



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

For the three and nine months ended September 30, 2022
and 2021

PERIMETER MEDICAL IMAGING AI, INC.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2022 and 2021

(Dollar amounts in Canadian Dollars)

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 11, 2022 and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and related notes for the three and nine months ended September 30, 2022. 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 expected results and may include statements or information regarding our:

- 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;
- income taxes and recoverability of tax benefits; 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 Optical Coherence Tomography ("OCT"), Perimeter B-Series OCT, Perimeter ImgAssist, and related consumables (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, 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 our 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

PERIMETER MEDICAL IMAGING AI, INC.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2022 and 2021

(Dollar amounts in Canadian Dollars)

Company continues to invest in additional research and development with the goal of expanding 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;
- transitioning from research and development activities to commercial activities;
- market acceptance and adoption of our Products;
- risks relating to the Company's implementation of a sales and marketing model with respect to its Products;
- risks related to changes to healthcare reimbursement codes or healthcare spending that negatively affects the acceptance or usage of our Products;
- quarter to quarter fluctuations in financial results due to numerous external risk factors that are beyond our control;
- risks related to third-party contractual performance;
- risks associated with the introduction of products or existing products by competitors that compete with our Products;
- risks associated with conducting business internationally;
- risks related to medical or scientific advances that could render our Products obsolete;
- market acceptance and adoption of our Products;
- dependence on key suppliers for components of certain Products;
- regulatory and clinical risks;
- risks relating to the protection of 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 United States dollar 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 was prepared by management from information available through November 11 2022 and was approved by the Board of Directors (the "Board") on that date.

PERIMETER MEDICAL IMAGING AI, INC.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2022 and 2021

(Dollar amounts in Canadian Dollars)

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-close Perimeter"). The Company was listed on July 7, 2020 as a Tier 2 issuer under the symbol "PINK" on the TSX Venture Exchange ("TSXV"). 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 has one wholly owned subsidiary, Perimeter Medical Imaging Corp., a Delaware corporation.

On June 29, 2020, the Company completed a reverse take-over of New World via the plan of arrangement as detailed in the arrangement agreement dated June 3, 2019, and as amended on November 29, 2019, and April 23, 2020 (the "Plan of Arrangement").

Prior to the Plan of Arrangement, Pre-close 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 was issued two new patents in 2021, resulting in five issued patents in total in the U.S. and internationally. Three of the granted patents are expected to expire in 2033, one in 2037, and one in 2038.

Perimeter's Medical Imaging Technology

The console of Perimeter's Optical Coherence Tomography ("OCT") medical imaging system includes:

- an intraoperative device for automated scanning of a tissue specimen that provides a rapid subsurface map of up to a 10 cm by 10 cm surface area;
- a specimen-handling consumable designed to hold and maintain orientation of the specimen; and
- a proprietary image library and training set.

