dr. Arun Menawat is the Chief Executive Officer of the Company and as a result does not meet the Board’s independence standards. The primary functions of the Chairman are to facilitate the operations and deliberations of the Board and the satisfaction of the Board’s responsibilities under its Mandate. The Chairman’s key responsibilities include duties relating to providing overall leadership to the Board, chairing board and Shareholder meetings, acting as a liaison between management, the members of the Board and the Chairs of the various committees of the Board, and communicating with Shareholders and regulators. The responsibilities of the Chairman are reviewed by the Human Resources and Corporate Governance Committee and considered by the Board for approval each year.

Director Term Limits and Other Mechanics of Board Renewal

The Board has not established any term limits for directors, as the Board takes the view that term limits are an arbitrary mechanism for removing directors which can result in valuable, experienced directors being forced to leave the Board solely because of length of service. The Board’s priorities continue to be ensuring the appropriate skill sets are present amongst the Board to optimize the benefit to the Company. The Board conducts annual evaluations of the individual directors, the committees of the Board and the Chairman of the Board, which are overseen by the Human Resources and Corporate Governance Committee, to ensure these objectives are met. See “Board Assessments”.

Board Meetings

The Board holds a minimum of one regular quarterly meeting and a corporate strategy session each year, as well as additional meetings as required. An in-camera session of the directors is held at each regularly scheduled Board and committee meeting, as deemed necessary, so that the independent members of the Board have an opportunity to meet without the presence of management members of the Board.

Meeting Attendance

During our fiscal year ended December 31, 2024, there were six (6) meetings of our Board of Directors, four (4) meetings of our Audit Committee and (3) meetings of the Human Resources and Corporate Governance Committee. No director attended fewer than 75% of the total number of meetings of our board of directors and of the committees of our board of directors on which he or she served. Our board of directors has adopted a policy under which each member of our board of directors is strongly encouraged but not required to attend each annual meeting of our stockholders.

Orientation and Continuing Education

Pursuant to the Mandate, it is the responsibility of the Board to provide an orientation program for new directors and ongoing educational opportunities for all directors. New directors are expected to participate in an initial information session on the Company in the presence of its senior executive officers to learn about, among other things, the business of the Company, its financial situation and its strategic planning. All directors will receive a record of public information about the Company, as well as other relevant corporate and business information including corporate governance practices of the Company, the structure of the Board and its standing committees, its corporate organization, the charters of the Board and its standing committees, the Code (as defined herein) and other relevant corporate policies.

Continuing education opportunities are directed at enabling individual directors to maintain or enhance their skills and abilities as directors, as well as ensuring that their knowledge and understanding of the Company's affairs remains current. Directors are kept informed as to matters which may impact the Company's operations through regular reports and presentations at Board and committee meetings.

Code of Business Conduct and Ethics

The Company has adopted a written Code of Business Conduct and Ethics (the "Code") for directors, officers and employees and is available on our website at www.profoundmedical.com. Information contained on, or that can be accessed through, our website does not constitute a part of this report and is not incorporated by reference herein. The objective of the Code is to provide guidelines for maintaining the integrity, reputation, honesty, objectivity and impartiality of the Company and its subsidiaries. The Code addresses compliance with laws, conflicts of interest, corporate opportunity, confidentiality, fair dealing with customers, suppliers, competitors, officers and employees, protection and proper use of company assets and accounting complaints. The Board has the ultimate responsibility for the stewardship of the Code and is responsible for considering any request for waivers from the Code. Any waiver of the Code's provisions is subject to the disclosure and other provisions of applicable securities laws and the applicable rules of any and all securities exchanges on which the securities of the Company are listed and posted for trading. A copy of the Code is available on the Company's website at www.profoundmedical.com. If we make any amendment to the Code or grant any waivers, including any implicit waiver, from a provision of the Code, we will disclose the nature of such amendment or waiver on our website to the extent required by the rules and regulations of the SEC. Disclosure regarding any amendments to, or waivers from, provisions of the Code that apply to our directors, principal executive officer or principal financial officer will be included in a Current Report on Form 8-K within four business days following the date of the amendment or waiver, unless website posting or the issuance of a press release of such amendments or waivers is then permitted by the rules of The Nasdaq Stock Market.

The Board monitors compliance with the Code and reviews it on at least an annual basis to determine whether updates are appropriate. Where a director or officer has any interest in or a perceived conflict involving a contract or business relationship with the Company, that director or officer is excluded from all discussions and deliberations regarding the contract or relationship and such director abstains from voting in respect thereof. Directors and executive officers have disclosed to the Company all directorships held by such member and the existence and nature of any interests that could result in a conflict situation with the Company.

The Board has also adopted a whistleblower policy (the "Whistleblower Policy") relating to the reporting of inappropriate activity to encourage and promote a culture of ethical business conduct. The Whistleblower Policy is intended to encourage and facilitate the reporting of questionable accounting, internal accounting controls or auditing matters.

Nomination of Directors

The Human Resources and Corporate Governance Committee has the responsibility for reviewing the composition of the Board by taking into account, among other things, its size and the particular competencies and skills of its members. The Human Resources and Corporate Governance Committee, in consultation with the Chairman of the Board and Chief Executive Officer, will then identify potential Board nominees and recommend such nominees for election as directors based on the competencies and skills each new member possesses in the context of the needs of the Company. The Board as a whole is then responsible for nominating new directors. The Human Resources and Corporate Governance Committee is composed entirely of independent directors.

The Board seeks nominees that have the following characteristics: (i) a track record in general business management; (ii) special expertise in an area of strategic interest to the Company; (iii) the ability to devote time; and (iv) support for the Company's mission and strategic objectives.

While the Company has not adopted a written policy relating to the identification and nomination of women directors, it recognizes that diversity is an economic driver of competitiveness for companies and it strives to promote an environment and culture conducive to the appointment of well qualified persons so that there is appropriate diversity to maximize the achievement of corporate goals. Gender of a potential candidate is one component in the overall list of factors the Human Resources and Corporate Governance Committee considers when selecting candidates for executive officer and senior manager appointments, and membership on the Board and its committees. The Human Resources and Corporate Governance Committee is of the opinion that if gender was the overriding factor governing the selection of Board nominees, it could unduly restrict the Board's ability to select the most appropriate nominees and candidates. The Company has not adopted targets regarding women on the Board or women in executive officer and senior management positions as it does not believe that such targets are necessary at this time given the size of the Board and that the director nomination process recognizes the benefits of diversity. There are currently two women on the Board.

Director and Executive Compensation

The Human Resources and Corporate Governance Committee oversees the remuneration policies and practices of the Company. The principal responsibilities of the Human Resources and Corporate Governance Committee include: (i) considering the Company's overall remuneration strategy and, where information is available, verifying the appropriateness of existing remuneration levels using external sources for comparison; (ii) comparing the nature and amount of the Company's directors' and executive officers' compensation to performance against goals set for the year while considering relevant comparative information, independent expert advice and the financial position of the Company, and (iii) making recommendations to the Board in respect of director and executive officer remuneration matters, with the overall objective of ensuring maximum shareholder benefit from the retention of high quality board and executive team members.

Board Assessments

The Board is responsible for ensuring that there is a process in place for annually evaluating the effectiveness and contribution of the Chief Executive Officer, the Board, the committees of the Board, the Chairman of the Board and the individual directors based on their applicable terms of reference or position description.

The objective of the assessments is to ensure the continued effectiveness of the Board in the execution of its responsibilities and to contribute to a process of continuing improvement. In addition to any other matters the Board deems relevant, the assessments may consider in the case of the Board or a committee, the applicable terms of reference, the applicable position descriptions, as well as the competencies and skills each individual director is expected to bring to the Board.

The Human Resources and Corporate Governance Committee annually reviews and makes recommendations to the Board on the method and content of such evaluations and oversees the evaluation process.

Board Committees

The Board has two standing committees, the Audit Committee and the Human Resources and Corporate Governance Committee. Below is a description of the committees. The Board has adopted a written charter for each of the committees below that is available to shareholders on our website at <https://profoundmedical.com/investors/>.

Audit Committee

The Audit Committee oversees the accounting and financial reporting practices and procedures of the Company's financial statements. The principal responsibilities of the Audit Committee include: (i) the integrity of the consolidated financial statements of the Company; (ii) the Company's compliance with legal and regulatory requirements; (iii) the public accountants' qualifications and independence; and (iv) the performance of the Company's internal audit function and public accountants. The Audit Committee shall oversee the preparation of and review the report required by the rules of any and all securities regulatory bodies to which the Company is subject to be included in the Company's annual proxy statement.

Composition of the Audit Committee

The following are the current members of the Audit Committee:

Name	Independence	Financial Literacy
Cynthia Lavoie	Independent	Financially Literate
Murielle Lortie	Independent	Financially Literate
Arthur Rosenthal	Independent	Financially Literate

The relevant education and experience of each member of the Audit Committee, is provided above, under the heading "*Election of Directors*". All of the Audit Committee members are "independent" as required by the TSX and as defined in the listing standards of The Nasdaq Stock Market LLC and under Rule 10A-3 under the Exchange Act and each member is financially literate in that each has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements. The Company's board of directors has determined that each of Cynthia Lavoie, Murielle Lortie and Arthur Rosenthal, members of its Audit Committee, is an "audit committee financial expert" as defined by applicable SEC rules.

Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial period was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

Human Resources and Corporate Governance Committee

The Human Resources and Corporate Governance Committee is comprised of Brian Ellacott, Kris Shah and Arthur Rosenthal. All three members are independent directors.

