
PERIMETER MEDICAL IMAGING AI, INC.

Unaudited Condensed Consolidated Interim Financial Statements

Three and nine months ended September 30, 2021 and 2020

PERIMETER MEDICAL IMAGING AI, INC.

Unaudited Condensed Consolidated Interim Statements of Financial Position

As at September 30, 2021 and December 31, 2020

(Dollar amounts in Canadian Dollars)

	Note	September 30, 2021	December 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents		\$ 7,775,195	\$ 10,025,122
Investments	4	794,000	1,674,750
Other receivables	5	922,223	520,349
Investment tax credits recoverable	6	83,980	83,980
Prepaid expenses		1,455,143	765,813
Total current assets		11,030,541	13,070,014
Non-current assets			
Property and equipment	7	2,185,465	83,775
Intangible assets		2,053	2,660
Total non-current assets		2,187,518	86,435
Total assets		\$ 13,218,059	\$ 13,156,449
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		\$ 1,707,111	\$ 1,214,937
Current portion of government debt	8	118,490	49,728
Current portion of deferred grant income	9	106,510	515,381
Current portion of lease liability	11	62,887	37,562
Total current liabilities		1,994,998	1,817,608
Non-current liabilities			
Government debt	8	191,814	289,971
Deferred grant income	9	184,686	266,529
Lease liability	11	102,831	23,544
Total non-current liabilities		479,331	580,044
Shareholders' equity			
Share capital	13	61,450,996	48,504,080
Contributed surplus		7,412,648	9,404,037
Accumulated deficit		(58,464,291)	(47,329,667)
Accumulated currency translation adjustment		344,377	180,347
Total shareholders' equity		10,743,730	10,758,797
Total liabilities and shareholders' equity		\$ 13,218,059	\$ 13,156,449

Going concern (Note 2)

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

PERIMETER MEDICAL IMAGING AI, INC.

Unaudited Condensed Consolidated Interim Statements Loss and Comprehensive Loss

For the three and nine months ended September 30, 2021 and 2020

(Dollar amounts in Canadian Dollars)

	Note	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	701,303	4,336,428	2,061,438
Stock-based compensation	13	374,923	521,404	1,446,932	688,975
Subcontractors and consulting fees		341,462	323,918	1,050,509	835,683
Professional fees		431,092	229,454	1,613,095	1,443,774
Advertising and promotion		40,251	61,882	608,702	74,785
Research and development	6	291,022	130,937	972,703	304,270
General and administrative		258,819	220,362	548,433	483,377
Depreciation and amortization	7	18,341	11,996	48,462	32,951
Total Operating Expenses		<u>3,748,590</u>	<u>2,201,256</u>	<u>10,625,264</u>	<u>5,925,253</u>
Net foreign exchange losses		(53,084)	(19,252)	(69,477)	(17,483)
Finance income (costs)	14	(101,827)	3,004,122	(505,488)	3,523,561
Listing costs		-	-	-	(3,298,270)
(Loss) Income before income taxes		<u>(3,880,172)</u>	<u>800,030</u>	<u>(11,134,624)</u>	<u>(5,638,448)</u>
Income tax expense		-	-	-	-
(Loss) Income for the period		<u>\$ (3,880,172)</u>	<u>\$ 800,030</u>	<u>\$ (11,134,624)</u>	<u>\$ (5,638,448)</u>
Other comprehensive (loss) income items that may be reclassified subsequently to profit:					
Foreign currency translation differences for foreign operations - net of tax of nil (2020: nil)		97,473	39,240	164,030	53,363
Comprehensive (Loss) Income		<u>\$ (3,782,699)</u>	<u>\$ 839,270</u>	<u>\$ (10,970,594)</u>	<u>\$ (5,585,085)</u>
Basic and diluted loss (earnings) per common share		\$ (0.09)	\$ 0.02	(0.25)	(0.24)

*(1) Prior period comparatives have been reclassified to conform with current period presentation. See Note 17.**The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

PERIMETER MEDICAL IMAGING AI, INC.

