Item 6. [RESERVED]

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements and related notes appearing elsewhere in this Annual Report. Some of the information contained in this discussion and analysis or set forth elsewhere, including information with respect to our plans and strategy for our business and related financing, includes forward-looking statements that involve risks and uncertainties. As a result of many factors, including those factors set forth in the "Risk Factors" section of this Annual Report, our actual results could differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. You should carefully read the "Risk Factors" section of this Annual Report to gain an understanding of the important factors that could cause actual results to differ materially from our forward-looking statements. Please also see the section titled "Special Note Regarding Forward-Looking Statements." Unless stated otherwise, all references to "$" are to United States dollars in thousands and all references to "C$" are to Canadian dollars in thousands.

Overview

We are a commercial-stage medical device company focused on the development and marketing of AI-powered, MRI-guided, incision-free therapies for the ablation of diseased tissue utilizing our platform technologies and leveraging the healthcare system's existing imaging infrastructure. Our lead product (the "**TULSA-PRO system**") combines real-time MRI, robotically driven transurethral sweeping-action thermal ultrasound with closed-loop temperature feedback control for the ablation of prostate tissue. The product is comprised of one-time-use devices and capital equipment that are used in conjunction with a customer's existing MRI scanner.

We are commercializing TULSA-PRO, a technology that combines real-time MRI, robotically-driven transurethral ultrasound and closed-loop temperature feedback control. The TULSA procedure, performed using the TULSA-PRO system, has the potential of becoming a mainstream treatment modality across the entire prostate disease spectrum; ranging from low-, intermediate-, or high-risk prostate cancer; to hybrid patients suffering from both prostate cancer and benign prostatic hyperplasia ("BPH"); to men with BPH only; and also, to patients requiring salvage therapy for radio-recurrent localized prostate cancer. TULSA employs real-time MR guidance for pixel-by-pixel precision to preserve prostate disease patients' urinary continence and sexual function, while killing the targeted prostate tissue via a precise sound absorption technology that gently heats it to kill temperature (55-57°C). TULSA is an incision- and radiation-free "one-and-done" procedure performed in a single session that takes a few hours. Virtually all prostate shapes and sizes can be safely, effectively, and efficiently treated with TULSA. There is no bleeding associated with the procedure; no hospital stay is required; and most TULSA patients report quick recovery to their normal routine. TULSA-PRO is CE marked, Health Canada approved, and 510(k) cleared by the U.S. Food and Drug Administration ("FDA").

We are also commercializing Sonalleve, an innovative therapeutic platform that is CE marked for the treatment of uterine fibroids and palliative pain treatment of bone metastases. Sonalleve has also been approved by the China National Medical Products Administration for the non-invasive treatment of uterine fibroids and has FDA approval under a Humanitarian Device Exemption for the treatment of osteoid osteoma. We are in the early stages of exploring additional potential treatment markets for Sonalleve where the technology has been shown to have clinical application, such as non-invasive ablation of abdominal cancers and hyperthermia for cancer therapy.

Profound's Technology

TULSA-PRO and Sonalleve share the common technological concept of using MRI to enable visualization by the surgeon of desired tissue in real time. Both products also use thermal ultrasound technology to gently heat and ablate tissue using the real-time thermometry capability of the MRI.

TULSA-PRO delivers its ultrasound energy through a transurethral catheter, a one-time-use device that is placed in the patient's prostate through a natural orifice. Focused ultrasound energy is then delivered by the catheter in the shape of a blade. Externally the catheter is connected to a software controlled robotic manipulator that rotates up to 360-degree in a sweeping action to impart thermal energy and thus ablation of tissue. The real time temperature measurement of the prostate is coupled with closed loop process control that measures the appropriate amount of ultrasound energy to gently heat the physician-prescribed region of prostate tissue to the target temperature to achieve cell kill without boiling or charring the tissue. As a measure to keep the urethra within the prostate viable, the temperature of the transurethral catheter is maintained at an appropriate level by circulating water inside the catheter. Similarly, a water-cooled specially designed catheter is placed in the patient's rectum during the ablation process to keep it protected from thermal damage during the procedure. The TULSA-PRO in conjunction with its Thermal Boost module, enables surgeons to temporarily increase the ablation target temperature in prostate regions where advanced stage cancer might reside, further increasing their confidence that aggressive cancer cells have been ablated. We believe that TULSA-PRO's controlled and relatively gentle heating process may result in lower post procedural pain and complications, reduced potential of life affecting side effects, and in significantly desirable shrinkage of the prostate via resorption of the dead tissue over time, which may provide a longer-term durable benefit.

