Perimeter Medical Imaging, Inc.

Management's Discussion and Analysis

For the year ended December 31, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis ["MD&A"] for Perimeter Medical Imaging Inc. ["Perimeter" or the "Company"] should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2019, which have been prepared in accordance with International Financial Reporting Standards ["IFRS"] as issued by the International Accounting Standards Board ["IASB"]. All of the amounts are expressed in Canadian dollars unless otherwise indicated. References to "Perimeter" or "the Company" mean Perimeter and/or its management.

This MD&A contains certain information that may constitute forward-looking information within the meaning of Canadian securities laws which the Company refers to as forward-looking information. In some cases, forward-looking information can be identified by the use of terms such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue" or other similar expressions concerning matters that are not statements about the present or historical facts. Forward-looking information may relate to management's future outlook and anticipated events or results, and may include statements or information regarding the future financial position, business strategy and strategic goals, competitive conditions, research and development activities, projected costs and capital expenditures, financial results, research and clinical testing outcomes, taxes and plans and objectives of, or involving, Perimeter. Without limitation, information regarding future sales and marketing activities, OTIS™ optical tissue imaging platform (the "Products") sales, placements and utilization rates, reimbursement for the various OTIS™ procedures, future revenues arising from the sales of the Company's Products, future potential partnerships, research and development activities, the Company's plans to seek further regulatory clearances for additional indications, as well as the Company's plans for development of a is forward-looking information.

Forward-looking information is based on certain factors and assumptions regarding, among other things, market acceptance and the rate of market penetration of Perimeter's Products, the success of Perimeter's partnerships and distribution arrangements, the effect of reimbursement codes for procedures involving use of the Products and the clinical results of the use of the Products. While the Company considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect and actual results may vary materially from the disclosure herein. The successful commercialization of any one of the Products will depend on a number of financial, logistical, technical, legal, regulatory, competitive, economic and other factors, the outcome of which cannot be predicted, and some of which will be out of the Company's control. Due to the early stage of commercialization for certain Products, it is difficult for the Company to accurately predict its future revenues or results of operations or the timing of its current research and development programs. In addition, despite the Company's current focus on the commercialization of its products, the Company continues to invest in additional research and development in order to expand the applications of the OTIS™ platform, and these activities may require significant cash commitments which may, in turn, affect the profitability of the Company.

Forward-looking information is subject to certain factors, including risks and uncertainties, which could cause actual results to differ materially from what the Company currently expects. These factors include: risks relating to the existence of a material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern; transition from research and development activities to commercial activities; market acceptance and adoption of the

Products; risks relating to the Company's implementation of a sales and marketing model with respect to the OTIS™ platform; the risk that changes to current healthcare reimbursement codes or healthcare spending will negatively affect the acceptance or usage of the Products; quarter to quarter fluctuations in financial results due to numerous external risk factors; risks related to third-party contractual performance; risks associated with the introduction of products or existing products by competitors that compete with the Products; risks associated with conducting business internationally; risks related to medical or scientific advances that could render the Products obsolete; market acceptance and adoption of the OTIS™ platform; dependence on key suppliers for components of certain Products; regulatory and clinical risks; risks relating to the protection of its patents, trade secrets, trademarks and other intellectual property ("IP") and third party IP; risks inherent in the conduct of research and development activities, including the risk of unfavorable or inconclusive clinical trial outcomes; potential product liability, competition and the risks posed by potential technological advances; risks relating to fluctuations in the exchange rate between the U.S. and the Canadian dollar; and risks related to the outbreak of the novel strain of coronavirus, specifically identified as ''COVID-19'', that has resulted in governments worldwide enacting emergency measures to combat the spread of the virus, including but not limited to the implementation of travel bans, self-imposed quarantine periods and social distancing, which have caused material disruption to businesses globally resulting in an economic slowdown .

Undue importance should not be placed on forward-looking information, nor should reliance be placed upon this information as of any other date. Unless required by law, Perimeter does not undertake to update this information at any particular time. These forward looking statements are made as of the date of this MD&A. Unless otherwise indicated, this MD&A was prepared by management from information available through May 12, 2020 and was approved by the Board of Directors (the Board) on that date.

COMPANY OVERVIEW

Perimeter was incorporated pursuant to the laws of the Province of Ontario. The Company's registered office of Perimeter is located at 1 Yonge Street, Suite 201, Toronto, Ontario M5E 1E6. Perimeter has one wholly-owned subsidiary, Perimeter Medical Imaging Corp., a Delaware corporation.

The Company and New World Resource Corp (TSXV:NW) ("New World") entered into an Arrangement Agreement dated June 3, 2019 and amended November 29, 2019 and April 23, 2020 to execute an amalgamation by way of a planned reverse take-over (the "Transaction"). The Transaction is an arm's length transaction and will result in a reverse take-over and change of control of New World by the shareholders of Perimeter. The resulting publicly traded company (the "Resulting Issuer") will be named Perimeter Medical Imaging AI, Inc. The Arrangement Agreement was amended to extend the outside closing date of the Transaction to December 31, 2020.

Pursuant to the plan of arrangement, at the effective time of the Transaction, (i) New World will distribute to its shareholders, on a pro-rata basis, for every two common shares owned of record, one warrant to purchase one share of the Resulting Issuer at an exercise price of $0.30 per share (the "Warrants"); (ii) immediately following the distribution of the Warrants, the Company and Perimeter will be amalgamated and the issued and outstanding shares of each the Company and Perimeter will be exchanged for common shares in the Resulting Issuer according to an exchange ratio; and (iii) outstanding options and warrants of Perimeter will become options and

warrants to purchase common shares of the Resulting Issuer. Additionally, the arrangement will effect a 1 for 4 reverse stock split of the Company's common shares.

The exchange ratio for the Company's and New World's shareholders is determined by a formula based on the relative deemed values assigned to the Company and Perimeter.

The Transaction is subject to customary closing conditions for transactions of this nature as well as all requisite regulatory approvals including approval of both the Company's and New World's securityholders, the acceptance of the TSX-V and a final order of the Supreme Court of British Columbia as to the fairness of the Transaction. Perimeter is incorporated under the Ontario Business Corporations Act and it is also a condition of closing that it be continued under the Business Corporations Act (British Columbia).

Closing of the Transaction is also subject to the Company's and New World's shareholders holding no more than 5% of the issued and outstanding shares of respective companies exercising dissent rights with respect to the Transaction. Either the Company or Perimeter may terminate the Arrangement Agreement if the Transaction has not been completed on or before December 31, 2020.

There can be no assurance that the Transaction will be completed as proposed or at all.

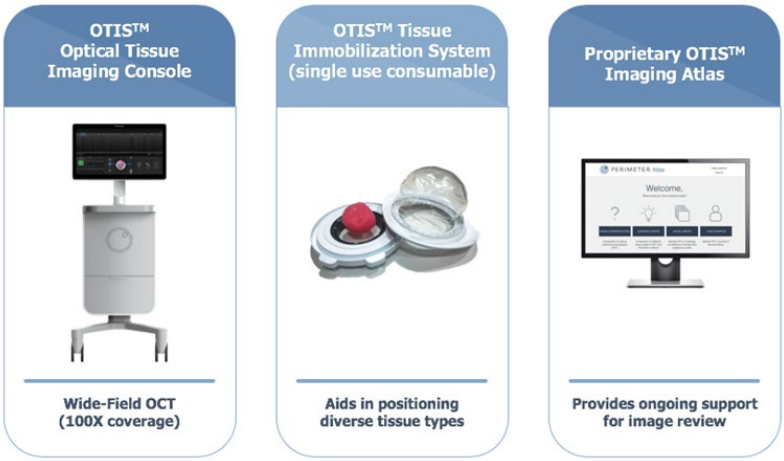
BUSINESS OF PERIMETER

Perimeter's mission is to revolutionize cancer removal surgery by equipping clinicians with effective intraoperative imaging tools. Perimeter's vision is that patients will no longer experience the costly emotional and physical trauma of being called back for a second surgery due to cancer left behind.

Perimeter's Optical Tissue Imaging System

OTIS™ is an FDA-cleared imaging platform that provides clinicians with the real time ability to assess tissue microstructures during diagnostic, surgical and pathology procedures. OTIS's initial product offering is an intraoperative imaging tool which provides surgeons, pathologists and radiologists with real-time ability to review tumor margins during surgery. OTIS™ is based on optical coherence tomography ("OCT"), a mature technology with existing commercial applications in ophthalmology and vascular imaging. Perimeter's novelty is the ability to rapidly image large and complex surfaces.

OTIS™ comprises a specimen handling consumable designed to hold and maintain orientation of the specimen, an intraoperative device for automated scanning of the specimen that provides a rapid subsurface map of up to a 10 x 10 cm surface area, and a proprietary imaging atlas and training set.



OTIS™ scans the specimen in the consumable container during the surgical procedure, with results available for display on the device screen and over the Picture Archiving and Communications Systems ("PACS"), enabling collaboration between surgeon, radiologist and pathologist. A graphical user interface allows the user to navigate through different areas of the specimen and to adjust display parameters on selected images of interest.

OTIS™ has been designed to integrate into current clinical workflow. Following surgical excision, the excised tissue is scanned for confirmation prior to completion of the surgery. This real-time imaging provides the surgeon with information needed to determine whether additional intervention is required. Several key features that OTIS™ delivers include:

- Automated Image Capture – Automated scanning of individual margins (no increased operator workload from manipulating an imaging probe)
- Margin Visualization – Provides the ability to measure true margin width
- Full Specimen Coverage - High resolution images of 1 to 6 margins
- Orientation Management – Preserves and conveys specimen orientation
- Non Destructive – Preserves tissue for post-operative pathology
- No Oral or Injectable – Patient dosing is not required, so there are no side-effects to the patient
- Supports Multiple Clinical Users – PACS integration enables image assessment by surgeons, radiologists or pathologists
- Co-Registration (planned) – Integration with other imaging modalities for enhanced specimen assessment and minimized equipment footprint

Perimeter has 4 issued patents and 9 patent applications filed. Three of Perimeter's four issued patents are expected to expire in 2033, and the remaining patent is expected to expire in 2038.

New developments in 2019

Perimeter submitted a traditional 510(k) for its second-generation imaging platform (OTIS 2.0) in 2019 and received clearance in March 2019 (application K190404). The indications for use were identical to the first-generation device. The second-generation device features several key improvements in functionality over the first-generation OTIS™:

- Improvements in scanning methodology resulting in 30x faster image acquisition
- The addition of a vacuum-assisted specimen positioning consumable set
- Refined graphical user interface to enable touchscreen use

On January 1, 2019, William Rosellini and Imed Zine joined the Board of Directors. On January 16, 2019, Paul Magnin resigned from the Board of Directors. On June 4, 2019, Perimeter announced that Anthony Holler was appointed to its Board of Directors, effective, April 1, 2019.

On January 2, 2019, William Rosellini was appointed as the Chief Executive Officer (CEO) of the company. He succeeds Paul Weber who left his position as CEO on the same date and resigned from all of his roles at Perimeter on May 31, 2019.

On January 31, 2019 Brian Goffenberg resigned from his role as Chief Financial Officer, and Richard Chernicoff was appointed CFO of Perimeter in January 15, 2019 and subsequently resigned in September 15, 2019. December 1, 2019, Jeremy Sobotta was appointed CFO.