Unaudited Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficit)

For the nine months ended September 30, 2021 and 2020

(Dollar amounts in Canadian Dollars)

	Note	Shares Issued (1)	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total
Balance as at January 1, 2021		39,185,507	\$ 48,504,080	\$ 9,404,037	\$ 180,347	\$ (47,329,667)	10,758,797
Issuance of common shares for exercise of options	13	1,105,201	2,073,280	(1,178,152)	-	-	895,128
Stock-based compensation	13	-	-	1,446,932	-	-	1,446,932
Issuance of common shares for exercise of warrants	13	4,583,541	10,873,636	(2,260,169)	-	-	8,613,467
Currency translation adjustment		-	-	-	164,030	-	164,030
Net loss for the period		-	-	-	-	(11,134,624)	(11,134,624)
Balance as at September 30, 2021		44,874,249	\$ 61,450,996	\$ 7,412,648	\$ 344,377	\$ (58,464,291)	10,743,730
Balance as at January 1, 2020		15,238,507	\$ 17,798,486	\$ 5,172,000	\$ -	\$ (39,443,701)	(16,473,215)
Issuance of common shares for exercise of options	13	238,098	266,668	(12,500)	-	-	254,168
Stock-based compensation		-	-	688,975	-	-	688,975
Issuance of common shares for conversion of convertible debt notes	10	10,725,627	15,609,502	-	-	-	15,609,502
Issuance of common shares for exercise of warrants		771,110	926,457	(864,971)	-	-	61,486
Issuance of common shares for acquisition of New World Corp.		5,000,000	6,000,000	-	-	-	6,000,000
Issuance of units for cash, net of issuance cost		6,893,386	7,786,154	1,622,115	-	-	9,408,269
Warrants issued on private placement financing		-	(206,662)	206,662	-	-	-
Warrants issued to New World Corp. shareholders		-	-	1,035,101	-	-	1,035,101
Accumulated currency translation adjustment		-	-	-	53,363	-	53,363
Net loss for the period		-	-	-	-	(5,638,448)	(5,638,448)
Balance as at September 30, 2020		38,866,728	\$ 48,180,605	\$ 7,847,382	\$ 53,363	\$ (45,082,149)	10,999,201

(1) Certain share numbers in this table are retrospectively restated to reflect the exchange ratio of 0.2083333 as a result of the amalgamation on June 29, 2020 (see Note 1). The accompanying notes are an integral part of these condensed consolidated interim financial statements.

PERIMETER MEDICAL IMAGING AI, INC.

Unaudited Condensed Consolidated Interim Statements of Cash Flows

For the nine months ended September 30, 2021 and 2020

(Dollar amounts in Canadian Dollars)

	Note	Nine months ended	
		September 30, 2021	September 30, 2020
Cash flows (used in) from operating activities:			
Net income (loss)		\$ (11,134,624)	\$ (5,638,448)
Adjustments for:			
Depreciation and amortization	7	48,462	32,951
Stock-based compensation	13	1,446,932	688,975
Stock-based payments		-	66,667
Fed Dev grant income	9	(65,605)	(78,997)
Net finance costs (income)	14	505,488	(3,523,561)
CPRIT deferred grant income		(421,907)	(1,089,618)
Proceeds from receipt of government grant		-	1,703,195
Listing cost		-	3,298,270
Other		188,178	3,735
		(9,433,076)	(4,536,831)
Changes in:			
Other receivables		(401,874)	(22,325)
Investment tax credits recoverable		-	455,116
Prepaid expenses		(689,330)	(729,943)
Accounts payable and accrued liabilities		492,173	(730,571)
Net cash used in operating activities		(10,032,107)	(5,564,554)
Cash flows from (used in) investing activities:			
Cash received on the acquisition of New World Resource Corp.		-	905,265
Proceeds from the sale of equity securities	4	428,238	2,964,119
Purchase of equipment		(2,014,734)	-
		(1,586,496)	3,869,384
Cash flows from financing activities:			
Net proceeds from warrants and options exercised	13	9,508,597	248,987
Net proceeds from issuance of common shares		-	9,408,269
Net repayment of other borrowing		-	(25,564)
Repayment of amounts related government debt	8	(95,000)	(53,394)
Repayment of amounts related to lease liabilities	11	(44,921)	(27,655)
		9,368,676	9,550,643
Net increase in cash and cash equivalents		(2,249,927)	7,855,473
Cash and cash equivalents, beginning of period		10,025,122	1,210,212
Cash and cash equivalents, end of period		\$ 7,775,195	\$ 9,065,685

