
PERIMETER MEDICAL IMAGING AI, INC.

Unaudited Condensed Consolidated Interim Financial Statements

Three and nine months ended September 30, 2022 and 2021

PERIMETER MEDICAL IMAGING AI, INC.

Unaudited Condensed Consolidated Interim Statements of Financial Position

As at September 30, 2022 and December 31, 2021

(Dollar amounts in Canadian Dollars)

	<u>Note</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u> <u>(Audited)</u>
ASSETS			
Current assets			
Cash and cash equivalents		\$ 43,200,189	\$ 4,720,003
Investments	4	—	422,560
Accounts receivable		32,760	—
Other receivables	5	2,660,276	1,250,196
Inventory		68,654	6,491
Investment tax credits recoverable	6	—	83,980
Prepaid expenses		1,459,930	1,252,062
Total current assets		<u>47,421,809</u>	<u>7,735,292</u>
Non-current assets			
Property and equipment		3,759,371	2,247,148
Intangible assets		—	1,851
Total non-current assets		<u>3,759,371</u>	<u>2,248,999</u>
Total assets		\$ <u>51,181,180</u>	\$ <u>9,984,291</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		\$ 2,406,166	\$ 1,853,233
Current portion of government debt	7	142,128	127,384
Current portion of deferred grant income	8	132,873	112,616
Current portion of lease liability		37,724	53,003
Warrant liability	10	7,986,997	—
Total current liabilities		<u>10,705,888</u>	<u>2,146,236</u>
Non-current liabilities			
Government debt	7	29,688	162,586
Deferred grant income	8	433,593	153,914
Lease liability		77,170	98,193
Total non-current liabilities		<u>540,451</u>	<u>414,693</u>
Total liabilities		<u>11,246,339</u>	<u>2,560,929</u>
Shareholders' equity			
Share capital	10	104,583,246	62,467,168
Contributed surplus	10	8,575,528	8,834,489
Accumulated deficit		(71,615,329)	(63,981,438)
Accumulated other comprehensive (loss) income		(1,608,604)	103,143
Total shareholders' equity		<u>39,934,841</u>	<u>7,423,362</u>
Total liabilities and shareholders' equity		\$ <u>51,181,180</u>	\$ <u>9,984,291</u>

Going concern (Note 2)

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

PERIMETER MEDICAL IMAGING AI, INC.

Unaudited Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

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

(Dollar amounts in Canadian Dollars)

	Note	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		<u>368,796</u>	<u>18,341</u>	<u>901,874</u>	<u>48,462</u>
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)	11	<u>935,139</u>	<u>(101,827)</u>	<u>3,023,393</u>	<u>(505,488)</u>
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		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
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		<u>(1,422,246)</u>	<u>97,473</u>	<u>(1,711,747)</u>	<u>164,030</u>
Comprehensive loss		<u>\$ (2,240,773)</u>	<u>\$ (3,782,699)</u>	<u>\$ (9,345,638)</u>	<u>\$ (10,970,594)</u>
Basic and diluted loss per common share	12	<u>\$ (0.01)</u>	<u>\$ (0.09)</u>	<u>\$ (0.12)</u>	<u>\$ (0.25)</u>

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

PERIMETER MEDICAL IMAGING AI, INC.

Unaudited Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

For the nine months ended September 30, 2022 and 2021

(Dollar amounts in Canadian Dollars)

	Note	Shares Issued	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
Balance as at January 1, 2022		45,282,548	\$ 62,467,168	\$ 8,834,489	\$ 103,143	\$ (63,981,438)	\$ 7,423,362
Issuance of common shares for cash, net of issuance cost	10	16,234,333	37,277,516	—	—	—	37,277,516
Issuance of common shares for services rendered	10	434,000	—	—	—	—	—
Issuance of common shares for exercise of options	10	1,427,188	3,108,091	(1,371,910)	—	—	1,736,181
Stock-based compensation		—	—	1,661,009	—	—	1,661,009
Issuance of common shares for exercise of warrants	10	960,716	1,730,471	(548,060)	—	—	1,182,411
Currency translation adjustment		—	—	—	(1,711,747)	—	(1,711,747)
Net loss for the period		—	—	—	—	(7,633,891)	(7,633,891)
Balance as at September 30, 2022		64,338,785	\$ 104,583,246	\$ 8,575,528	\$ (1,608,604)	\$ (71,615,329)	\$ 39,934,841
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 upon exercise of options	10	1,105,201	2,073,280	(1,178,152)	—	—	895,128
Stock-based compensation		—	—	1,446,932	—	—	1,446,932
Issuance of common shares upon exercise of warrants	10	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