On December 6, 2019, holders of the convertible debentures of the Corporation (issued commencing on December 30, 2016) in the aggregate principal amount of $12,870,753 amended the agreement extending the maturity date to June 30, 2020. The notes are convertible into ordinary shares at the option of the debenture holder at maturity or immediately prior to and in connection with a financing. The conversion price is $0.25 if converted at maturity or at a 20 per cent discount to the price per security paid by investors in connection with a financing if converted in connection with a financing. The notes issued in 2019 (principal value of $1,830,000) also include a mandatory conversion at $0.25 without any action of the holder upon completion of the proposed amalgamation with New World Resource Corp. If the notes are not converted, they will be redeemed at maturity at 120 per cent of par. Additionally, in connection with the subscription for the Convertible Debenture, the holder is granted two warrants to purchase commons shares in the capital of the Company for each one Canadian dollar of principal amount of debenture with a conversion price of $0.00001 per share

New developments in 2020

On February 2, 2020, Tom Boon was appointed as the Chief Executive Officer (CEO) of the company. He succeeds William Rosellini who left his position as CEO and resigned from all of his roles at Perimeter on the same date. On February 3, 2020 Tom Boon joined the Board of Directors.

On February 22, 2020, the Company entered into a product development grant agreement with the Cancer Prevention and Research Institute of Texas ("CPRIT"). Pursuant to the terms of the agreement, CPRIT will grant the Company US$7,446,844 to fund activities related to its artificial intelligence software. For twelve years following the first commercial sale of commercial products (i.e., anything that is based on, utilizes or is developed from, or materially incorporates, the results of the grant-funded project and that is capable of being sold, licensed, transferred or conveyed to another party or is capable of otherwise being Exploited or disposed of, whether in exchange for consideration or not), the Company is required to pay CPRIT a royalty of 2.5% of revenue of until such time that 250% of grant proceeds have been repaid and 0.5% thereafter for the remaining twelve-year term. On March 27, 2020, the Company received US$1,220,666 of the US$7,446,844 to fund activities related to the first year of the project.

SELECTED FINANCIAL INFORMATION

SELECTED ANNUAL INFORMATION

The table below summarizes information regarding Perimeter's loss from operations and other financial information for the years presented in accordance with IFRS as issued by the IASB and should be read in conjunction with the corresponding audited consolidated financial statements and related notes:

	2019	2018
Grants	$ 144,421	$ 123,410
Operating Expenses		
Salaries and wages	2,627,466	2,081,043
Employee taxes and benefits	237,271	199,807
Stock-based compensation	1,320,627	1,367,458
Subcontractors	989,657	224,260
Consulting fees	817,350	619,666
Professional fees	1,288,100	350,325
Dues and subscriptions	85,612	113,183
Travel	232,230	267,300
Research and development	643,352	437,262
Occupancy costs	98,905	215,916
Depreciation and amortization	51,836	31,080
Other	316,724	110,617
Total Operating Expenses	8,709,130	6,017,917
Net foreign exchange losses	(16,066)	(11,810)
Finance income	4,645	-
Finance costs	(1,766,556)	(569,122)
Impairment of equipment	-	(29,071)
Loss before income taxes	(10,342,686)	(6,504,510)
Income tax expense	-	-
Comprehensive Loss	$ (10,342,686)	$ (6,504,510)
Basic and diluted loss per common share	$ (0.17)	$ (0.12)

RESULTS OF OPERATIONS – Year ended 2019 as compared to 2018

Operating expenses

Operating expenses for the year ended 2019 were $8,709,130 compared to $6,017,917 during the previous year, a 45% increase.

Salaries and wages expense was $2,627,466 for the current year compared to $2,081,043 for the previous year mainly attributable to general increases supporting the continued product development activities.

Share based compensation expense was $1,320,627 for the current year compared to $1,367,458 for 2018.

Subcontractors expense was $989,657 for the current year compared to $224,260 for 2018, an increase of $765,397 mainly attributable to fulfillment of personnel needs supporting product development and operations of the Company.

Professional fees of $1,288,100 for the current year were $937,775 higher than fees of $350,325 in the previous year resulting, primarily, from costs associated with the Transaction and support of commercialization.

Research and development expense was $643,352 for the current year compared to $437,262 for previous year, an increase of $206,090 mainly driven by increase product development needs.

Other expenses were $316,724 for the current year compared to $110,617 for the previous year mainly attributable to general increases supporting the Company's operations.

Finance costs

Finance costs for the period were $1,766,556 compared to $569,122 in 2018. The increase was mainly attributable to costs associated with the issuance and amendment of convertible debt of $1,184,516, an increase in accretion on convertible debt of $398,831, and offset by an increase in the gain from the fair value movement of derivative liabilities associated with convertible debt of $306,516. Accretion on government debt increased by $10,357, and accretion on lease liabilities increased by $8,799.

Net Loss

The net loss for the period was $10,342,686 compared to $6,504,510 in the prior year was primarily as a result of the changes noted above.

FINANCIAL POSITION

The following is a discussion of the changes to the Company's financial position as at December 31, 2019 as compared to December 31, 2018:

	December 31 2019	December 31 2018	Change $	Change %	Comments
ASSETS					
Current assets					
Cash and cash equivalents	$ 1,210,212	$ 1,845,620	(635,408)	(34)	See liquidity and capital resources section below.
Other receivables	253,483	423,897	(170,414)	(40)	Collection of harmonized sales tax receivable and credits due from suppliers.
Investment tax credits recoverable	760,951	425,700	335,251	79	An increase of tax credits receivable.
Prepaid expenses and other	253,431	203,180	50,251	25	An increase due to general operational changes.
	2,478,077	2,898,397	(420,320)	(15)	
Non-current assets					
Property and equipment	70,341	44,527	25,814	58	Additions to equipment of $46,947 offset by depreciation of $32,753. Adoption of IFRS 16, Leases, and recognition of a right of use asset of $29,051 offset by depreciation of $17,431.
Intangible assets	3,816	5,468	(1,652)	(30)	Decrease due to depreciation of assets in use.
Total assets	$ 2,552,234	$ 2,948,392	(396,158)	(13)	

	December 31 2019	December 31 2018	Change $	Change %	Comments
LIABILITIES AND SHAREHOLDERS' DEFICIT					
Current liabilities					
Accounts payable and accrued liabilities	$ 2,029,572	$ 630,513	1,399,059	222	Increase due to working capital requirements.
Current portion of government debt	153,117	371,401	(218,284)	(59)	Decrease due to repayment of government debt.
Current portion of deferred grant income	140,779	141,841	(1,063)	(1)	
Lease liability	22,667	-	22,667		
Convertible debt	13,833,704	11,878,998	1,954,706	16	Increase due to issuance convertible notes and associated finance cost impacts.
Derivative liability	2,364,610	2,023,634	340,976	17	Increase due to issuance convertible notes and associated finance cost impacts.
	18,544,449	15,046,387	3,498,062	23	
Non-current liabilities					
Government debt	202,676	382,564	(179,888)	(47)	Decrease due to repayment of government debt.
Deferred grant income	278,324	421,683	(143,359)	(34)	Decrease due to grant income recognized.
	481,000	804,247	(323,247)	(40)	
Shareholders' deficit					
Share capital	17,798,486	13,541,747	4,256,739	31	Increase mainly due to private placement of shares.
Contributed surplus	5,172,000	2,657,026	2,514,974	95	Increase in reserves from options and warrants granted.
Accumulated deficit	(39,443,701)	(29,101,015)	(10,342,686)	36	
Total shareholders' deficit	(16,473,215)	(12,902,242)	(3,570,973)	28	
Total liabilities and shareholders' deficit	$ 2,552,234	$ 2,948,392	(396,159)	(13)	

LIQUIDITY AND CAPITAL RESOURCES

Since its inception, Perimeter has financed its cash requirements primarily through the issuance of securities and convertible debt, investment tax credits and government funding, and interest income. Given the Company's history of continuing losses and its accumulated deficit, revenues will need to begin and continue to increase over a sustained period.

The Company does not yet generate sufficient operational cash flows to meet the Company's planned growth and to fund development activities. The Company relies on funding from outside sources to execute its current and future business development plans which include but are not limited to potential acquisitions, design and development and clinical trials, the investment required for the potential revenue generating assets utilized in the placement and rental models and the required funding for the recruitment and development of a commercial team. The Company is dependent on the willingness of investors or strategic partners to continue to invest in the Company or to enter into strategic relationships to continue further development of the Company's products.

Based on the cash and cash equivalents on hand in the amount of $1,210,212 as at December 31, 2019, the expected inflows from approved government grants, and the anticipated capacity to raise additional capital in the upcoming 12 months, the Company expects to have sufficient funds to support its cash requirements for at least the next 12 months. There can be no assurance, however, that Perimeter will be successful in securing partnerships or financing on terms that would be favorable to the Company, or at all. The Company intends to continue to pursue opportunities to raise additional capital in the form of equity and/or debt to fund its product development, clinical research and commercialization activities. There is no assurance of the success or sufficiency of any these initiatives. The Company's ability to continue as a going concern is dependent upon developing patents and commercializing advanced in-procedural medical imaging tools. The failure to raise such financing could result in the delay or indefinite postponement of current business objectives and additional financing may not be available, or on favorable terms. The above conditions indicate the existence of a material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern.

The Company invests its cash and cash equivalents in daily interest accounts at chartered banks in Canada and the USA.

Selected consolidated financial information

The table below summarizes information regarding Perimeter's change in cash and cash equivalents:

		December 31, 2019		December 31, 2018
Operating activities	$	(5,785,153)	$	(4,087,765)
Investing activities		(46,947)		(53,853)
Financing activities		5,196,692		(29,760)
Net decrease in cash and cash equivalents	**$**	**(635,408)**	**$**	**(4,171,378)**

Operating Activities

For the year ended December 31, 2019, cash used in operating activities was $5,785,153 (2018: $4,087,765) which included cash expenditures (cash burn) before change in working capital of $6,990,444 (2018: $4,631,189) and an increase in non-cash working capital of $1,205,291 (2018 - $543,424). The cash burn during the year was mainly driven by costs associated with costs supporting the Transaction and continued research and development efforts. The increase in working capital was driven by increases in accounts payable and accrued liabilities associated with timing of activities related to clinical study startup costs as well as general working capital needs.

Investing Activities

For the year ended December 31, 2019, cash used in investing activities was $46,947 compared to $53,853 in the prior year. The use of cash was driven by the purchase of equipment as noted above.

Financing Activities

For the year ended December 31, 2019, cash generated in financing activities was $5,196,682 (2018: ($29,760)) of which $4,082,355 (2018: $1,003) was generated from the issuance of common shares and $1,830,000 (2018: nil) from the issuance of convertible notes.

Contractual Obligations

			Contractual cash flows			
December 31, 2019	**Carrying Amount**	**Total**	**2 months or less**	**2-12 months**	**1-2 years**	**Thereafter**
Accounts payable and accrued liabilities	$ 2,029,572	(2,029,572)	(2,029,572)	-	-	-
Lease liability	22,667	(24,336)	(6,084)	(18,252)	-	-
Unsecured loans from the government	355,793	(801,666)	(53,444)	(267,222)	(320,667)	(160,333)
Convertible debt	13,833,704	(15,444,903)	-	(15,444,903)	-	-
	16,241,736	**(18,300,477)**	**(2,089,100)**	**(15,730,377)**	**(320,667)**	**(160,333)**

SIGNIFICANT ACCOUNTING POLICIES

A. Going concern and statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (''IFRS'') as issued by the International Accounting Standards Board (''IASB'') and the basis of presentation outlined in Note 2(a) of the consolidated financial statements on the assumption that the Company is a going concern and will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company has not generated revenue to date, has experienced losses since inception and additional financing will be required before the Company expects to generate positive cash flow. The Company intends to continue to pursue opportunities to raise additional capital in the form of equity and/or debt to fund its product development, clinical research and commercialization activities. There is no assurance of the success or sufficiency of any these initiatives. The Company's ability to continue as a going concern is dependent upon developing patents and commercializing advanced in-procedural medical imaging tools. The failure to raise such financing could result in the delay or indefinite postponement of current business objectives and additional financing may not be available, or on favorable terms.

The above conditions indicate the existence of a material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern. The consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumptions were not appropriate. If the going concern basis was not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses, and the consolidated statement of financial position classification used.

The consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB.

B. Use of Estimates and Judgments

The preparation of financial statements requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of expenses during the reporting period. Actual results could materially differ from these estimates.

Critical Judgements

The preparation of the consolidated financial statements requires management to make judgements, including, among others:

Going concern: The going concern of the Company, as discussed above.

Capitalization of internally developed software: Distinguishing the research and development phases of software projects and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement.

Government grants: Pursuant to the terms of the Company's grant from the Province of Ontario, the Company has met certain terms and conditions to qualify for the grant funding. The Company has therefore recognized the portion of the grant that represents expenses the Company incurred in the applicable period under the grant parameters. The expenses are subject to assessment by granting agency for compliance with the grant regulations which may result in certain claimed expenses being denied.

Key Sources of Estimation Uncertainty

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements and the reported amounts during each reporting period. Actual results could materially differ from those estimates. Significant estimates made by management affecting the consolidated financial statements include, among others:

Fair value measurement: The Company uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets

Valuation of share-based compensation: The Company uses the Black-Scholes option pricing model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, risk-free interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate which correspondingly affects the Company's stock-based compensation expense and equity reserves.

Valuation of warrants: The Company uses the Black-Scholes option pricing model for valuation of the warrants issued to purchasers of its convertible debentures and the arrangers of such financings. Option pricing models require the input of subjective assumptions including expected price volatility, risk-free interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate which correspondingly affects the Company's finance costs and equity reserves.

Valuation of convertible debt: The Company uses the Black-Scholes option pricing model for valuation of the derivative liability associated with the conversion option of convertible debentures. Option pricing models require the input of subjective assumptions including expected price volatility, risk-free interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate which correspondingly affects the Company's finance costs and liabilities. The Company was also required to estimate the market rate for a comparable instrument with a similar term. Changes in the interest rate used can materially affect the fair value estimate and accretion rate of the debt.

Eligibility of expenses for tax refund: The Company is required to interpret government regulations and apply those interpretations in preparing claims for scientific research and development tax credits. Those interpretations and applications are subject to audit and retrospective challenge by taxing authorities. Changes in the eligibility of expenses under government tax credit programs can materially adversely affect the Company's tax credit claim and correspondingly the recorded amounts due from/to the applicable taxing authorities and the recorded amount of tax credit.

Eligibility of expenses under grant programs: The Company is required to interpret government regulations and apply those interpretations in preparing expense claims under grant programs. Those interpretations and applications are subject to audit and retrospective challenge by the granting authorities. Changes in the eligibility of expenses under government grant programs can materially adversely affect the Company's grant claim and correspondingly the recorded amounts due to the applicable granting authorities and the recorded amount of grant income.

Useful lives of depreciable assets: The Company reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and equipment.

C. Standards, amendments and interpretations

New standards adopted as at January 1, 2019

The following amendments were adopted by the Company during the 2019 fiscal year:

The Company initially applied IFRS 16 Leases from January 1, 2019. A number of other new standards are also effective from January 1, 2019 but they do not have a material effect on the Company's financial statements.

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at January 1, 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e., it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

i. Definition of a lease

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

ii. As a lessee

As a lessee, the Company leases office space. The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for its lease – i.e. the lease is on-balance sheet.

Leases classified as operating leases under IAS 17

Previously, the Company classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 1, 2019 (see Note 2(V)(iv)). Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Company used practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Company did not recognise right-of-use assets and liabilities for leases of low value assets (e.g., IT equipment).

The Company had no leases classified as finance leases under IAS 17.

iii. As a lessor

The Company sub-leases some of its right-of-use assets. Under IAS 17, the head lease and sub-lease contracts were classified as operating leases. On transition to IFRS 16, the right-of-use assets recognised from the head leases are presented in property, plant, and equipment and measured at the value of the lease liability at that date. The Company assessed the classification of the sub-lease contracts with reference to the right-of-use asset rather than the underlying asset and concluded that they are finance leases under IFRS 16.

iv. Impact on financial statements

On transition to IFRS 16, the Company recognised additional right-of-use assets, lease receivables, and additional lease liabilities. The impact on transition is summarised below:

		January 1, 2019
Right-of-use assets - property, plant, and equipment	$	29,051
Net investment in sub-lease		21,320
Lease liabilities		50,371

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted average rate applied is 25%.

Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Company

Certain pronouncements were issued by the IASB that are mandatory for accounting periods after December 31, 2019. There are no recent accounting pronouncements that are applicable or that are expected to have a significant impact on the Company.

FINANCIAL INSTRUMENTS

A. Measurement of fair values

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 - Inputs to the valuation methodology are quoted prices unadjusted for identical assets or liabilities in active markets.
Level 2 - Inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The derivative component of convertible debt is classified as FVTPL and valued using Level 2 fair value hierarchy in the statement of financial position. The valuation technique used for these instruments was the Black-Scholes option pricing model using a weighted average risk-free rate of the bond-equivalent yield at issue date, an expected life of the time to maturity of the host contract, and an expected volatility of between 55 per cent and 65 per cent based on time to maturity. The Company did not have any Level 3 financial instruments or significant unobservable inputs used for the reporting periods. Financial instruments not measured at fair value utilized a discounted cash flows technique. The valuation model considers the present value of expected payments, discounted using a risk-adjusted discount rate. Related valuation processes are described in Note 2 of the consolidated financial statements.

There were no transfers between levels for the periods reported.

B. Risk management

The Company is exposed to various risks in relation to financial instruments. The Company's activities expose it to a variety of financial risks: market risk (including foreign currency and interest rate risk), credit risk and liquidity risk. Risk management is the responsibility of the corporate finance function, which has the appropriate skills, experience and supervision. The Company's risk management is coordinated at its headquarters, in close cooperation with the board of directors, and focuses on identifying and analyzing the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management practices and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company does not actively engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the Company is exposed are described below.

i. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Components of market risk to which the Company is exposed are discussed below. Financial instruments affected by market risk primarily include trade accounts payable.

<u>Foreign currency risk</u>

The Company is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which purchases are denominated and the Canadian dollar, the functional currency of the Company. The currencies in which these transactions are primarily denominated are US dollars and Euro.

Exposure to currency risk
The summary quantitative data about the Company's exposure to currency risk as reported to the management of the Company is as follows.

		December 31, 2019		December 31, 2018	
		USD	**EUR**	**USD**	**EUR**
Trade Payables	$	654,451	-	80,704	2,683
Convertible Debt		107,960	-	107,960	-
Total		762,411	-	188,664	2,683

Sensitivity analysis
A reasonably possible strengthening (weakening) of the US dollar or euro against the Canadian dollar at December 31 would have affected the measurement of financial instruments denominated in a foreign currency and affected profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant and ignores any impact of forecast purchases.

	Profit and Loss	
Effect in Canadian dollars	**Strengthening**	**Weakening**
December 31, 2019		
USD (5% movement)	50,201	(50,201)
EUR (5% movement)	-	-
December 31, 2018		
USD (5% movement)	12,799	(12,799)
EUR (5% movement)	204	(204)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not have any significant exposure to interest rate risk.

ii. Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. The Company is exposed to credit risk from its operating and from financing activities, including cash deposits with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, considering their financial position, experience, and other factors. Credit risk is mitigated by entering into agreements with only stable, creditworthy parties and through frequent reviews of exposures to individual entities. The credit risk in respect of cash balances held with banks and deposits with banks are only with major reputable financial institutions.

Impairment on cash and cash equivalents of nil has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and monitors this risk on an ongoing basis to identify any significant increases subsequent to initial recognition.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held).

iii. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company attempts to meet financial obligations through managing cash from operations and financing activities and through cash on hand.

Further information regarding the maturity profile of the Company's financial liabilities as at December 31, 2019 based on contractual undiscounted payments can be found above (see "*Contractual Obligations")*.

C. Capital management

Management's objective when managing capital is to ensure the Company has sufficient liquidity to meet all of its commitments and to support the cash requirements for ongoing operations. Management defines capital as shareholders' deficiency, short-term and long-term borrowings and cash and cash equivalents. Management manages the Company's capital structure commitments and maturities and adjusts based on general economic conditions, financial markets and operating risks, and the Company's investment and working capital requirements. To maintain or adjust the Company's capital structure, management may, with approval from the Company's Board of Directors, issue shares, repurchase shares, issue or repay debt and/or short-term borrowings, or undertake other activities as deemed appropriate under the circumstances. The Board of Directors reviews and approves any material transactions that are not part of the ordinary course of business, including proposals for financing transactions and annual capital and operating budgets.

RELATED PARTY TRANSACTIONS

A. Transactions with key management personnel

As at December 31, 2019 and 2018, the Company has no receivable or payable amounts with key management personnel or directors.

Key management personnel compensation

	December 31, 2019	December 31, 2018
Short-term employment benefits	$ 1,396,692	$ 800,429
Stock-based compensation	1,359,256	1,312,560
	2,755,948	2,112,989

Short-term employment benefits of the Company's key management personnel includes salaries and non-cash benefits, and includes $261,423 in cash compensation related to the exit costs of the Company's former CEO. Executive officers also participate in the Company's share option program.

B. Other related party transactions

		Transaction value for the year ended		Balance outstanding as at	
	Note	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Roadmap Capital					
Convertible debt	i	$ 1,600,000	$ -	$ 10,887,793	$ 9,287,793
Investor warrants	i	799,973	-	-	-
Finance fees	ii	96,116	-	-	-
Total		$ 2,496,089	-	$ 10,887,793	$ 9,287,793

Roadmap Capital, Inc. has significant influence over the Company as a result of the following:

As at December 31, 2019 Investment funds managed by Roadmap Capital, Inc. and Roadmap Capital, Inc. owned an aggregate of 33,377,761 common shares (2018 – 33,377,761) of the Company and 5,444,232 warrants (2018 – 1,796,232) to purchase common shares of the Company. Under a shareholders' agreement, investment funds managed by Roadmap Capital, Inc. are entitled to elect and have elected two members of the Company's board of directors.

Roadmap Capital, Inc. acts as collateral agent for holders of convertible debentures issued by the Company. The convertible debentures may be modified by action of holders of greater than 70% of the then outstanding principal. Investment funds managed by Roadmap Capital, holding greater than 70% of the outstanding principal have consented to extensions of the maturity date of the debentures and other changes as described in Note 9 of the consolidated financial statements that affected all outstanding convertible debentures.

All transactions with Roadmap Capital, Inc. and funds managed by Roadmap Capital, Inc. are priced on an arm's length basis and are summarized below:

i. During the year ended December 31, 2019, investment funds managed by Roadmap Capital, Inc. purchased convertible debentures with an aggregate principal of $1,600,000.

In connection with the debenture subscription, Roadmap Capital, Inc. was issued 3,200,000 warrants to purchase common shares in the Company with an exercise price of $0.00001 and a fair value of $799,973.

ii. During the year ended December 31, 2019, The Company paid commissions to Roadmap Capital, Inc. for fund raising activities in connection with convertible notes issued. The Company issued warrants with an exercise price of $0.25 exercisable for 448,000 shares and a fair value of $96,116.

RISKS AND UNCERTAINTIES

The results of operations and financial condition of the Company are subject to a number of risks and uncertainties and are affected by a number of factors outside of the control of management. The Company attempts to mitigate these risks through a combination of sound risk-management practices, insurance and systems of internal control. The risks and uncertainties outlined below do not constitute an exhaustive list. Additional risks and uncertainties not presently known to the Company or that the Company believes to be immaterial may also adversely affect the Company's business.