Sonalleve delivers its ultrasound energy via a disc located outside the patient. Its ultrasound energy is focused to create small cylindrical hot spots a certain distance into the patient. Overlapping cylinders create ablation of the physician-prescribed desired tissue. Similar to TULSA-PRO, Sonalleve also provides for controlled temperature increases to achieve cell kill.

The physician is in charge of using the Profound devices and decides which tissue needs to be ablated to impart therapeutic effect. We believe that in the hands of trained physicians, our systems have the ability to provide customizable, incision-free ablative therapies with the precision of real-time MRI visualization and thermometry, focused ultrasound and closed-loop temperature feedback control. We believe that our technology offers clinicians and appropriate patients a better alternative to traditional surgical or radiation therapies, with respect to clinical outcomes, side effects and recovery time.

Results of Operations

The following selected financial information as at and for the years ended December 31, 2025 and 2024 have been derived from the audited consolidated financial statements and should be read in conjunction with those audited consolidated financial statements and related notes.

	For years ended December 31,	
	2025 $	2024 $
Revenue	16,098	10,680
Operating expenses	52,647	40,099
Other (income) expense	1,064	(5,244)
Net loss for the year	42,570	27,816
Basic and diluted loss per share	1.41	1.12

	Years ended December 31,			
	2025	2024	Change	
	$	$	$	%
Revenue	16,098	10,680	5,418	51 %
Cost of sales	4,705	3,643	1,062	29 %
Gross profit	11,393	7,037	4,356	62 %
Gross margin	*71 %*	*66 %*		
Expenses				
Research and development	20,596	16,965	3,631	21 %
Selling, general and administrative	32,051	23,134	8,917	39 %
Total operating expenses	52,647	40,099	12,548	31 %
Other (income) expense				
Net finance (income) expense	(1,070)	(1,436)	366	(25)%
Net foreign exchange (gain) loss	2,134	(3,808)	5,942	(156)%
Total other (income) expense	1,064	(5,244)	6,308	(120)%
Net loss before income taxes	42,318	27,818	14,500	52 %
Income taxes	252	(2)	254	(12,700)%
Net loss attributed to shareholders for the year	42,570	27,816	14,754	53 %
Other comprehensive (income) loss				
Item that may be reclassified to profit or loss				
Foreign currency translation adjustment	(2,283)	2,823	(5,106)	(181)%
Net loss and comprehensive loss for the year	40,287	30,639	9,648	31 %
Loss per share				
Basic and diluted net loss per common share	1.41	1.12	0.29	26 %
Basic and diluted weighted average common share outstanding	30,232,966	24,765,503		

Recent Developments

On December 22, 2025, we closed a public offering, resulting in the issuance of 5,142,870 common shares at a price of $7.00 per share, for gross proceeds of $36,000.

On December 30, 2025, we closed a private placement, resulting in the issuance of 921,428 common shares at a price of $7.00, for gross proceeds of $6,450.

Key Components of Our Results of Operations

Revenue

We deploy a hybrid revenue business model in the United States to market TULSA-PRO by charging for the system separately as capital and an additional charge for the one-time-use devices. The Sonalleve product is marketed primarily outside North America deploying a one-time capital sales model with limited recurring service revenue. Outside of North America, we generate most of our revenues from our system sales (both TULSA-PRO and Sonalleve) in Europe and Asia where we deploy a hybrid business model, charging for the system separately as capital and an additional charge for the one-time-use devices. Revenue is comprised of (a) recurring – non-capital revenue, which consists of the sale of one-time-use devices and services associated with extended warranties and (b) capital equipment, which is the one-time sale of capital equipment and the lease of capital equipment.

