



**PROFOUND MEDICAL CORP.**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**MARCH 31, 2024**

**PRESENTED IN US DOLLARS (000s)**

# Profound Medical Corp.

Interim Condensed Consolidated Balance Sheets

In USD (000s)

(Unaudited)

|                                                   | March 31,<br>2024<br>\$ | December 31,<br>2023<br>\$ |
|---------------------------------------------------|-------------------------|----------------------------|
| <b>Assets</b>                                     |                         |                            |
| <b>Current assets</b>                             |                         |                            |
| Cash                                              | 41,180                  | 26,213                     |
| Trade and other receivables (note 3)              | 6,510                   | 7,288                      |
| Inventory (note 4)                                | 6,976                   | 6,989                      |
| Prepaid expenses and deposits                     | 875                     | 1,406                      |
| <b>Total current assets</b>                       | <b>55,541</b>           | <b>41,896</b>              |
| Property and equipment (note 5)                   | 866                     | 909                        |
| Intangible assets (note 6)                        | 428                     | 490                        |
| Right-of-use assets (note 7)                      | 547                     | 616                        |
| <b>Total assets</b>                               | <b>57,382</b>           | <b>43,911</b>              |
| <b>Liabilities</b>                                |                         |                            |
| <b>Current liabilities</b>                        |                         |                            |
| Accounts payable and accrued liabilities          | 2,875                   | 3,282                      |
| Deferred revenue                                  | 644                     | 721                        |
| Long-term debt (note 8)                           | 6,482                   | 2,104                      |
| Lease liabilities (note 9)                        | 253                     | 259                        |
| Income taxes payable                              | 13                      | -                          |
| <b>Total current liabilities</b>                  | <b>10,267</b>           | <b>6,366</b>               |
| Deferred tax liability                            | 59                      | 59                         |
| Long-term debt (note 8)                           | -                       | 5,000                      |
| Deferred revenue                                  | 697                     | 728                        |
| Lease liabilities (note 9)                        | 501                     | 578                        |
| <b>Total liabilities</b>                          | <b>11,524</b>           | <b>12,731</b>              |
| <b>Shareholders' Equity</b>                       |                         |                            |
| Share capital (note 10)                           | 232,763                 | 217,393                    |
| Contributed surplus                               | 19,985                  | 19,687                     |
| Accumulated other comprehensive income            | 17,240                  | 12,031                     |
| Deficit                                           | (224,130)               | (217,931)                  |
| <b>Total Shareholders' Equity</b>                 | <b>45,858</b>           | <b>31,180</b>              |
| <b>Total Liabilities and Shareholders' Equity</b> | <b>57,382</b>           | <b>43,911</b>              |

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

# Profound Medical Corp.

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

In USD (000s)

(Unaudited)

|                                                           | Three months<br>ended<br>March 31,<br>2024<br>\$ | Three months<br>ended<br>March 31,<br>2023<br>\$ |
|-----------------------------------------------------------|--------------------------------------------------|--------------------------------------------------|
| <b>Revenue</b> (note 12)                                  |                                                  |                                                  |
| Recurring - non-capital                                   | 1,482                                            | 1,467                                            |
| Capital equipment                                         | 428                                              | 393                                              |
|                                                           | 1,910                                            | 1,860                                            |
| <b>Cost of sales</b> (note 13)                            | 641                                              | 647                                              |
| <b>Gross profit</b>                                       | 1,269                                            | 1,213                                            |
| <b>Operating expenses</b> (note 13)                       |                                                  |                                                  |
| Research and development                                  | 3,933                                            | 3,840                                            |
| General and administrative                                | 2,387                                            | 2,106                                            |
| Selling and distribution                                  | 2,431                                            | 2,105                                            |
| <b>Total operating expenses</b>                           | 8,751                                            | 8,051                                            |
| <b>Operating loss</b>                                     | 7,482                                            | 6,838                                            |
| Net finance expense (income) (note 14)                    | (1,322)                                          | (145)                                            |
| <b>Loss before income taxes</b>                           | 6,160                                            | 6,693                                            |
| Income tax expense                                        | 39                                               | 48                                               |
| <b>Net loss attributed to shareholders for the period</b> | 6,199                                            | 6,741                                            |
| <b>Other comprehensive (income) loss</b>                  |                                                  |                                                  |
| Item that may be reclassified to loss                     |                                                  |                                                  |
| Foreign currency translation adjustment – net of tax      | (5,209)                                          | 47                                               |
| <b>Net loss and comprehensive loss for the period</b>     | 990                                              | 6,788                                            |
| <b>Loss per share</b> (note 15)                           |                                                  |                                                  |
| Basic and diluted loss per common share                   | 0.26                                             | 0.32                                             |

