

PERIMETER MEDICAL IMAGING AI, INC.

Unaudited Condensed Consolidated Interim Financial Statements

Three and nine months ended September 30, 2024 and 2023

Presented in US Dollars

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PERIMETER MEDICAL IMAGING AI, INC.

Unaudited Condensed Consolidated Interim Statements of Financial Position

As of September 30, 2024 and December 31, 2023

(Dollar amounts in US Dollars)

	Note	September 30, 2024	December 31, 2023
ASSETS			
Current assets			
Cash	\$	9,529,060	\$ 13,980,176
Accounts receivable		223,281	36,900
Grant and other receivables	7	1,928,332	2,312,831
Inventory		32,425	128,999
Prepaid expenses		1,162,212	1,121,369
Total current assets		<u>12,875,310</u>	<u>17,580,275</u>
Non-current assets			
Equipment	8	2,781,010	2,961,096
Total non-current assets		<u>2,781,010</u>	<u>2,961,096</u>
Total assets	\$	<u>15,656,320</u>	<u>\$ 20,541,371</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	\$	1,952,916	\$ 1,682,958
Deferred revenue	9	95,863	-
Current portion of deferred grant income	10	49,032	49,032
Current portion of lease liability	16	49,800	50,565
Warrant liability		438,509	3,455,939
Total current liabilities		<u>2,586,120</u>	<u>5,238,494</u>
Non-current liabilities			
Deferred grant income	10	58,966	95,743
Lease liability	16	106,631	142,329
Deferred revenue	9	109,069	-
Total non-current liabilities		<u>274,666</u>	<u>238,072</u>
Shareholders' equity			
Share capital	12	89,036,578	81,820,732
Contributed surplus	12	9,447,519	7,635,656
Accumulated deficit		(83,330,999)	(73,358,975)
Accumulated currency translation adjustment		(2,357,564)	(1,032,608)
Total shareholders' equity		<u>12,795,534</u>	<u>15,064,805</u>
Total liabilities and shareholders' equity	\$	<u>15,656,320</u>	<u>\$ 20,541,371</u>

Commitments and contingencies (Note 16)

Going concern (Note 3)

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

Approved on behalf of the Board of Directors:

/s/ Ian Mortimer
Director

/s/ Hugh Cleland
Director

/s/ Josh Vose
Director

PERIMETER MEDICAL IMAGING AI, INC.

Unaudited Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
Three and nine months ended September 30, 2024 and 2023
(Dollar amounts in US Dollars)

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

	Note	Three months ended		Nine months ended	
		September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Revenue	6	\$ 208,420	\$ 86,267	\$ 553,061	\$ 330,868
Cost of goods sold					
Direct costs		24,198	11,652	66,708	45,444
Depreciation and amortization	8	57,135	47,159	140,108	104,834
		81,333	58,811	206,816	150,278
Gross Profit		127,087	27,456	346,245	180,590
Grants income	7	12,259	100,405	36,777	185,061
Operating Expenses					
Sales and marketing		1,242,981	1,174,606	4,025,345	3,320,073
Research and development		1,529,956	1,384,837	4,767,120	3,970,957
General and administrative		1,637,810	1,856,344	5,561,547	4,070,392
Depreciation and amortization	8	131,829	130,468	378,690	370,910
Total Operating Expenses		4,542,576	4,546,255	14,732,702	11,732,332
Net foreign exchange gain (loss)		(159,527)	1,212,610	1,240,389	73,892
Net finance income (expense)	13	(108,483)	2,860,992	3,137,267	2,783,619
Loss before income tax		(4,671,240)	(344,792)	(9,972,024)	(8,509,170)
Income tax expense		-	-	-	-
Loss for the period		(4,671,240)	(344,792)	(9,972,024)	(8,509,170)
Other comprehensive income (loss) items that may be reclassified subsequently to profit:					
Foreign currency translation - net of tax		37,252	(1,040,128)	(1,324,956)	(60,681)
Comprehensive loss		(4,633,988)	(1,384,920)	(11,296,980)	(8,569,851)
Basic and diluted loss per common share	14	(0.07)	(0.01)	(0.15)	(0.13)

PERIMETER MEDICAL IMAGING AI, INC.

Unaudited Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
For the nine months ended September 30, 2024 and 2023
(Dollar amounts in US Dollars)

	Note	Shares Issued	Share Capital	Contributed Surplus	Accumulated currency translation adjustment	Deficit	Total
Balance as at January 1, 2024		65,052,822	\$ 81,820,732	\$ 7,635,656	\$ (1,032,608)	\$ (73,358,975)	\$ 15,064,805
Issuance of common shares for cash, net of issuance cost	12	23,470,560	7,211,257	-	-	-	7,211,257
Issuance of common shares for exercise of options	12	5,210	4,589	(4,571)	-	-	18
Stock-based compensation		-	-	1,816,434	-	-	1,816,434
Currency translation adjustment		-	-	-	(1,324,956)	-	(1,324,956)
Net loss for the period		-	-	-	-	(9,972,024)	(9,972,024)
Balance as at September 30, 2024		88,528,592	\$ 89,036,578	\$ 9,447,519	\$ (2,357,564)	\$ (83,330,999)	\$ 12,795,534
Balance as at January 1, 2023		64,458,586	\$ 80,835,179	\$ 6,638,421	\$ (2,044,533)	\$ (59,322,981)	\$ 26,106,086
Issuance of common shares for exercise of options	12	567,153	960,979	(441,663)	-	-	519,316
Stock-based compensation		-	-	786,478	-	-	786,478
Currency translation adjustment		-	-	-	(60,681)	-	(60,681)
Net loss for the period		-	-	-	-	(8,509,170)	(8,509,170)
Balance as at September 30, 2023		65,025,739	\$ 81,796,158	\$ 6,983,236	\$ (2,105,214)	\$ (67,832,151)	\$ 18,842,029