The accompanying notes are an integral part of these unaudited 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, 2022 and 2021

(Dollar amounts in Canadian Dollars)

	Note	Nine months ended	
		September 30, 2022	September 30, 2021
Cash flows used in operating activities:			
Net loss		\$ (7,633,891)	\$ (11,134,624)
Adjustments for:			
Depreciation and amortization		901,874	48,462
Stock-based compensation		1,661,009	1,446,932
Grant income		(362,298)	(65,605)
Net finance (income) costs	11	(3,023,393)	505,488
Unrealized changes in foreign exchange		(4,183,671)	—
Other		1,851	188,178
		<u>(12,638,519)</u>	<u>(9,011,169)</u>
Changes in:			
Accounts receivable		(32,760)	—
Other receivables	5	(1,410,080)	(401,874)
Inventory		(62,163)	—
Investment tax credits recoverable	6	83,980	—
Prepaid expenses		(227,868)	(689,330)
CPRIT grant deferred income	8	662,234	(421,907)
Accounts payable and accrued liabilities		528,150	492,173
Net cash used in operating activities		<u>(13,097,026)</u>	<u>(10,032,107)</u>
Cash flows used in investing activities:			
Proceeds from the sale of investments	4	328,559	428,238
Purchases of equipment		(2,446,465)	(2,014,734)
Net cash used in investing activities		<u>(2,117,906)</u>	<u>(1,586,496)</u>
Cash flows provided by financing activities:			
Net proceeds from warrants and options exercised	10	2,918,592	9,508,597
Net proceeds from issuance of common shares	10	48,476,878	—
Repayment of amounts related government debt	7	(180,000)	(95,000)
Repayment of amounts related to lease liabilities		(50,328)	(44,921)
Net cash provided by financing activities		<u>51,165,142</u>	<u>9,368,676</u>
Net increase (decrease) in cash and cash equivalents		<u>35,950,210</u>	<u>(2,249,927)</u>
Effect of foreign exchange on cash		2,529,976	—
Cash and cash equivalents, beginning of period		4,720,003	10,025,122
Cash and cash equivalents, end of period		<u>\$ 43,200,189</u>	<u>\$ 7,775,195</u>

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

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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

(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 between a non-reporting issuer, New World and Perimeter Medical Imaging Inc.

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.

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

2. BASIS OF PRESENTATION AND GOING CONCERN

A. Basis of presentation

These 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 accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"), 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, 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.

The accompanying Interim Financial Statements were reviewed, approved, and authorized for issue by the Company's Board of Directors (the "Board") on November 11, 2022.

B. Going concern

These Interim Financial Statements have been prepared in accordance with IAS 34 and the basis of presentation outlined in Note 2(A) 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.

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(Dollar amounts in Canadian Dollars)

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 in order 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 as described in Note 10, 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.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in these 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, 2021 except for the following changes in accounting policies:

A. Government Assistance

Government assistance is periodically received in the form of grants, loans or investment tax credits that may be repayable based on future targets. Amounts that are repayable will be accounted for in the period in which conditions arise that will cause repayment. Government assistance with predetermined repayment requirements or conditional criteria is recorded as a liability when received or until the conditions are satisfied. If no predetermined repayment requirements exist, the assistance is treated as a reduction in the related expenses. 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.

Interest free or less than market interest government loans are measured at amortized cost using the effective interest rate method. The interest rate used is based on the market rate for a comparable instrument with a similar term. The difference between the fair value at inception and the loan proceeds received is recorded as a government grant. The grant portion is presented separately as deferred grant income that is amortized over the useful life of the loan and presented as grant income (or grants) on the consolidated statements of loss and comprehensive loss.