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

PERIMETER MEDICAL IMAGING AI, INC.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the periods ended September 30, 2021 and 2020

(Dollar amounts in Canadian Dollars)

1. DESCRIPTION OF THE ENTITY

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. The Company completed a reverse takeover transaction on June 29, 2020, pursuant to an amalgamation agreement dated June 3, 2019 and amended November 29, 2019 and April 23, 2020 between New World and a non-reporting issuer, Perimeter Medical Imaging Inc. As defined in the agreement, Pre-close Perimeter's common shares were exchanged for common shares of the Company at the exchange ratio of 0.2083333.

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 Suite 1700, 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.

Perimeter Medical Imaging Inc. was incorporated under the laws of the province of Ontario, Canada, on May 16, 2013. On June 26, 2013, Perimeter Medical Imaging Inc. changed its name from Eiros Medical Inc. to Perimeter Medical Imaging Inc. On June 18, 2020, Perimeter Medical Imaging Inc. continued under the laws of the province of British Columbia. The Company has one subsidiary, Perimeter Medical Imaging Corp., a Delaware corporation.

The Company develops and plans to commercialize advanced in-procedural medical imaging tools.

2. BASIS OF PRESENTATION AND GOING CONCERN

A. Basis of presentation

These interim condensed consolidated financial statements for the three and 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").

These 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 to make its reporting more relevant to the users of the information. We have reclassified certain amounts in prior-period

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the periods ended September 30, 2021 and 2020

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financial statements to conform to the current period's presentation. See note 17.

Certain comparative figures have been reclassified 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. Additionally, 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.

The accompanying unaudited condensed consolidated interim financial statements were reviewed, approved, and authorized for issue by the Company's board of directors on November 29, 2021.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in these 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:

PERIMETER MEDICAL IMAGING AI, INC.

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(Dollar amounts in Canadian Dollars)

A. Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for management's intended use of the asset and, where relevant, the present value of all dismantling and removal costs. Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company. All repair and maintenance costs are recognized in the consolidated statements of loss and comprehensive loss as an expense when incurred. Property consists of right of use assets from leases as a lessee and are depreciated on a straight-line basis over the life of the lease. Equipment is depreciated over its estimated useful life on a declining balance basis at the following rates and methods:

Research equipment	30%
Computer equipment	55%
Office equipment	30%
Right-of-use assets	Term of the lease
Tooling	30%

An item of equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the consolidated statements of loss and comprehensive loss when the asset is derecognized.

The assets' useful lives, residual values, and methods of depreciation are reviewed at each financial year-end, and adjusted prospectively, if appropriate. No depreciation is taken on construction in progress until the asset is ready for management's intended use.

B. 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.

PERIMETER MEDICAL IMAGING AI, INC.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the periods ended September 30, 2021 and 2020

(Dollar amounts in Canadian Dollars)

4. INVESTMENTS

Investments held by the Company comprise of equity shares in a publicly traded security acquired through the reverse take-over transaction in 2020. These investments are financial assets measured at fair value through profit or loss:

	September 30, 2021		December 31, 2020	
Equity Securities	\$	794,000	\$	1,674,750
Investments	\$	794,000	\$	1,674,750

During the nine months ended September 30, 2021, the Company sold a part of these investments for total proceeds of \$428,238 (2020: nil).