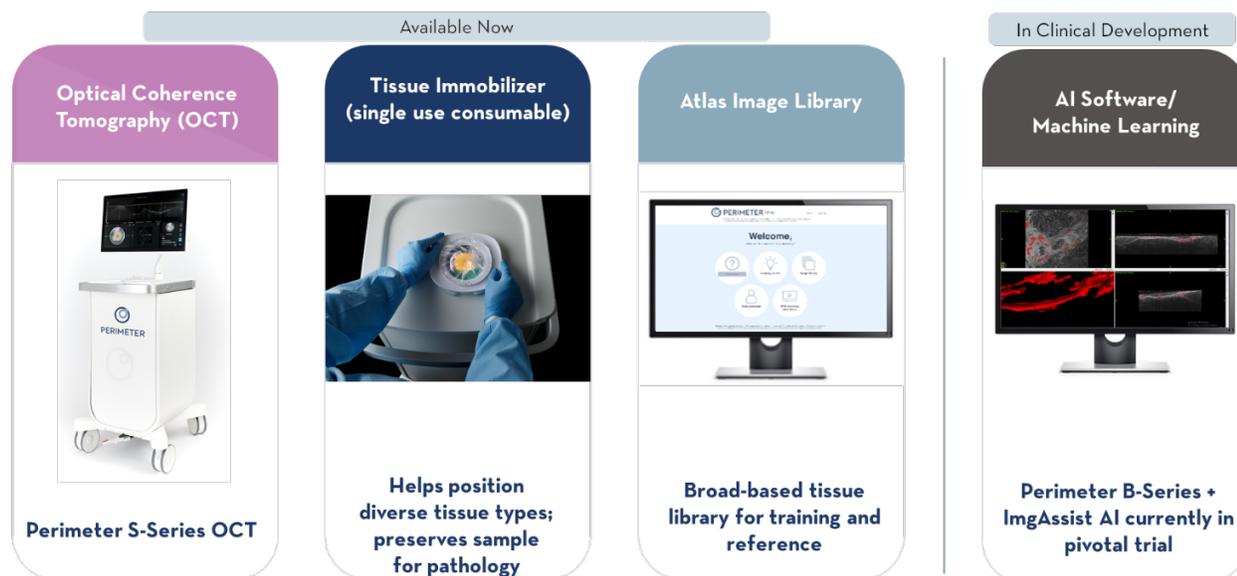
A tissue specimen is placed in the consumable container and scanned during the surgical procedure, with results available for display on the device's touchscreen typically within one to two minutes, enabling collaboration between surgeons, radiologists, and pathologists. A graphical user interface allows the surgeon/user to navigate through different areas of the specimen and to adjust display parameters on selected images of interest.

PERIMETER MEDICAL IMAGING AI, INC.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2022 and 2021

(Dollar amounts in Canadian Dollars)



Perimeter's technology has been designed to readily 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:

- Margin visualization: 2 mm subsurface imaging to visualize microscopic tissue structures in real-time.
- Automated image capture: Automated scanning of individual margins with no increased operator workload from manipulating an imaging probe.
- 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: Because patient dosing is not required, there are no drug-related side-effects.

Perimeter S-Series OCT

Cleared by the U.S. Food and Drug Administration ("FDA") with a general tissue indication, the Perimeter S-Series OCT system is commercially available across the U.S. and provides cross-sectional images of tissues down to 2 mm depth, with 10-times higher image resolution than standard x-ray and ultrasound. This innovative technology gives physicians the ability to visualize microscopic tissue structures at the point-of-care – during the primary surgery, compared to days later when pathology reports are available – which has the potential to result in better long-term outcomes for patients and lower costs to the healthcare system.

To secure commercial-scale manufacturing of Perimeter S-Series OCT imaging systems, Perimeter has partnered with Minnetronix Medical, a leading medical technology and operations partner to global medical device companies.

PERIMETER MEDICAL IMAGING AI, INC.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2022 and 2021

(Dollar amounts in Canadian Dollars)

ATLAS AI Project

Perimeter is advancing its proprietary, next-generation machine learning tools and artificial intelligence ("AI") technology, called "ImgAssist AI," through clinical development under its ATLAS AI project, which is supported, in part, by up to a US\$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.

During the initial stages of the ATLAS AI Project, 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 board-certified pathologist and subsequently used to train and test the accuracy of Perimeter's proprietary ImgAssist AI algorithm. The output of the initial stages of the ATLAS AI Project was standalone ImgAssist AI achieving a key performance metric of 0.94 AUC (area under the receiver operating characteristic curve), which is a measure of how well the algorithm can differentiate between suspicious and non-suspicious breast tissue areas.

Clinical Development of Perimeter B-Series OCT with ImgAssist AI

In April 2021, the FDA granted a Breakthrough Device Designation for Perimeter B-Series OCT combined with + ImgAssist AI, allowing for accelerated interactions with the FDA during product development and prioritized review of future regulatory submissions. In November 2021, the FDA granted an Investigational Device Exemption ("IDE"), enabling the ATLAS AI Project to move into the next validation stage of clinical development by evaluating Perimeter B-Series OCT with + ImgAssist AI within a pivotal study.