For the year ended December 31, 2025, we recorded revenue totaling $16,098, with $6,368 from the one-time sale of capital equipment and $9,730 from recurring – non-capital revenue. For the year ended December 31, 2024, we recorded revenue of $10,680, with $2,440 from the one-time sale of capital equipment and $8,240 from recurring – non-capital revenue. The increase of $5,418 or 51% in revenue for the year ended December 31, 2025, was the result of higher recurring revenue and capital sales in the United States and overseas during 2025.

Cost of sales

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

For the year ended December 31, 2025, we recorded a cost of sales of $4,705, related to the sale of medical devices, capital and non-capital, which reflects a 71% gross profit. For the year ended December 31, 2024, we recorded a cost of sales of $3,643, related to the sale of medical devices, capital and non-capital, which reflects a 66% gross profit. The gross profit was higher in 2025 by $4,356 or 62% due to increased selling prices coupled with the growth in the number of capital systems sold.

Operating Expenses

Operating expenses consist of two components: research and development ("**R&D**") and selling, general and administrative ("**SG&A**").

R&D Expenses

R&D expenses are comprised of costs incurred in performing R&D activities, including new product development, continuous product improvement, investment in clinical trials and related clinical manufacturing costs, materials and supplies, salaries and benefits, consulting fees, patent procurement costs, and occupancy costs related to R&D activity.

For the year ended December 31, 2025, R&D expenses increased by $3,631, or 21% to $20,596 compared to $16,965 for the year ended December 31, 2024. The increase in R&D expenses was largely due to increased headcount, increased enrolment for the CAPTAIN trial and higher material expenditures and travel associated with the trial, and increased testing and design modification. These expenses promote the ongoing development and improvement of the products while further strengthening the commitment to a reliable and customizable product.

SG&A expenses

Selling, general and administrative expenses are comprised of business development costs related to the market development activities and commercialization of our systems, including salaries and benefits, marketing support functions, occupancy costs, insurance, various management and administrative support functions and other miscellaneous marketing and management costs.

SG&A expenses for the year ended December 31, 2025 increased by $8,917, or 39% to $32,051 compared to $23,134 for the year ended December 31, 2024. The increase in SG&A was due to increased sales force and commission payments, increased travel for conferences, customer visits and educational events throughout the year. Offsetting these amounts was a decrease to insurance due to lower premium rates and a reduction in bad debt expense.

Net finance (income) expense

Net finance (income) expense is primarily comprised of the following: (i) the CIBC Credit Agreement (as defined herein) accreting to the principal amount repayable and its related interest expense; and (ii) interest income from cash and cash equivalents.

Net finance (income) expense decreased $366 to $(1,070) during the year ended December 31, 2025, compared to $(1,436) during the year ended December 31, 2024. The decrease in net finance (income) expense was due to the decrease in interest income from cash and cash equivalents due to a lower cash balance.

Liquidity and Capital Resources

As of December 31, 2025, we had cash of $59,723 compared to $54,912 as of December 31, 2024. Historically, our primary source of cash has been financing activities, e.g., equity offerings as well as the CIBC Loan (as defined below).

Based on our current operating plans, we expect that our existing cash and sales of our products and services will enable us to fund our operating expenses and capital expenditure requirements for at least the next 12 months from the filing date of this Annual Report. During that time, we expect that our expenses will increase, primarily due to the continued commercialization of TULSA-PRO and Sonalleve.

Use of Proceeds

2025 Offering and non-brokered private placement

We received net proceeds of $40,801 from the Public Offering and Private Placement completed in December 2025. We intend to use net proceeds from the Public Offering and Private Placement to fund the continued commercialization of the TULSA-PRO system in the United States, the continued development and commercialization of the TULSA-PRO system and the Sonalleve system globally and for working capital and general corporate purposes.

On December 22, 2025, we received net proceeds of $34,379 from the public offering of 5,142,870 Common Shares at an offering price of $7.00 per share. On December 30, 2025, we received net proceeds of $6,422 from the private placement of 921,428 Common Shares at an offering price of $7.00 per share. We intend to use net proceeds from the public offering and private placement to fund the continued commercialization of the TULSA-PRO system in the United States, the continued development and commercialization of the TULSA-PRO system and the Sonalleve system globally and for working capital and general corporate purposes. As of December 31, 2025, we had yet to use any of the proceeds.