5. OTHER RECEIVABLES

Other receivables balance is comprised of the following:

	September 30, 2021		December 31, 2020	
Harmonized sales tax receivable	\$	163,841	\$	314,894
CPRIT grant receivable		757,427		-
Miscellaneous receivables		955		205,455
Other Receivables	\$	922,223	\$	520,349

6. INVESTMENT TAX CREDITS RECOVERABLE

At September 30, 2021 an amount of \$ 83,980 is receivable (Dec 31 2020: \$83,980).

During the year ended 2020, the Company recorded as a reduction in research and development costs in connection with the expenditures related to the additional investment tax credits recoverable expected to be received.

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the periods ended September 30, 2021 and 2020

(Dollar amounts in Canadian Dollars)

	Equipment (in progress) ⁽¹⁾	Research equipment	Computer equipment	Office equipment	Right of use asset	Tooling	Total
Cost:							
At January 1, 2021	\$ -	31,062	\$ 71,511	\$ 4,647	\$ 71,300	\$ 6,978	\$ 185,498
Additions	2,014,734	-	-	-	135,124	-	2,149,858
Disposals	-	-	-	-	-	-	-
At September 30, 2021	2,014,734	31,062	71,511	4,647	206,424	6,978	2,335,356
Depreciation:							
At January 1, 2021	\$ -	22,022	57,415	3,426	11,883	6,978	\$ 101,724
Additions	-	2,033	5,826	281	40,027	-	48,167
Disposals	-	-	-	-	-	-	-
At September 30, 2021	-	24,055	63,241	3,707	51,910	6,978	149,891
Net book value:							
At September 30, 2021	\$ 2,014,734	7,007	\$ 8,270	\$ 940	\$ 154,514	\$ -	\$ 2,185,465

(1) The equipment relates to imaging devices which the Company has not deployed to its intended location and condition necessary for it to be capable of operating in the manner as intended by management. As such, no depreciation has been recorded on this equipment.

PERIMETER MEDICAL IMAGING AI, INC.

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(Dollar amounts in Canadian Dollars)

8. GOVERNMENT DEBT

Federal Economic Development Agency for Southern Ontario ("FedDev Ontario"):

The Company entered into a contribution agreement dated May 15, 2015 under the Investing in Business Innovation Program and Amendment dated December 16, 2015, collectively known as the Contribution Agreement, whereby FedDev Ontario agreed to contribute in the maximum amount of \$980,000. The interest rate on this debt was 0% with a maturity of June 1, 2022. Repayments began April 1, 2017 and consisted of repayments of \$500 per month in the first year, \$1,000 per month in the second year, and \$26,722 per month for the remainder of the term.

On June 4, 2020 the Company entered into an amended agreement with FedDev Ontario. The primary change to the amended agreement was only to defer and revise the payments schedule and extend the maturity date to January 1, 2024 which included no payments due from April 1, through September 30, 2020. This amendment resulted in terms of the original agreement being substantially modified, as such the transaction is accounted for as an extinguishment of the old debt, resulting in a gain of \$35,510 being recorded in 2020.

The effective interest rate used to measure the fair value of the original and the amended loan is 25% (2020: 25%), and the benefit of the interest rate concession is a grant which gives the Company economic benefits over the term of the loan and recorded as grants.

A. Terms and repayment schedule

	Currency	Nominal Interest Rate	Year of Maturity	September 30, 2021		December 31, 2020	
				Undiscounted Face Value	Carrying Amount	Undiscounted Face Value	Carrying Amount
FedDev Ontario	CAD	0.0%	2024	601,500	310,304	696,500	339,699
Total				601,500	310,304	696,500	339,699

9. DEFERRED GRANT INCOME

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 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 \$1,703,195 (US\$1,220,666) of the US\$7,446,844 to fund activities related to the project.