The key responsibilities of the Human Resources and Corporate Governance Committee include:

- (a) Annually review and approve corporate goals and objectives relevant to compensation of executive officers for whom compensation is required to be individually reported under applicable securities laws, evaluate the NEOs' performance in light of those goals and objectives, and set the NEOs' respective compensation levels based on this evaluation.
- (b) Annually review the Chief Executive Officer's evaluation of the performance of the other officers of the Company and such other senior management and key employees of the Company or any subsidiary of the Company as may be identified to the Committee by the Board (collectively, the "**Designated Executives**") and review the Chief Executive Officer's recommendations with respect to the amount of compensation to be paid to the Designated Executives.
- (c) Annually review, assess the competitiveness and appropriateness of and approve the compensation package of each of the Designated Executives.
- (d) Review and approve any employment contracts or arrangements with each of the Designated Executives, including any retiring allowance arrangements or any similar arrangements to take effect in the event of a termination of employment.

- (e) Review and recommend to the Board compensation policies and processes and in particular, the compensation policies and processes for the Designated Executives.
- (f) In determining the long-term incentive component of the Chief Executive Officer's compensation and each Designated Executive's compensation, consider the Company's performance and relative shareholder return, the value of similar incentive awards to executives at comparable companies, and the awards given to Company executives in past years.
- (g) Make recommendations to the Board with respect to incentive compensation and equity-based plans, and review and make recommendations with respect to the performance or operating goals for participants in such plans.
- (h) Have the sole authority to retain and terminate any compensation consultant to be used to assist in the evaluation of director, Chief Executive Officer or senior executive compensation and have sole authority to approve the consultant's fees and other retention terms.
- (i) Adopt, administer, approve and ratify awards under incentive compensation and stock plans, including amendments to the awards made under any such plans, and review and monitor awards under such plans.
- (j) Review and report to the Board on the appropriateness of the succession planning of the Company, including appointing, training and monitoring senior management.
- (k) Review the significant human resources policies, plans and programs of the Company to ensure they are supportive of the Company's near and long-term strategies.
- (l) Undertake on behalf of, and in an advisory capacity to, the Board such other initiatives as may be necessary or desirable to assist the Board in discharging its responsibility to ensure that appropriate human resources development, performance evaluation, compensation and management development programs are in place and operating effectively.

Position Descriptions

The Board has developed written position descriptions which identify the responsibilities of the Chairman of the Board and the Chief Executive Officer. The Board has not developed written position descriptions for the Chair of each committee of the Board. The Board believes that the charters of the Audit Committee and the Human Resources and Corporate Governance Committee adequately delineate the roles of the Chairs of such committees. Each of the Audit Committee and the Human Resources and Corporate Governance Committee are responsible for reviewing their respective charters on a regular basis and to recommend to the Board any changes as considered appropriate from time to time.

Corporate Governance

We qualify as a "Foreign Private Issuer," as defined in Rule 3b-4 under the Exchange Act. As a result, in accordance with Nasdaq listing requirements, we may rely on home country governance requirements and certain exemptions thereunder rather than complying with Nasdaq corporate governance standards.

Although we have voluntarily chosen to file registration statements, periodic reports and current reports on U.S. domestic issuer forms, we will maintain our status as a foreign private issuer. While we voluntarily follow most Nasdaq corporate governance rules, we may choose to take advantage of limited exemptions from the following:

- U.S. federal proxy rules pursuant to Section 14 of the Exchange Act and Regulations 14A and 14C thereunder;
- Regulation FD;
- Section 16 rules requiring insiders to file public reports of their share ownership and trading activities and liability for insiders who profit from trades in a short period of time, which will provide less data in this regard than shareholders of U.S. companies that are subject to the Exchange Act;

- the requirement that our board have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee’s purpose and responsibilities; and
- the requirement to have independent director oversight of director nominations.

We intend to follow Canadian corporate governance practices in lieu of Nasdaq corporate governance requirements as follows:

We intend to adopt and approve material changes to equity incentive plans in accordance with Toronto Stock Exchange (“TSX”) listing rules, which do not impose a requirement of shareholder approval for such actions. In addition, we intend to follow the TSX listing rules in respect of private placements instead of Nasdaq requirements to obtain shareholder approval for certain dilutive events (such as issuances that will result in a change of control, certain transactions other than a public offering involving issuances of a 20% or greater interest in us and certain acquisitions of the stock or assets of another company) and the minimum quorum requirement for a shareholders meeting. Under Nasdaq listing rules, the required minimum quorum for a shareholders meeting is 33 1/3% of the outstanding common shares, and our minimum quorum requirement is only 10% of the total number of voting rights attaching to all outstanding common shares.

Although we may rely on certain home country corporate governance practices, we must comply with Nasdaq’s Notification of Noncompliance requirement (Nasdaq Rule 5625) and the Voting Rights requirement (Nasdaq Rule 5640). Further, we must have an audit committee that satisfies Nasdaq Rule 5605(c)(3), which addresses audit committee responsibilities and authority and requires that the audit committee consist of members who meet the independence requirements of Nasdaq Rule 5605(c)(2)(A)(ii).

We intend to take all actions necessary for us to maintain compliance as a foreign private issuer under the applicable corporate governance requirements of the Sarbanes-Oxley Act, the rules adopted by the SEC and Nasdaq listing rules. Accordingly, our shareholders will not have the same protections afforded to shareholders of companies that are subject to all of the corporate governance requirements of Nasdaq.

Insider Trading Policy

We have adopted the Profound Medical Corp. Corporate Disclosure, Confidentiality and Trading in Securities by Directors, Officers, Employees and Consultants Policy (the “Insider Trading Policy”) governing the purchase, sale and/or other dispositions of our securities by our directors, officers, employees and other covered persons. The Insider Trading Policy prohibits, among other things, insider trading and certain speculative transactions in our securities (including short sales, transacting in call or put options and other hedging transactions in our securities) and establishes a regular black-out period schedule during which directors, executive officers, employees and other covered persons may not trade in the Company’s securities, as well as certain pre-clearance procedures that directors and certain officers, employees and other covered persons must observe prior to effecting any transaction in our securities. We believe the Insider Trading Policy is reasonably designed to promote compliance with applicable insider trading laws, rules and regulations, as well as the exchange listing standards applicable to us. Although we have not adopted an insider trading policy governing our purchase, sale, and/or other disposition of our securities, as part of the oversight of risk, the Board, or one or more of its committees, approves any transaction, plan or arrangement by or with the Company with respect to our securities on a case-by-case basis, and as part of their procedures to review and approve any such transaction, plan or arrangement, the Board or committee consults with legal counsel to ensure compliance with applicable insider trading laws, rules and regulations, and listing standards. The foregoing description of our Insider Trading Policy is qualified in its entirety by reference to the full text of the Insider Trading Policy, filed as Exhibit 19.1 to this Annual Report on Form 10-K.

Shareholder Communications to our Board of Directors

Generally, shareholders who have questions or concerns should contact our Investor Relations team at 647-476-1350. However, any stockholders who wish to address questions regarding our business directly with our Board of Directors, or any individual director, should direct his or her questions in writing to the Chairman of our Board of Directors at 2400 Skymark Ave. Unit #6, Mississauga, Ontario, L4W5K5, Canada. Communications will be distributed to our board of directors, or to any individual director or directors as appropriate, depending on the facts and circumstances outlined in the communications. Items that are unrelated to the duties and responsibilities of our board of directors may be excluded.

Item 11. EXECUTIVE COMPENSATION

As a foreign private issuer in the United States, we are deemed to comply with this Item if we provide information required by Items 6.B, and 6.E.2 of Form 20-F, with more detailed information provided if otherwise made publicly available or required to be disclosed in Canada. We have provided information required by Items 6.B and 6.E.2 of Form 20-F below. As a foreign private issuer in the United States, we are not required to disclose executive compensation according to the requirements of Regulation S-K that apply to U.S. domestic issuers, and we are not otherwise required to adhere to the U.S. requirements relative to certain other proxy disclosures and requirements. Our executive compensation disclosure complies with Canadian requirements, which are, in many respects, substantially similar to U.S. rules.

Compensation Philosophy and Objectives of Compensation Programs

The executive compensation program adopted by Profound and applied to its executive officers is designed to:

- (a) attract and retain qualified and experienced executives who have international business and operations experience and will contribute to the success of Profound;
- (b) ensure that the compensation of the executive officers provides a competitive base compensation package, with additional compensation to reward success and create a strong link between corporate performance and compensation; and
- (c) motivate executive officers to enhance long term shareholder value, with current compensation being weighted toward at-risk long-term incentives in the form of Options and restricted share units (“RSUs”) so as to foster alignment with the interests of the Shareholders.

The goals of the compensation program are to attract and retain the most qualified people with relevant experience, to motivate and reward such individuals on a short term and long-term basis, and to create alignment between corporate performance and compensation. The Human Resources and Corporate Governance Committee and the Board intend that the total cash components of compensation (base salary plus annual cash bonus) target the median of a benchmark group in comparable industries with similar market capitalization (the “**Compensation Peer Group**”).

Aggregate compensation (including annual cash bonus and equity-based compensation) payable to each NEO (as defined below) is based on the achievement of certain performance goals. Performance goals are established annually and designed to align with the Company’s strategic objectives. As described in greater detail below, performance goals affect equity-based compensation grants and annual cash bonuses.

Profound does not believe that its compensation programs encourage excessive or inappropriate risk taking as: (i) employees receive both fixed and variable compensation, and the fixed (salary) portion provides a steady income regardless of Common Share value which allows employees to focus on the business; (ii) the Share Option Plan encourages a long term perspective due to the vesting provisions of the options (see “*Share Option Plan*” below); and (iii) annual bonus is earned only if short-term objectives of the Company are achieved. Profound believes that the compensation program is appropriately structured and balanced to motivate its executives and reward the achievement of annual performance goals, as well as the achievement of long term growth in shareholder value. NEOs and directors are not permitted to purchase financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the NEO or director.