A multi-center, randomized, two-arm clinical trial is currently underway to measure the effectiveness of the breakthrough-device-designated Perimeter B-Series OCT with + ImgAssist AI in reducing the number of unaddressed positive margins in breast lumpectomy procedures when used in addition to standard intraoperative margin assessment. Approximately 330 patients undergoing breast conservation surgery across eight U.S. clinical sites are participating in the pivotal study led by Principal Investigator, Dr. Alastair Thompson at Baylor College of Medicine.

INTERIM MD&A – 2022 HIGHLIGHTS

On January 11, 2022, Perimeter announced the expansion of its ongoing pivotal study, which is evaluating the use of Perimeter B-Series OCT with + ImgAssist AI during breast conservation surgery, to include an additional clinical trial site at Baylor College of Medicine in Houston, TX, under the direction of Dr. Alastair Thompson, Principal Investigator of the study.

On January 27, 2022, Perimeter announced the closing of a private placement of units for gross proceeds of approximately \$48.7 million (the "Private Placement") on a non-brokered basis at a price of \$3.00 per Unit for a total of 16,234,333 Units. The Private Placement was led by a \$43.4 million strategic investment in the Company by Social Capital Holdings Inc. ("Social Capital"). The net proceeds of the Private Placement will be used for working capital, commercialization

PERIMETER MEDICAL IMAGING AI, INC.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2022 and 2021

(Dollar amounts in Canadian Dollars)

of Perimeter's technology, clinical studies and the further development of Perimeter's technology, and general corporate purposes. The strategic partnership will allow Perimeter to ramp up the S-Series market development activities and commercialization efforts across the U.S., while also supporting the ongoing clinical development of our next-gen AI technologies. More details related to the closing of the Private Placement were outlined in a news release dated January 27, 2022.

On February 24, 2022, Perimeter announced it was named a "2022 TSX Venture 50 Company" by the TSXV, ranking sixth in the clean tech and life science sector.

In March and April 2022, Perimeter conducted multiple clinical presentations and product demonstrations showcasing Perimeter S-Series OCT at several leading industry events and conferences including:

- SSO 2022, the Society of Surgical Oncology's International Conference on Surgical Cancer Care, featuring a spotlight presentation by Dr. Beth Dupree and Dr. Amelia Tower.
- NCoBC 2022, the National Consortium of Breast Centers' 31st Interdisciplinary Breast Center Conference; and
- ASBrS 2022, the 23rd Annual Meeting of the American Society of Breast Surgeons, including a symposium and panel discussion with Dr. Amelia Tower and Dr. Maryam Elmi moderated by Dr. Richard Fine.

In June 2022, Perimeter announced the appointment of Ananth Kancherla to the Board of Directors. Mr. Kancherla has significant experience in the field of artificial intelligence, including in his current role as Engineering Director at Meta, where he leads its AI platform.

On August 3, 2022, Perimeter announced its first commercial placement of an S-Series OCT device in the state of California at Pavilion Surgery Center, an affiliate of St. Joseph Hospital. The device will be used under the direction of Michele Carpenter, MD, a breast surgeon who performs breast conservation and other surgeries at Pavilion Surgery Center and marks the first commercial use of the technology in a standalone, ambulatory setting.

PERIMETER MEDICAL IMAGING AI, INC.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2022 and 2021

(Dollar amounts in Canadian Dollars)

SELECTED FINANCIAL INFORMATION

The following tables set forth certain selected financial information as at September 30, 2022, December 31, 2021 and December 31, 2020, and for the nine months ended September 30, 2022 and 2021. This financial information has been derived from the unaudited condensed consolidated interim financial statements and should be read in conjunction with those unaudited condensed consolidated interim financial statements and related notes.