Potential Fluctuations in the Company's Financial Results Make Financial Forecasting Difficult

The Company expects its results of operations to continue to vary significantly from quarter to quarter. The current economic environment also makes projecting financial results more difficult. In addition, due to the Company's stage of commercialization on some products, it cannot accurately predict its future revenues or results of operations or the timing of its current research and development programs. The Company is also subject to normal operating risks such as credit risks, liquidity risks, foreign currency risks and global and regional economic conditions. As a result, quarter-to-quarter comparisons of the Company's revenues and results of operations may not be meaningful. It is likely that in one or more future quarters the Company's results of operations will fall below the expectations of shareholders.

Clinical Trials May be Unsuccessful and New Regulatory Approvals May Not be Obtained

The Company continues to explore the use of the products in new applications and clinical trials and to develop new products. There is no assurance that the Company will receive additional regulatory approvals for the products in new applications or for any new products, which would limit the Company's ability to bring these new products to market.

Market Competition and Technological Advancements

Industrial technology in medical diagnostics and therapeutics is evolving rapidly and competition is intense. In addition to products currently in the market, additional products may be introduced to compete with those of the Company. Some of these products may use entirely different approaches or means to obtain diagnostic information or achieve therapeutic results and could be found to be more clinically effective or less expensive than those products being developed and/or commercialized by Perimeter. Moreover, many competitors, both current and potential, may have considerably greater resources at their disposal than Perimeter in terms of technology, manufacturing, product development, marketing, distribution, sales, capital and human resources. Many competitors may also have more experience in conducting clinical trials and in obtaining domestic and foreign regulatory approvals. Therefore, there can be no assurance that the Company can successfully compete with present or potential competitors or that such intense

competition will not have a materially adverse effect on Perimeter's business and financial condition.

Additionally, since the Company's products are designed to diagnose and treat specific medical conditions, it is possible that medical or scientific advances with respect to the treatment of these conditions could render the Company's products obsolete and future sales and marketing opportunities in other markets obsolete.

Perimeter is a startup company and faces challenges often encountered by startups.

Perimeter has encountered and will encounter risks and uncertainties frequently experienced by startup and growth stage companies in rapidly changing industries, such as the risks and uncertainties described herein. If Perimeter's assumptions regarding these risks and uncertainties (which it will use to plan its business) are incorrect or change due to external events, or if Perimeter does not address these risks successfully, its operating and financial results could differ materially from its expectations and its business could suffer.

Perimeter has a limited operating history, which makes it difficult to evaluate its current business and future prospects and increases the risk of your investment.

Investment in Perimeter carries a high degree of risk and should be considered as a speculative investment. Perimeter is a clinical stage medical device company with a limited operating history, specializing in optical tissue imaging. Perimeter was founded in 2013. As a result of its limited operating history, its ability to forecast future results of operations is limited and subject to a number of uncertainties, including inability to plan for future growth. Perimeter has encountered and Perimeter will encounter risks and uncertainties frequently experienced by growing companies in life sciences industries, such as risks and uncertainties related to:

- FDA and CE regulatory approval:
- market acceptance of its platform and products;
- reliability and scalability of its platform and products;
- success of its artificial intelligence initiative;
- results of clinical research programs;
- obtaining reimbursement authorization from government and other healthcare payors;
- adding channel partners and customers and entering new vertical markets;
- the successful expansion of its business beyond breast cancer;
- competition from incumbents and other disruptive technologies;
- its ability to control costs, particularly product development, manufacturing and sales and marketing expenses; and
- general economic and political conditions.

If Perimeter does not address these risks successfully, its business, results of operations, cash flows, financial condition and financing plans may be adversely affected.

Perimeter has a history of losses and Perimeter will continue to incur significant expenses and may be unable to generate revenues.

While Perimeter has received 510(k) approval from the U.S. Food & Drug Administration (the "**FDA**") for version 2.0 of its OTIS™, its other products have not been approved for commercial sale by any regulatory authority. Perimeter has not generated any revenue from product sales to date nor does it have any firm orders from customers. Perimeter will continue to incur significant research and development and other expenses related to ongoing operations, which expenses are expected to continue even after products are available for commercial sales.

Perimeter may be unable to generate revenues.

Perimeter's business plan assumes that it will successfully receive orders and generate revenues. In order for Perimeter to generate substantial revenues and establish its products, it must achieve the milestones under its business plan and secure orders from potential customers. Perimeter is currently in the early stages of developing its business, and Perimeter may not be able to succeed with respect to these efforts.

Many factors may adversely affect Perimeter's ability to establish a viable and profitable business, including, but not limited to:

- Failure to articulate the perceived benefits of the Perimeter solution, or failure to persuade reimbursement authorities or customers that such benefits justify the additional cost over incumbent or other solutions or technologies;
- Failure to develop and offer solutions that satisfy customers' needs;
- Introduction of competitive offerings by other companies, including many that are larger, better financed and more well-known than Perimeter;
- Inability to fulfill existing agreements or enter into satisfactory agreements relating to the integration of its platform with products of other companies to pursue particular vertical markets, or the failure of such relationships to achieve their anticipated benefits;
- Failure to provide adequate channel partners and customer support;
- Long sales cycles for customers in the acute healthcare markets; and
- Failure to generate broad customer acceptance of or interest in its solutions.

If Perimeter fails to generate revenues and develop a successful business, its business, results of operations and financial condition will suffer.

Existence of a material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern.

Perimeter's recurring losses from operations, current cash balances, anticipated future expenses and working capital deficiency raise significant doubt about its ability to continue as a going concern without additional equity or debt financing. The existence of a material uncertainty which causes significant doubt about Perimeter's ability to continue as a going concern may materially and adversely affect the price per share of its common shares and make it more difficult for Perimeter to obtain financing. If Perimeter is unable to obtain sufficient capital, its business, financial condition, and results of operations will be materially and adversely affected, and it will need to obtain alternative financing or significantly modify its operational plans to continue as a going concern. The consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumptions were not appropriate. If the going concern basis was not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses, and the consolidated statement of financial position classification used.

Perimeter expects to require additional capital to support its business, and this capital might not be available on acceptable terms, if at all.

Perimeter intends to continue to make investments to support its business and will likely require additional funds. In particular, Perimeter expects to seek additional funds to develop new products and cover the cost of the clinical trials in respect of those products, enhance its platform and expand its operations, including its sales and marketing organizations. Accordingly, Perimeter expects to engage in equity and/or debt financings to secure additional funds.

If Perimeter raises additional funds through future issuances of equity or convertible debt securities, shareholders could suffer significant dilution, and any new equity securities Perimeter issues could have rights, preferences and privileges superior to those of holders of Perimeter Shares.

Any debt financing that Perimeter may secure in the future could involve debt service obligations and restrictive covenants relating to its capital raising activities and other financial and operational matters, which may make it more difficult for it to obtain additional capital and to pursue business opportunities, and it may be obligated to issue equity securities to the providers of that financing.

Perimeter may not be able to obtain additional financing on terms favorable to it, if at all. If Perimeter is unable to obtain adequate financing or financing on terms satisfactory to it when required, Perimeter's ability to continue to support its business growth, scale its infrastructure, develop product enhancements and to respond to business challenges could be significantly impaired, and its business, results of operations and financial condition may be significantly adversely affected.

Perimeter may never achieve profitability.

Because of the numerous risks and uncertainties associated with disruptive imaging technology and specifically the development and commercialization of optical tissue imaging solutions for acute care clinical use, Perimeter is unable to accurately predict the timing or amount of future revenue or expenses or when, or if, it will be able to achieve profitability. Perimeter has financed its operations primarily through convertible loans and the issuance and sale of equity. The size of Perimeter's future net losses will depend, in part, on the rate of growth or contraction of its expenses and the level and rate of growth, if any, of its revenues. Perimeter expects to continue to expend substantial financial and other resources on, among other things:

- investments to expand and enhance its platform and technology infrastructure, make improvements to the scalability, availability and security of its platform, and develop new products;
- acquiring non-public third-party medical imaging and related electronic medical records, data that are used as training data for its platform and enriching that data through a verification and annotation process;
- sales and marketing, including expanding its indirect sales organization and marketing programs, and expanding our programs directed at increasing its brand awareness among current and new customers;
- planning and conducting clinical trials to obtain regulatory and reimbursement approval for the commercialization of its products;
- expansion of Perimeter's operations and infrastructure, both domestically and internationally; and
- general administration, including legal, accounting and other expenses related to being a public company if the Transaction is completed.

If Perimeter is unable to successfully commercialize its products or if revenue from any products that receive marketing approval is insufficient, Perimeter will not achieve profitability. Furthermore, even if Perimeter successfully commercializes its products, its planned investments may not result in increased revenue or growth of its business. Perimeter may not be able to generate net revenues sufficient to offset its expected cost increases and planned investments in its business and platform. As a result, Perimeter may incur significant losses for the foreseeable future, and may not be able to achieve and sustain profitability. If Perimeter fails to achieve and sustain

profitability, then it may not be able to achieve its business plan, fund its business or continue as a going concern.

Perimeter will depend on its senior management team and other key employees, and the loss of one or more key employees could adversely affect its business.

Perimeter's success depends largely upon the continued services of its executive officers and directors. Perimeter will rely on its leadership team and other mission-critical individuals in the areas of research and development, technology development and support, marketing, sales, services and general and administrative functions. From time to time, there may be changes in Perimeter's management team resulting from the hiring or departure of executives or other key employees, which could disrupt its business. Perimeter's senior management and key employees are generally employed under employment agreements that are terminable by the employee at any time for any reason or no reason. The loss of one or more of Perimeter's executive officers or key employees, could have a material adverse effect on its business. Also, Perimeter will not have any key person life insurance policies on officers and directors.

Perimeter's ability to attract, train and retain qualified employees is crucial to its results of operations and any future growth.

To execute Perimeter's growth plan, it must attract and retain highly qualified personnel. Competition for these individuals is intense, especially for scientists and engineers with high levels of experience, senior sales executives and professional services personnel with appropriate financial reporting experience. Perimeter expects to experience difficulty in hiring and retaining employees with appropriate qualifications. Many of the companies with which Perimeter competes for experienced personnel have greater resources than it has. If Perimeter hires employees from competitors or other companies, their former employers may attempt to assert that these employees have breached their legal obligations or that Perimeter has induced such breaches, resulting in a diversion of time and resources. If Perimeter fails to attract new personnel or fails to retain and motivate its current personnel, its business and future growth prospects could be adversely affected.

Perimeter's quarterly results may fluctuate significantly and period-to-period comparisons of its results may not be meaningful.

Perimeter's quarterly results, including the levels of future revenue, if any, its operating expenses and other costs, and its operating margins, may fluctuate significantly in the future, and period-to-period comparisons of its results may not be meaningful. This may be especially true to the extent that Perimeter does not successfully establish a backlog of orders for its systems. Accordingly, the results of any one period should not be relied upon as an indication of Perimeter's future performance. In addition, Perimeter's quarterly results may not fully reflect the underlying performance of its business. Factors that may cause fluctuations in Perimeter's quarterly results include, but are not limited to:

- the timing of regulatory approvals for its products;
- its ability to successfully establish its business model;
- its ability to attract and retain its channel partners, customers and to expand its business;
- enacted or pending legislation and reimbursement rates effecting the healthcare industry;
- results of its clinical research efforts and positions of key opinion leaders;
- changes in its pricing policies or those of its competitors;
- the impact of the relatively long sales cycle that is typical of customers in Perimeter's industry, which are large hospitals and healthcare delivery organizations;

- the timing of Perimeter's recognition of revenue and the mix of revenues during the period;
- the amount and timing of operating expenses and other costs related to the maintenance and expansion of its business, infrastructure and operations;
- the amount and timing of operating expenses and other costs related to the development or acquisition of businesses, services, technologies or intellectual property rights;
- the timing and impact of security breaches, service outages or other performance problems with its technology infrastructure and software solutions;
- the timing and costs associated with legal or regulatory actions;
- changes in the competitive dynamics of its industry, including consolidation among competitors, channel partners or customers;
- loss of executive officers or other key employees;
- industry conditions and trends that are specific to the vertical markets in which Perimeter sells or intends to sell its solutions;
- disruptions of or interference with its channel partners' services; and
- general economic and market conditions.

