Perimeter Medical Imaging AI, Inc.
Management's Discussion and Analysis

For the three and nine months ended

September 30, 2021 and 2020

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

This Management's Discussion and Analysis ("MD&A") for Perimeter Medical Imaging AI, Inc. ("Perimeter" or the "Company") is prepared as of November 29, 2021 and should be read in conjunction with the September 30, 2021 unaudited interim condensed consolidated financial statements and related notes of Perimeter. All 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, Perimeter's technology platform, including Perimeter S-Series OCT, Perimeter B-Series OCT, Perimeter ImgAssist (the "Products"), sales, placements and utilization rates, reimbursement for the various 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 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 its 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; the Company's ability to obtain additional financing on terms favorable to it, if at all; 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 its 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 its 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, and limited access for outside personnel at clinical research facilities 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 is prepared by management from information available through November 22, 2021 and is approved by the Board of Directors (the "Board") on that date.

COMPANY OVERVIEW

Perimeter Medical Imaging AI, Inc. (the "Company" or "Perimeter") was formed in British Columbia on June 29, 2020 by the amalgamation of New World Resource Corp. ("New World") and Perimeter Medical Imaging, Inc. ("Pre-Arrangement Perimeter"). On June 29, 2020, Pre-Arrangement Perimeter completed a reverse take-over of New World via the plan of arrangement as detailed in the arrangement agreement dated June 3, 2019 and amended November 29, 2019 and April 23, 2020.

The Company was listed as a Tier 2 issuer on the TSX Venture Exchange ("TSXV") on July 7, 2020 under the symbol PINK. The Company's registered office is located at Suite1700, Park Place, 666 Burrard Street, Vancouver, British Columbia V6C 2X8. The Company's head office is located at 359 Eastern Avenue, Suite 110, Toronto, Ontario M4M 1B7.

The Company has one subsidiary, Perimeter Medical Imaging Corp., a Delaware corporation.

Pre-Arrangement Perimeter was incorporated on May 16, 2013 under the laws of the province of Ontario, Canada with the name Eiros Medical Inc.. On June 26, 2013, Eiros Medical Inc. changed

its name to Perimeter Medical Imaging, Inc. On June 18, 2020, Pre-Arrangement Perimeter continued under the laws of the province of British Columbia.