	September 30, 2022	December 31, 2021	December 31, 2020
Current assets	\$ 47,421,809	\$ 7,735,292	\$ 13,070,014
Total assets	51,181,180	9,984,291	13,156,449
Current liabilities	10,705,888	2,146,236	1,817,608
Non-current liabilities	540,451	414,693	580,044
Total liabilities	11,246,339	2,560,929	2,397,652

	Nine months ended September 30,	
	2022	2021
Net loss	\$ (7,633,891)	\$ (11,134,624)
Basic and diluted loss per common share	(0.12)	(0.25)
Cash used in operating activities	(13,097,026)	(10,032,107)
Cash used in investing activities	(2,117,906)	(1,586,496)
Cash provided by financing activities	51,165,142	9,368,676

The increase in current assets, total assets, current liabilities and cash from financing activities is primarily due to the execution of a private placement of units (each, a "Unit") for net proceeds of \$48,476,878. Each Unit consisted of one common share and one warrant. A portion of the warrants contain features that require liability classification and remeasurement each reporting period.

The decrease in net loss was primarily the result of higher finance income resulting from the revaluation of the warrant liability and net foreign exchange gains, partially offset by higher expenses related to the continued establishment of our sales and marketing organization, higher expenses for research and development, and clinical research activities.

PERIMETER MEDICAL IMAGING AI, INC.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2022 and 2021

(Dollar amounts in Canadian Dollars)

RESULTS OF OPERATIONS

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Revenues				
Sales	\$ 55,881	\$ —	\$ 75,415	\$ —
Cost of goods sold	10,359	—	13,140	—
Gross Profit	<u>45,522</u>	<u>—</u>	<u>62,275</u>	<u>—</u>
Grant income	121,457	23,329	362,298	65,605
Operating Expenses				
Sales and marketing	1,483,846	771,990	4,588,098	2,066,084
Research and development	1,839,939	1,541,644	5,300,310	3,733,207
General and administrative	2,243,516	1,416,615	6,317,269	4,777,511
Depreciation and amortization	368,796	18,341	901,874	48,462
Total Operating Expenses	<u>5,936,097</u>	<u>3,748,590</u>	<u>17,107,551</u>	<u>10,625,264</u>
Net foreign exchange gains (losses)	4,015,452	(53,084)	6,025,694	(69,477)
Finance income (costs)	935,139	(101,827)	3,023,393	(505,488)
Loss before income tax	<u>(818,527)</u>	<u>(3,880,172)</u>	<u>(7,633,891)</u>	<u>(11,134,624)</u>
Income tax expense	—	—	—	—
Loss for the period	\$ <u>(818,527)</u>	\$ <u>(3,880,172)</u>	\$ <u>(7,633,891)</u>	\$ <u>(11,134,624)</u>
Other comprehensive (loss) income items that may be reclassified subsequently to loss:				
Foreign currency translation adjustment - net of tax	(1,422,246)	97,473	(1,711,747)	164,030
Comprehensive loss	\$ <u><u>(2,240,773)</u></u>	\$ <u><u>(3,782,699)</u></u>	\$ <u><u>(9,345,638)</u></u>	\$ <u><u>(10,970,594)</u></u>
Basic and diluted loss per common share	\$ (0.01)	\$ (0.09)	\$ (0.12)	\$ (0.25)

(1) Prior period comparatives have been reclassified to conform with current year presentation.

PERIMETER MEDICAL IMAGING AI, INC.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2022 and 2021

(Dollar amounts in Canadian Dollars)

DISCUSSION OF OPERATIONS

Sales and Cost of Goods Sold

Sales and cost of goods sold for the three and nine months ended September 30, 2022 was due to sales of specimen immobilizers.

Operating expenses

Operating expenses for the three months ended September 30, 2022 increased \$2,187,507, or 58 percent, to \$5,936,097 compared to \$3,748,590 for the three months ended September 30, 2021.