Aligning Management and Shareholders

The Company’s compensation program seeks to align management interests with Shareholder interests through both short-term and long-term incentives linking compensation to performance. The short-term incentive is an annual cash bonus which is linked to individual performance and the Company’s performance. Further, long-term incentives of Option grants comprise a significant portion of overall compensation for the Company’s NEOs (as defined herein). The Human Resources and Corporate Governance Committee believes this is appropriate because it creates a direct correlation between variations in the Company’s share price (which is based in part on the Company’s financial performance) and the compensation of its NEOs, thereby aligning the interests of the Company’s executives and Shareholders.

Clawback Policy

The Company has adopted a clawback policy which applies to cash bonus awards made, and RSUs granted, to the NEOs and any other individuals as determined by the Board from time to time. Under the clawback policy, a clawback may be triggered if an NEO is indicted for or convicted of an act involving gross negligence, fraud, theft, dishonesty or willful misconduct. Among other remedial actions, the enforcement of the clawback policy may involve forfeiture or cancellation of unpaid cash bonus awards or unvested RSUs and recoupment of the value of such awards. The Human Resources and Corporate Governance Committee will continue to keep this policy under review as part of its regular risk review.

Base Salary

Base salary is intended to reflect an executive officer's position within the corporate structure, his or her years of experience and level of responsibility, and salary norms in the sector and the general marketplace. As such, decisions with respect to base salary levels for executive officers are not based on objective identifiable performance measures but for the most part are determined by reference to competitive market information for similar roles and levels of responsibility, as well as more subjective performance factors such as leadership, commitment, accountability, industry experience and contribution. The Company's view is that a competitive base salary is a necessary element for retaining qualified executive officers, as it creates a meaningful incentive for individuals to remain at Profound and not be unreasonably susceptible to recruiting efforts by the Company's competitors.

In determining the base salary of the Named Executive Officers (as defined herein), the Board considered: (i) recruiting and retaining executives critical to the success of Profound and the enhancement of shareholder value; (ii) providing fair and competitive compensation; (iii) balancing the interests of management and Shareholders; and (iv) rewarding performance, both on an individual basis and with respect to operations in general.

Long-term Incentives

Long-term incentives, in the form of Options, are intended to align the interests of Profound's directors and its executive officers with those of the Shareholders, to provide a long-term incentive that rewards these individuals for their contribution to the creation of shareholder value and to reduce the cash compensation Profound would otherwise have to pay. The Share Option Plan is administered by the Board. In establishing the number of Options to be granted to any particular executive officer, reference was made to the number of Options granted to officers of other companies involved in similar businesses. The Board also considers previous grants of Options and the overall number of Options that are outstanding relative to the number of outstanding Common Shares in determining whether to make any new grants of Options and the size and terms of any such grants, as well as the performance of the executive officer as demonstrated through his or her level of effort, time, responsibility, ability, experience, level of commitment and performance goals in determining the level of incentive share option compensation.

Bonus Awards

The Board will consider whether it is appropriate and in the best interests of the Company to award a discretionary cash bonus to executive officers for the most recently completed financial year and if so, in what amount. A cash bonus may be awarded to reward performance that has led to increased value for Shareholders through property acquisitions or divestitures, the formation of new strategic or joint venture relationships and/or capital raising efforts.

Quantitative performance objectives include the achievement of the Company's revenue target, departmental and individual goals, which may be quantitative or qualitative in nature. These have been established for each individual executive officer by the Board with alignment of such corporate/individual goals with the CEO and include objectives such as research and product development, company productivity, revenue growth and long-term strategic guidance of the Company. These corporate, departmental and individual goals form the basis for the review of the executive officers and the determination of cash bonuses at the end of each year with the Board. These awards are reviewed yearly to ensure that corporate performance metrics and individual goals are consistent from year to year.

Bonus award payments are based on the following assessment of:

- (a) whether or not the executive officers have successfully met or exceeded the established corporate, departmental and individual performance metrics and goals;

- (b) the executive officers' decisions and actions and whether or not they are aligned with the Company's long-term growth strategy and have created value for Shareholders;
- (c) whether any near-term goals and objectives were not met because the executive officers made decisions in the best long-term interests of the Company or due to factors outside of the executive officers' control; and/or
- (d) additional initiatives undertaken by the executive officers, which were not contemplated in the initial objectives.

The following targets, as a percentage of base salary, were approved for each NEO for the fiscal year ending December 31, 2024:

Position	Target
CEO	80 %
Other NEOs	20 - 50 %

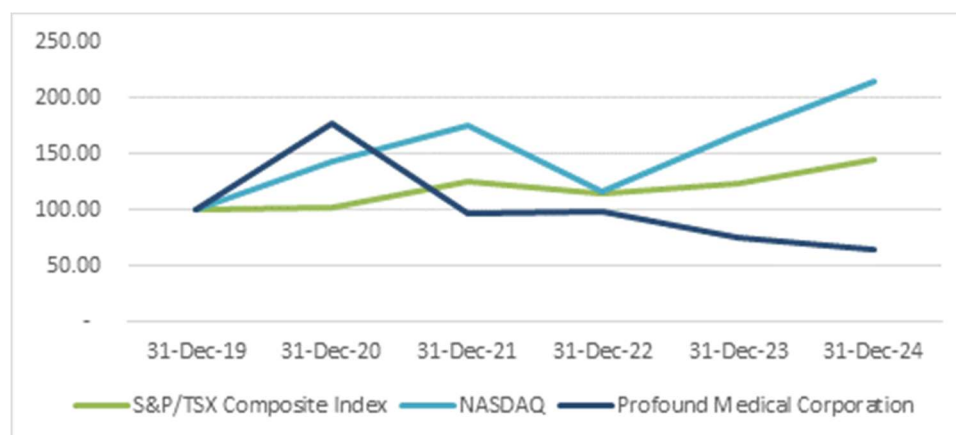
Benefits Plans

The Named Executive Officers are entitled to life insurance, health and dental benefits.

Performance Graph

The following graph illustrates the cumulative return to Shareholders of a \$100 investment in Common Shares from December 31, 2019 to December 31, 2024, as compared to the cumulative total return on the Standard & Poor's/TSX Index and Standard & Poor's/Nasdaq Composite Index for the same period, assuming the reinvestment of cash distributions and/or dividends.

	December 31, 2019 \$	December 31, 2020 \$	December 31, 2021 \$	December 31, 2022 \$	December 31, 2023 \$	December 31, 2024 \$
Profound Medical	100.00	177.56	96.68	98.17	75.25	63.80
S&P/TSX Composite Index	100.00	102.17	124.38	113.61	122.82	144.92
Nasdaq Composite Index	100.00	143.64	174.36	116.64	167.30	215.22



The trend shown in the above graph does not necessarily correspond to the Company's trend of compensation for the NEOs (as defined herein) for the period disclosed above. The Company considers a number of factors in connection with its determination of appropriate levels of compensation including, but not limited to, the demand for and supply of skilled professionals with experience in the medical device industry, individual performance, the Company's performance (which is not necessarily tied exclusively to the trading price of the Common Shares on the TSX and Nasdaq) and other factors discussed herein.

Named Executive Officers

The following individuals are considered the “Named Executive Officers” or “NEOs” for the purposes of the disclosure:

- each individual who, during any part of the most recently completed financial year, served as the Company’s Chief Executive Officer or CEO, including an individual performing functions similar to a CEO;
- each individual who, during any part of the most recently completed financial year, served as the Company’s Chief Financial Officer or CFO, including an individual performing functions similar to a CFO;
- each of the three most highly compensated executive officers of the Company, including its subsidiaries, or the three highly compensated officers acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was more than C\$150,000 for the fiscal year ended December 31, 2024; and
- each individual who would be a Named Executive Officer under paragraph (c) but for the fact the individual was not an executive officer of the Company and was not acting in a similar capacity as of December 31, 2024.

Summary Compensation Table

The following table sets forth information concerning the total compensation for the three most recently completed financial years paid to the Named Executive Officers as of the most recently completed financial year. Dr. Menawat is the only officer of the Company that also serves as a director of the Company.

Name and Principal Position	Year	Salary (\$)	Share- Based Awards (\$)	Option- Based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$)	All Other Compensation ⁽¹⁾ (\$)	Total Compensation (\$)
					Annual Incentive Plan (\$)	Long Term Incentive Plan (\$)			
Arun Menawat Chief Executive Officer and Director	2024	514,439	595,395 ⁽²⁾	1,185,443 ⁽⁵⁾	167,737	—	—	—	1,948,575
	2023	370,244	454,079 ⁽³⁾	—	65,625	—	—	—	889,948
	2022	343,750	364,503 ⁽⁴⁾	—	208,125	—	—	—	916,378
Rashed Dewan ⁽⁶⁾ Chief Financial Officer	2024	252,003	267,923 ⁽²⁾	740,902 ⁽⁵⁾	47,963	—	—	—	1,308,791
	2023	195,173	454,079 ⁽³⁾	—	20,004	—	—	—	669,256
	2022	206,146	291,602 ⁽⁴⁾	—	44,228	—	—	—	541,976
Mathieu Burtnyk ⁽⁶⁾ Senior Vice-President, Product Leader TULSA-PRO	2024	252,003	178,615 ⁽²⁾	938,475 ⁽⁵⁾	47,963	—	—	—	1,417,056
	2023	195,173	181,631 ⁽³⁾	—	20,004	—	—	—	396,808
	2022	206,146	291,602 ⁽⁴⁾	—	39,955	—	—	—	537,703
Tom Tamberrino ⁽⁷⁾ Chief Commercial Officer	2024	66,456	—	987,869 ⁽⁵⁾	—	—	—	—	1,054,325
	2023	—	—	—	—	—	—	—	—
	2022	—	—	—	—	—	—	—	—
Abbey Goodman ⁽⁸⁾ Chief Commercial Officer	2024	399,153	119,074 ⁽²⁾	—	25,000	—	—	—	543,227
	2023	324,346	181,631 ⁽³⁾	—	50,000	—	—	—	555,977
	2022	218,750	291,602 ⁽⁴⁾	—	135,000	—	—	—	645,352

Notes:

- Nil indicates that perquisites and other personal benefits did not exceed C\$50,000 or 10% of the total salary of the NEO for the financial year.
- The value shown is the product of the number of RSUs granted multiplied by the Common Share TSX closing price on the grant date of C\$12.85.
- The value shown is the product of the number of RSUs granted multiplied by the Common Share TSX closing price on the grant date of C\$12.38.
- The value shown is the product of the number of RSUs granted multiplied by the Common Share TSX closing price on the grant date of C\$9.41.