During the nine months ended September 30, 2021, \$1,182,537 (2020: \$1,802,975) of grant income has been recognized as a reduction to CPRIT project-related expenses resulting in a grant receivable of \$757,427 as at September 30, 2021 (see note 5). The Company expects to receive outstanding receivables on a quarterly basis based on achievement of project milestones.

The deferred grant income arises as a result of the benefit received from below-market interest rate

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(Dollar amounts in Canadian Dollars)

government loan from FedDev Ontario, and the proceeds received from CPRIT in advance of incurring the related expenditure. The amount carried at the reporting dates consists of the following on the consolidated statement of financial position:

	September 30, 2021		December 31, 2020	
Fed Dev	\$	291,196	\$	356,801
CPRIT		-		425,109
Current	\$	106,510	\$	515,381
Non-current		184,686		266,529
Total	\$	291,196	\$	781,910

10. CONVERTIBLE DEBT

During the years 2016, 2017, and 2019, the company issued convertible debt with principal of \$1,500,000, \$9,540,753 (of which \$107,960 is denominated in United States dollars), and \$1,830,000 respectively (the "Convertible Debentures"). All Convertible Debentures outstanding at December 31, 2019 (amounting to a principal value of \$12,870,753) would have matured on June 30, 2020. The notes were 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 was \$1.20 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 \$1.20 without any action of the holder upon completion of the proposed amalgamation with New World Resource Corp. If the notes were not converted, they were to be redeemed at maturity at 120 per cent of par. Additionally, in connection with the subscription for the Convertible Debenture, the holder was granted two warrants to purchase common shares in the capital of the Company for each one Canadian dollar of principal amount of debenture with a conversion price of \$0.00048 per share with a fair value at issuance of \$914,969.

Upon issuance of the Convertible Debentures, the debt liability component was recognized initially at the fair value of a comparable instrument with no conversion option, using a risk-adjusted discount rate of 25%. Subsequent to initial recognition, the debt liability was measured at amortized cost with an accretion rate of 25%. The initial fair value of the derivative liability associated with the conversion option was valued using the Black-Scholes option pricing model.

On April 25, 2019, all outstanding Convertible Debentures that were amended in the prior years to mature at the end of the financial year 2018 had the maturity term revised and extended to December 31, 2019, resulting in substantially modified terms. On December 6, 2019, an agreement was signed with the debenture holders to extend the maturities of all outstanding convertible debentures to June 30, 2020, resulting in substantially modified terms.

On June 29, 2020, all outstanding Convertible Debentures (amounting to a principal value of \$12,870,753) were converted into 10,725,627 common shares of the Company at a conversion price of \$1.20 per common share.

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The following table indicates the changes in the Convertible Debentures during the reporting periods:

	2021	2020
Carrying value of debt at January 1	\$ -	\$ 13,833,704
Carrying value of derivative liability at January 1	-	2,364,610
Total carrying value of convertible notes at January 1	-	16,198,314
Accreted Interest	-	1,602,331
Unrealized loss or (gain) on change in fair value of derivative	-	-
Derecognition loss or (gain) from amendment	-	-
Realized gain on change in fair value of derivative	-	(2,191,143)
Converted into 10,725,627 common shares of the Company	-	(15,609,502)
Carrying value of debt at September 30	-	-
Carrying value of derivative liability at September 30	-	-
Total carrying value of convertible notes at September 30	\$ -	\$ -

11. LEASES

As at September 30, 2021, the Company had two leases of office space. The Company entered into the one lease on September 1, 2020 with a two-year term. The Company entered into an additional lease on April 1, 2021 with a five-year term.

Information about lease liabilities for arrangements under which the Company is a lessee is presented below:

Office Space	Nine months ended September 30, 2021	Year ended December 31, 2020
Balance at January 1	\$ 61,106	\$ 22,667
Additions to leases	135,124	71,300
Lease payments	(44,921)	(37,612)
Interest expense	14,408	4,751
Balance at end of period	\$ 165,718	\$ 61,106

12. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT**A. Accounting classification and fair values**

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

It does not include fair value information for financial assets and financial liabilities measured at amortized cost where the carrying amount is a reasonable approximation of fair value.