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

## Profound Medical Corp.

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

In USD (000s)

(Unaudited)

|                                                                     | Number<br>of shares | Share<br>capital<br>\$ | Contributed<br>surplus<br>\$ | Accumulated<br>other<br>comprehensive<br>income<br>\$ | Deficit<br>\$ | Total<br>\$ |
|---------------------------------------------------------------------|---------------------|------------------------|------------------------------|-------------------------------------------------------|---------------|-------------|
| <b>Balance – January 1, 2023</b>                                    | 20,879,497          | 205,825                | 18,704                       | 16,837                                                | (189,362)     | 52,004      |
| Net loss for the period                                             | -                   | -                      | -                            | -                                                     | (6,741)       | (6,741)     |
| Cumulative translation adjustment –<br>net of tax of \$nil          | -                   | 169                    | (14)                         | (47)                                                  | -             | 108         |
| Exercise of share options                                           | 500                 | 1                      | (1)                          | -                                                     | -             | -           |
| Exercise of Warrants                                                | 234,335             | 3,409                  | (986)                        | -                                                     | -             | 2,423       |
| Share-based compensation (note 11)                                  | -                   | -                      | 941                          | -                                                     | -             | 941         |
| <b>Balance – March 31, 2023</b>                                     | 21,114,332          | 209,404                | 18,644                       | 16,790                                                | (196,103)     | 48,735      |
| <b>Balance – January 1, 2024</b>                                    | 21,370,565          | 217,393                | 19,687                       | 12,031                                                | (217,931)     | 31,180      |
| Net loss for the period                                             | -                   | -                      | -                            | -                                                     | (6,199)       | (6,199)     |
| Cumulative translation adjustment –<br>net of tax of \$nil          | -                   | (5,709)                | (469)                        | 5,209                                                 | -             | (969)       |
| Shares issued in public offering and<br>private placement (note 10) | 3,058,334           | 21,079                 | -                            | -                                                     | -             | 21,079      |
| Share-based compensation (note 11)                                  | -                   | -                      | 767                          | -                                                     | -             | 767         |
| <b>Balance – March 31, 2024</b>                                     | 24,428,899          | 232,763                | 19,985                       | 17,240                                                | (224,130)     | 45,858      |

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

# Profound Medical Corp.

Interim Condensed Consolidated Statements of Cash Flows

In USD (000s)

(Unaudited)

|                                                                                | Three months<br>ended<br>March 31,<br>2024<br>\$ | Three months<br>ended<br>March 31,<br>2023<br>\$ |
|--------------------------------------------------------------------------------|--------------------------------------------------|--------------------------------------------------|
| <b>Operating activities</b>                                                    |                                                  |                                                  |
| Net loss for the period                                                        | (6,199)                                          | (6,741)                                          |
| Adjustments to reconcile net loss to net cash flows from operating activities: |                                                  |                                                  |
| Depreciation of property and equipment (note 5)                                | 199                                              | 179                                              |
| Amortization of intangible assets (note 6)                                     | 51                                               | 50                                               |
| Depreciation of right-of-use assets (note 7)                                   | 55                                               | 54                                               |
| Share-based compensation (note 11)                                             | 767                                              | 941                                              |
| Interest and accretion expense (note 14)                                       | 177                                              | 192                                              |
| Deferred revenue                                                               | (107)                                            | 212                                              |
| Change in fair value of derivative financial instrument (note 14)              | -                                                | (121)                                            |
| Net change in amortized cost of trade and other receivables (note 3)           | (69)                                             | (39)                                             |
| Changes in non-cash working capital balances                                   |                                                  |                                                  |
| Trade and other receivables                                                    | 854                                              | (600)                                            |
| Prepaid expenses and deposits                                                  | 553                                              | 364                                              |
| Inventory                                                                      | (180)                                            | (330)                                            |
| Accounts payable and accrued liabilities                                       | (570)                                            | (21)                                             |
| Provisions                                                                     | -                                                | 6                                                |
| Income taxes payable                                                           | 13                                               | 48                                               |
| Foreign exchange on cash                                                       | (642)                                            | (17)                                             |
| <b>Net cash flow used in operating activities</b>                              | <b>(5,098)</b>                                   | <b>(5,823)</b>                                   |
| <b>Financing activities</b>                                                    |                                                  |                                                  |
| Issuance of common shares (note 10)                                            | 22,938                                           | -                                                |
| Transactions costs paid (note 10)                                              | (1,859)                                          | -                                                |
| Payment of long-term debt (note 8)                                             | (623)                                            | (206)                                            |
| Proceeds from warrants exercised                                               | -                                                | 2,423                                            |
| Payment of lease liabilities (note 9)                                          | (73)                                             | (73)                                             |
| <b>Total cash flow from financing activities</b>                               | <b>20,383</b>                                    | <b>2,144</b>                                     |
| Net change in cash during the period                                           | 15,285                                           | (3,679)                                          |
| Foreign exchange on cash                                                       | (318)                                            | 146                                              |
| Cash – Beginning of period                                                     | 26,213                                           | 46,517                                           |
| <b>Cash – End of period</b>                                                    | <b>41,180</b>                                    | <b>42,984</b>                                    |