- (5) Option based awards granted utilize the Black-Scholes option pricing model to determine the fair value. The input factors to determine the fair value were volatility 70%, exercise price C\$11.14, interest rate 3.17% and expected life of 6 years. This methodology was chosen to be consistent with the accounting fair value used by the Company in its financial statements and since the Black-Scholes option pricing model is a commonly used methodology for valuing options which provides an objective and reasonable estimate of fair value.
- (6) Amounts paid in Canadian dollars and converted to United States dollars for reporting purposes. On December 31, 2024, the exchange rate for Canadian dollars expressed in United States dollars (as reported by the Bank of Canada) was C\$1.00 = US\$0.695.
- (7) Mr. Tamberrino joined the Company on October 14, 2024.
- (8) Ms. Goodman was terminated from her role as Chief Commercial Officer effective October 24, 2024.

Outstanding Option-Based and Share-Based Awards

The following table sets forth information with respect to the unexercised Options granted under the Share Option Plan and RSUs granted under the Company's long-term incentive plan (the "LTIP") to the NEOs that were outstanding as of December 31, 2024.

Name and Principal Position	Option-Based Awards				Share-Based Awards		
	Number of Common Shares Underlying Unexercised Options	Option Exercise Price (C\$)	Option Expiration Date	Value of Unexercised In-the-Money Options (\$) ⁽⁶⁾	Number of RSUs that have not Vested	Market Value of RSUs that have not Vested (\$) ⁽⁷⁾	Market Value of Vested RSUs not paid out or Distributed (\$)
Arun Menawat ⁽¹⁾ Chief Executive Officer and Director	93,406	14.60	Aug 22, 2026	—	70,001	525,428	—
	1,650	13.50	Sep 15, 2026	—			
	8,345	11.00	Nov 24, 2026	—			
	35,439	11.00	Dec 21, 2026	—			
	167,392	9.20	May 16, 2029	186,140			
	98,573	17.44	May 20, 2030	—			
	49,287	22.08	May 21, 2031	—			
240,000	11.14	Nov 18, 2034	—				
Rashed Dewan ⁽²⁾ Chief Financial Officer	3,000	15.00	Sept 8, 2025	—	56,668	425,350	—
	5,000	13.50	July 19, 2026	—			
	7,500	11.00	Nov 24, 2026	—			
	4,500	8.50	Nov 16, 2027	7,193			
	2,500	9.20	May 16, 2029	2,780			
	27,667	17.44	May 20, 2030	—			
	51,533	22.08	May 21, 2031	—			
150,000	11.14	Nov 18, 2034	—				
Mathieu Burtnyk ⁽³⁾ President	3,000	15.00	Sept 8, 2025	—	36,668	275,230	—
	2,500	8.50	Nov 16, 2027	3,996			
	42,000	9.20	May 16, 2029	46,704			
	18,333	17.44	May 20, 2030	—			
	30,867	22.08	May 21, 2031	—			
190,000	11.14	Nov 18, 2034	—				
Tom Tamberrino ⁽⁴⁾ Chief Commercial Officer	200,000	11.14	Nov 18, 2034	—	—	—	—
Abbey Goodman ⁽⁵⁾ Chief Commercial Officer	15,000	11.23	Nov 18, 2029	—	—	—	—
	10,000	15.15	Mar 12, 2030	—			
	15,333	17.44	May 20, 2030	—			
	53,696	22.08	May 21, 2031	—			

Notes:

- (1) Dr. Menawat holds 694,092 Options, with 448,948 of these Options vested and exercisable and the remaining balance vesting over a three year period from their respective grant dates.
- (2) Mr. Dewan holds 251,700 Options, with 96,329 of these Options vested and exercisable and the remaining balance vesting over a three year period from their respective grant dates.
- (3) Dr. Burtnyk holds 286,700 Options, with 93,498 of these Options vested and exercisable and the remaining balance vesting over a three year period from their respective grant dates.
- (4) Mr. Tamberrino holds 200,000 Options, with nil of these Options vested and exercisable and the remaining balance vesting over a three year period from their respective grant dates.

- (5) As of December 31, 2024, Ms. Goodman held 94,029 Options, with 94,029 of these Options vested and exercisable and the remaining balance vesting over a three year period from their respective grant dates.
- (6) The value shown is the product of the number of Common Shares underlying the Option multiplied by the difference between the Common Share TSX closing price on December 31, 2024 of C\$10.80 and the exercise price.
- (7) The value shown is the product of the number of outstanding RSUs multiplied by the Common Share TSX closing price on December 31, 2024 of C\$10.80.

Incentive Plan Awards — Value Vested or Earned During the Year Ended December 31, 2024

The following table sets forth information with respect to the value of Options vested during the year ended December 31, 2024 as well as the cash bonuses granted to the NEOs during the year ended December 31, 2024.

Name and Principal Position	Option-Based Awards Value Vested During Year (\$)⁽¹⁾	Share-Based Awards Value Vested During Year (\$)⁽²⁾	Non-Equity Incentive Plan Compensation Value earned during the year (\$)
Arun Menawat Chief Executive Officer and Director	—	595,395	167,737
Rashed Dewan Chief Financial Officer	—	267,923	47,963
Mathieu Burtnyk President	—	178,615	47,963
Tom Tamberrino Chief Commercial Officer	—	—	—
Abbey Goodman Chief Commercial Officer	—	119,074	25,000

Notes:

- (1) The value shown is the product of the number of Common Shares underlying the Options that vested during the year multiplied by the difference between the Common Share TSX closing price on the day the Options vested and the exercise price of the Options that vested.
- (2) The value shown is the product of the number of Common Shares underlying the RSUs that vested during the year multiplied by the Common Share TSX closing price on the day the RSUs vested.

Termination and Change of Control Benefits

Each of Dr. Menawat, Mr. Dewan, Dr. Burtnyk, Mr. Tamberrino and Ms. Goodman are a party to an executive employment agreement (the “Executive Employment Agreements”) with the Company. The Executive Employment Agreements have an indefinite term and contain standard confidentiality and non-solicitation provisions. Profound has agreed pursuant to the Executive Employment Agreements that each of Dr. Menawat, Mr. Dewan, Dr. Burtnyk, Mr. Tamberrino and Ms. Goodman will receive base salaries determined by the Board and may receive discretionary bonuses, grants of Options, grants of RSUs, reimbursement of expenses, benefits and certain perquisites as set forth in the Executive Employment Agreements, with the amounts paid in 2024 with respect to such matters set forth in the Summary Compensation Table.

The following table sets forth information with respect to the estimated aggregate dollar amount to which each current NEO would have been entitled if the event resulting in termination of employment occurred on December 31, 2024.

Name	Triggering Event	Cash Payment	Value of Bonus and other Benefits	Value of Option Awards	Total Payout
Arun Menawat	Termination with cause/resignation	— ⁽¹⁾	—	— ⁽²⁾	—
	Termination without cause/Termination with a change of control	\$ 550,000 ⁽⁴⁾	\$ 440,000	\$ 186,140 ⁽²⁾	\$ 1,176,140
Rashed Dewan	Termination with cause/resignation	— ⁽¹⁾	—	— ⁽²⁾	—
	Termination without cause/Termination with a change of control	\$ 300,000 ⁽⁵⁾	\$ 112,195 ⁽³⁾	\$ 9,973 ⁽²⁾	\$ 422,168
Mathieu Burtnyk	Termination with cause/resignation	— ⁽¹⁾	—	— ⁽²⁾	—
	Termination without cause/Termination with a change of control	\$ 150,000 ⁽⁶⁾	\$ 107,922 ⁽³⁾	\$ 50,700 ⁽²⁾	\$ 308,622
Tom Tamberrino	Termination with cause/resignation	— ⁽¹⁾	—	— ⁽²⁾	—
	Termination without cause/Termination with a change of control	\$ 150,000 ⁽⁷⁾	— ⁽³⁾	— ⁽²⁾	\$ 150,000
Abbey Goodman	Termination with cause/resignation	— ⁽¹⁾	—	— ⁽²⁾	—
	Termination without cause/Termination with a change of control	\$ 150,000 ⁽⁸⁾	— ⁽³⁾	— ⁽²⁾	\$ 150,000

Notes:

- (1) In the event of a termination for just cause or resignation, the Company shall have no further obligation to Dr. Menawat, Mr. Dewan, Dr. Burtnyk, Mr. Tamberrino or Ms. Goodman, as applicable, other than the payment of unpaid base salary, any bonus declared but not yet paid, plus all outstanding vacation pay and expense reimbursement.
- (2) The value shown is the product of the number of Common Shares underlying the vested Options multiplied by the difference between the Common Share TSX closing price on December 31, 2024 of C\$10.80 and the exercise price.
- (3) The value shown is a sum of the semi annual cost of benefits and the average cash bonus paid in respect of the years ended December 31, 2024, 2023 and 2022.
- (4) If Dr. Menawat's employment is terminated without cause, he is entitled to twelve months of pay of base salary in lieu of notice and an amount equal to the then current target annual bonus prorated based on the number of days elapsed in the calendar year until the date of termination as a percentage of the total number of days in such calendar year.
- (5) If Mr. Dewan's employment is terminated without cause, he is entitled to the greater of: (i) twelve months' notice; or (ii) the minimum notice (or pay in lieu) and minimum severance, if any, to which he would be entitled under employments standards legislation.
- (6) If Dr. Burtnyk's employment is terminated without cause, he is entitled to six months' notice and minimum severance, if any, to which he would be entitled under employments standards legislation.
- (7) If Mr. Tamberrino's employment is terminated without cause, he is entitled to the greater of: (i) six months' notice; or (ii) the minimum notice (or pay in lieu) and minimum severance, if any, to which he would be entitled under employments standards legislation.
- (8) Ms. Goodman was terminated from her role as Chief Commercial Officer effective October 24, 2024. In connection with her termination, Ms. Goodman received a cash payment of \$150,000, equal to six months' notice.

Director Compensation

The directors of the Company, other than the current CEO, were paid an annual fee of \$50,000 for their services in respect of the financial year-ended December 31, 2024. The Chair of the Audit Committee is entitled to an additional annual fee of \$5,000 and the Chair of the Human Resources and Corporate Governance Committee is entitled to an additional annual fee of \$5,000. Audit Committee members are entitled to an additional annual fee of \$2,500 and Human Resources and Corporate Governance Committee members are entitled to an additional annual fee of \$2,500. Directors of the Company are also eligible to receive Options and/or deferred share units (“DSUs”) as an initial grant when joining the Board and on an annual basis. Except as set out below, directors are not eligible to receive other compensation.

Summary Compensation Table

The following table sets forth information concerning compensation paid to the non-executive directors for the year ended December 31, 2024.

Name	Fees Earned (\$)	Option-based awards (\$)	Share-based awards (\$) ⁽¹⁾	All Other Compensation (\$)	Total (\$)
Brian Ellacott	57,500	—	38,468	—	95,968
Cynthia Lavoie	52,500	—	38,468	—	90,968
Murielle Lortie	55,000	—	38,468	—	93,468
Arthur Rosenthal	57,500	—	38,468	—	95,968
Kris Shah	52,500	—	38,468	—	90,968

Notes:

- (1) The directors were granted 5,000 DSUs each. The value shown is the product of the number of DSUs issued multiplied by the Common Share TSX closing price on the grant date, November 18, 2024, of C\$11.07.

Outstanding Option-Based and Share-Based Awards

The following table sets forth information with respect to the unexercised Options granted under the Share Option Plan and DSUs granted under the LTIP to the non-executive directors that were outstanding as of December 31, 2024.

Name	Option-Based Awards				Share-Based Awards		
	Number of Common Shares Underlying Unexercised Options	Option Exercise Price (C\$)	Option Expiration Date	Value of Unexercised In-the-Money Options (\$) ⁽⁵⁾	Number of DSUs that have not Vested	Market or payout value of DSUs that have not vested (\$)	Market or payout value of vested DSUs not paid out or distributed (\$) ⁽⁶⁾
Brian Ellacott ⁽¹⁾	3,300	10.20	June 15, 2028	1,376			
	10,000	11.23	Nov 18, 2029	—			
	10,000	17.44	May 20, 2030	—	8,334	62,555	75,060
	10,000	22.08	May 21, 2031	—			
Cynthia Lavoie ⁽²⁾	10,000	28.16	March 3, 2031	—			
	10,000	22.08	May 21, 2031	—	8,334	62,555	75,060
Murielle Lortie ⁽³⁾	10,000	23.02	Dec 15, 2030	—			
	10,000	22.08	May 21, 2031	—	8,334	62,555	75,060
Arthur Rosenthal ⁽⁴⁾	3,300	10.20	June 15, 2028	1,376			
	10,000	11.23	Nov 18, 2029	—			
	10,000	17.44	May 20, 2030	—	8,334	62,555	75,060
	10,000	22.08	May 21, 2031	—			
Kris Shah	—	—	—	—	8,334	62,555	75,060

Notes:

- (1) Mr. Ellacott holds 33,300 Options, with 32,264 of these Options vested and exercisable and the remaining balance vesting over a three year period from their respective grant dates.
- (2) Dr. Lavoie holds 20,000 Options, with 18,345 of these Options vested and exercisable and the remaining balance vesting over a three year period from their respective grant dates.
- (3) Ms. Lortie holds 20,000 Options, with 18,964 of these Options vested and exercisable and the remaining balance vesting over a three year period from their respective grant dates.
- (4) Dr. Rosenthal holds 33,300 Options, with 32,264 of these Options vested and exercisable and the remaining balance vesting over a three year period from their respective grant dates.
- (5) The value shown is the product of the number of Common Shares underlying the Option multiplied by the difference between the Common Share TSX closing price on December 31, 2024 of C\$10.80 and the exercise price.
- (6) The value shown is the product of the number of outstanding DSUs multiplied by the Common Share TSX closing price on December 31, 2024 of C\$10.80.

Incentive Plan Awards — Value Vested or Earned During the Year Ended December 31, 2024

The following table sets forth information with respect to the value of Options vested during the year ended December 31, 2024 as well as the cash bonuses granted to non-executive directors during the year ended December 31, 2024.

Name	Option-Based Awards Value Vested During Year (\$) ⁽¹⁾	Share-Based Awards Value Vested During the Year (\$) ⁽²⁾	Non-Equity Incentive Plan Compensation Value earned during the year (\$)
Brian Ellacott	—	12,899	—
Cynthia Lavoie	—	12,899	—
Murielle Lortie	—	12,899	—
Arthur Rosenthal	—	12,899	—
Kris Shah	—	12,899	—

Notes:

- (1) The value shown is the product of the number of Common Shares underlying the Options that vested during the year multiplied by the difference between the Common Share TSX closing price on the day the Options vested and the exercise price of the Options that vested.
- (2) The value shown is the product of the number of Common Shares underlying the DSUs that vested during the year multiplied by the Common Share TSX closing price on the day the DSUs vested.

Share Option Plan

The Company’s amended and restated share option plan (the “**Share Option Plan**”) is administered by the Board which may, from time to time, delegate to a committee of the Board, all or any of the powers conferred to the Board under the Share Option Plan. The Share Option Plan was originally adopted by the Board on June 4, 2015, and then amended and restated on December 8, 2016 and again on July 13, 2018.

The amendments made on July 13, 2018 were as follows: (i) inclusion of the Insider Participation Limits (as defined herein); (ii) removal of TSX Venture Exchange (“**TSXV**”) required participation limits since the Company was no longer listed on the TSXV; (iii) clarification to the share reserve since the Company was listed on the TSX and pursuant to the Share Option Plan, the reserve changed from a fixed number to a fixed percentage as described below; (iv) inclusion of an additional amendment to the list of amendments that require Shareholder approval (being removing or exceeding the Insider Participation Limits); and (v) other amendments of a housekeeping nature.

The Share Option Plan provides that the Board may from time to time, in its discretion, grant to directors, officers, employees, consultants and any other person or entity engaged to provide ongoing services to the Company non-transferable Options, provided that the maximum number of Common Shares reserved for issuance under the Share Option Plan is equal to 13% of the issued and outstanding shares in the capital of the Company at the time of any Option grant. If any Option is exercised, cancelled, expired, surrendered or otherwise terminated for any reason, the number of Common Shares in respect of which the Option is exercised, cancelled, expired, surrendered or otherwise terminated, as the case may be, will again be available for purchase pursuant to Options granted under the plan. As at December 31, 2024, 1,326,573 Options have been granted under the Share Option Plan, which represents 4.4% of the issued and outstanding Common Shares of the Company as at December 31, 2024. As at December 31, 2024, 2,578,602 Options are available for grant under the Share Option Plan, which represents 8.6% of the issued and outstanding shares in the capital of the Company as at December 31, 2024.

The aggregate number of Common Shares that may be (i) issued to insiders of the Company within any one-year period, or (ii) issuable to insiders of the Company at any time, in each case, under the Share Option Plan alone or when combined with all other security-based compensation arrangements of the Company, cannot exceed 10% of the outstanding Common Shares (the “**Insider Participation Limits**”).

The Board shall determine the exercise price of the Options, provided that, it cannot be less than the Market Price of the Common Shares on the date of grant. For the purposes of the Share Option Plan, “**Market Price**” means the volume-weighted average price of

the Common Shares on the stock exchange where the majority of trading volume and value of the Common Shares occurs, for the five trading days immediately preceding the relevant date on which the Market Price is to be determined.

The expiry date for an Option shall not be later than the 10th anniversary of the date an Option is granted, subject to the expiry date falling with a corporate blackout period or within 5 business days following the expiry of such a blackout period, in which case the expiry date will be extended to the 10th business day following the expiry of the blackout period.

Unless otherwise specified by the Board, each Option generally vests and becomes exercisable as to 1/4 on the first anniversary of the date of grant and as to 1/36 on the first day of each calendar month thereafter. The Board has the discretion to permit accelerated vesting of Options.