Operating expenses for the nine months ended September 30, 2022 increased \$6,482,287, or 61 percent, to \$17,107,551 compared to \$10,625,264 for the nine months ended September 30, 2021.

Sales and marketing

For the three months ended September 30, 2022, sales and marketing expense increased \$711,856, or 92 percent, to \$1,483,846 compared to \$771,990 for the same period in the previous year. This increase is due to the increase in salary, benefits and travel expense.

For the nine months ended September 30, 2022, sales and marketing expense increased \$2,522,014, or 122 percent, to \$4,588,098 compared to \$2,066,084 for the same period in the previous year. This increase is primarily attributable to the increased staffing to support establishment of our commercial organization.

Research and development

For the three months ended September 30, 2022, research and development expense increased \$298,295 or 19 percent, to \$1,839,939 compared to \$1,541,644 for the three months ended September 30, 2021. The increase is primarily the result of employment and contractor expenses.

For the nine months ended September 30, 2022, research and development expense increased \$1,567,103, or 42 percent, to \$5,300,310 compared to \$3,733,207 for the nine months ended September 30, 2021. This increase is primarily due to additional employment and project costs supporting execution of the Company's clinical trials.

General and administrative

For the three months ended September 30, 2022, general and administrative expense increased \$826,901, or 58 percent, to \$2,243,516 compared to \$1,416,615 for the three months ended September 30, 2021. This increase is the result of higher expenses for investor relations activities, recruiting fees and stock-based compensation.

For the nine months ended September 30, 2022, general and administrative expense increased \$1,539,758, or 32 percent, to \$6,317,269 compared to \$4,777,511 for the nine months ended September 30, 2021. This increase is primarily the result of higher stock-based compensation expense, general office expense and investor relations activities.

PERIMETER MEDICAL IMAGING AI, INC.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2022 and 2021

(Dollar amounts in Canadian Dollars)

Finance income (costs)

For the three months ended September 30, 2022, finance income increased \$1,036,966 to \$935,139 compared to finance costs of \$(101,827) for the three months ended September 30, 2021. This increase is primarily the result of the revaluation of the warrant liability.

For the nine months ended September 30, 2022, finance income increased \$3,528,881 to \$3,023,393 compared to finance costs of \$(505,488) for the nine months ended September 30, 2021. The increase is a result of the revaluation of the warrant liability.

Net Loss

For the three months ended September 30, 2022, net loss decreased \$3,061,645, or 79 percent, to \$(818,527), compared to \$(3,880,172). The decrease in net loss was primarily the result of higher finance income resulting from the revaluation of the warrant liability, partially offset by higher expenses related to the continued establishment of our sales and marketing organization, higher expenses for research and development, and clinical research activities.

For the nine months ended September 30, 2022, net loss decreased \$3,500,733 or 31%, to \$(7,633,891), compared to \$(11,134,624). The decrease is primarily the result of higher finance income resulting from the revaluation of the warrant liability and net foreign exchange gains, partially offset by higher expenses related to the continued establishment of our sales and marketing organization, higher expenses for research and development, and clinical research activities.

PERIMETER MEDICAL IMAGING AI, INC.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2022 and 2021

(Dollar amounts in Canadian Dollars)