B. Key sources of estimation uncertainty

Valuation of warrants: The Company uses the Black-Scholes pricing model for valuation of the warrants which meet the criteria for recognition as derivatives. These warrants are issued under complex financial instruments and can include features such as cashless exercises. Option pricing models require the input of subjective assumptions including expected price volatility, risk-free interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate which correspondingly affects the Company's finance costs, warrant liability, and contributed surplus.

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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(Dollar amounts in Canadian Dollars)

C. Financial Instruments

Classification and measurement of financial liabilities

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

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.

4. INVESTMENTS

Historically, investments held by the Company comprised of equity shares in a publicly traded security acquired through the reverse take-over transaction in 2020. These investments were financial assets carried at fair value through profit or loss:

	September 30, 2022		December 31, 2021	
Equity securities	\$	—	\$	422,560
Investments	\$	—	\$	422,560

During the nine months ended September 30, 2022, the Company sold its investments for total proceeds of \$328,559 (2021: \$428,238).

5. OTHER RECEIVABLES

Other receivables balance is comprised of the following:

	September 30, 2022		December 31, 2021	
Harmonized sales tax receivable	\$	159,168	\$	224,986
CPRIT grant receivable		2,497,612		996,064
Miscellaneous receivables		3,496		29,146
Other Receivables	\$	2,660,276	\$	1,250,196

A. Cancer Prevention and Research Institute of Texas ("CPRIT")

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 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 percent of revenue until such time that 250.0

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(Dollar amounts in Canadian Dollars)

percent of grant proceeds have been repaid and 0.5 percent thereafter for the remaining twelve-year term.

For the three and nine months ended September 30, 2022, the Company recognized grant income of \$456,762 and \$1,301,170, respectively, as a reduction of project-related costs. For the three and nine months ended September 30, 2021, the Company recognized grant income of \$381,693 and \$1,182,537, respectively, as a reduction of project-related costs.

Additionally, for the three and nine months ended September 30, 2022, the Company recognized grant income of \$92,351 and \$280,452, respectively, related to depreciation of OCT equipment used in the project. For the three and nine months ended September 30, 2021, the Company did not recognize any grant income related to depreciation of OCT equipment used in the project.

At September 30, 2022, the CPRIT grant receivable was \$2,497,612 of which \$1,821,400 related to the reimbursement of project-related costs and \$676,212 related to the OCT equipment. At December 31, 2021, the CPRIT grant receivable was \$996,064 and related to the reimbursement of project-related costs.

6. INVESTMENT TAX CREDITS RECOVERABLE

At September 30, 2022, no investment tax credits were receivable (December 31, 2021: \$83,980).

During the nine months ended September 30, 2022, the Company collected cash of \$83,980 (2021: \$Nil) related to the investment tax credits.

7. 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 up to \$980,000. The interest rate on this debt was 0.0 percent 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 changes to the amended agreement were to defer and revise the repayment schedule and to extend the maturity date to January 1, 2024, which included no repayments from April 1, 2020 through September 30, 2020.

The effective interest rate used to measure the fair value of the original and the amended loan was 25.0 percent (2021: 25.0 percent), 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 grant income.

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(Dollar amounts in Canadian Dollars)

Certain terms of the government debt are included in the following table:

	Currency	Stated Interest Rate	September 30, 2022		December 31, 2021	
			Undiscounted Face Value	Carrying Amount	Undiscounted Face Value	Carrying Amount
FedDev Ontario	CAD	0.0%	376,500	171,816	556,500	289,970
Total			376,500	171,816	556,500	289,970

8. DEFERRED GRANT INCOME

Deferred grant income arises as a result of the benefit received from below-market interest rate government loan from FedDev Ontario (see Note 7) and a product development agreement with the CPRIT (see Note 5).

At September 30, 2022 and December 31, 2021, deferred grant income consisted of the following in the consolidated statements of financial position:

	September 30, 2022	December 31, 2021
Current:		\$
FedDev Ontario	\$ 132,873	112,616
Total Current	132,873	112,616
Non-current:		
FedDev Ontario	51,813	153,914
CPRIT	381,780	—
Total Non-current	433,593	153,914
Total	\$ 566,466	\$ 266,530

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(Dollar amounts in Canadian Dollars)

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

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

The tables do 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.