Fluctuations in quarterly results may negatively impact the value of Perimeter Shares, regardless of whether they impact or reflect the overall performance of its business.

Currency exchange rate fluctuations affect Perimeter's results of operations, as reported in its financial statements.

Most of Perimeter's future revenues will be recorded, in U.S. dollars. However, substantially all of the research and development expenses of Perimeter's Canadian operations, as well as a portion of the cost of revenues, selling and marketing, and general and administrative expenses of its Canadian operations, are (or will be, as appropriate) incurred in Canadian dollars. As a result, Perimeter will be exposed to exchange rate risks that may adversely affect its financial results. If the Canadian dollar appreciates against the U.S. dollar or if the value of the Canadian dollar declines against the U.S. dollar at a time when the rate of inflation in the cost of Canadian goods and services exceeds the rate of decline in the relative value of the Canadian dollar, then the U.S. dollar cost of Perimeter's operations in Canada would increase and its results of operations would be adversely affected. Perimeter's Canadian operations also could be adversely affected if it is unable to effectively hedge against currency fluctuations in the future. Perimeter cannot predict any future trends in the rate of inflation in Canada or the rate of devaluation (if any) of the Canadian dollar against the U.S. dollar.

From time to time Perimeter may engage in future currency hedging activities. Those measures, however, may not adequately protect it from material adverse effects due to the impact of inflation in Canada or from fluctuations in the relative values of the U.S. dollar and the Canadian dollar, and may result in a financial loss.

Perimeter may pursue the acquisition of other companies, businesses or technologies, which could be expensive, divert its management's attention and/or fail to achieve the expected benefits.

As part of Perimeter's growth strategy, it may acquire businesses, services, technologies or intellectual property rights that it believes could complement, expand or enhance the features and functionality of its platform and its technical capabilities, broaden its service offerings or offer growth opportunities. The pursuit of potential acquisitions may divert the attention of management and cause Perimeter to incur various expenses in identifying, investigating and pursuing suitable acquisitions, whether or not such acquisitions are consummated. Acquisitions also could result in dilutive issuances of equity securities or the incurrence of debt, which could

adversely affect Perimeter's operating results and financial condition. In addition, Perimeter may experience difficulties in integrating the acquired personnel, operations and/or technologies successfully or effectively managing the combined business following the acquisition. Perimeter also may not achieve the anticipated benefits from the acquired business and may incur unanticipated costs and liabilities in connection with any such acquisitions. If any of these results occurs, Perimeter's business and financial results could be adversely affected.

Optical tissue imaging in the oncological surgery market (pre-operative biopsy, intraoperative, and post-operative pathology) is new and unproven, and it may decline or experience limited growth, which would adversely affect its ability to fully realize the potential of its platform.

Optical tissue imaging in the oncological surgery market is new, and evaluating the size and scope of the market is subject to a number of risks and uncertainties. Future success will depend in large part on the growth of this market. The utilization of an optical tissue imaging platform by physicians for high-impact diagnostic and decision-making support is new, and physicians may not recognize the need for, or benefits of, Perimeter's platform. This may prompt them to reject or cease use of its platform or decide to adopt alternative products and services to satisfy their requirements. Even if this market does grow, Perimeter's ability to expand its business and extend its market position depends upon a number of factors, including the cost, performance and perceived value of its platform and the applications Perimeter develops for it. The perceived value of Perimeter's platform and the applications it develops for it may be a function of estimated cost savings by healthcare providers using the OTIS™ platform, which may be difficult to accurately predict. Physicians may resist change from the current standard of practice.

Perimeter's market opportunity and cost saving estimates are subject to significant uncertainty and are based on assumptions and estimates, including internal analysis and industry experience. Assessing the market for Perimeter's solutions in each of the vertical markets it is planning to compete in is particularly difficult due to a number of factors, including limited available information and rapid evolution of the market. The market for the OTIS™ platform and the applications Perimeter develops for it may fail to grow significantly or be unable to meet the level of growth Perimeter expects. As a result of these and other factors, Perimeter may experience lower-than-expected demand for its products and services due to lack of reimbursement authority, channel partner, hospital and/or physician acceptance, technological challenges, competing products and services, decreases in spending by current and prospective customers, weakening economic conditions and other causes. If Perimeter's market does not experience significant growth, or if demand for its platform does not increase in line with its projections, then Perimeter's business, results of operations and financial condition will be adversely affected.

Perimeter anticipates generating a portion of its revenue from channel partners and to the extent no such revenue materializes, its business, results of operations and financial results will be materially harmed.

Perimeter currently expects to depend on future revenues generated through a limited number of channel partners and a direct outsourced sales force. Perimeter does not currently have distribution contracts with any channel partners or any sales representatives deployed. If these partners are not satisfied with Perimeter's products, they may not promote the OTIS™ platform and the applications Perimeter develops for it. Further, if these partners do not dedicate sufficient time to the commercialization of Perimeter's products or otherwise fail to comply with their obligations under Perimeter's agreements with them, then this may have an adverse effect on Perimeter's business and prospects. These partners will not be obligated to deal with Perimeter exclusively and therefore may sell competing products or solutions. As a result, these partners may give higher

priority to products or services of Perimeter's competitors, thereby reducing their efforts in commercialization of Perimeter's products. Channel partner agreements may be terminated under specified circumstances. The termination of any such agreement or the failure of one of such partners to extend its relationship with Perimeter after the term of an agreement with it expires, could harm Perimeter's brand and reputation. A significant decline in any future revenue stream from channel partners would have a material adverse effect on Perimeter's business, results of operations and financial condition.

If Perimeter is not able to develop a strong brand for its platform and the applications Perimeter develops for it and increase market awareness of Perimeter and its platform and the applications developed for it, then Perimeter's business, results of operations and financial condition may be adversely affected.

The success of the OTIS™ platform and the applications developed for it will depend in part on Perimeter's ability to develop a strong brand identity for itself as a company and its products, and to increase the market awareness of its platform and the platform's capabilities. The successful promotion of Perimeter's brand will depend largely on its marketing efforts and its ability to offer high quality imaging on its platform and ensure that its technology provides the expected benefits to its customers. It is important for Perimeter to be perceived as leaders in the optical tissue imaging market. Perimeter's brand promotion and thought leadership activities may not be successful or produce increased revenue. In addition, independent industry analysts may provide reviews of Perimeter's platform and of competing products and services, which may significantly influence the perception of Perimeter's platform in the marketplace. If these reviews are negative or not as positive as reviews of competitors' products and services, then Perimeter's brand may be harmed.

The promotion of Perimeter's brand also requires substantial expenditures, and Perimeter anticipates that these expenditures will increase as its industry becomes more competitive and as it seeks to expand into new markets. These higher expenditures may not result in any increased revenue or in revenue that is sufficient to offset the higher expense levels. If Perimeter does not successfully maintain and enhance its brand, then its business may not grow, Perimeter may see its pricing power reduced relative to competitors and may lose customers, all of which would adversely affect Perimeter's business, results of operations and financial condition.

Failure to manage growth effectively could increase Perimeter's expenses, decrease its revenue and prevent Perimeter from implementing its business strategy.

Perimeter's ability to generate revenues and achieve profitability will require substantial growth in its business, which will put a strain on its management and financial resources. To manage this and its anticipated future growth effectively, including as Perimeter expands into new clinical areas and geographic regions, it must maintain and enhance its platform and information technology infrastructure, as well as its financial and accounting systems and controls. Perimeter also must attract, train and retain a significant number of qualified software developers and engineers, technical and management personnel, sales and marketing personnel and customer and channel partner support personnel. Failure to effectively manage growth could lead Perimeter to over-invest or under-invest in development and operations, result in weaknesses in its platform, systems or controls, give rise to operational mistakes, losses, loss of productivity or business opportunities and result in loss of employees and reduced productivity of remaining employees. Perimeter's growth could require significant capital expenditures and might divert financial resources from other projects such as the development of new products and services. If Perimeter's management is unable to effectively manage its growth, its expenses might increase more than expected, its revenue could decline or grow more slowly than expected, and

Perimeter might be unable to implement its business strategy. The quality of Perimeter's products and services might suffer, which could negatively affect its reputation and harm its ability to retain and attract channel partners or customers.

If Perimeter is not able to enhance or introduce new applications for its platform or other new products that achieve market acceptance and keep pace with technological developments, its business, results of operations and financial condition could be harmed.

Perimeter's ability to attract new channel partners and customers and increase revenue from existing channel partners and customers depends in part on its ability to enhance and improve its applications for its optical tissue imaging platform, increase adoption and usage of Perimeter's products and introduce new products and features for clinical decision support in acute care settings. The success of any enhancements or new products depends on several factors, including timely completion, adequate quality testing, actual performance quality, market-accepted pricing levels, regulatory approvals and overall market acceptance and demand. Enhancements and new products that Perimeter develops may not be introduced in a timely or cost-effective manner, may contain defects, may have interoperability difficulties, or may not achieve the market acceptance necessary to generate significant revenue. If Perimeter is unable to successfully enhance existing platform and capabilities to meet evolving customer requirements, increase adoption and usage of its platform, develop new products, or if its efforts to increase the usage of its products are more expensive than expected, then Perimeter's business, results of operations and financial condition could be harmed.

The security of Perimeter's platform and the applications Perimeter develops for it, networks or computer systems may be breached, which could have an adverse effect on its business and reputation.

The OTIS™ platform and the applications Perimeter develops for it may be subject to computer malware, viruses and computer hacking, all of which have become more prevalent. Though it is difficult to determine what, if any, harm may directly result from any specific interruption or attack, they may include the theft or destruction of data owned by Perimeter or its customers, and/or damage to its platform. Any failure to maintain the performance, reliability, security and availability of Perimeter's products and technical infrastructure to the satisfaction of Perimeter's customers may harm its reputation and its ability to retain existing customers and attract new users.

Perimeter's procedures and safeguards that are designed to prevent security breaches and cyber-attacks may not be able to protect against all attempts to breach its systems, and Perimeter may not become aware in a timely manner of any such security breach. Unauthorized access to or security breaches of Perimeter's platform, network or computer systems or those of its technology service providers, could result in the loss of business, reputational damage, regulatory investigations and orders, litigation, indemnity obligations, damages for contract breach, civil and criminal penalties for violation of applicable laws, regulations or contractual obligations, and significant costs, fees and other monetary payments for remediation. If customers believe that Perimeter's platform does not provide adequate security for the storage or transmission of critical information, its business will be harmed.

Privacy and data security laws and regulations could require Perimeter to make changes to its business, impose additional costs and reduce the demand for its artificial intelligence software solutions.

Perimeter's business model contemplates, among other things, that the users of its products will process and transmit patients' medical data. End users of Perimeter's products may transmit a significant amount of personal or identifying information through its platform, which may be transmitted inappropriately and therefore be revealed to unauthorized third parties. In addition, the health and research institutions which provide Perimeter with data for purposes of training its algorithms may inadvertently fail to de-identify data (when regulated) before sending it to Perimeter which then places on Perimeter the responsibility of handling that sensitive information in accordance with applicable law. In addition, there may be additional agreements for use of data in connection with the research and development of Perimeter's products. Privacy and data security have become significant issues in the U.S. and in other jurisdictions where Perimeter may offer its software solutions. The regulatory framework relating to privacy and data security issues worldwide is evolving rapidly and is likely to remain uncertain for the foreseeable future. Federal, state, local and foreign government bodies and agencies have in the past adopted, or may in the future adopt, laws and regulations regarding the collection, use, processing, storage and disclosure of personal or identifying information obtained from customers and other individuals, and these laws may create varied and potentially conflicting requirements. In addition to government regulation, privacy advocates and industry groups may propose various self-regulatory standards that may legally or contractually apply to Perimeter's business. Because the interpretation and application of many privacy and data security laws, regulations and applicable industry standards are uncertain, it is possible that these laws, regulations and standards may be interpreted and applied in a manner inconsistent with its existing privacy and data management practices. As Perimeter expands into new jurisdictions or verticals, it will need to understand and comply with various new requirements applicable in those jurisdictions or verticals.