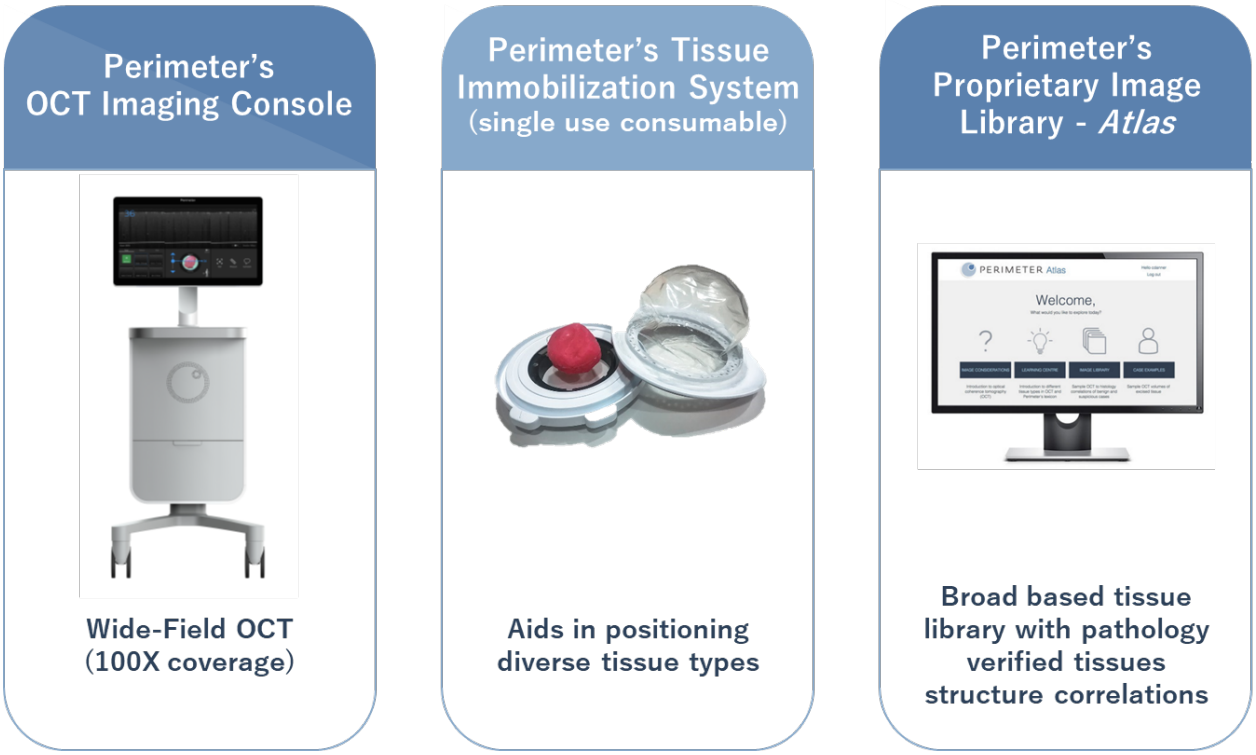
BUSINESS OF PERIMETER

Perimeter's mission, as an innovative medical technology company, is to transform cancer surgery with ultra-high-resolution, real-time, advanced imaging tools to address unmet medical needs. 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 Medical Device Platform

The Perimeter S-Series Optical Coherence Tomography (OCT) imaging system – previously referred to as "OTIS" – has received 510(k) clearance from the U.S. Food and Drug Administration (FDA). Perimeter S-Series OCT provides clinicians with cross-sectional, real-time margin visualization (1-2 mm below the surface) of an excised tissue specimen. Giving physicians the ability to visualize microscopic tissue structures "real time" in the operating room has the potential to result in better long-term outcomes for patients and lower costs to the healthcare system. Based on optical coherence tomography, a mature technology with existing commercial applications in other healthcare fields such as ophthalmology and vascular imaging, Perimeter's novel innovation is the ability to rapidly image large and complex surfaces.

The console of the Perimeter S-Series OCT includes 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. A specimen in the consumable container is scanned during the surgical procedure, with results available for display on the device screen, enabling collaboration between surgeons, radiologists, and pathologists. 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.



Perimeter's technology has been designed to integrate into current clinical workflows. 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 include:

- Automated image capture: Automated scanning of individual margins (no increased operator workload from manipulating an imaging probe)
- Margin visualization: 2 mm subsurface imaging to visualize microscopic tissue structures in real-time
- Full specimen coverage: High resolution images of one to six margins, with 10 times higher resolution than ultrasound or X-ray
- Orientation management: Preserves and conveys specimen orientation, with ability to label and capture images of individual margins
- Non-destructive: Images tissue without compromising standard histopathology
- No oral or injectable required: Patient dosing is not required, so there are no side-effects to the patient

Perimeter has four issued patents and five pending approval in the U.S. and internationally. Three of Perimeter's four issued patents are expected to expire in 2033, and the remaining patent is expected to expire in 2038.

ATLAS AI Project

Perimeter is advancing its proprietary, next-gen machine learning tools and artificial intelligence technology, called "ImgAssist AI," through clinical development under its ATLAS AI project,

which is supported, in part, by a USD $7.4 million grant awarded by the Cancer Prevention and Research Institute of Texas ("CPRIT"), a leading state body that funds cancer research.

Perimeter's ImgAssist AI technology has the potential to increase the efficiency of image review and be an additional powerful tool when combined with Perimeter OCT to aid physicians with real-time margin visualization and assessment – with the goal of improving surgical outcomes for patients and reducing the likelihood of needing additional surgeries.

In the first stage of the ATLAS AI Project, now completed, more than 400 volumes of images of excised breast tissue were collected at leading cancer centers in Texas using the Perimeter S-Series OCT. This database of breast tissue images was then precisely labeled and signed off by a pathologist certified by the American Board of Pathology and subsequently used to train and test the accuracy of Perimeter's proprietary ImgAssist AI algorithm. In the final stage of the project, Perimeter intends to conduct a randomized, multi-site, pivotal study to evaluate Perimeter OCT coupled with ImgAssist AI (called Perimeter B-Series OCT) against the current standard of care and assess the impact on re-operation rates for patients undergoing breast conservation surgery.