FINANCIAL POSITION

The following is a discussion of the changes to the Company's financial position as at September 30, 2022 as compared to December 31, 2021:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>Change \$</u>	<u>Change %</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 43,200,189	\$ 4,720,003	\$ 38,480,186	815
Investments	—	422,560	(422,560)	(100)
Accounts receivable	32,760	—	32,760	NM
Other receivables	2,660,276	1,250,196	1,410,080	113
Inventory	68,654	6,491	62,163	958
Investment tax credits recoverable	—	83,980	(83,980)	(100)
Prepaid expenses	1,459,930	1,252,062	207,868	17
Total current assets	<u>47,421,809</u>	<u>7,735,292</u>	<u>39,686,517</u>	<u>513</u>
Non-current assets				
Property and equipment	3,759,371	2,247,148	1,512,223	67
Intangible assets	—	1,851	(1,851)	(100)
Total non-current assets	<u>3,759,371</u>	<u>2,248,999</u>	<u>1,510,372</u>	<u>67</u>
Total assets	<u>\$ 51,181,180</u>	<u>\$ 9,984,291</u>	<u>\$ 41,196,889</u>	<u>413</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	\$ 2,406,166	\$ 1,853,233	\$ 552,933	30
Current portion of government debt	142,128	127,384	14,744	12
Current portion of deferred grant income	132,873	112,616	20,257	18
Current portion of lease liability	37,724	53,003	(15,279)	(29)
Warrant liability	7,986,997	—	7,986,997	NM
Total current liabilities	<u>10,705,888</u>	<u>2,146,236</u>	<u>8,559,652</u>	<u>399</u>
Non-current liabilities				
Government debt	29,688	162,586	(132,898)	(82)
Deferred grant income	433,593	153,914	279,679	182
Lease liability	77,170	98,193	(21,023)	(21)
Total non-current liabilities	<u>540,451</u>	<u>414,693</u>	<u>125,758</u>	<u>30</u>
Total liabilities	<u>11,246,339</u>	<u>2,560,929</u>	<u>8,685,410</u>	<u>339</u>
Shareholders' equity				
Share capital	104,583,246	62,467,168	42,116,078	67
Contributed surplus	8,575,528	8,834,489	(258,961)	(3)
Accumulated deficit	(71,615,329)	(63,981,438)	(7,633,891)	12
Accumulated other comprehensive (loss) income	(1,608,604)	103,143	(1,711,747)	(1,660)
Total shareholders' equity	<u>39,934,841</u>	<u>7,423,362</u>	<u>32,511,479</u>	<u>438</u>
Total liabilities and shareholders' equity	<u>\$ 51,181,180</u>	<u>\$ 9,984,291</u>	<u>\$ 41,196,889</u>	<u>413</u>

PERIMETER MEDICAL IMAGING AI, INC.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2022 and 2021

(Dollar amounts in Canadian Dollars)

Assets

Cash and cash equivalents increased \$38,480,186 due to \$48,476,878 of net proceeds from the private placement, cash received from the exercise of options and warrants of \$2,918,592, partially offset by cash used to support the Company's operations.

Investments were liquidated during the nine months ended September 30, 2022 for net proceeds of \$328,559.

Trade receivables increased \$32,760 resulting from the sale of specimen immobilizers.

Other receivables increased \$1,410,080 primarily the result of CPRIT reimbursements due to the Company for eligible expenses incurred during the period, partially offset by a decrease in the harmonized sales tax receivable.

Inventory increased \$62,163 due to higher inventory of our specimen immobilizers.

Investment tax credits decreased \$(83,980) due to investment tax credits received.

Prepaid expenses increased \$207,868 primarily due to a prepayment to a manufacturing partner, prepaid tradeshow expenses, insurance, and software.

Property and equipment increased by \$1,512,223 resulting from the purchase of additional OCT equipment, partially offset by depreciation expense.

Liabilities

Accounts payable and accrued liabilities increased by \$552,933 due to working capital requirements and timing of payments.

Government debt decreased by \$118,154 due to contractually scheduled repayments.

Deferred grant income increased \$299,936 due to CPRIT reimbursement claims for project related costs and OCT equipment placed in clinical trials during the nine months ended September 30, 2022.

Lease liability decreased \$(36,302) due to contractually scheduled repayments.

Warrant liability increased \$7,986,997 due to the issuance of warrants associated with the private placement and the subsequent revaluation at September 30, 2022.

Shareholders' equity

Share capital increased \$42,116,078 due to the issuance of common shares associated with the private placement and the issuance of common shares from the exercise of options and warrants.

Contributed surplus decreased \$(258,961) due to the exercise of options and warrants, partially offset by stock-based compensation expense.