To the extent applicable to Perimeter's business or the businesses of its end users, these laws, regulations and industry standards could have negative effects on Perimeter's business, including by increasing costs and operating expenses, and delaying or impeding deployment of new core functionality and products. Compliance with these laws, regulations and industry standards requires significant management time and attention, and failure to comply could result in negative publicity, subject Perimeter to fines or penalties or result in demands that it modify or cease existing business practices. In addition, the costs of compliance with, and other burdens imposed by, such laws, regulations and industry standards may adversely affect Perimeter's end users' ability or desire to collect, use and process personal information using its software solutions, which could reduce overall demand for them. Even the perception of privacy and data security concerns, whether or not valid, may inhibit market acceptance of Perimeter's software solutions in certain verticals. Furthermore, privacy and data security concerns may cause end users or their employees and other industry participants to resist providing the personal information necessary to allow effective use of Perimeter's applications. Any of these outcomes could adversely affect Perimeter's business and operating results.

Furthermore, Perimeter's business requires continued access to non-public third-party medical imaging and related electronic medical record data that are used as training data for its platform and to develop applications for it. If end-users refuse or limit Perimeter's access to relevant information on grounds of privacy it will inhibit Perimeter's ability to continue to improve its platform and the applications Perimeter develops for it and thereby could adversely affect its business, operating results and competitiveness. If regulated data is used or disclosed inappropriately, Perimeter has an obligation to notify regulators and/or impacted individuals and may incur breach notification related costs.

If Perimeter is not able to compete effectively, its business and operating results will be harmed.

The market for optical tissue imaging is in its early stages of development, but competition in the market could grow rapidly and include various large, well-capitalized technology companies as well as early stage entrants. Although Perimeter's initial focus is on breast cancer, Perimeter expects to face increased competition in both this market and other markets where it may expand its platform application.

Potential competitors may have better brand name recognition, greater financial and engineering resources and larger sales teams than Perimeter has. In addition, some of Perimeter's competitors may be further along in obtaining regulatory approval for their products than Perimeter. As a result, these competitors may be able to develop and introduce competing solutions and technologies that may have greater capabilities than Perimeter's or that are able to achieve greater acceptance, they may be able to achieve commercialization of their products sooner than Perimeter does, and they may be able to respond more quickly and effectively than Perimeter can to new or changing opportunities, technologies, standards or requirements. Perimeter expects that competition will increase and intensify as it continues to expand its serviceable markets and improve its platform and services. Increased competition may result in pricing pressures and require Perimeter to incur additional sales and marketing expenses, which could negatively impact its sales, ability and market share.

Perimeter will initially be dependent on Perimeter's suppliers, the majority of which are single source suppliers, and the inability of these suppliers to deliver, or their refusal to deliver, necessary components of Perimeter's products or services for manufacturing Perimeter's products in a timely manner at prices, quality levels, and volumes would have a material adverse effect on Perimeter's business, financial condition and operating results.

Perimeter's current products contain numerous purchased parts and uses services sourced from direct suppliers, the majority of whom are currently single source suppliers. Furthermore, Perimeter does not maintain long-term agreements with a number of its suppliers. This limited supply chain exposes Perimeter to multiple potential sources of delivery failure or component shortages for the production of Perimeter products.

Unexpected changes in business conditions, materials pricing, labor issues, wars, governmental changes, natural disasters and other factors beyond Perimeter's and Perimeter's suppliers' control, could also affect Perimeter's suppliers' ability to deliver components or provide services on a timely basis. Moreover, any significant unanticipated demand may require Perimeter to procure additional components or services in a short amount of time, and Perimeter may be forced to replaced suppliers because of their failure to provide components that met Perimeter's quality control standards. There is no assurance that Perimeter will be able to do so or develop internally or with third parties replacements for highly customized components or key services. The loss of any single or limited source supplier or the disruption in the supply of components from these suppliers could lead to product design changes and delays in product deliveries to Perimeter's customers, which could hurt Perimeter's relationships with Perimeter's customers and result in negative publicity, damage to Perimeter's brand and a material and adverse effect on Perimeter's business, prospects, financial condition and operating results.

Changes in Perimeter's supply chain may result in increased cost. If Perimeter is unsuccessful in efforts to control and reduce supplier costs, Perimeter's operating results will suffer.

Any failure to properly train channel partners concerning the proper use of Perimeter's products may adversely affect its ability to successfully deploy products and could ultimately harm its reputation and results of operations.

Perimeter's ability to retain channel partners and end users, and attract new channel partners and end users, depends in part on its ability to properly train channel partners and ensure that they maintain a consistently high level of customer service and technical support. End users may depend on service support teams of channel partners to assist them in utilizing Perimeter's platform effectively and to help them to resolve issues quickly and to provide ongoing support. If Perimeter is unable to ensure (whether contractually or practically) that its channel partners hire and train sufficient support resources, or if channel partners are otherwise unsuccessful in assisting end users effectively, it could adversely affect Perimeter's ability to retain channel partners and end users, and could cause prospective end users to refrain from adopting its platform. Channel partners may be unable to respond quickly enough to accommodate short-term increases in demand for customer support. Perimeter also may be unable to modify the nature, scope and delivery of its training and support to channel partners to compete with changes in the support services provided by competitors. Increased demand for such support, without corresponding revenue, could increase Perimeter's costs and adversely affect its business, results of operations and financial condition. Perimeter's sales are highly dependent on its business reputation and on positive recommendations from end users. Any failure to properly train channel partners, or if channel partners fail to maintain high-quality customer support to end users, or even a market perception that Perimeter's solutions are not backed by high-quality customer support, could adversely affect Perimeter's reputation, business, results of operations and financial condition.

Perimeter's business model depends on commercial third-party payors, including government payors, and if those payors do not provide coverage or adequate reimbursement for the services in which its products are used, Perimeter's revenue and prospects for profitability would be harmed.

Commercial sales of Perimeter's products depend in part on the availability of reimbursement from third-party payors, including government health administrative authorities, managed care providers, private health insurers and other organizations. Each third-party payor has its own policy regarding what products it will cover, the conditions under which it will cover such products, and how much it will pay for such products. Third-party payors are increasingly examining the medical necessity and cost effectiveness of medical products and services in addition to safety and efficacy and, accordingly, significant uncertainty exists as to the reimbursement status of newly approved devices.

If Perimeter is unable to protect its intellectual property rights or if its intellectual property rights are inadequate to protect its technology, competitors could develop and commercialize technology similar to Perimeter's, and Perimeter's competitive position could be harmed.

Perimeter will rely on a combination of patent and trademark laws, trade secret protection, confidentiality agreements and other contractual arrangements with its employees, channel partners and others to maintain its competitive position. In particular, Perimeter's success depends, in part, on its ability to maintain patent protection for its products, technologies and inventions, maintain the confidentiality of its trade secrets and know-how, operate without infringing upon the proprietary rights of others and prevent others from infringing upon its proprietary rights. Despite Perimeter's efforts to protect its proprietary rights, it is possible that competitors or other unauthorized third parties may obtain, copy, use or disclose its technologies, inventions, processes or improvements. Moreover, other parties may independently develop similar or competing

technology, methods, know-how or design around any patents that may be issued to or held by Perimeter. Unauthorized parties may also attempt to copy or reverse engineer proprietary aspects of Perimeter's products. There is no assurance that Perimeter's patents or other intellectual property rights will not be challenged, invalidated or circumvented, or will otherwise provide meaningful protection. If Perimeter's patents and other intellectual property do not adequately protect its technology, competitors may be able to offer products similar to Perimeter's. Competitors may also be able to develop similar technology independently or design around any patents granted to Perimeter, and it may not be able to detect the unauthorized use of its proprietary technology or take appropriate steps to prevent such use. Any such activities by competitors that circumvent Perimeter's intellectual property protection could subvert its competitive advantage and have an adverse effect on its results of operations.

Furthermore, filing, prosecuting, maintaining and defending patents on Perimeter's solutions in all countries throughout the world would be prohibitively expensive, and its intellectual property rights in some countries outside the U.S. are less extensive than those in the U.S. In addition, the laws of some foreign countries do not protect intellectual property rights to the same extent as federal and state laws in the U.S. Also, it may not be possible to effectively enforce intellectual property rights in some foreign countries at all or to the same extent as in the U.S. and other countries. Consequently, Perimeter may be unable to prevent third parties from using its inventions in all countries, or from selling or importing products made using its inventions in the jurisdictions in which it does not have (or is unable to effectively enforce) patent protection. Competitors may use Perimeter's technologies in jurisdictions where it has not obtained patent protection to develop, market or otherwise commercialize their own products, and Perimeter may be unable to prevent those competitors from importing those infringing products into territories where Perimeter has patent protection but enforcement is not as strong as in the U.S.

Perimeter may be sued by third parties for alleged infringement of their proprietary rights, which could adversely affect Perimeter's business, results of operations and financial condition.

There is often litigation between competing companies relying on their respective technologies based on allegations of infringement or other violations of intellectual property rights. Perimeter's future success depends, in part, on not infringing the intellectual property rights of others. Perimeter may receive claims from third parties, including its competitors, alleging that its platform, the applications it develops for its platform and its underlying technology infringe or violate such third party's intellectual property rights, and Perimeter may be found to be infringing upon such rights. Perimeter may be unaware of the intellectual property rights of others that may cover some or all of its technology. Any such claims or litigation could cause Perimeter to incur significant expenses and, if successfully asserted against Perimeter, could require that Perimeter pay substantial damages or ongoing royalty payments, prevent Perimeter from offering some portion of its platform, or require that it comply with other unfavorable terms. Perimeter may also be obligated to indemnify its customers or channel partners in connection with any such litigation and to obtain licenses or modify its platform, which could further exhaust its resources. Patent infringement, trademark infringement, trade secret misappropriation and other intellectual property claims and proceedings brought against Perimeter, whether successful or not, could harm its brand, business, results of operations and financial condition. Litigation is inherently expensive and uncertain, and any judgment or injunctive relief entered against Perimeter or any adverse settlement could negatively affect its business, results of operations and financial condition. In addition, litigation can involve significant management time and attention and be expensive, regardless of the outcome. During the course of litigation, there may be announcements of the results of hearings and motions and other interim developments related to

the litigation. If customers regard these announcements as negative, demand for Perimeter's products may decline.

Perimeter may become involved in lawsuits to protect or enforce its patents which could be expensive, time consuming and unsuccessful.

If Perimeter attempts enforcement of its patents or other intellectual property rights, it may be subject or party to claims, negotiations or complex, protracted litigation. These claims and any resulting lawsuits, if resolved adversely to Perimeter, could subject it to significant liability for damages, impose temporary or permanent injunctions against Perimeter's solutions or business operations, or invalidate or render unenforceable its intellectual property. In addition, because patent applications can take many years until the patents issue, there may be applications now pending of which Perimeter is unaware, which may later result in issued patents that its solutions may infringe. If any of Perimeter's solutions infringe a valid and enforceable patent, or if it wishes to avoid potential intellectual property litigation on its alleged infringement, Perimeter could be prevented from selling its solutions unless it can obtain a license, which may be unavailable. Alternatively, Perimeter could be forced to pay substantial royalties or redesign its solutions to avoid infringement. Additionally, Perimeter may face liability to channel partners or other third parties for indemnification or other remedies if they are sued for infringement in connection with their use of Perimeter solutions.