## Supplemental cash flow information:

|                                                     |     |     |
|-----------------------------------------------------|-----|-----|
| Interest paid, included in financing activities     | 159 | 157 |
| Income taxes paid, included in operating activities | 14  | 11  |

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

# Profound Medical Corp.

Notes to Interim Condensed Consolidated Financial Statements

March 31, 2024

In USD (000s)

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## 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 medical technology company developing treatments to ablate the prostate gland, uterine fibroids, osteoid osteoma and nerves for palliative pain relief for patients with metastatic bone disease.

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

## 2 Summary of material accounting policies and basis of preparation

### Basis of preparation

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards), applicable to the preparation of interim condensed consolidated financial statements, including International Accounting Standards (IAS) 34, Interim Financial Reporting. These interim condensed consolidated financial statements are presented in US dollars and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2023, which were prepared in accordance with IFRS Accounting Standards.

These interim condensed consolidated financial statements are prepared in accordance with the accounting policies as set out in the Company's annual consolidated financial statements for the year ended December 31, 2023. The presentation of these interim condensed consolidated financial statements is consistent with the presentation of the annual consolidated financial statements. The Board of Directors approved these consolidated financial statements on May 9, 2024. These consolidated financial statements comply with IFRS Accounting Standards.

The interim condensed consolidated financial statements were prepared on a going concern basis under the historical cost convention. The fair values of cash, trade and other receivables, accounts payable and accrued liabilities and lease liabilities approximate their carrying values, due to their relatively short periods to maturity. The fair value of the long-term debt approximates its carrying amount as it has a floating interest rate.

### Accounting standards adopted during the year

Beginning on January 1, 2024, the Company adopted certain IFRS Accounting Standards and amendments:

- *Classification of liabilities as current or non-current (Amendments to IAS1)*
- *Non-current liabilities with covenants (Amendments to IAS1).*

The adoption of these amendments did not have a material impact on the interim condensed consolidated financial statements.

# Profound Medical Corp.

Notes to Interim Condensed Consolidated Financial Statements

March 31, 2024

In USD (000s)

## 3 Trade and other receivables

The trade and other receivables balance comprises the following:

|                                          | March 31,<br>2024<br>\$ | December 31,<br>2023<br>\$ |
|------------------------------------------|-------------------------|----------------------------|
| Trade receivables, gross                 | 6,557                   | 7,145                      |
| Loss allowance                           | (74)                    | (76)                       |
| Less amortized cost adjustment           | (239)                   | (315)                      |
| Trade receivables, net                   | 6,244                   | 6,754                      |
| Tax receivables                          | 66                      | 414                        |
| Other receivables                        | 200                     | 120                        |
| <b>Total trade and other receivables</b> | <b>6,510</b>            | <b>7,288</b>               |

The Company applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. Trade receivables past due represents amounts not collected beyond the customer's contractual terms. At March 31, 2024 there were \$967 of trade receivables that were past due (December 31, 2023 - \$648).

Management continually reviews the future cash flows used in the calculation of the amortized cost of its trade and other receivables. Due to access to customer locations, certain gross trade receivables totalling \$3,737 are expected to have a longer repayment term due to the payment term being based on installation of the device. The Company recognized \$69 net interest income for the three months ended March 31, 2024 (\$39 for the three months ended March 31, 2023).