The Company does not provide any financial assistance to optionees to facilitate the purchase of Common Shares issued pursuant to the exercise of Options under the Share Option Plan. Options granted under the Share Option Plan are not transferable or assignable (except to an optionee's estate) and no Options may be exercised by anyone other than the optionee or his or her legal representative during the lifetime of the optionee.

The Share Option Plan contains the following provisions regarding the exercise and cancellation of Options following a change in the employment status of an optionee. In the event of:

- (a) an optionee's retirement, the optionee will continue to participate in the plan and each Option that has vested or that vests within 12 months following the retirement date continues to be exercisable until the earlier of the Option's expiry date and the date that is 12 months from the retirement date, and any Options that have not been exercised by such time will immediately expire and be cancelled;
- (b) an optionee's death or disability, each vested Option is exercisable until the earlier of the Option's expiry date and 6 months following the date of death or disability, as applicable, and any Options that have not been exercised by such time will immediately expire and be cancelled;
- (c) a termination without cause for an employee optionee, or the termination by the Company or an affiliate of a consulting agreement or arrangement (other than for breach) or the death or disability of a consultant, each vested Option is exercisable until the earlier of the Option's expiry date and 90 days following the date of termination, death or disability, as applicable, and any Options that have not been exercised by such time will immediately expire and be cancelled;
- (d) a termination for cause or resignation of an employee optionee, or the termination by the Company or an affiliate of a consulting agreement or arrangement (for breach) or the voluntary termination by the consultant, all Options (whether vested or unvested) terminate on the date of termination or resignation, as applicable; and
- (e) a director (who is not an employee or consultant) ceases to hold office, each vested Option is exercisable until the earlier of the Option's expiry date and 60 days following the cessation date, and any Options that have not been exercised by such time will immediately expire and be cancelled.

The Board may from time to time, without notice and without Shareholder approval, amend, modify, change, suspend or terminate the Share Option Plan or any Options granted thereunder as it, in its discretion determines appropriate, provided, however, that no such amendment, modification, change, suspension or termination of the Share Option Plan or any Option granted thereunder may materially impair any rights of an optionee or materially increase any obligations of an optionee under the plan without the consent of the optionee, unless the Board determines such adjustment is required or desirable in order to comply with any applicable securities laws or stock exchange requirements. Amendments that can be made by the Board without Shareholder approval include, but are not limited to, housekeeping amendments, amendments to comply with applicable law or stock exchange rules, amendments necessary for Options to qualify for favorable treatment under applicable tax laws, amendments to the vesting provisions of the Share Option Plan or any Option, amendments to include or modify a cashless exercise feature, amendments to the termination or early termination provisions of the Share

Option Plan or any Option, and amendments necessary to suspend or terminate the Share Option Plan. Shareholder approval is required for the following amendments to be made to the Share Option Plan:

- (a) increase to the number of Common Shares reserved for issuance under the Share Option Plan, except pursuant to the provisions in the plan that permit the Board to make equitable adjustments in the event of transactions affecting the Company or its capital;
- (b) reduce the exercise price of an Option, except pursuant to the provisions in the plan that permit the Board to make equitable adjustments in the event of transactions affecting the Company or its capital;
- (c) extend the term of an Option beyond the original expiry date, except where an expiry date would have fallen within a blackout period or within 5 business days following the expiry of such a blackout period;
- (d) permit an Option to be exercisable beyond 10 years from its date of grant, except where an expiry date would have fallen within a blackout period;
- (e) permit Options to be transferred other than for normal estate settlement purposes;
- (f) remove or exceeds the Insider Participation Limits;
- (g) permit awards, other than the Options, to be granted under the Share Option Plan; or
- (h) delete or reduce the range of amendments which require Shareholder approval.

As required by section 613 of the TSX Company Manual, the Company's annual burn rate, which represents the number of Options granted under the Share Option Plan divided by the weighted average number of Common Shares outstanding as at the end of a fiscal year, was 7.3% in 2022, 6.9% in 2023 and 5.4% in 2024.

Description of the Company's LTIP

On May 20, 2020, the Shareholders approved the adoption of the LTIP. The LTIP is an incentive-based equity compensation plan that provides for the grant of RSUs and DSUs.

The RSUs may be granted to any director, officer, employee or consultant of the Company or any of its affiliates and any such person's personal holding company, as designated by the Board in a resolution (the "**RSU Participants**") upon the terms and conditions set forth in a grant agreement. The DSUs may be granted to any director of the Company who has been designated by the Company for participation in the LTIP and who has agreed to participate in the LTIP (the "**DSU Participants**", together with the RSU Participants, the "**Participants**"), upon the terms and conditions set forth in a grant agreement. Subject to Board approval, once each fiscal year, a DSU Participant may elect to be paid up to 100% of this or her annual board retainer in the form of DSUs, with the remaining balance (if any) being paid in cash.

The LTIP was amended and restated by the Board on April 3, 2023, with respect to the revisions to the LTIP's amendment provision intended to more closely track the TSX amendment provision requirements and governance best practices (as further described below). Other than the revisions to the amendment provision, none of the amendments made to the LTIP required Shareholder approval. The amendments made to the LTIP that did not require Shareholder approval include decreasing the maximum number of Common Shares issuable pursuant to the LTIP from 13% of the outstanding Common Shares to 4.9% of the outstanding Common Shares, provided that, the maximum number of Common Shares which may be reserved for issuance pursuant to all of the Company's security-based compensation arrangements shall not in the aggregate exceed 13% of the issued and outstanding Common Shares including new non-employee director participation limits, including a new default vesting schedule for DSUs, permitting DSU Participants holding vested DSUs to elect settlement timing (subject to certain restrictions), providing the Company with the ability to elect whether vested DSUs are settled in Common Shares or cash, including a clawback provision, and other amendments of an administrative or "housekeeping" nature. These amendments do not require Shareholder approval because of the LTIP's amendment provision that allows these amendments to be made without Shareholder approval.

The LTIP is intended to advance the interests of the Company by: (i) providing Participants with additional incentives; (ii) rewarding the performance of the Participants through the issuance of the Units; (iii) increasing the proprietary interest of the Participants in the success of the Company; (iv) encouraging the Participants to remain with the Company or its affiliates; and (v) attracting new directors, employees, officers and consultants to the Company or its affiliates.

The LTIP will be administered by the Board and the Human Resources and Corporate Governance Committee. The Board is responsible for, among other things, granting the RSUs to the RSU Participants, granting the DSUs to the DSU Participants, determining the terms of such grants, and interpreting the LTIP and all agreements entered into thereunder. Pursuant to the LTIP, the number of RSUs (including fractional RSUs) granted at any particular time will be calculated by dividing (i) the dollar amount of such grant by (ii) the market value of a Common Share on the applicable grant date, which is equal to the volume weighted average trading price of all Common Shares traded on the TSX (or other exchange where the Common Shares are listed) for the five (5) trading days immediately preceding such date (the “**Market Value**”). The number of DSUs (including fractional DSUs) granted at any particular time will be calculated by dividing (i) the dollar amount of such grant by (ii) the Market Value of a Common Share on the applicable grant date.

The RSUs will vest 1/3 on each of the first, second and third anniversary dates of the original grant, provided that the RSU Participant is continuously employed by or in service with the Company, or any of its affiliates, until the respective vesting date. The Board would have the option to add any performance-based vesting criteria at its discretion. After the RSUs have vested, a Canadian RSU Participant may deliver a settlement notice to the Company in respect of any or all vested RSUs it desires to settle. U.S. RSU Participants must settle any vested RSUs within 70 days after such RSUs vested unless otherwise specified in the grant agreement. The Company may elect to settle the vested RSUs in cash, in Common Shares issued from treasury, or a combination thereof. Since the form of settlement (i.e. cash and/or Common Shares) is at the option of the Company, all RSUs must settle no later than December 31 in the third calendar year following the year in which the services giving rise to the RSUs were rendered.

DSUs granted prior to April 3, 2023 and any DSUs that a director elects to receive in lieu of annual cash board retainers will vest on the DSU termination date, which is the date on which the DSU Participant ceases to be a director and, if applicable, an employee of the Company for any reason. DSUs granted on or after April 3, 2023 will vest 1/3 on each of the first, second and third anniversary dates of the original grant, provided that the DSU Participant is continuously in service with the Company, or any of its affiliates, until the respective vesting date.

After the DSUs have vested and following a DSU Participant ceasing to hold all positions with the Company, a Participant may elect when to settle the Participant’s vested DSUs (subject to certain restrictions) and the Company will elect to settle such DSUs in such DSU Participant’s notional account for cash, Common Shares issued from treasury, or a combination thereof. U.S. DSU Participant’s shall settle any vested DSUs within 70 days on the date from such DSU Participant incurs a “separation from service” within the meaning of Section 409A of U.S. Internal Revenue Code of 1986.

The maximum number of Common Shares which may be reserved for issuance under the LTIP cannot exceed 4.9% of the issued and outstanding Common Shares from time to time on a non-diluted basis (representing an aggregate of 1,471,951 Common Shares as at December 31, 2024), provided that the Board may make appropriate adjustments in the Common Shares issuable or amounts payable to preclude a dilution or enlargement of the benefits under the LTIP as a result of a consolidation, share split or similar change in the capital structure of the Company, subject to any required approval by any stock exchange or regulatory authority. As at December 31, 2024, an aggregate of 416,291 Units, representing approximately 1.4% of the issued and outstanding Common Shares, are outstanding under the LTIP. As at December 31, 2024, an aggregate of 1,055,660 Units, representing approximately 3.5% of the issued and outstanding Common Shares, are available for grant under the LTIP.