Intellectual property disputes and litigation, regardless of merit, can be costly and disruptive to Perimeter's business operations by diverting attention and energies of management and key technical personnel, and by increasing its costs of doing business. Such litigation, regardless of its success, could seriously harm Perimeter's reputation with channel partners, business partners and patients and in the industry at large. Some competitors may be able to sustain the costs of complex patent or intellectual property litigation more effectively than Perimeter can because they have substantially greater resources. Any of the foregoing could adversely affect Perimeter's operating results.

Perimeter may be subject to claims asserting that its employees, consultants, independent contractors and advisors have wrongfully used or disclosed confidential information and/or alleged trade secrets of their current or former employers or claims asserting ownership of what Perimeter regards as its own intellectual property.

Many of Perimeter's employees, consultants, independent contractors and advisors were previously employed at other companies, including potential competitors. Perimeter could in the future be subject to claims that these employees and others, or Perimeter, has inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers. Litigation may be necessary to defend against these claims. If Perimeter fails in defending against such claims, a court could order it to pay substantial damages and prohibit it from using technologies or features that are essential to its solutions, if such technologies or features are found to incorporate or be derived from the trade secrets or other proprietary information of the former employers. An inability to incorporate technologies or features that are important or essential to Perimeter's solutions would have a material adverse effect on its business, and may prevent it from distributing its solutions. In addition, Perimeter may lose valuable intellectual property rights or personnel. A loss of key research personnel or their work product could hamper or prevent Perimeter's ability to commercialize certain potential solutions, which could severely harm its business. Even if Perimeter is successful in defending against these claims, such litigation could result in substantial costs and be a distraction to management. Incurring such

costs could have a material adverse effect on Perimeter's financial condition, results of operations and cash flows.

Under applicable employment laws, Perimeter may not be able to enforce covenants not to compete.

Perimeter will generally enter into non-competition agreements with its employees. These agreements prohibit Perimeter's employees, if they cease working for Perimeter, from competing directly with it or working for its competitors or clients for a limited period. Perimeter may be unable to enforce these agreements under the laws of the jurisdictions in which its employees work and it may be difficult for it to restrict competitors from benefitting from the expertise its former employees or consultants developed while working for Perimeter. For example, Canadian labor courts have required employers seeking to enforce non-compete undertakings of a former employee to demonstrate that the competitive activities of the former employee will harm one of a limited number of material interests of the employer which have been recognized by the courts, such as the protection of a company's trade secrets or other intellectual property.

Perimeter will be subject to costly and complex laws and governmental regulations and any adverse regulatory action may materially adversely affect its financial condition and business operations.

Perimeter's products, including software solutions that contain algorithms or artificial intelligence, will be subject to regulation by numerous government agencies, including the FDA and comparable agencies outside the U.S. To varying degrees, each of these agencies requires Perimeter to comply with laws and regulations governing the development, testing, manufacturing, labeling, marketing, and distribution of its products. The U.S. Congress recently passed the *21st Century Cures Act* (the "**Cures Act**"), which amended certain provisions of the Federal *Food, Drug and Cosmetic Act* (the "**FDC Act**"), related to medical devices and software. The Cures Act amended the definition of "medical device" to exclude several types of software and digital health solutions from the FDA's medical device requirements and to ease the path to market for novel devices and products. The FDA has interpreted this law to exclude from regulation certain clinical decision support ("**CDS**"), tools that are intended to aid in diagnosis, treatment or health management. However, the FDA intends to regulate other categories of CDS, software, algorithms and artificial intelligence tools depending on the functions and intended use of those products. Recent changes to FDA regulations and advances in AI have also generated compliance uncertainty across a variety of industry and settings, including about which legal and regulatory frameworks should apply to current and future iterations. However, the FDA currently regulates CDS and software-based devices and tools that analyze medical and diagnostic images for patient treatment or diagnosis. Further, the FDA regulates Picture Archiving and Communications Systems ("**PACS**"), or those devices that "provide one or more capabilities relating to the acceptance, transfer, display, storage, and digital processing of medical images" and whose software components may "provide functions for performing operations related to image manipulation, enhancement, compression or quantification" under 21 C.F.R. § 892.2050(a). PACS must obtain a 510(k) before commercialization in the U.S. The FDA is concerned with the accuracy of alterations, modifications, measurements, or analysis to or of images that could affect the accuracy of treatment and diagnosis decisions made using such data.

There is no guarantee that Perimeter will be able to obtain or maintain marketing clearance for its medical device products or enhancements or modifications to existing products.

Perimeter has three FDA-cleared products and no CE mark approvals, and Perimeter may not receive further clearances or approvals on a timely basis, if at all. The failure to maintain approvals or obtain approval or clearance for new products or functions could have a material adverse effect on Perimeter's business, results of operations, financial conditions and cash flows. Even if Perimeter is able to obtain such approval or clearance, it may:

- take a significant amount of time;
- require the expenditure of substantial resources;
- involve stringent clinical and pre-clinical testing, as well as increased post-market compliance requirements and surveillance;
- involve modifications, repairs, or replacements of Perimeter's products; and
- result in limitations on the proposed uses and marketing of Perimeter's products.

Further, if the FDA or other applicable regulatory authorities approve or clear a similar product that competes with Perimeter's artificial intelligence applications, it could decrease its expected sales. Both before and after a product is commercially released, Perimeter have ongoing responsibilities under FDA regulations. Many of Perimeter's facilities and procedures and those of its suppliers are also subject to periodic inspections by the FDA to determine compliance with the FDA's requirements, including primarily the quality system regulations and medical device reporting regulations. The results of these inspections can include inspectional observations on FDA's Form-483, warning letters, or other forms of enforcement. Since 2009, the FDA has significantly increased its oversight of companies subject to its regulations, including medical device companies, by hiring new investigators and increasing inspections of manufacturing facilities. If the FDA were to conclude that Perimeter is not in compliance with applicable laws or regulations, or that any of its medical devices are ineffective or pose an unreasonable health risk, the FDA could prohibit us from marketing such medical devices, detain or seize adulterated or misbranded medical devices, order a recall, repair, replacement, or refund of such devices, refuse to grant pending pre-market approval applications or require certificates of non-U.S. governments for exports, or require Perimeter to notify health professionals and others that the devices present unreasonable risks of substantial harm to the public health. The FDA may also assess civil or criminal penalties against Perimeter, its officers or employees and impose operating restrictions on a company-wide basis, or enjoin or restrain certain conduct resulting in violations of applicable law. The FDA may also recommend prosecution to the U.S. Department of Justice. Any adverse regulatory action, depending on its magnitude, may restrict Perimeter from effectively marketing and selling its products and limit its ability to obtain future pre-market clearances or approvals, and could result in a substantial modification to its business practices and operations.

Perimeter is in the early stage of developing its products. FDA clearance may require significant additional discovery efforts, preclinical testing and studies, as well as applicable regulatory guidance for preclinical and clinical studies from the FDA and other regulatory authorities before Perimeter can seek regulatory clearance and begin commercial sales of any potential products. The design and execution of clinical trials to support FDA clearance of Perimeter's products is subject to substantial risk and uncertainty. Clinical development is a lengthy and expensive process with an uncertain outcome, and results of earlier studies and trials may not be predictive of future trial results. Clinical failure can occur at any stage of clinical development. Perimeter relies on third parties to conduct clinical trials. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, or if they terminate their agreement with Perimeter, it may not be able to obtain regulatory clearance for or commercialize its products. The regulatory clearance processes of the FDA are lengthy, time consuming and inherently

unpredictable, and if Perimeter is ultimately unable to obtain regulatory clearance for its products, Perimeter's business will be substantially harmed.

In addition, the marketing license for any product is limited by the FDA to those specific indications and conditions for which clinical safety and efficacy have been demonstrated. The FDA has taken the position that device manufacturers are prohibited from promoting their products other than for the uses and indications set forth in the approved product labeling. The U.S. government has initiated a number of enforcement actions against manufacturers that promote products for "off-label" uses, including actions alleging that federal health care program reimbursement of products promoted for "off-label" uses (or services in which such products are utilized) constitute false and fraudulent claims to the government. The failure to comply with "off-label" promotion restrictions can result in significant civil or criminal exposure, administrative obligations and costs, or other potential penalties from, or agreements with, the federal government. Further, clinical practice guidelines and recommendations published by various organizations could have significant influence on Perimeter's products.

Perimeter will face extensive FDA and foreign regulatory requirements and may face future regulatory difficulties.

The FDA and other regulatory authorities require that Perimeter's devices be manufactured in compliance with Quality System Regulations ("**QSR**"), and similar standards in foreign markets where it intends to sell its products. Any failure by Perimeter or its third-party manufacturers to comply with QSR or failure to scale up manufacturing processes as needed, including any failure to deliver sufficient quantities of products in a timely manner, could have a material adverse effect on its business, financial condition, operating results and cash flows. In addition, such failure could be the basis for action by the FDA to withdraw clearance for products previously granted to Perimeter and for other regulatory action. Compliance with quality standards is further complicated by the fact that the FDA's guidance and expectations for software quality systems is evolving. Thus, changes to current product standards, guidance and regulations may impact the timeline and resources required to develop Perimeter's product.

Perimeter's industry is experiencing greater scrutiny and regulation by governmental authorities, which may lead to greater regulation in the future.

Perimeter's medical devices and technologies and its business activities are subject to a complex regime of regulations and enforcement environment, including regulations promulgated by the FDA, U.S. Department of Justice, the Office of Inspector General of the Department of Health and Human Services, and numerous other federal, state, and non-U.S. governmental authorities. In addition, certain state governments and the U.S. federal government have enacted legislation aimed at increasing transparency of Perimeter's interactions with health care providers. As a result, if Perimeter's devices and solutions (or the procedures in which they are used) are reimbursed by Federal healthcare programs such as Medicare or Medicaid, it will be required by law to disclose payments and other transfers of value to health care providers licensed by certain states and to all U.S. physicians and U.S. teaching hospitals at the federal level. Any failure to comply with these legal and regulatory requirements could impact Perimeter's business. In addition, Perimeter will devote substantial additional time and financial resources to further develop and implement policies, systems, and processes to comply with enhanced legal and regulatory requirements, which may also impact its business. Perimeter anticipates that governmental authorities will continue to scrutinize its industry closely, and that additional regulation may increase compliance and legal costs, exposure to litigation, and other adverse effects to Perimeter's operations.

Product liability lawsuits against Perimeter could result in substantial liabilities and to limit commercialization of its products.

Because Perimeter's initial product family upon approval will be used, and Perimeter intends to initially focus its future product development efforts, in acute care settings, where real-time decisions are challenging and critical to delivering differentiated care and preventing patients, product malfunctions in this context create heightened risk of product liability lawsuits. A product liability or professional liability claim could result in substantial financial and reputational damages and be costly and time-consuming for us to defend.

Although Perimeter maintains liability insurance, including for errors and omissions, there is no assurance that Perimeter's insurance would fully protect it from the financial impact of defending against these types of claims or any judgments, fines or settlement costs arising out of any such claims. Any liability claim, including an errors and omissions liability claim, brought against Perimeter, with or without merit, could increase its insurance rates or prevent it from securing insurance coverage in the future. Additionally, any liability lawsuit could cause injury to Perimeter's reputation or cause it to suspend sales of its products. The occurrence of any of these events could have an adverse effect on Perimeter's business, reputation, results of operations and cash flows.

If Perimeter fails to comply with applicable health information privacy and security laws and other state and federal privacy and security laws, it may be subject to significant liabilities, reputational harm and other negative consequences, including decreasing the willingness of current and potential customers to work with Perimeter.