## 4 Inventory

|                        | March 31,<br>2024<br>\$ | December 31,<br>2023<br>\$ |
|------------------------|-------------------------|----------------------------|
| Finished goods         | 4,781                   | 4,646                      |
| Raw materials          | 2,210                   | 2,351                      |
| Inventory provision    | (15)                    | (8)                        |
| <b>Total inventory</b> | <b>6,976</b>            | <b>6,989</b>               |

During the three months ended March 31, 2024, \$523 (three months ended March 31, 2023 - \$476) of inventory was recognized in cost of sales. The Company increased its inventory provision by \$7 during the three months ended March 31, 2024 (three months ended March 31, 2023 - \$6). There were no other inventory write-downs charged to cost of sales during the period ended March 31, 2024.

# Profound Medical Corp.

Notes to Interim Condensed Consolidated Financial Statements

March 31, 2024

In USD (000s)

## 5 Property and equipment

|                                          | Leasehold<br>improvements<br>\$ | Equipment<br>under lease<br>\$ | Total<br>\$ |
|------------------------------------------|---------------------------------|--------------------------------|-------------|
| <b>At January 1, 2024</b>                |                                 |                                |             |
| Cost                                     | 542                             | 2,583                          | 3,125       |
| Accumulated depreciation                 | (384)                           | (1,832)                        | (2,216)     |
| Net book value                           | 158                             | 751                            | 909         |
| <b>Three months ended March 31, 2024</b> |                                 |                                |             |
| Opening net book value                   | 158                             | 751                            | 909         |
| Additions                                | -                               | 159                            | 159         |
| Foreign exchange                         | (5)                             | 2                              | (3)         |
| Depreciation                             | (14)                            | (185)                          | (199)       |
| Closing net book value                   | 139                             | 727                            | 866         |
| <b>At March 31, 2024</b>                 |                                 |                                |             |
| Cost                                     | 542                             | 2,742                          | 3,284       |
| Accumulated depreciation                 | (403)                           | (2,015)                        | (2,418)     |
| Net book value                           | 139                             | 727                            | 866         |

## 6 Intangible assets

|                                          | Exclusive<br>licence<br>agreement<br>\$ | Software<br>\$ | Proprietary<br>technology<br>\$ | Brand<br>\$ | Total<br>\$ |
|------------------------------------------|-----------------------------------------|----------------|---------------------------------|-------------|-------------|
| <b>As at January 1, 2024</b>             |                                         |                |                                 |             |             |
| Cost                                     | 231                                     | 978            | 3,456                           | 681         | 5,346       |
| Accumulated amortization                 | (114)                                   | (605)          | (3,456)                         | (681)       | (4,856)     |
| Net book value                           | 117                                     | 373            | -                               | -           | 490         |
| <b>Three months ended March 31, 2024</b> |                                         |                |                                 |             |             |
| Opening net book value                   | 117                                     | 373            | -                               | -           | 490         |
| Foreign exchange                         | (2)                                     | (9)            | -                               | -           | (11)        |
| Amortization                             | (5)                                     | (46)           | -                               | -           | (51)        |
| Closing net book value                   | 110                                     | 318            | -                               | -           | 428         |
| <b>As at March 31, 2024</b>              |                                         |                |                                 |             |             |
| Cost                                     | 231                                     | 978            | 3,456                           | 681         | 5,346       |
| Accumulated amortization                 | (121)                                   | (660)          | (3,456)                         | (681)       | (4,918)     |
| Net book value                           | 110                                     | 318            | -                               | -           | 428         |

# Profound Medical Corp.

Notes to Interim Condensed Consolidated Financial Statements

March 31, 2024

In USD (000s)

## 7 Right-of-use assets

|                                          | Leased<br>premises<br>\$ |
|------------------------------------------|--------------------------|
| <b>As at January 1, 2024</b>             |                          |
| Cost                                     | 1,679                    |
| Accumulated depreciation                 | (1,063)                  |
| Net book value                           | 616                      |
| <b>Three months ended March 31, 2024</b> |                          |
| Opening net book value                   | 616                      |
| Foreign exchange                         | (14)                     |
| Depreciation                             | (55)                     |
| Closing net book value                   | 547                      |
| <b>As at March 31, 2024</b>              |                          |
| Cost                                     | 1,679                    |
| Accumulated depreciation                 | (1,132)                  |
| Net book value                           | 547                      |

The Company leases office premises in Mississauga, Canada. The lease agreement ends on September 30, 2026 with the rights to extend for another 5 years, which is not reasonably certain.