INTERIM MD&A – QUARTERLY HIGHLIGHTS

On February 1, 2021, Perimeter announced that it had elected to exercise its right under the terms of a warrant indenture dated June 29, 2020 between the Company and Computershare Trust Company of Canada to accelerate the expiry date of the warrants to purchase common shares of the Company ("Common Shares") issued on June 29, 2020 to investors in Perimeter's private placement financing of units completed on that day (the "Warrants"). Each Warrant was exercisable to acquire one Common Share at an exercise price of $2.00. The expiry date of the Warrants was accelerated to 4:00 p.m. (Toronto Time) on March 8, 2021. Of those Warrants subject to the accelerated expiry, 3,312,196 were exercised for cash proceeds of $6,624,392. In addition to those Warrants subject to the accelerated expiry, 947,759 other warrants were exercised in Q1 2021 for cash proceeds of $1,464,727.

On March 1, 2021, Perimeter announced that it had received 510(k) clearance from the FDA for version 2.1 of the Perimeter S-Series OCT, enabling Perimeter to bring its commercial-ready platform to the U.S. market. Perimeter S-Series OCT is indicated for use as an imaging tool in the evaluation of excised human tissue microstructure by providing two-dimensional, cross-sectional, real-time depth visualization with image review manipulation software for identifying and annotating regions of interest.

On March 30, 2021, Perimeter announced that Dr. Beth DuPree, a surgeon at Northern Arizona Healthcare Verde Valley Medical Center, initiated a clinical study to enroll up to 100 patients in a study that will evaluate the use of Perimeter S-Series OCT during breast conserving surgery, with the aim of demonstrating that surgeons can effectively use Perimeter S-Series OCT to aid their decisions if additional tissue needs to be excised.

On April 14, 2021, Perimeter provided an update on its ATLAS AI Project. Using more than 400 volumes of images of excised breast tissue collected in the first stage of the ATLAS AI Project, the standalone ImgAssist AI algorithm achieved a key performance metric of 0.94 AUC (area under the receiver operating characteristic curve). The data generated to date support the continued

(Dollar amounts in Canadian Dollars)

advancement of Perimeter's "ImgAssist" AI technology to the next stage of the ATLAS AI Project. Perimeter intends to conduct a randomized, multi-site, pivotal study to evaluate Perimeter OCT combined with ImgAssist AI against the current standard of care and assess the impact on re-operation rates for patients undergoing breast conservation surgery.

On April 15, 2021, Perimeter announced that the FDA granted a Breakthrough Device Designation for Perimeter OCT combined with ImgAssist AI – to be called Perimeter B-Series OCT. This designation allows for accelerated interactions with the FDA during product development and prioritized review of future regulatory submissions. In addition, a proposed Medicare policy program (Medicare Coverage of Innovative Technology, or MCIT) provides national Medicare coverage for up to four years for FDA-designated Breakthrough Devices upon market authorization, enabling more rapid utilization of new and innovative technologies for the Medicare population.

On November 2, 2021, Perimeter announced that the FDA granted an investigational device exemption to Perimeter for its B-Series OCT with ImgAssist to be used in the upcoming pivotal study as part of the ATLAS AI Project.

During the nine months ended September 30, 2021, Perimeter also continued to strengthen its team through key leadership appointments and significant expansion of the Company's commercial infrastructure. On July 13, 2021, Perimeter announced the appointment of Dr. Sarah Butler as VP, Clinical and Medical Affairs. Dr. Butler joins Perimeter with extensive healthcare industry experience and a reputation as an expert in global medical education and scientific communication, healthcare systems, clinical trial strategy, conduct, and compliance in clinical and industry environments.

SELECTED FINANCIAL INFORMATION

The following selected financial information as at and for the nine-month periods ended September 30, 2021 and 2020 has been derived from the unaudited interim condensed consolidated financial statements and should be read in conjunction with those unaudited interim condensed consolidated financial statements and related notes.