September 30, 2022	Note	Carrying Amount		Fair Value			
		Mandatorily at FVTPL	Total	Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value							
Warrant liability	10	7,986,997	7,986,997	—	7,986,997	—	7,986,997
		7,986,997	7,986,997	—	7,986,997	—	7,986,997

December 31, 2021	Note	Carrying Amount		Fair Value			
		Mandatorily at FVTPL	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value							
Equity securities	4	422,560	422,560	422,560	—	—	422,560
		422,560	422,560	422,560	—	—	422,560

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 warrant liability is comprised of warrants designated as derivatives (Note 10). The warrant liability is classified as FVTPL and valued using Level 2 fair value hierarchy in the statement of financial position. The valuation technique used for these instruments upon inception was the Black-Scholes option pricing model using a weighted average risk-free rate of the bond-equivalent yield of 1.6 percent, an expected life of the time to maturity of 5 years, and an expected volatility of 80.0 percent.

The valuation technique used to measure the fair value of the warrant liability at September 30, 2022

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was the Black-Scholes option pricing model using a weighted average risk-free rate of the bond-equivalent yield of 3.3 percent, pricing an expected life of the time to maturity of 4.3 years, and an expected volatility of 103.4 percent.

The Company did not have any Level 3 financial instruments or significant unobservable inputs used for the reporting periods. Financial instruments not measured at fair value utilized a discounted cash flows technique. The valuation model considers the present value of expected payments, discounted using a risk-adjusted discount rate. Related valuation processes are described in Note 2.

There were no transfers between levels for the periods reported.

10. 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, 2022, the Company:

- i. Issued 16,234,333 units comprising common shares and one-warrant, for the private placement for net proceeds of \$48,476,878 (\$48,702,999 before issuance costs). Of the net proceeds, \$37,277,516 were allocated to share capital based on the common shares' relative standalone fair value proportion of the transaction price.
- ii. Issued 960,716 common shares on the exercise of warrants for proceeds of \$1,182,411.
- iii. Issued 1,427,188 common shares on the exercise of stock options for proceeds of \$1,736,181.

On January 27, 2022, the Company executed a private placement of units (each, a "Unit") for gross proceeds of \$48,702,999 (the "Private Placement") on a non-brokered basis at a price of \$3.00 per Unit for a total of 16,234,333 Units. Each Unit consisted of one common share (each, a "Common Share") and a total of one warrant ("Warrant") to purchase an additional Common Share (a "Warrant Share"). Of the Warrants issued in the Private Placement, 80.0 percent have a strike price of \$3.99 and 20.0 percent have a strike price of \$4.50.

Half of the Warrants at each strike price are subject to accelerated expiry if the 60-day volume weighted average trading price of Perimeter's Common Shares is greater than the strike price during the applicable period. Due to the Company's option to accelerate the expiry of these Warrants, and that there will be a fixed number of common shares issued for a fixed amount, the relative standalone fair value of these Warrants is included in the common share equity portion of the transaction price.

The other half of the Warrants are not subject to accelerated expiry, and instead they may be exercised at the option of the holder for cash or exercised using a cashless exercise feature at any time prior to expiry. Due to the holder's option to exercise on a cashless basis, the number of common shares to be issued upon exercise is not fixed. As such, at January 27, 2022, the relative standalone fair value proportion of the transaction price of these Warrants was \$11,199,362 and allocated to warrant liability and classified as FVTPL. At September 30, 2022, the warrant liability was subsequently revalued at \$7,986,997. The subsequent revaluation of the warrant liability resulted in

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a gain of \$969,430 and \$3,212,365 for the three and nine months ended September 30, 2022, respectively, which is recorded in finance income.

Subject to the accelerated expiry clause described above, all Warrants will expire on January 27, 2027.

In connection with the Private Placement, the Company paid a finder's fee equal to 3.0 percent of the proceeds from the sale of Units to Social Capital by issuing 434,000 Common Shares at a price of \$3.00 per Common Share. The Company also paid a cash finder's and other fees associated with the transaction of \$226,121 for resulting net proceeds of \$48,476,878.