CIBC Loan

On March 3, 2025, we 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 us. 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 our assets and the assets of our 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 we 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.

On September 30, 2025, an amendment to the CIBC Credit Agreement resulted in a change to one of the financial covenants. The amended covenant is that unrestricted cash must at all times be greater of: (i) to the extent that EBITDA is a negative number or loss for the most recent six-month period, the amount of such loss, or (ii) $10,000, reported on a monthly basis. We are in compliance with these financial covenants as of December 31, 2025. Future compliance with the financial covenants included in the CIBC Credit Agreement is dependent upon achieving certain revenue, EBITDA, and anticipated unrestricted cash levels.

Cash Flow

We manage liquidity risk by monitoring actual and projected cash flows. A cash flow forecast is performed regularly to ensure that we have sufficient cash to meet our operational needs while maintaining sufficient liquidity. Our cash requirements depend on numerous factors, including market acceptance of our products, the resources devoted to developing and supporting the products and other factors. We expect to continue to devote substantial resources to expand procedure adoption and acceptance of our products.

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

	Years ended December 31,	
	2025	2024
	$	$
Cash provided by (used in) operating activities	(38,207)	(23,453)
Cash provided by (used in) investing	(242)	—
Cash provided by (used in) financing activities	41,138	54,696
Foreign exchange on cash	2,122	(2,544)
Net increase in cash	4,811	28,699

Operating Activities

Net cash provided by (used in) operating activities for the year ended December 31, 2025 was $(38,207). The principal use of the operating cash flows during the year related to a net loss of $42,570 and a decrease in net operating assets and liabilities of $1,713 and partially offset by non-cash charges of $6,076. The cash used in operating expenses was primarily due to the increased efforts supporting the commercialization and expansion of our products and teams. This resulted in an increase in headcount, travel and R&D expenses. Non-cash charges consisted primarily of share-based compensation, amortization and depreciation.

Net cash provided by (used in) operating activities for the year ended December 31, 2024 was $(23,453). The principal use of the operating cash flows during the year related to a net loss of $27,816 and an increase in net operating assets and liabilities of $591 and partially offset by non-cash charges of $3,772. The cash used in operating expenses was primarily due to the increased efforts supporting the commercialization and expansion of our products. This resulted in an increase in headcount, travel and marketing fees. Non-cash charges consisted primarily of share-based compensation, amortization and depreciation.

Investing Activities

Net cash provided by (used in) investing activities for the year ended December 31, 2025 was $(242) which consisted of purchases of property and equipment and intangible assets.

Financing Activities

Net cash provided by (used in) financing activities for the year ended December 31, 2025 was $41,138 primarily from the proceeds of the issuance of common shares of $41,420, net of issuance costs, and proceeds of $8 from the exercise of share options which were offset by the $290 repayments of long-term debt.

Net cash provided by (used in) financing activities for the year ended December 31, 2024 was $54,696 primarily from the proceeds of the issuance of common shares of $57,211, net of issuance costs, and proceeds of $45 from the exercise of share options which were offset by the $2,560 repayments of long-term debt.

Foreign Exchange on Cash

Cash was impacted by the change in the foreign exchange rates for the Company's foreign currency denominated cash (non-USD). The value of our currencies decreased, resulting in a decrease in our cash holdings.

Contractual obligations

The following table summarizes our significant contractual obligations:

			December 31, 2025	
	Carrying amount $	Future cash flows $	Less than 1 Year $	Between 1 year and 5 years $
Accounts payables and accrued liabilities	5,378	5,378	5,378	—
Lease liability	213 [1]	216	216	—
Long-term debt	4,499	4,898	304	4,594
Total	10,090	10,492	5,898	4,594

[1] Present value of the lease payments that are not paid, discounted using the interest rate implicit in the lease.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, as defined under applicable SEC rules.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and judgements that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the year. Actual results could differ from these estimates. As additional information becomes available or actual amounts are determinable, the recorded estimates are revised and reflected in operating results in the year in which they are determined.

Critical accounting policies

Revenue

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

We recognize revenue when the customer obtains control of promised goods or services and in an amount that reflects the consideration which we expect to be entitled to receive in exchange for those goods or services. To achieve this core principle, we apply the five-step revenue model to contracts within our 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.