		September 30, 2021		**(Audited)** December 31, 2020
Current assets	$	11,030,538	$	13,070,014
Total assets		13,218,056		13,156,449
Current liabilities		1,994,998		1,817,608
Non-current liabilities		479,331		580,044
Total liabilities		2,474,329		2,397,652

(Dollar amounts in Canadian Dollars)

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Net loss	$ (3,880,172)	$ 800,030	$ (11,134,624)	$ (5,638,448)
Basic and diluted loss per common share	(0.09)	0.02	(0.25)	(0.24)
Cash used in operating activities	(5,086,075)	(3,360,386)	(10,032,107)	(5,564,554)
Cash from (used in) investing activities	(1,034,489)	2,964,119	(1,586,496)	3,869,384
Cash from financing activities	161,241	(1,752,464)	9,368,676	9,550,643

The decrease in current assets was the result of OCT equipment purchased for use in commercial roll-out and clinical study activities, in addition to cash used in operating activities.

The increase in net loss and cash used in operating activities for the nine months ending September 2021 compared to the prior year was a result of the increased activities related to clinical trials, research and development, and commercial operations, including building our sales, finance and marketing teams as we hired for key roles in 2021 as well the discontinuation of operating cost reduction measures implemented during the comparative period in 2020 as a result of the COVID-19 pandemic which were offset by the reduction in the non-recurring costs associated with the acquisition of New World Resource Corp. in the nine months ended September 30, 2020.

(Dollar amounts in Canadian Dollars)

RESULTS OF OPERATIONS

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Grants	$ 23,329	$ 16,416	$ 65,605	$ 78,997
Operating Expenses				
Employment costs	1,992,680	743,167	4,336,428	2,108,187
Stock-based compensation	374,923	521,404	1,446,932	688,975
Subcontractors and consulting fees	341,462	339,087	1,050,509	850,050
Professional fees	431,092	228,162	1,613,095	1,441,523
Advertising and promotion	40,251	61,883	608,702	74,785
Research and development	291,022	130,937	972,703	304,270
General and administrative	258,819	145,417	548,433	409,835
Depreciation and amortization	18,341	11,996	48,462	32,951
Total Operating Expenses	3,748,590	2,182,053	10,625,264	5,910,576
Net foreign exchange losses	(53,084)	(8,272)	(69,477)	(17,483)
Finance income (costs)	(101,827)	3,004,999	(505,488)	3,526,331
Listing costs	-	-	-	(3,298,270)
Income (Loss) before income taxes	(3,880,172)	831,090	(11,134,624)	(5,621,001)
Income tax expense	-	-	-	-
Income (Loss) for the period	$ (3,880,172)	$ 831,090	$ (11,134,624)	$ (5,621,001)
Other comprehensive income (loss) items that may be reclassified subsequently to profit:				
Foreign currency translation differences for foreign operations - net of tax of nil (2020: nil)	97,473	19,162	164,030	35,916
Comprehensive Income (Loss)	$ (3,782,699)	$ 850,252	$ (10,970,594)	$ (5,585,085)
Basic and diluted loss per common share	$ (0.09)	$ 0.02	$ (0.25)	$ (0.24)

(1) Prior period comparatives have been reclassified to conform with current year presentation. Note 17 in Consolidated Interim Financial Statements.

DISCUSSION OF OPERATIONS

Operating expenses

Operating expenses for the nine months ended September 30, 2021 were $10,625,264 compared to $5,910,576 during the nine months ended September 30, 2020, an 80% increase. Operating expenses for the three months ended September 30, 2021 were $3,748590 compared to $2,182,053 for the same period in 2020, a 74% increase.

Employment costs were $4,336,428 for the nine months ended September 30, 2021 compared to $2,108,187 for the same period in the previous year, an increase of $2,228,241. The increase was primarily driven by additional headcount in the commercial and clinical areas of the business. Additionally, costs in the three and nine months ended September 30, 2020 were reduced by capital preservation measures including salary reductions implemented as a response to the COVID-19 pandemic. Employment costs for the three months ended September 30, 2021 were $1,992,680 compared to the same period in 2020 of $743,167. The increase of $1,249,513 was due to increased headcount in the three months ending September 30, 2021 of 43 compared to a headcount of 24 for the three months ending September 30, 2020.

Stock-based compensation expense for the nine months ended September 30, 2021 was $1,446,932 compared to $688,975 for the nine months ended September 30, 2020. The increase of $757,957 for the nine months ended September 30, 2021 was primarily a result of additional options granted to key management personnel and directors later in 2020 for which expense is recognized based on the vesting pattern, as well as the impact of the reversal of expense related to voluntary forfeitures in Q1 2020. Stock-based compensation expense for the three months ended September 30, 2021 was $374,923 compared to $521,404 for the same period in 2020. The decrease of 146,481 in 3Q 2021 compared to 3Q 2020 is a result of no options being granted in 2021.