## 8 Long-term debt

On November 3, 2022, the Company signed a term loan agreement with CIBC Innovation Banking (CIBC) to provide a secured loan for total gross proceeds of C\$10,000 maturing on November 3, 2027 with an interest rate based on 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 CIBC Loan 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 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.

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 or (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. The Company is compliant with the first covenant whereby unrestricted cash is at all times greater than EBITDA for the most recent nine-month period ended March 31, 2024. However, the Company is in breach with the second covenant whereby recurring revenue for any fiscal quarter must be 15% greater than recurring revenue for the same fiscal quarter in the prior fiscal year as at March 31, 2024. The loan is classified as current since CIBC has the right to demand the repayment of the loan. If CIBC demands repayment of the loan, the Company has sufficient cash to cover the repayment of the loan and would have \$34,517 cash remaining.

# Profound Medical Corp.

Notes to Interim Condensed Consolidated Financial Statements

March 31, 2024

In USD (000s)

On May 3, 2024, the Company received a waiver from CIBC and an amendment to the CIBC Loan which resulted in an amendment 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.

|                                      | March 31,<br>2024<br>\$ | December 31,<br>2023<br>\$ |
|--------------------------------------|-------------------------|----------------------------|
| <b>Balance – Beginning of period</b> | 7,104                   | 7,174                      |
| Interest and accretion expense       | 169                     | 727                        |
| Foreign exchange                     | (168)                   | 115                        |
| Repayment                            | (623)                   | (912)                      |
| <b>Balance – End of period</b>       | 6,482                   | 7,104                      |
| Less: Current portion                | 6,482                   | 2,104                      |
| Long-term portion                    | -                       | 5,000                      |

## 9 Lease liabilities

|                                      | March 31,<br>2024<br>\$ | December 31,<br>2023<br>\$ |
|--------------------------------------|-------------------------|----------------------------|
| <b>Balance – Beginning of Period</b> | 837                     | 1,056                      |
| Repayments                           | (73)                    | (292)                      |
| Foreign exchange                     | (18)                    | 30                         |
| Interest and accretion expense       | 8                       | 43                         |
| <b>Balance – End of Period</b>       | 754                     | 837                        |
| Less: Current portion                | 253                     | 259                        |
| Long-term portion                    | 501                     | 578                        |

## 10 Share capital

### Common shares

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

Issued and outstanding (with no par value)

|                                                           | March 31,<br>2024<br>\$ | December 31,<br>2023<br>\$ |
|-----------------------------------------------------------|-------------------------|----------------------------|
| 24,428,899 (December 31, 2023 – 21,370,565) common shares | 232,763                 | 217,393                    |

# Profound Medical Corp.

Notes to Interim Condensed Consolidated Financial Statements

March 31, 2024

In USD (000s)

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 September 6, 2023, the Company entered into an at-the-market equity program (ATM Program), under which the Company may from time to time in its sole discretion, issue and sell through its securities dealers acting as agents up to \$30,000 of common shares. Through March 31, 2024, the Company has not issued any common shares of the Company under the ATM Program and is no longer in effect due to the expiry of the Company's shelf prospectus.

## 11 Share-based payments

### Share options

Compensation expense related to share options for the three months ended March 31, 2024 was \$169 (three months ended March 31, 2023 – \$415). A summary of the share option changes during the period presented and the total number of share options outstanding as at those dates are set forth below:

|                                  | Number<br>of options | Weighted<br>average exercise<br>price<br>C\$ |
|----------------------------------|----------------------|----------------------------------------------|
| <b>Balance – January 1, 2024</b> | 1,474,809            | 16.19                                        |
| Granted                          | 28,700               | 11.24                                        |
| Forfeited/expired                | (12,650)             | 17.40                                        |
| <b>Balance – March 31, 2024</b>  | 1,490,859            | 16.08                                        |

The Company estimated the fair value of the share options granted during the period using the Black-Scholes option pricing model with the weighted average assumptions below.

|                                | March 18,<br>2024 |
|--------------------------------|-------------------|
| Exercise price                 | C\$11.24          |
| Expected volatility            | 70%               |
| Expected life of options       | 6 years           |
| Risk-free interest rate        | 3.54%             |
| Dividend yield                 | -                 |
| Number of share options issued | 28,700            |