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B. 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 equity securities are classified as FVTPL and valued using Level 1 fair value hierarchy in the statement of financial position. The valuation methodology used for these instruments was the quoted price in the active market.

There were no transfers between levels for the periods reported.

September 30, 2021	Carrying Amount		Fair Value			
	Mandatorily at FVTPL	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value						
Equity securities	794,000	794,000	794,000	-	-	794,000
	794,000	794,000	794,000	-	-	794,000

December 31, 2020	Carrying Amount		Fair Value			
	Mandatorily at FVTPL	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value						
Equity securities	1,674,750	1,674,750	1,674,750	-	-	1,674,750
	1,674,750	1,674,750	1,674,750	-	-	1,674,750

13. SHARE CAPITAL

A. Authorized

Unlimited common shares without par value

B. Share capital

All common shares rank equally with regard to the Company's residual assets. Holders of these shares are entitled to one vote per share at general meetings of the Company.

During the nine months ended September 30, 2021, the Company:

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- i. Issued 4,583,541 common shares on the exercise of warrants for proceeds of \$8,613,467.
- ii. Issued 1,105,201 common shares on the exercise of share purchase options for proceeds of \$895,128.

C. Warrants

The following schedule summarizes the warrant transactions for the nine months ended September 30, 2021:

	Number of warrants	Weighted-average exercise price
January 1, 2021	8,895,393	\$ 1.75
Issued	-	-
Exercised	(4,583,541)	1.88
Expired	(34,500)	2.00
September 30, 2021	4,277,352	\$ 1.60

During the nine months ended September 30, 2021, the Company issued 4,583,541 common shares on the exercise of warrants for proceeds of \$8,613,467.

At September 30, 2021, warrants were outstanding enabling holders to acquire common shares as follows:

Exercise price \$	Number of warrants outstanding	Weighted-average remaining contractual life (years)
1.20	1,809,988	1.5
1.45	123,660	0.7
1.92	2,343,704	1.9
	4,277,352	

D. Options

The Company may grant stock options pursuant to a Stock Option Plan (the "Plan"). The Board of Directors administers the Plan, pursuant to which the Board of Directors may grant from time-to-time stock options not to exceed twenty percent (20%) of the shares (calculated on a fully-diluted basis) of the Company calculated at the date of shareholder approval. The options can be granted for a maximum of 10 years and vest at the discretion of the Board of Directors. Vesting is determined by the Board.

The following schedule summarizes the share purchase option transactions for the nine months ended September 30, 2021:

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	2021		2020	
	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price
Outstanding at January 1	7,166,676	\$ 1.33	5,201,627	\$ 1.06
Issued	-	-	1,666,667	1.20
Exercised	(1,105,201)	0.84	(102,431)	0.00
Forfeited	(67,620)	1.71	(1,706,817)	1.19
Outstanding at September 30	5,993,855	\$ 1.42	5,059,046	\$ 1.08
Exercisable at September 30	3,472,438	\$ 1.29	3,829,808	\$

At September 30, 2021, options were outstanding enabling holders to acquire common shares as follows:

Exercise price \$	Number of options outstanding	Weighted-average remaining contractual life (years)	Number of options exercisable
0.00	171,043	4.6	186,461
0.82	114,636	6.7	112,034
1.20	3,086,294	6.3	2,139,141
1.45	630,000	8.8	315,000
1.89	1,760,000	9.1	477,500
1.92	231,882	5.9	242,301
	5,993,855		3,472,438

14. FINANCE INCOME (COSTS)

Finance income (costs) for the reporting periods consist of the following:

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Interest expense on government debt	\$ (23,329)	(16,366)	\$ (65,605)	\$ (78,997)
Interest expense on lease liabilities	(1,392)	(1,362)	(14,728)	(2,969)
Accretion on loans and borrowings	(106)	(14,055)	-	(14,055)
Accretion on convertible debt using effective interest rate of nil% (2020: 25%)	-	-	-	(1,602,331)
Unrealized loss on fair value of equity securities	(92,000)	1,492,066	(778,750)	1,492,066
Realized gain on sale of equity securities	-	1,550,384	326,238	1,550,385
Realized gain on change in fair value of derivative	-	-	-	2,191,143
Other finance costs	(4,913)	(5,668)	(18)	(11,681)
Interest income	19,913	-	27,375	-
	\$ (101,827)	\$ 3,004,999	\$ (505,488)	\$ 3,526,561

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15. LOSS PER SHARE

Both the basic and diluted loss per share have been calculated using the loss attributable to shareholders of the Company divided by the sum of the weighted average number of common shares outstanding during the period. As the Company experienced a loss for the three and nine months ended September 30, 2021 and 2020, all potential common shares outstanding from dilutive securities are considered anti-dilutive and are excluded from the calculation of loss per share.

The outstanding shares at the beginning of the period for 2020 have been converted based on the .2083333 exchange ratio based on the Plan of Arrangement (Note 1).

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
(Loss)/ Income attributable to common shareholders (basic and diluted)	\$ (3,880,172)	\$ 831,090	\$ (11,134,624)	\$ (5,621,001)
Weighted average number of common shares (in number of common shares):				
Beginning of the period	44,714,203	38,680,785	39,185,507	15,238,507
Shares issued on exercise of options	4,639	56,815	855,512	85,538
Shares issued on exercise of warrants	128,910	22,533	3,771,618	252,228
Shares issued on conversion of convertible notes	-	-	-	3,640,450
Acquisition of New World Common Stock	-	-	-	1,697,080
Shares issued - private placement	-	-	-	2,339,726
Basic and diluted	44,847,752	38,760,133	43,812,637	23,253,529
(Loss)/ earning per share:				
Basic and diluted	\$ (0.09)	\$ 0.02	\$ (0.25)	\$ (0.24)

Potential anti-dilutive securities outstanding not included in EPS calculations at September 30, 2021 are shares issuable on exercise of warrants, 4,277,352 (2020: 9,039,775); options, 5,993,855 (2020: 5,549,862).

16. RELATED PARTY TRANSACTIONS

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

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

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	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Short-term employment benefits	\$ 284,348	\$ 915,921	\$ 949,152	\$ 1,176,986
Director's fees	74,750	70,000	224,250	70,000
Share based payments	242,665	145,204	748,954	103,240
Total	\$ 601,763	\$ 1,131,125	\$ 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 in 2020 of \$518,634.

17. EXPENSE RECLASSIFICATION

During the first quarter of 2021, the Corporation updated its expense classification to align the presentation with the management view of the business internally and to make its reporting more relevant. The prior period comparatives have been reclassified to conform to the current period presentation.

The reclassification did not result in a change in loss before income taxes.

The following are the classification of expenses for the nine-month period ended September 30, 2020 under the previous and current presentations:

Previous Presentation	2020	
	Three months ended September 30	Nine months ended September 30
Operating Expenses		
Salaries and wages	\$ 682,722	\$ 1,925,443
Employee taxes and benefits	60,445	182,744
Subcontractors	37,238	402,405
Consulting fees	301,849	447,645
Dues and subscriptions	21,835	105,768
Travel	15,055	63,575
Occupancy costs	23,526	79,186
Other	85,001	161,306
Total	\$ 1,227,671	\$ 3,368,072
Current Presentation		
Operating Expenses		
Employment costs	\$ 743,167	\$ 2,108,187
Subcontractors and consulting fees	339,087	850,050
General and administrative	145,417	409,835
Total	\$ 1,227,671	\$ 3,368,072

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18. SUBSEQUENT EVENTS

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.