Subcontractors and consulting fees were $1,050,509 for the nine months ended September 30, 2021 compared to $850,050 for the same period in the prior year, an increase of $200,459. The increase was primarily due to additional clinical study activity from the ATLAS AI project which occurred in 2021. Subcontractors and consulting fees for the three months ended September 30, 2021 were $341,462 compared $339,087 for the same period of the prior year.

Professional fees for the nine months ended September 30, 2021 increased $171,572 compared to the nine months ended September 30, 2020 as a result of increased recruiting fees and additional consulting expense for marketing studies that were offset by reduced professional fees associated with the reverse take-over of New World Resource Corp. Professional fees for the three months ended September 30, 2021 increased by $202,930 from the marketing services and fees related to accounting services compared to the same period in the prior year.

Advertising and promotion costs were $608,702 for the nine months ended September 30, 2021 compared to $74,785 for the nine months ended September 30, 2020, an increase of $533,917. The increase is due to the ramping up of marketing and corporate communications efforts related to the commercial launch following the latest 510(k) clearance. These efforts included creation of content related to brand development, a digital campaign as well as attendance at trade shows and other events. Advertising and promotion costs were similar for the quarters ending September 30, 2021 and September 30, 2020.

Research and development expenses for the nine months ended September 30, 2021 were $972,703 compared to $304,270 for the nine months ended September 30, 2020, an increase of $668,433. The increase was due primarily to prototype costs used for research purposes as well as costs associated with establishing S-Series OCT and Specimen Immobilizer manufacturing at Minnetronix Medical Inc. Research and development expenses were $291,022 and $130,937 for the three months ended September 30, 2021 and 2020 respectively, an increase of $160,085 due to establishing S-Series OCT and Specimen Immobilizer manufacturing.

General and administrative expenses were $548,433 for the nine months ended September 30, 2021 compared to $409,835 for the nine months ended September 30, 2020. The increase of $138,598 was primarily a result of travel and subscriptions. General and administrative expenses for the three months ended September 30, 2021 were $258,819 compared to $145,417 for the three months ended September 30, 2020, an increase of $113,402 due primarily to increased travel costs for training.

Finance costs for the nine months ended September 30, 2021 were $505,488 compared to an income of $3,526,331 for the nine months ended September 30, 2020. The increase of $4,031,819 was due to mostly to an increase in unrealized loss on the fair value of equity securities of $2,270,816 and a decrease of the realized gain on changes in the fair value of derivatives by $2,191,143. In addition, 1,039,100 shares sold in 2020 resulted in a decrease in realized gain of $1,550,384 between 2021 and 2020. Offsetting these increased costs was a reduction in the accretion on convertible debt of $1,602,331 to Nil in 2021.

Net Loss

The net loss for the for the nine months ended September 30, 2021 was $10,970,594 compared to $5,585,085 for the same period in 2020. The increase in net loss was primarily a result of the changes noted above which were partially offset by a reduction in non-cash costs associated with the acquisition of New World Resource Corp. of $3,298,270. The net loss for the three months ended September 30, 2021 was $3,880,172 compared to the net income of $831,090 for the three months ended September 30, 2020.

FINANCIAL POSITION

The following is a discussion of the changes to the Company's financial position as at September 30, 2021 as compared to December 31, 2020:

(Dollar amounts in Canadian Dollars)