Perimeter will be subject to data privacy and security regulation by both the federal government and the states in which it conducts its business. The *Health Insurance Portability and Accountability Act of 1996* ("**HIPAA**"), established uniform federal standards for "covered entities," which include certain healthcare providers, healthcare clearinghouses, and health plans, governing the conduct of specified electronic healthcare transactions and protecting the security and privacy of protected health information ("**PHI**"). The *Health Information Technology for Economic and Clinical Health Act* ("**HITECH Act**") makes HIPAA's security standards directly applicable to "business associates," which are independent contractors or agents of covered entities that create, receive, maintain, or transmit PHI in connection with providing a service for or on behalf of a covered entity. The HITECH Act also increased the civil and criminal penalties that may be imposed against covered entities, business associates and certain other persons, and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce HIPAA's requirements and seek attorney's fees and costs associated with pursuing federal civil actions.

A portion of the data that Perimeter will obtain and handle for or on behalf of certain of its clients is considered PHI, subject to HIPAA. Perimeter will also be required to maintain similar business associate agreements with its subcontractors that have access to PHI of its customers in rendering services to Perimeter or on its behalf. Under HIPAA and Perimeter's contractual agreements with its HIPAA-covered entity health plan customers, Perimeter will be considered a "business associate" to those customers, and are required to maintain the privacy and security of PHI in accordance with HIPAA and the terms of Perimeter's business associate agreements with its clients, including by implementing HIPAA-required administrative, technical and physical safeguards. Perimeter has incurred, and Perimeter will continue to incur, significant costs to establish and maintain these safeguards and, if additional safeguards are required to comply with HIPAA regulations or its clients' requirements, Perimeter's costs could increase further, which would negatively affect its operating results. Furthermore, there is no guarantee that such safeguards have been and will continue to be adequate. If Perimeter has failed, or Perimeter fails in the future, to maintain

adequate safeguards, or Perimeter or its agents or subcontractors use or disclose PHI in a manner prohibited or not permitted by HIPAA, Perimeter's subcontractor business associate agreements, or its business associate agreements, or if the privacy or security of PHI that it obtains and handles is otherwise compromised, Perimeter could be subject to significant liabilities and consequences, including, without limitation:

- breach of contractual obligations to clients, which may cause clients to terminate their relationship with Perimeter and may result in potentially significant financial obligations to its clients;
- investigation by the federal and state regulatory authorities empowered to enforce HIPAA and other data privacy and security laws, which include the U.S. Department of Health and Human Services the U.S. Trade Commission and state attorneys general, and the possible imposition of civil and criminal penalties;
- private litigation by individuals adversely affected by any misuse of their personal health information for which Perimeter is responsible and/or breach notification related costs; and
- negative publicity, which may decrease the willingness of potential future customers to work with us and negatively affect its sales and operating results.

Further, Perimeter will publish statements to end users of its services that describe how it handles and protects personal information. If federal or state regulatory authorities or private litigants consider any portion of these statements to be untrue, Perimeter may be subject to claims of deceptive practices, which could lead to significant liabilities and consequences, including, without limitation, damage to its reputation and costs of responding to investigations, defending against litigation, settling claims and complying with regulatory or court orders.

Recent legal developments in Europe have created compliance uncertainty regarding certain transfers of personal data from Europe to the U.S. For example, the General Data Protection Regulation ("**GDPR**"), which came into application in the European Union ("**EU**") on 25 May 2018, applies to all of Perimeter's activities conducted from an establishment in the EU or related to products and services that Perimeter offers to EU users. The GDPR created a range of new compliance obligations which may cause Perimeter to change its business practices, and significantly increased financial penalties for noncompliance (including possible fines of up to 4% of global annual turnover for the preceding financial year or €20 million (whichever is higher) for the most serious infringements).

Federal or state governmental authorities may impose additional data security standards or additional privacy or other restrictions on the collection, use, maintenance, transmission and other disclosures of health information. Legislation has been proposed at various times at both the federal and the state level that would limit, forbid or regulate the use or transmission of medical information outside of the U.S. Such legislation, if adopted, may render Perimeter's use of off-shore partners for work related to such data impracticable or substantially more expensive. Alternative processing of such information within the U.S. may involve substantial delay in implementation and increased cost.

If Perimeter fails to comply with federal and state healthcare laws and regulations, including those governing submission of false or fraudulent claims to government healthcare programs and financial relationships among healthcare providers, it may be subject to civil and criminal penalties or loss of eligibility to participate in government healthcare programs.

Perimeter may be subject to certain federal and state laws and regulations designed to protect patients, governmental healthcare programs, and private health plans from fraudulent and abusive activities. These laws include anti-kickback restrictions and laws prohibiting the submission

of false or fraudulent claims. These laws are complex and their application to Perimeter's specific products, services and relationships may not be clear and may be applied to its business in ways that are not anticipated. Federal and state regulatory and law enforcement authorities have recently increased enforcement activities with respect to Medicare and Medicaid fraud and abuse regulations and other reimbursement laws and rules. From time to time in the future, Perimeter may receive inquiries or subpoenas to produce documents in connection with such activities. Perimeter could be required to expend significant time and resources to comply with these requests, and the attention of management could be diverted to these efforts. If Perimeter is found to be in violation of any federal or state fraud and abuse laws, it could be subject to civil and criminal penalties, and it could be excluded from participating in federal and state healthcare programs such as Medicare and Medicaid. The occurrence of any of these events could significantly harm Perimeter's business and financial condition.

Provisions in Title XI of the Social Security Act, commonly referred to as the federal Anti-Kickback Statute, prohibit the knowing and willful offer, payment, solicitation or receipt of remuneration, directly or indirectly, in cash or in kind, in return for or to induce either the referral of an individual or arranging for the referral of an individual for items or services for which payment may be made in whole or in part by a federal health care program, or the purchasing, leasing, ordering, or arranging for or recommending the purchasing, leasing, or ordering of items, services, goods, or facilities for which payment may be made, in whole or in part, by a federal healthcare program, including but not limited to Medicare or Medicaid. The definition of "remuneration" has been broadly interpreted to include anything of value such as gifts, discounts, rebates, waiver of payments or providing anything at less than its fair market value. Many states have adopted similar prohibitions against kickbacks and other practices that are intended to induce referrals which are applicable to all patients regardless of whether the patient is covered under a governmental health program or private health plan. Perimeter will attempt to scrutinize its business relationships and activities to comply with the federal Anti-Kickback Statute and similar laws and attempt to structure its sales and group purchasing arrangements in a manner that is consistent with the requirements of applicable safe harbors to these laws. There is no assurance that Perimeter's arrangements will be protected by such safe harbors or that such increased enforcement activities will not directly or indirectly have an adverse effect on Perimeter's business, financial condition or results of operations. Any determination by a state or federal agency that any of Perimeter's activities or those of its vendors or customers violate any of these laws could subject Perimeter to civil or criminal penalties, monetary fines, disgorgement, individual imprisonment, contractual damages, reputational harm, diminished profits and future earnings and curtailment of its operations, could require Perimeter to change or terminate some portions of operations or business, could disqualify it from providing services to healthcare providers doing business with government programs and, thus, could have an adverse effect on Perimeter's business.

Perimeter's business is also subject to numerous federal and state laws regarding submission of false or fraudulent claims, including, without limitation, the civil False Claims Act, which forbids knowingly presenting or "causing to be presented" false or fraudulent claims for payment to a federal health care program. Analogous laws and regulations of Canada, other countries and state and local government may apply to Perimeter's arrangements and customers' claims involving healthcare items or services reimbursed by non-governmental third-party payors. HIPAA also imposes criminal and civil liability for, among other things, executing a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters.

These laws and regulations may change rapidly, and it is frequently unclear how they apply to Perimeter's business. Errors created by Perimeter's products that relate to entry, formatting,

preparation or transmission of claim or cost report information may be determined or alleged to be in violation of these laws and regulations. Any failure of Perimeter's products or services to comply with these laws and regulations could result in substantial civil or criminal liability, monetary fines, disgorgement, individual imprisonment, contractual damages, reputational harm, diminished profits and future earnings and curtailment of its operations, could adversely affect demand for Perimeter's product or service offerings, could invalidate all or portions of some of its customer contracts, could require it to change or terminate some portions of its business, could require it to refund certain amounts collected, could cause it to be disqualified from serving clients doing business with government payors and could have an adverse effect on its business.

Perimeter's activities will also be subject to state and federal self-referral laws, including the federal Physician Self-referral Law, commonly known as the Stark Law, which prohibits physicians from referring patients to an entity for Medicare-covered "designated health services" if the physician, or a member of the physician's immediate family, has a financial relationship with the entity, unless a statutory or regulatory exception applies. Many states have similar laws that may apply regardless of payor. In addition, Perimeter's activities may also implicate state laboratory licensure laws, as well as the corporate practice of medicine prohibition in certain states that maintain such laws or regulations. Perimeter's failure to abide by these state and federal laws could expose Perimeter to criminal, civil and administrative sanctions, reputational harm, and could harm its results of operations and financial conditions.

Perimeter's business model depends on commercial third-party payors or government payors, therefore legislative or regulatory reforms may impact the ability of its customer to obtain such reimbursement, and its revenue and prospects for profitability would be harmed.

Perimeter's go-to-market strategy relies upon governmental or third-party payor reimbursement. Healthcare policy and payment reform models and medical cost containment models are being considered and/or adopted in the U.S. and other countries. Legislative and/or administrative reforms to applicable reimbursement systems may significantly reduce reimbursement for the services in which Perimeter's products are used or result in the denial of coverage for such services outright. As a result, third-party reimbursement adequate to enable Perimeter to realize an appropriate return on its investment in research and product development may not be available for its products.

Worldwide pandemics, such as the recent outbreak of the novel coronavirus COVID-19, may adversely impact multiple aspects of Perimeter's business.

Pandemics such as COVID-19 can have a significant impact on our business and our current plans, such as delaying or preventing the completion of the Arrangement. Such pandemics have the potential to disrupt our supply chain, including our ability to manufacture, supply and/or distribute our products. Perimeter's current products contain numerous purchased parts and use services sourced from direct suppliers, the majority of whom are currently single source suppliers. We may no longer have the ability to source equipment and technology necessary to manufacture our products. In addition, our future channel partners may no longer be able to perform their services. Similarly, our logistics providers may no longer be able to effectively service our customers. We may also see a slowdown, temporarily suspend, or complete halt our operations in certain geographic locations impacted by an outbreak. Such an event may require us to entirely cease operations in a given location for a period of time.

Pandemics may prevent or delay the distribution of products and/or activities that are required for the proper distribution to our customers (e.g. quality and or regulatory reviews), and hence

result in us incurring penalties and/or sanctions from regulatory authorities, contracting parties, or in the cancellation of contracts. Any prolonged restrictive measures put in place by governments, non-governmental organizations, or local authorities in any of the jurisdictions in which we operate, hold assets, or do business may have a material and adverse effect on our financial and/or operating performance. In addition, a pandemic may result in our distributors, suppliers, and/or partners no longer being able to do business with us based upon a force majeure.

Pandemics can also impact our employees, including their mobility, health and/or safety. For example, our employees or channel partners will typically visit numerous hospitals on a regular basis. To the extent employee mobility is limited, or to the extent such visits represent a safety risk to the employee or sales force, we may no longer call on such hospitals during a pandemic. Failure to call on such hospitals may result in a reduction in the sales of our products.

Pandemics may have the effect of shifting hospital resources and priorities towards pandemic treatment and away from tissue removal surgeries, which would be likely to affect our revenue. A temporary, systematic decrease in surgeries likely to benefit from the OTIS™ platform would reduce the need for our single use consumable products and could delay or reduce available funds to acquire our products. In response to the COVID-19 pandemic, Perimeter is anecdotally aware that many hospitals in the United States are experiencing significant decreases in revenue caused by decreases in non-pandemic related procedures. This could have a material impact on Perimeter's ability to generate future revenue.

Pandemics can also impact the global financial markets, limiting our ability to get financing, loans and/or debt, or trade credits.