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

- 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, 2022:

	Number of warrants	Weighted-average exercise price
January 1, 2022	3,871,853	\$ 1.58
Issued	16,234,333	4.09
Exercised	(960,716)	1.23
Expired	(457,599)	1.20
September 30, 2022	18,687,871	\$ 3.79

At September 30, 2022, 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	469,009	2.54
1.92	1,984,529	0.85
3.99	12,987,466	4.33
4.50	3,246,867	4.33
	18,687,871	

PERIMETER MEDICAL IMAGING AI, INC.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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

(Dollar amounts in Canadian Dollars)

D. Options

The Company may grant stock options pursuant to a Stock Option Plan (the "Plan"). The Board administers the Plan, pursuant to which the Board may grant from time-to-time stock options not to exceed twenty percent (20.0 percent) 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.

The following table summarizes the share purchase option transactions for the nine months ended September 30, 2022 and 2021:

	2022		2021	
	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price
Outstanding at January 1,	7,592,149	\$ 1.72	7,166,676	\$ 1.33
Issued	350,000	1.92	—	—
Exercised	(1,427,188)	1.22	(1,105,201)	0.84
Forfeited	(207,651)	2.21	(67,620)	1.71
Outstanding at September 30,	6,307,310	\$ 1.79	5,993,855	\$ 1.42
Exercisable at September 30,	3,556,339	\$ 1.52	3,472,438	\$ 1.29

At September 30, 2022, 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	3.6	171,043
0.82	207,141	5.3	207,140
1.20	1,762,413	6.2	1,353,894
1.45	630,000	7.8	472,500
1.89	1,685,000	8.1	855,000
1.92	389,583	9.2	127,083
2.85	1,462,130	9.1	369,679
	6,307,310		3,556,339

PERIMETER MEDICAL IMAGING AI, INC.

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

(Dollar amounts in Canadian Dollars)

11. FINANCE INCOME (COSTS)

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

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Interest expense on government debt	\$ (29,104)	\$ (23,329)	\$ (81,846)	\$ (65,605)
Interest expense on lease liabilities	(4,228)	(1,392)	(14,026)	(14,728)
Unrealized loss on fair value of equity securities	—	(92,000)	—	(778,750)
Realized (loss) gain on sale of equity securities	—	—	(94,001)	326,238
Revaluation gain on warrant liability	969,430	—	3,212,365	—
Other finance income (Costs)	(959)	14,894	901	27,357
Total	\$ 935,139	\$ (101,827)	\$ 3,023,393	\$ (505,488)

12. 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, 2022 and 2021, all potential common shares outstanding from dilutive securities are considered anti-dilutive and are excluded from the calculation of loss per share.

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Loss attributable to common shareholders (basic and diluted)	\$ (818,527)	\$ (3,880,172)	\$ (7,633,891)	\$ (11,134,624)
Weighted average number of common shares (in number of common shares):				
Beginning of the period	63,646,552	44,714,203	45,282,548	39,185,507
Shares issued on exercise of options	316,761	4,639	662,423	855,512
Shares issued on exercise of warrants	-	128,910	525,348	3,771,618
Shares issued - private placement	—	—	15,080,873	—
Basic and diluted	63,963,313	44,847,752	61,551,192	43,812,637
Loss per share:				
Basic and diluted	\$ (0.01)	\$ (0.09)	\$ (0.12)	\$ (0.25)

Potential anti-dilutive securities outstanding not included in EPS calculations at September 30, 2022 are 18,687,871 (2021: 4,277,352) shares issuable upon the conversion of warrants and 6,307,309 (2021: 5,993,855) issuable upon the exercise of options.

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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

(Dollar amounts in Canadian Dollars)

13. RELATED PARTY TRANSACTIONS

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 three and nine months ended September 30, 2022 and 2021:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Short-term employment benefits	\$ 250,674	\$ 284,348	\$ 547,271	\$ 949,152
Director's fees	74,750	74,750	224,250	224,250
Share-based payments	174,572	242,665	581,417	748,954
Total	\$ 499,996	\$ 601,763	\$ 1,352,938	\$ 1,922,356