	September 30, 2021	December 31, 2020	Change $	Change %
ASSETS				
Current assets				
Cash and cash equivalents	$ 7,775,195	$ 10,025,122	$ (2,249,927)	(22)
Investments	794,000	1,674,750	(880,750)	(53)
Other receivables	922,223	520,349	401,874	77
Investment tax credits recoverable	83,980	83,980	-	-
Prepaid expenses	1,455,141	765,812	689,329	90
Total current assets	11,030,539	13,070,013	(2,039,474)	(16)
Non-current assets				
Property and equipment	2,185,465	83,775	2,101,690	2,509
Intangible assets	2,053	2,660	(607)	(23)
Total non-current assets	2,187,518	86,435	2,101,083	2,431
Total assets	$ 13,218,057	$ 13,156,448	$ 61,609	0
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	$ 1,707,110	$ 1,214,937	$ 492,173	41
Current portion of government debt	118,490	49,728	68,762	138
Current portion of deferred grant income	106,510	515,381	(408,871)	(79)
Current portion of lease liability	62,887	37,562	25,325	67
Total current liabilities	1,994,997	1,817,608	177,389	10
Non-current liabilities				
Government debt	191,814	289,971	(98,157)	(34)
Deferred grant income	184,686	266,529	(81,843)	(31)
Lease liability	102,831	23,544	79,287	337
Total non-current liabilities	479,331	580,044	(100,713)	(17)
Shareholders' equity				
Share capital	61,450,996	48,504,080	12,946,916	27
Contributed surplus	7,412,648	9,404,037	(1,991,389)	(21)
Accumulated deficit	(58,464,292)	(47,329,668)	(11,134,624)	24
Accumulated currency translation adjustment	344,377	180,347	164,030	91
Total shareholders' equity	10,743,729	10,758,796	(15,067)	(0)
Total liabilities and shareholders' equity	$ 13,218,057	$ 13,156,448	$ 61,609	0

Assets

Cash and cash equivalents decreased by $2,249,927 primarily due to the purchase of OCT equipment to be used in the commercial roll-out and clinical studies, proceeds from the exercise of warrants and options of $9,508,597 and from the sale of securities of $428,238 were offset by the cash used in the Company's operations and debt repayment for the period.

Investments declined by $880,750 due to sales of securities carried at 428,238 realizing a gain of $326,238, offset by an unrealized loss of $778,750.

Other receivables increased by $401,874 primarily from receivables related to expenses supporting the CPRIT grant of $757,427 where the Company expects to be reimbursed. Collections of harmonized sales tax of $151,053 during the period, and of receivables related to warrants of $204,500 decreased the effect of the CPRIT grant receivable.

Prepaid expenses increased by $689,327 due to the prepayments of insurance, marketing and investor relations services and certain prepayments for R&D projects.

Property and equipment increased by $2,101,690 due to the purchase of equipment for future use at customers and for clinical research.

Current Liabilities

Accounts payable and accrued liabilities increased by $492,2173 due to the payable for equipment and general working capital requirements.

Current portion of government debt increased by $68,762 due to the contractual terms of repayment specifying higher repayments in the next 12 months.

Current portion of deferred grant income decreased by $408,871 as the company realized the outstanding amount $425,110 of deferred income related to its CPRIT grant. Amortization of grant income, a reclassification between current and noncurrent, and translation adjustments also affected the amount.

The current portion of lease liabilities increased by $25,325 due to the addition of a lease of office space in the period.

Non-current Liabilities

Non-current government debt decreased by $98,157 due to repayments as well as the terms of repayment specifying higher repayments in the in the 12-month period from September 30, 2021 which caused a reclassification from non-current to current.

Non-current deferred grant income's decrease of $81,845 reflects the normal accretion of federal development grant income and the reclassification to current portion as the remaining balance declines.

Non-current lease liability increased by $79,287 due to the addition of a lease of office space in the period.

(Dollar amounts in Canadian Dollars)

Shareholders' equity

Share capital increased by $12,946,916 from the exercise of warrants and options.

Contributed surplus includes an increase of $1,991,389 from stocked-based compensation expenses during the period offset by a reduction of $3,438,321 from the exercise of warrants and options.

QUARTERLY RESULTS

Three months ended	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
Revenue	$ 23,329	21,833	$ 20,443	$ 18,814
Expenses	3,748,590	3,056,431	3,820,243	4,248,869
Other (income) expenses	154,911	204,124	215,930	(1,965,089)
Net loss for the period	(3,880,172)	(3,238,722)	(4,015,730)	(2,264,966)
Basic and diluted loss per share	(0.09)	(0.07)	(0.10)	(0.06)

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 any 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 $7,775,195 as of September 30, 2021, the expected inflows from approved government grants, and the anticipated capacity to raise additional capital in the future, the Company expects to have sufficient funds to support its current cash requirements. 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.

(Dollar amounts in Canadian Dollars)

On June 29, 2020, Perimeter closed an equity offering of 6,893,386 Units for net proceeds of $9,408,269. Each Unit consists of one (1) common share and one-half (1/2) of a common share purchase warrant. The following table compares the intended use of proceeds with the actual expenditures as at September 30, 2021, by which time the proceeds from the Offering were fully expended.