# Profound Medical Corp.

Notes to Interim Condensed Consolidated Financial Statements

March 31, 2024

In USD (000s)

The following table summarizes information about the share options outstanding as at March 31, 2024:

| Exercise price<br>C\$ | Number of<br>options<br>outstanding | Weighted<br>average<br>remaining<br>contractual<br>life (years) | Number of<br>options<br>exercisable |
|-----------------------|-------------------------------------|-----------------------------------------------------------------|-------------------------------------|
| 8.01 – 10.00          | 317,109                             | 5.05                                                            | 314,319                             |
| 10.01 – 12.00         | 138,234                             | 5.22                                                            | 109,534                             |
| 12.01 – 14.00         | 34,650                              | 7.61                                                            | 11,834                              |
| 14.01 – 16.00         | 142,456                             | 3.18                                                            | 135,585                             |
| 16.01 – 18.00         | 420,189                             | 6.15                                                            | 400,997                             |
| 18.01 – 20.00         | 15,450                              | 9.21                                                            | -                                   |
| 20.01 – 22.00         | 300                                 | 6.38                                                            | 267                                 |
| 22.01 – 24.00         | 410,671                             | 7.13                                                            | 291,823                             |
| 24.01 – 26.00         | 1,800                               | 6.65                                                            | 1,484                               |
| 28.01 – 30.00         | 10,000                              | 6.95                                                            | 7,504                               |
|                       | 1,490,859                           | 5.89                                                            | 1,273,347                           |

## Long-term incentive plan

Share-based compensation expense related to long-term incentive plan (LTIP) for the three months ended March 31, 2024 was \$598 (three months ended March 31, 2023 – \$526).

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

|                                  | Number of<br>RSUs | Weighted<br>average<br>remaining<br>contractual<br>life (years) |
|----------------------------------|-------------------|-----------------------------------------------------------------|
| <b>Balance – January 1, 2024</b> | 493,396           | 1.99                                                            |
| Granted                          | 30,000            | 2.92                                                            |
| Forfeited                        | (11,666)          | -                                                               |
| <b>Balance – March 31, 2024</b>  | 511,730           | 1.82                                                            |

A summary of the DSU changes during the period are set forth below:

|                                                       | Number of<br>DSUs |
|-------------------------------------------------------|-------------------|
| <b>Balance – January 1, 2024 &amp; March 31, 2024</b> | 75,000            |

# Profound Medical Corp.

Notes to Interim Condensed Consolidated Financial Statements

March 31, 2024

In USD (000s)

## 12 Revenue

| Three Months ended March 31, |                          |         |       |                          |         |       |
|------------------------------|--------------------------|---------|-------|--------------------------|---------|-------|
| 2024                         |                          |         | 2023  |                          |         |       |
| \$                           |                          |         | \$    |                          |         |       |
|                              | Contracts with customers | Leasing | Total | Contracts with customers | Leasing | Total |
| Recurring - non-capital      | 1,262                    | 220     | 1,482 | 1,257                    | 210     | 1,467 |
| Capital equipment            | -                        | 428     | 428   | 393                      | -       | 393   |
|                              | 1,262                    | 648     | 1,910 | 1,650                    | 210     | 1,860 |

## 13 Nature of expenses

|                                    | Three months ended March 31, 2024 | Three months ended March 31, 2023 |
|------------------------------------|-----------------------------------|-----------------------------------|
|                                    | \$                                | \$                                |
| Production and manufacturing costs | 109                               | 216                               |
| Salaries and benefits              | 3,992                             | 3,757                             |
| Consulting fees                    | 1,605                             | 1,018                             |
| Research and development expenses  | 756                               | 816                               |
| Sales and marketing expenses       | 709                               | 483                               |
| Amortization and depreciation      | 305                               | 283                               |
| Share-based compensation           | 767                               | 941                               |
| Rent                               | 94                                | 281                               |
| Software/hardware                  | 212                               | 160                               |
| Insurance                          | 331                               | 360                               |
| Office and shop supplies           | 35                                | 133                               |
| Other expenses                     | 479                               | 250                               |
| Expected credit loss (note 3)      | (2)                               | -                                 |
|                                    | 9,392                             | 8,698                             |