Certain other restrictions on grants apply, including that: (i) the number of Common Shares issuable to insiders (as a group), at any time, under the LTIP and any other security-based compensation arrangements, including the Share Option Plan, shall not exceed 10% of the Company’s issued and outstanding Common Shares; (ii) the number of Common Shares issued to insiders (as a group), within a one-year period, under the LTIP and any other security-based compensation arrangements cannot exceed 10% of the Company’s issued and outstanding Common Shares; and (iii) the Company is prohibited from granting to any individual non-employee director of the Company more than \$150,000 worth of awards under any security-based compensation arrangement of the Company (with no more than \$100,000 attributable to stock options) annually based on the grant date fair value of the Units, other than in respect of awards granted to non-employee directors in lieu of cash fees on a value for value basis.

Under the LTIP, the Company will not provide financial assistance to Participants in connection with the settlement of Units by Participants. Except as the Board may otherwise determine, if a RSU Participant ceases to be a RSU Participant for any reason, including, without limitation, as a result of his or her resignation, voluntary or involuntary termination (including with or without cause), retirement, disability, or death, any unvested RSUs held by such RSU Participant shall expire. Each DSU Participant is entitled to terminate his or her participation in the LTIP by filing a termination notice with the designated officer of the Company. Thereafter, any portion of such DSU Participant's annual board retainer payable and all subsequent annual board retainers shall be paid in cash.

In no event may the rights or interests of a Participant under the LTIP be assigned, encumbered, pledged, transferred or alienated in any way, except to the extent that certain rights may pass to a beneficiary or legal representative upon death of a Participant, by will or by the laws of succession and distribution.

Any Unit which is subject to recovery, cancellation, forfeiture, revocation or recoupment under applicable laws, stock exchange listing requirements or policies adopted by the Company, including the Company's clawback policy, will be subject to such deductions, cancellations, forfeitures, revocations, recoups and clawbacks as may be required pursuant to such laws, stock exchange listing requirements or policies.

In the event of a change of control, merger, amalgamation, arrangement, business combination or other transaction pursuant to which the Common Shares of the Company are converted into, or exchanged for, other property, whether in the form of securities of another entity, cash or otherwise, any surviving or acquiring company must, (i) assume any Unit outstanding under the LTIP on substantially the same economic terms and conditions as the LTIP; or (ii) substitute or replace restricted share units and deferred share units, as applicable for those RSUs and DSUs outstanding under the LTIP on substantially the same economic terms and conditions. In the event any surviving or acquiring company neglects or refuses (as determined by the Board, acting reasonably) to assume any Units or to substitute or replace similar restricted share units and deferred share units, as applicable, for those outstanding RSUs and DSUs in connection with a such an event, then with respect to any Units held by Participants, the vesting of such Units will automatically accelerate and be fully vested. Additionally, the Board may, in its discretion: (a) terminate, conditionally or otherwise and on such terms as it sees fit, the RSUs not settled following successful completion of such event; and (b) accelerate, conditionally or otherwise and on such terms as it sees fit, the vesting of Units or otherwise modify the terms of the Units to assist the Participants to obtain the advantage of holding Common Shares during the event.

In the event of a potential change of control following a take-over bid, the Board may, in its discretion, conditionally or otherwise and on such terms as it sees fit, accelerate the vesting of all of a Participant's unvested Units to a date prior to the expiry date of such take-over bid or offer, such that all of a Participant's Units will immediately vest at such time. In such event, all RSUs so vested may be settled conditionally or otherwise, from such date until their respective expiry date so as to permit the Participant to tender the Common Shares received upon such settlement pursuant to the take-over bid or offer.

The Board may make certain amendments to the LTIP or to any Unit outstanding thereunder without seeking shareholder approval, including, but not limited to, housekeeping amendments, amendments to comply with applicable law or stock exchange rules, amendments necessary for Units to qualify for favorable treatment under applicable tax laws, amendments to the vesting provisions of the LTIP or any Unit, amendments to the termination or early termination provisions of the LTIP or any Unit, and amendments necessary to suspend or terminate the LTIP. Only the following types of amendments will not be able to be made without obtaining shareholder approval:

- increasing the number of Common Shares reserved for issuance under the LTIP (other than as a result of a share split or similar change in the capital structure of the Company);
- permitting awards to be transferred or assigned other than for normal estate settlement purposes;
- permitting the introduction or reintroduction of non-employee directors as participants on a discretionary basis or increasing limits previously imposed on non-employee director participation;
- removing or exceeding the participation limits on insiders;
- amendments which delete or reduce the range of amendments which require approval by the Shareholders; and

- amendments required to be approved by shareholders under applicable laws or the rules, regulations and policies of any stock exchange on which the Common Shares are listed.

As required by section 613 of the TSX Company Manual, the Company's annual burn rate, which represents the number of Units granted under the LTIP divided by the weighted average number of Common Shares outstanding as at the end of a fiscal year, was 2.4% in 2022, 2.7% in 2023 and 1.7% in 2024.

Policies and Practices Related to the Grant of Certain Equity Awards

Our equity awards, including stock options, are granted in connection with regularly scheduled meetings of the Human Resources and Corporate Governance Committee and the Board which are scheduled in March and August after the release of our quarterly financial results for the prior quarter. Our trading black-out period normally lifts after two trading days following such release of information. The Human Resources and Corporate Governance Committee may also grant equity awards to individuals upon hire or promotion to executive officer positions, which awards are granted on a quarterly basis. These equity awards are not granted during any trading black-out periods. The Human Resources and Corporate Governance Committee does not grant equity awards in anticipation of the release of material non-public information. Similarly, we do not time the release of material non-public information based on equity award grant dates.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information with respect to the beneficial ownership of our common shares as of March 7, 2025 for:

- each person or group of affiliated persons known by us to be the beneficial owner of more than five percent of our capital stock;
- each of our directors;
- each of our named executive officers; and
- all of our current directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Under those rules, beneficial ownership includes any shares as to which the individual or entity has sole or shared voting power or investment power. Except as noted by footnote, and subject to community property laws where applicable, we believe, based on the information provided to us, that the persons and entities named in the table below have sole voting and investment power with respect to all common shares shown as beneficially owned by them.

The percentage of beneficial ownership in the table below is based on 30,039,809 common shares outstanding as of March 7, 2025. Options to purchase common shares that are exercisable within 60 days of March 7, 2025 are deemed to be beneficially owned by the persons holding these options for the purpose of computing percentage ownership of that person, but are not treated as outstanding for the purpose of computing any other person's ownership percentage.

Unless otherwise indicated, we believe that each person named in the table below has sole voting and investment power with respect to all common shares beneficially owned by them. Unless otherwise indicated, the business address of each of the following entities or individuals is c/o Profound Medical Corp., 2400 Skymark Avenue, Unit 6, Mississauga, Ontario, Canada, L4W5K5.

Name of Beneficial Owner	Shares Beneficially Owned	Percentage of Shares Beneficially Owned
Greater than 5% Stockholders:		
Neil Gagnon (Gagnon Securities LLC) ⁽¹⁾	3,346,743	11.2 %
Named Executive Officers and Directors:		
Arun Menawat ⁽²⁾	1,016,502	3.3 %
Rashed Dewan ⁽³⁾	147,462	0.5 %
Mathieu Burtnyk ⁽⁴⁾	128,324	0.4 %
Tom Tamberrino ⁽⁵⁾	13,333	0.0 %
Brian Ellacott ⁽⁶⁾	101,300	0.3 %
Cynthia Lavoie ⁽⁷⁾	25,798	0.1 %
Murielle Lortie ⁽⁸⁾	22,948	0.1 %
Arthur Rosenthal ⁽⁹⁾	50,600	0.2 %
Kris Shah	—	0.0 %
All current executive officers and directors as a group (9 persons)	2,544,421	8.3 %

Notes:

- (1) Based on the Schedule 13G/A filed by Gagnon Securities LLC on January 23, 2025. Consists of shares held by Gagnon Securities LLC, Gagnon Advisors, LLC and Neil Gagnon. Mr. Gagnon is the managing member and principal owner of Gagnon Securities LLC and may be deemed to share voting power with respect to 1,771,667 shares and dispositive power with respect to 1,920,060 shares held in customer accounts of Gagnon Securities LLC. Gagnon Securities LLC and Mr. Gagnon expressly disclaim beneficial ownership of all securities held in the accounts. Mr. Gagnon is the Chief Executive Officer of Gagnon Advisors, LLC. Mr. Gagnon and Gagnon Advisors, in its role as investment manager to Gagnon Investment Associates, LLC (“GIA”), a private investment fund, may be deemed to share voting and dispositive power with respect to the 896,671 shares held by GIA. Gagnon Advisors and Mr. Gagnon expressly disclaim beneficial ownership of all securities held by GIA. The business address of each of these entities or individuals 1370 Ave. of Americas, 26th Floor, New York, NY 10019.
- (2) Consists of (i) 563,448 common shares held by Dr. Menawat, (ii) options to purchase 453,054 common shares issuable upon the exercise of options to purchase common shares exercisable within 60 days of March 7, 2025 held by Dr. Menawat.
- (3) Consists of (i) 46,839 common shares held by Mr. Dewan, (ii) options to purchase 100,623 common shares issuable upon the exercise of options to purchase common shares exercisable within 60 days of March 7, 2025 held by Mr. Dewan.
- (4) Consists of (i) 32,252 common shares held by Dr. Burtnyk, (ii) options to purchase 96,072 common shares issuable upon the exercise of options to purchase common shares exercisable within 60 days of March 7, 2025 held by Dr. Burtnyk.
- (5) Consists of 13,333 common shares held by Mr. Tamberrino.
- (6) Consists of (i) 68,000 common shares held by Mr. Ellacott, (ii) options to purchase 33,300 common shares issuable upon the exercise of options to purchase common shares exercisable within 60 days of March 7, 2025 held by Mr. Ellacott.
- (7) Consists of (i) 6,000 common shares held by Dr. Lavoie, (ii) options to purchase 19,798 common shares issuable upon the exercise of options to purchase common shares exercisable within 60 days of March 7, 2025 held by Dr. Lavoie.
- (8) Consists of (i) 3,150 common shares held by Ms. Lortie, (ii) options to purchase 19,798 common shares issuable upon the exercise of options to purchase common shares exercisable within 60 days of March 7, 2025 held by Ms. Lortie.
- (9) Consists of (i) 17,300 common shares held by Dr. Rosenthal, (ii) options to purchase 33,300 common shares issuable upon the exercise of options to purchase common shares exercisable within 60 days of March 7, 2025 held by Dr. Rosenthal.