		Estimated per Offering		Total spend arising from Offering
Research & Development	$	1,870,600	$	2,360,171
Regulatory and Quality Assurance		527,580		841,025
Clinical Studies		4,801,294		2,920,177
Sales and Marketing		2,645,904		2,355,565
General & Administration Expenses		3,061,396		4,286,020
Capital Equipment and Inventory		683,722		1,027,538
Unallocated Funds (Cash and Marketable Securities)		200,000		-
	$	**13,790,496**	**$**	**13,790,496**

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

Cash flow

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

	Nine months ended September 30			
		2021		**2020**
Operating activities	$	(10,032,107)	$	(5,564,554)
Investing activities		(1,586,496)		3,869,384
Financing activities		9,368,676		9,550,643
Net increase in cash and cash equivalents	$	(2,249,927)	$	7,855,473

Operating Activities

For the nine months ended September 30, 2021, cash from operating activities was $(10,032,420) (2020: $(5,564,554)) which included cash expenditures before change in working capital of $(9,445,392) (2020: $(4,536,831) and an increase in non-cash working capital of $599,029 (2020: $1,482,839). The cash use during the period was mainly driven by costs associated with research and development as well as expenditures supporting commercial operations.

Investing Activities

For the nine months ended September 30, 2021, cash from investing activities was $ (1,586,182) compared to $3,869,384 in the nine months ended September 30, 2020. The decrease in cash from investing activities was primarily related to the reduction in cash provided from the acquisition of New World Resource Corp. and the sale of equity securities as well as an increase in equipment purchases.

(Dollar amounts in Canadian Dollars)

Financing Activities

For the nine months ended September 30, 2021, cash generated from financing activities was $9,368,676 (2020: $9,550,643) of which $9,508,597 (2020: 248,987) was generated by the net proceeds from the issuance of common shares on the exercise of warrants offset by the repayments of government debt and lease liabilities.

Contractual Obligations

				Contractual cash flows			
September 30, 2021		**Carrying Amount**	**Total**	**2 months or less**	**3-12 months**	**1-2 years**	**Thereafter**
Trade and other payables	$	1,707,110	(1,707,110)	(1,707,110)	-	-	-
Lease liabilities		165,718	(217,365)	(13,052)	(62,344)	(38,201)	(103,769)
Unsecured loans from the government		310,304	601,500	30,000	195,000	275,000	101,500
	$	2,183,132	(1,322,975)	(1,690,162)	132,656	236,799	(2,269)

OUTSTANDING SHARES

As at September 30, 2021, the Company had the following securities outstanding:

	Number
Common Shares5	44,874,248
Warrants	4,277,352
Options	5,993,855

OFF-BALANCE SHEET ARRANGEMENTS

On February 22, 2020, the Company entered into a product development grant agreement with the 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.

SIGNIFICANT ACCOUNTING POLICIES

A. Basis of presentation

The interim condensed consolidated financial statements for the nine months ended September 30, 2021 and 2020 (the 'interim financial statements") have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB").

The interim financial statements do not include all the disclosures required by International Financial Reporting Standards ("IFRS") for annual consolidated financial statements and accordingly should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2020 prepared in accordance with IFRS as issued by the IASB.

The preparation of the interim financial statements requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and reported assets, liabilities, and expenses, consistent with those described in the Company's annual financial statements and as described in these interim financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Estimates are based on historical experience and other assumptions that are considered reasonable in the circumstances. The actual amount or values may vary in certain instances from the assumptions and estimates made. Changes will be recorded, with corresponding effect in profit or loss, when, and if, better information is obtained. The future impact of uncertainties around the outbreak of the novel coronavirus ("COVID-19") pandemic could generate, in future reporting periods, a significant risk of material adjustment to the reported amounts of assets, liabilities, and expenses in the interim financial statements. Examples of accounting estimates and judgments that may be impacted by the pandemic include: deferred grants and provisions.

During the first quarter of 2021, the Company updated its expense classification make its reporting more relevant to the users of the information. We have reclassified certain amounts in prior-period financial statements to conform to the current period's presentation.

B. Going concern

The Company is currently in its product development stage and therefore 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's ability to continue as a going concern is dependent upon obtaining such financing in order to continue its product development, including developing patents and commercializing advanced in-procedural medical imaging tools.