## 14 Net finance expense (income)

|                                                                       | Three months ended March 31, 2024 | Three months ended March 31, 2023 |
|-----------------------------------------------------------------------|-----------------------------------|-----------------------------------|
|                                                                       | \$                                | \$                                |
| Change in fair value of derivative financial instrument               | -                                 | (121)                             |
| Lease liability interest expense (note 9)                             | 8                                 | 12                                |
| Interest income                                                       | (562)                             | (297)                             |
| Net change for amortized cost of trade and other receivables (note 3) | (69)                              | (39)                              |
| CIBC loan interest expense (note 8)                                   | 169                               | 180                               |
| Net foreign exchange loss (gain)                                      | (868)                             | 120                               |
|                                                                       | (1,322)                           | (145)                             |

# Profound Medical Corp.

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March 31, 2024

In USD (000s)

## Credit risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligation. The Company is exposed to credit risk on its cash and trade and other receivable balances. The Company's cash management policies include ensuring cash is deposited in Canadian chartered banks.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and the days past due.

At March 31, 2024, the expected loss rates are based on comparable company payment profiles of sales over a period of 36 months before March 31, 2024 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The loss allowance as at March 31, 2024 for trade receivables is as follows:

|                       | 2024    |           |            |            |          |
|-----------------------|---------|-----------|------------|------------|----------|
|                       | Current | 0-30 days | 31-60 days | 61-90 days | 90+ days |
|                       |         |           |            |            | Total    |
| Expected loss rate    | 0.84%   | 1.42%     | 1.35%      | 2.46%      | 3.62%    |
| Gross carrying amount | 5,590   | 265       | 89         | -          | 613      |
| Loss allowance        | 47      | 4         | 1          | -          | 22       |
|                       |         |           |            |            | 74       |

## Foreign currency risk

Foreign currency risk occurs as a result of foreign exchange rate fluctuations between the time a transaction is recorded and the time it is settled.

The Company purchases goods and services denominated in foreign currencies and, accordingly, is subject to foreign currency risk. The Company's financial instruments denominated in foreign currencies are shown below in US dollars.

|                                          | March 31, 2024 |         |                     |                     |
|------------------------------------------|----------------|---------|---------------------|---------------------|
|                                          | US dollars \$  | Euro \$ | Canadian dollars \$ | Chinese renminbi \$ |
|                                          |                |         |                     | Total \$            |
| Cash                                     | 38,002         | 606     | 2,391               | 181                 |
| Trade and other receivables              | 4,364          | 1,880   | 266                 | -                   |
| Accounts payable and accrued liabilities | (622)          | (400)   | (1,836)             | (17)                |
| Lease liabilities                        | -              | -       | (754)               | -                   |
| Long-term debt                           | -              | -       | (6,482)             | -                   |
|                                          |                |         |                     | (6,482)             |

# Profound Medical Corp.

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March 31, 2024

In USD (000s)

As at March 31, 2024, if foreign exchange rates had been 5% higher, with all other variables held constant, loss and comprehensive loss would have been \$208 higher, mainly as a result of the translation of foreign currency denominated cash, trade and other receivables, accounts payable and accrued liabilities, lease liabilities and long-term debt. The Company does not use derivatives to reduce exposure to foreign currency risk.

## Liquidity risk

Liquidity risk is the risk the Company may encounter difficulties in meeting its financial liability obligations as they come due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis.

The Company controls liquidity risk through management of working capital, cash flows and the availability and sourcing of financing. The Company's ability to accomplish all of its future strategic plans is dependent on obtaining additional financing or executing other strategic options; however, there is no assurance the Company will achieve these objectives.

The following table summarizes the Company's significant contractual, undiscounted cash flows related to its financial liabilities following the receipt of a waiver in relation to the covenant breach on the CIBC loan.

|                                          |                          |                               |                           | 2024                                   |
|------------------------------------------|--------------------------|-------------------------------|---------------------------|----------------------------------------|
|                                          | Carrying<br>amount<br>\$ | Future<br>cash<br>flows<br>\$ | Less than<br>1 year<br>\$ | Between<br>1 year and<br>5 years<br>\$ |
| Accounts payable and accrued liabilities | 2,875                    | 2,875                         | 2,875                     | -                                      |
| Lease liabilities                        | 754                      | 810                           | 291                       | 519                                    |
| Long-term debt                           | 6,482                    | 7,874                         | 2,565                     | 5,309                                  |
|                                          | 10,111                   | 11,559                        | 5,731                     | 5,828                                  |