Securities Authorized for Issuance under Equity Incentive Plans

Equity Compensation Plan Information

The following table provides certain aggregate information with respect to all of the Company's equity compensation plans in effect as of December 31, 2024.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by securityholders	2,707,443 ⁽¹⁾	C\$14.13 per Common Share ⁽²⁾	1,197,732 ⁽³⁾
Equity compensation plans not approved by securityholders	—	—	—
Total	2,707,443	C\$14.13 per Common Share	1,197,732 ⁽⁴⁾

Notes:

- (1) Consists of options to purchase 2,291,152 Common Shares outstanding under the Share Option Plan, and 416,291 Common Shares subject to RSUs and DSUs outstanding under the LTIP as of December 31, 2024.
- (2) Reflects the weighted-average exercise price of options to purchase Common Shares outstanding as of December 31, 2024.
- (3) Consists of 798,023 Common Shares reserved under the Share Option Plan, and 399,709 Common Shares reserved under the LTIP as of December 31, 2024.
- (4) The aggregate maximum number of Common Shares that may be issued under the LTIP may not exceed 4.9% of the issued and outstanding Common Shares from time to time on a non-diluted basis. The aggregate maximum number of Common Shares that may be issued under the Share Option Plan, together with all other security-based compensation arrangements of the Company, is limited to 13% of the issued and outstanding Common Shares.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Under existing SEC rules, some transactions, commonly referred to as “related party transactions,” are required to be disclosed to shareholders, including any transactions in which we have been a participant, in which the amount involved exceeds the lesser of (i) \$120,000 or (ii) 1% of the average of our total assets as of December 31, 2023 and 2024, and in which any of our directors, executive officers or holders of more than 5% of our capital stock, or an affiliate or immediate family member thereof, had or will have a direct or indirect material interest.

We are not aware of any related party transactions or series of similar transactions to which we have been or will be a party since January 1, 2023, other than compensation arrangements, which are described where required under the “Compensation of Named Executive Officers” and “Director Compensation” sections above.

Policies and Procedures for Related Party Transactions

We have adopted a written policy that requires all transactions between us and any director, executive officer, holder of 5% or more of any class of our capital stock or any member of the immediate family of, or entities affiliated with, any of them, or any other related persons, as defined in Item 404 of Regulation S-K, or their affiliates, in which the amount involved is equal to or greater than \$120,000, be approved in advance by the Audit Committee. Any request for such a transaction must first be presented to the Audit Committee for review, consideration and approval. In approving or rejecting any such proposal, the Audit Committee is to consider the relevant facts and circumstances available and deemed relevant to the Audit Committee, including, but not limited to, the extent of the related party's interest in the transaction, and whether the transaction is on terms no less favorable to us than terms we could have generally obtained from an unaffiliated third party under the same or similar circumstances.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table presents fees for professional audit services rendered by PricewaterhouseCoopers LLP (PwC) for the audit of our annual financial statements for the years ended December 31, 2024 and December 31, 2023, and fees billed for other services rendered by PwC during those periods:

Financial Year Ending	Audit Fees ⁽¹⁾	Audit Related Fees	Tax Fees ⁽²⁾	All Other Fees
December 31, 2023	\$ 583,000	\$ —	\$ 75,000	\$ —
December 31, 2024	\$ 386,000	\$ —	\$ 69,000	\$ —

Notes:

- (1) Audit fees includes annual audit, quarterly reviews and work performed in relation to offerings.
- (2) Tax fees includes fees related to annual tax returns and scientific research credit return along with tax and transfer pricing advice.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Public Accountant

Consistent with SEC policies regarding auditor independence, the audit committee has responsibility for appointing, setting compensation and overseeing the work of our independent registered public accounting firm. In recognition of this responsibility, the audit committee has established a policy to pre-approve all audit and permissible non-audit services provided by our independent registered public accounting firm.

Prior to engagement of an independent registered public accounting firm for the next year's audit, management will submit an aggregate of services expected to be rendered during that year for each of four categories of services to the audit committee for approval.

1. **Audit** services include audit work performed in the preparation of financial statements, as well as work that generally only an independent registered public accounting firm can reasonably be expected to provide, including comfort letters, statutory audits, and attest services and consultation regarding current financial accounting and/or reporting standards.

2. **Audit-Related** services are for assurance and related services that are traditionally performed by an independent registered public accounting firm, including due diligence related to mergers and acquisitions, employee benefit plan audits, and special procedures required to meet certain regulatory requirements.

3. **Tax** services include all services performed by an independent registered public accounting firm's tax personnel except those services specifically related to the audit of the financial statements, and include fees in the areas of tax compliance, tax planning, and tax advice.

4. **Other Fees** are those associated with services not captured in the other categories. We generally do not request such services from our independent registered public accounting firm but these fees may include permitted advisory services and license fees associated with an accounting research tool.

Prior to engagement, the audit committee pre-approves these services by category of service. The fees are budgeted and the audit committee requires our independent registered public accounting firm and management to report actual fees versus the budget periodically throughout the year by category of service. During the year, circumstances may arise when it may become necessary to engage our independent registered public accounting firm for additional services not contemplated in the original pre-approval. In those instances, the audit committee requires specific pre-approval before engaging our independent registered public accounting firm.

The audit committee may delegate pre-approval authority to one or more of its members. The member to whom such authority is delegated must report, for informational purposes only, any pre-approval decisions to the audit committee at its next scheduled meeting.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Item 15(a). The following documents are filed as part of this annual report on Form 10-K:

Item 15(a)(1) and (2) See “Index to Consolidated Financial Statements and Financial Statement Schedules” at Item 8 to this Annual Report on Form 10-K. Other financial statement schedules have not been included because they are not applicable or the information is included in the financial statements or notes thereto.

Item 15(a)(3) Exhibits

The following is a list of exhibits filed as part of this Annual Report on Form 10-K.

Exhibit Number	Exhibit Description	Filed with this Report	Incorporated by Reference herein from Form or Schedule	Filing Date	SEC File/Reg. Number
3.1	Articles of Incorporation		Form S-8 (Exhibit 4.1)	11/7/2019	333-234574
3.2	Articles of Amendment		Form S-8 (Exhibit 4.2)	11/7/2019	333-234574
3.3	Articles of Amalgamation		Form S-8 (Exhibit 4.3)	11/7/2019	333-234574
3.4	Bylaws		Form S-8 (Exhibit 4.4)	11/7/2019	333-234574
4.1	Description of Securities	X			
4.2	Specimen Share Certificate	X			
10.1+	Employment Agreement, dated January 1, 2020, as amended, by and between the Company and Arun Menawat	X			
10.2+	Employment Agreement, dated October 14, 2024, by and between the Company and Tom Tamberrino	X			
10.3+	Amended and Restated Employment Agreement, dated August 23, 2019, as amended, by and between the Company and Rashed Dewan	X			
10.4+	Amended and Restated Employment Agreement, dated August 20, 2019, as amended, by and between the Company and Mathieu Burtnyk	X			
10.5+	Profound Medical Corp. Long Term Incentive Plan		Form S-8 (Exhibit 99.1)	5/20/2020	333-238528
10.6+	Profound Medical Amended and Restated Share Option Plan		Form S-8 (Exhibit 99.1)	11/7/2019	333-234574
10.7	Amended and Restated Technology License Agreement, dated May 16, 2011, by and between the Company and Sunnybrook Health Sciences Centre	X			
10.8	Siemens Agreement dated January 23, 2019, between the Company and Siemens Healthcare GmbH	X			
10.9*	Amended and Restated Credit Agreement, dated March 3, 2025, between the Company and Canadian Imperial Bank of Commerce	X			
19	Profound Medical Corp. Corporate Disclosure, Confidentiality and Trading in Securities by Directors, Officers, Employees and Consultants Policy	X			
21	Subsidiaries of the Company	X			

23.1	Consent of Independent Registered Public Accountant	X			
31.1	Certification of the Company's Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X			
31.2	Certification of the Company's Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X			
32†	Certification of the Company's Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X			
97+	Profound Medical Corp.'s Clawback Policy		Form 40-F (Exhibit 97.0)	3/7/2024	001-39032
101.INS	Inline XBRL Instance Document	X			
101.SCH	Inline XBRL Taxonomy Extension Schema Document	X			
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	X			
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	X			
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	X			
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	X			
104	Cover Page Interactive Data File (formatted as iXBRL and contained in Exhibit 101).	X			

+ Management contract or compensatory plan or arrangement.

* Certain portions of this exhibit have been omitted pursuant to Item 601(b)(10) of Regulation S-K.

† The certifications attached as Exhibit 32 that accompany this Annual Report on Form 10-K are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of such Form 10-K), irrespective of any general incorporation language contained in such filing.

Item 16. FORM 10-K SUMMARY

Not applicable.