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. However, the failure to raise such financing or obtain it on favorable terms could result in the delay or indefinite postponement of current business objectives.

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. Such adjustments could be material.

C. COVID-19

The uncertainties around the outbreak and developments of the novel coronavirus ("COVID-19") pandemic required the use of judgments and estimates which resulted in no material impacts for the period ended September 30, 2021. The future impact of COVID-19 uncertainties could generate, in future reporting periods, a significant risk of material adjustment to the reported amounts of assets, liabilities, and expenses. The extent to which COVID-19 and any other pandemic or public health crisis impacts the Company's business, affairs, operations, financial condition, liquidity, availability of credit and results of operations will depend on future developments that are highly uncertain and cannot be predicted with any meaningful precision, including new information which may emerge concerning the severity of the COVID-19 virus and the actions required to contain the COVID-19 virus or remedy its impact, among others. The duration and impact of the COVID-19 outbreak is unknown at this time.

D. 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 accompanying 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 capitalization of development costs are met requires judgement.

Government grants: Pursuant to the terms of the Company's grants from the Cancer Prevention and Research Institute of Texas and 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 the 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 accompanying 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.

Fair Value of consideration in the reverse take-over transaction: The consideration is comprised of common shares and warrants. Common shares were valued on the date of the plan of arrangement. Warrants were valued using the Black-Scholes option pricing model. The Company applied IFRS 2 Share-based Payments in accounting for the transaction.

Valuation of warrants: The Company uses the Black-Scholes option pricing model for valuation of the warrants issued to purchasers of its common shares and convertible debentures and to 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.

The Company is 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.

Changes in the input assumptions can materially affect the fair value estimate which correspondingly affects the Company's finance costs and liabilities.

Eligibility of expenses for investment tax credit 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.

E. Standards, amendments and interpretations

The accounting policies applied by the Company in the unaudited condensed consolidated interim financial statements are consistent with those applied by the Company in its consolidated financial statements as at and for the year ended December 31, 2020, except for the following changes in accounting policies:

Interest Rate Benchmark Reform – Phase 2:

In August 2020, the IASB issued additional amendments to IFRS 9 Financial Instruments, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases. The objective of these amendments is to address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IFRS 7, IFRS 4 and IFRS 16. The Company adopted these amendments on January 1, 2021, which did not have a material impact on the Company's interim financial statements.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, investments, other receivables, accounts payable and accrued liabilities, lease liabilities, government debt, and other liabilities. Financial assets measured at amortized cost include cash and other receivables. Financial assets measured at fair value through profit and loss include investments.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, lease liabilities, government debt, and other liabilities. Amortization is recorded using the effective interest rate method.

The Company's financial instruments are exposed to certain financial risks including market risk, liquidity risk, and currency risk. There have been no significant changes to those risks impacting the Company since December 31, 2020, nor has there been a significant change in the composition of its financial instruments since December 31, 2020.

RELATED PARTY TRANSACTIONS

A. Transactions with key management personnel

At September 30, 2021 and 2020, the Company had no receivable or payable amounts with key management personnel or directors.

(Dollar amounts in Canadian Dollars)

Key management personnel compensation for the nine months ended September 30, 2020 and 2021:

	Nine months ended September 30,	
	2021	**2020**
Short-term employment benefits	$ 949,152	$ 1,176,986
Director's fees	224,250	70,000
Share based payments	748,954	103,240
Total	1,922,356	1,350,226

Short-term employment benefits of the Company's key management personnel include salaries and non-cash benefits and includes $257,810 in cash compensation related to the exit costs of the Company's former CEO in 2020. As a result of the separation, the former CEO forfeited 1,681,610 options resulting in a reduction to stock-based compensation of $518,634.

RISKS AND UNCERTAINTIES

For a detailed discussion of risk factors associated with the Company, refer to the "Risk Factors" section of the latest Management Information Circular which is available on SEDAR at www.sedar.com. 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.

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.

ADDITIONAL INFORMATION

On October 14, 2021, the Board of Directors pursuant to the Company's stock option plan approved to grant 1,949,663 options with a strike price at $2.85 which will vest ratably over four years.

Additional information regarding Perimeter, including all public filings, are available under Perimeter's profile on the SEDAR website (www.sedar.com) and on the Perimeter website at ir.perimetermed.com.