## 15 Loss per share

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

|                                          | Three months<br>ended<br>March 31,<br>2024 | Three months<br>ended<br>March 31,<br>2023 |
|------------------------------------------|--------------------------------------------|--------------------------------------------|
| Net loss for the period                  | \$6,199                                    | \$6,741                                    |
| Weighted average number of common shares | 24,295,749                                 | 20,922,209                                 |
| Basic and diluted loss per share         | \$0.26                                     | \$0.32                                     |

# Profound Medical Corp.

Notes to Interim Condensed Consolidated Financial Statements

March 31, 2024

In USD (000s)

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 and DSUs. Of the 1,490,859 share options (March 31, 2023 – 1,521,025), 511,730 RSUs (March 31, 2023 – 444,861), and 75,000 DSUs (March 31, 2023 – 60,000) not included in the calculation of diluted loss per share for the period ended March 31, 2024, 1,273,347 (March 31, 2023 – 1,162,041) were exercisable.

## 16 Related party transactions

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

|                                | Three months<br>ended<br>March 31,<br>2024<br>\$ | Three months<br>ended<br>March 31,<br>2023<br>\$ |
|--------------------------------|--------------------------------------------------|--------------------------------------------------|
| Salaries and employee benefits | 350                                              | 478                                              |
| Directors' fees                | 69                                               | 81                                               |
| Share-based compensation       | 542                                              | 777                                              |
|                                | 961                                              | 1,336                                            |

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

## 17 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 Company is managed geographically in Canada, Germany, USA, China and Finland.

For the three months ended March 31, 2024:

|                         | Canada<br>\$ | USA<br>\$ | Germany<br>\$ | Total<br>\$ |
|-------------------------|--------------|-----------|---------------|-------------|
| <b>Revenue</b>          |              |           |               |             |
| Recurring - non-capital | 104          | 1,158     | 220           | 1,482       |
| Capital equipment       | -            | -         | 428           | 428         |
|                         | 104          | 1,158     | 648           | 1,910       |

For the three months ended March 31, 2023:

|                         | Canada<br>\$ | USA<br>\$ | Germany<br>\$ | Total<br>\$ |
|-------------------------|--------------|-----------|---------------|-------------|
| <b>Revenue</b>          |              |           |               |             |
| Recurring - non-capital | 41           | 1,060     | 366           | 1,467       |
| Capital equipment       | -            | -         | 393           | 393         |
|                         | 41           | 1,060     | 759           | 1,860       |

# Profound Medical Corp.

Notes to Interim Condensed Consolidated Financial Statements

March 31, 2024

In USD (000s)

Other financial information by segment as at March 31, 2024:

|                                        | Canada<br>\$ | USA<br>\$ | Germany<br>\$ | China<br>\$ | Finland<br>\$ | Total<br>\$ |
|----------------------------------------|--------------|-----------|---------------|-------------|---------------|-------------|
| Total assets                           | 47,576       | 3,811     | 2,297         | 195         | 3,503         | 57,382      |
| Intangible assets                      | 428          | -         | -             | -           | -             | 428         |
| Property and equipment                 | 139          | 727       | -             | -           | -             | 866         |
| Right-of-use assets                    | 547          | -         | -             | -           | -             | 547         |
| Amortization of intangible assets      | 51           | -         | -             | -           | -             | 51          |
| Depreciation of property and equipment | 14           | 185       | -             | -           | -             | 199         |
| Depreciation of right-of-use assets    | 55           | -         | -             | -           | -             | 55          |

Other financial information by segment as at December 31, 2023:

|                                        | Canada<br>\$ | USA<br>\$ | Germany<br>\$ | China<br>\$ | Finland<br>\$ | Total<br>\$ |
|----------------------------------------|--------------|-----------|---------------|-------------|---------------|-------------|
| Total assets                           | 34,257       | 4,067     | 1,952         | 82          | 3,553         | 43,911      |
| Intangible assets                      | 490          | -         | -             | -           | -             | 490         |
| Property and equipment                 | 158          | 751       | -             | -           | -             | 909         |
| Right-of-use assets                    | 616          | -         | -             | -           | -             | 616         |
| Amortization of intangible assets      | 202          | -         | -             | -           | -             | 202         |
| Depreciation of property and equipment | 57           | 670       | -             | -           | -             | 727         |
| Depreciation of right-of-use assets    | 217          | -         | -             | -           | -             | 217         |