PERIMETER MEDICAL IMAGING AI, INC.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2022 and 2021

(Dollar amounts in Canadian Dollars)

Accumulated deficit decreased \$(7,633,891) due to the net loss for the nine months ended September 30, 2022.

QUARTERLY RESULTS

Three months ended	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
Revenue	\$ 55,881	\$ 19,534	\$ —	\$ 11,343
Expenses	5,936,097	6,322,619	4,848,835	5,528,250
Other income (expense)	4,950,591	5,724,232	(1,625,736)	18,605
Net loss for the period	(818,527)	(366,296)	(6,449,068)	(5,517,147)
Basic and diluted loss per share	(0.01)	(0.01)	(0.11)	(0.12)

Three months ended	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
Revenue	\$ —	\$ —	\$ —	\$ —
Expenses	3,748,590	3,056,433	3,820,245	4,248,870
Other (expense) income	(154,911)	(204,124)	(215,930)	1,965,089
Net loss for the period	(3,880,172)	(3,238,722)	(4,015,732)	(2,264,965)
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 operations 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 cash flow from operations to meet its 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 of \$43,200,189 as of September 30, 2022, 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 operations for at least the next 12 months. There can be no assurance, however, that Perimeter will be successful in securing

PERIMETER MEDICAL IMAGING AI, INC.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2022 and 2021

(Dollar amounts in Canadian Dollars)

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 of 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.

Cash flow

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

	Nine months ended September 30,	
	2022	2021
Operating activities	\$ (13,097,026)	\$ (10,032,107)
Investing activities	(2,117,906)	(1,586,496)
Financing activities	51,165,142	9,368,676
Net increase (decrease) in cash and cash equivalents	\$ 35,950,210	\$ (2,249,927)

Operating Activities

For the nine months ended September 30, 2022, cash used in operating activities decreased \$3,064,919 or 31 percent, to \$(13,097,026) compared to \$(10,032,107) for the nine months ended September 30, 2021. Cash used in operating activities was favorably impacted by a lower net loss and higher accounts payable and accrued liabilities, and higher CPRIT grant deferred income. Cash used in operating activities was unfavorably impacted by higher finance income, other receivables and prepaid expenses.

Investing Activities

For the nine months ended September 30, 2022, cash used in investing activities increased \$(531,410), or 33 percent, to \$(2,117,906), compared to \$(1,586,496) for the nine months ended September 30, 2021. Cash outflows for the nine months ended September 30, 2022 related to the purchase of OCT equipment, partially offset by proceeds from the sale of investments.

Financing Activities

For the nine months ended September 30, 2022, cash provided by financing activities increased \$41,796,466, or 446 percent, to \$51,165,142 compared to \$9,368,676 for the nine months ended September 30, 2021. Cash provided by financing activities was positively impacted by cash inflows of \$48,476,878 in net proceeds from the issuance of common shares and warrants pursuant to the

PERIMETER MEDICAL IMAGING AI, INC.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2022 and 2021

(Dollar amounts in Canadian Dollars)

Private Placement and \$2,918,592 from the exercise of options and warrants. These cash inflows were partially offset by the repayments of government debt and lease liabilities.

Contractual Obligations

September 30, 2022	Carrying Amount	Total	Contractual cash flows			
			2 months or less	3-12 months	1-2 years	Thereafter
Accounts payable and accrued liabilities	\$ 2,406,166	(2,406,166)	(2,406,166)	—	—	—
Lease liabilities	114,894	(149,360)	(6,747)	(34,452)	(42,426)	(65,735)
Unsecured loans from the government	171,816	(376,500)	(40,000)	(235,000)	(101,500)	—
	\$ 2,692,876	(2,932,026)	(2,452,913)	(269,452)	(143,926)	(65,735)

OUTSTANDING SHARES

As at September 30, 2022, the Company had the following securities outstanding:

	Number
Common Shares	64,338,785
Warrants	18,687,871
Options	6,307,310

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 up to 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 the final grant proceeds have been repaid and 0.5% thereafter for the remaining twelve-year term. From inception of the grant agreement through September 30, 2022, the Company received US\$1,672,528 of the US\$7,446,844 to fund activities related to the project. At September 30, 2022, the Company recorded a receivable of \$2,497,612 related to the reimbursement of project related costs.

SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2022 and 2021 (the 'Interim Financial Statements') have been prepared in

PERIMETER MEDICAL IMAGING AI, INC.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2022 and 2021

(Dollar amounts in Canadian Dollars)

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, 2021 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.

B. Going Concern

The interim condensed consolidated financial statements have been prepared in accordance with IAS 34 and the basis of presentation outlined above 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 is currently in early-stage commercial roll-out and has generated immaterial 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 to continue its product development, including developing patents, and commercializing advanced in-procedural medical imaging tools.

On January 27, 2022, the Company completed a Private Placement, which provided the Company with the cash required to continue operations in the foreseeable future and realize its assets and discharge its liabilities and commitments in the normal course of business.

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 of 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.

PERIMETER MEDICAL IMAGING AI, INC.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2022 and 2021

(Dollar amounts in Canadian Dollars)

C. 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.

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. Government assistance related to equipment is deferred as deferred grant income on the consolidated statements of financial position and recorded as grant income on the consolidated statements of loss and comprehensive loss over the depreciable life of the related asset.

The expenses and equipment are subject to assessment by the granting agency for compliance with the grant regulations which may result in certain claims 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 interim condensed 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 share-based compensation expense and equity reserves.

Valuation of warrants: The Company uses the Black-Scholes 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

PERIMETER MEDICAL IMAGING AI, INC.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2022 and 2021

(Dollar amounts in Canadian Dollars)

can materially affect the fair value estimate which correspondingly affects the Company's finance costs, warrant liability, and contributed surplus.

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.

D. Standards, Amendments, and Interpretations

The following amendments to IFRS are effective from January 1, 2021, but they did not have a material impact on the Company's consolidated financial statements:

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 following is the Company's accounting policy for financial assets and liabilities under IFRS 9:

PERIMETER MEDICAL IMAGING AI, INC.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2022 and 2021

(Dollar amounts in Canadian Dollars)

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from a financial asset expires, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled, or expires.

Classification and initial measurement of financial assets

Financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

- amortized cost
- fair value through profit or loss ("FVTPL")
- fair value through other comprehensive income

During the nine months ended September 30, 2022, the Company held investments classified as financial assets which were categorized as FVTPL. During the nine months ended September 30, 2022, these investments were sold, and a loss was recognized in accordance with the principles under IFRS.

Subsequent measurement of financial assets

Financial assets are measured at amortized cost if the assets meet the following conditions:

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents and other receivables fall into this category.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognize expected credit losses, referred to as the expected credit loss model.

At each reporting date, the Company assesses its receivables for expected credit losses. In the periods presented, the Company does not have an allowance for expected credit losses recorded.

Classification and measurement of financial liabilities

The Company's financial liabilities include government debt, accounts payable and accrued

PERIMETER MEDICAL IMAGING AI, INC.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2022 and 2021

(Dollar amounts in Canadian Dollars)

liabilities, lease liabilities, and a warrant liability.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for warrant liabilities, which are carried subsequently at fair value with gains or losses recognized in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

RELATED PARTY TRANSACTIONS

A. Transactions with key management personnel

At September 30, 2022 and 2021, the Company had no receivable or payable amounts with key management personnel or directors.

Key management personnel compensation for the nine months ended September 30, 2022 and 2021

	Nine months ended September 30,	
	2022	2021
Short-term employment benefits	\$ 547,271	\$ 949,152
Director's fees	224,250	224,250
Share-based payments	581,417	748,954
Total	\$ 1,352,938	\$ 1,922,356

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 in the latest Management Information Circular 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

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.