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, 2024 and 2023

(Dollar amounts in US Dollars)

	Note	Nine months ended	
		September 30, 2024	September 30, 2023
Cash flows from (used in) operating activities:			
Net loss		\$ (9,972,024)	\$ (8,509,170)
Adjustments for:			
Depreciation and amortization	8	518,798	475,744
Stock-based compensation		1,816,434	786,478
Grants Income		(36,777)	(185,061)
Net finance expense		(3,137,267)	(2,783,619)
Loss on sale of equipment		42,646	
Unrealized currency translation		(1,541,069)	(25,565)
		(12,309,259)	(10,241,193)
Changes in:			
Accounts receivable		(186,381)	44,100
Grant and other receivables	7	386,533	202,221
Inventory		96,574	(110,701)
Prepaid expenses		(40,843)	(16,899)
Deferred revenue		204,932	-
Accounts payable and accrued liabilities		269,958	(516,149)
Net cash used in operating activities		(11,578,486)	(10,638,621)
Cash flows from (used in) investing activities:			
Interest income		227,746	483,191
Purchase of equipment	8	(384,585)	(482,029)
		(156,839)	1,162
Cash flows from financing activities:			
Net proceeds from options exercised	12	18	519,316
Net proceeds from issuance of common shares	12	7,211,257	-
Repayment of government debt		-	(161,078)
Repayment of lease liabilities		(53,799)	(33,000)
		7,157,476	325,238
Net decrease in cash		(4,577,849)	(10,312,221)
Cash, beginning of period		13,980,176	28,439,048
Effect of foreign exchange on cash		126,733	(20,990)
Cash, end of period		\$ 9,529,060	\$ 18,105,837

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

PERIMETER MEDICAL IMAGING AI, INC.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Three and nine months ended September 30, 2024 and 2023

(Dollar amounts in US Dollars)

1. Reporting entity

Perimeter Medical Imaging AI, Inc. (the "Company" or "Perimeter") is listed as a Tier 1 issuer on the TSX Venture Exchange ("TSXV") under the symbol PINK. The Company's registered office is located at 1600-925 West Georgia Street, Vancouver, British Columbia V6C 3L2. The Company's head office is located at 555 Richmond Street West, Suite 511, Toronto, Ontario M5V 3B1.

The Company was formed in British Columbia on June 29, 2020, pursuant to an amalgamation agreement between a non-reporting issuer New World Resource Corp. ("New World") and Perimeter Medical Imaging Inc., when the Company completed a reverse takeover ("RTO") transaction on June 29, 2020.

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

2. Basis of presentation

These unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2024 and 2023 (the "interim financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 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 IFRS Accounting Standards 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, 2023, prepared in accordance with IFRS Accounting Standards. The accounting policies used are consistent with those used in the audited financial statements. There were no new accounting standards adopted for the nine months ended September 30, 2024.

The accompanying interim financial statements include the Company and its subsidiary on a consolidated basis. All intercompany transactions and balances are eliminated on consolidation.

The accompanying interim financial statements were reviewed, approved and authorized for issue by the Company's Board of Directors on November 14, 2024.

3. Going concern

These interim financial statements have been prepared in accordance with the basis of presentation outlined in Note 2 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.

For the nine months ended September 30, 2024, the Company reported a net loss of \$9,972,024 (September 30, 2023 – \$8,509,170) and cash used in operating activities of \$11,578,486 (September 30, 2023 - \$10,638,621). Additional financing will be required before the Company expects to generate positive cash flow.

PERIMETER MEDICAL IMAGING AI, INC.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Three and nine months ended September 30, 2024 and 2023

(Dollar amounts in US Dollars)

The Company's ability to continue as a going concern is dependent on its ability to realize positive cash flows from operations. The ability to generate positive cash flows from operations is dependent on obtaining 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 of these initiatives. Failure to raise such financing or obtain it on favourable terms could result in the delay or indefinite postponement of 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 interim financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these interim financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses, and the interim statement of financial position classification used. Such adjustments could be material.

4. Functional and presentation currency

The Company has a functional currency of Canadian dollars, and the functional currency of its subsidiary is US dollars. Functional currencies are determined based on facts and circumstances relevant for each of the entities. The Company's presentation currency of US dollars differs from its functional currency, and as such the assets and liabilities of the Company are translated from the functional currency into the presentation currency at the exchange rates as at the reporting date. The income and expenses of the Company are translated at rates approximating the exchange rates at the dates of the transactions. Exchange differences arising on the translation of the financial statements of the Company are recognized in other comprehensive loss.

Transactions in currencies other than the functional currency of the Company or its subsidiary are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date. Revenue and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Foreign exchange gains and losses arising on translation into the Company's functional currency are recognized as foreign exchange gain (loss) in the Condensed Consolidated Interim Statements of Loss and Comprehensive Loss.

5. Critical accounting estimates and judgements

The interim financial statements for the three and nine months ended September 30, 2024, have been prepared using the same policies as the annual consolidated financial statements of the Company other than as detailed below. Refer to note 2 of the Company's annual audited consolidated financial statements for the year ended December 31, 2023, for more information on accounting estimates and judgements applied.

Exchange Service Plan (ESP) – Customers may purchase ESPs to provide warranty coverage for a period of three years for the OCT equipment. ESPs are a bundled contract which covers two separate performance obligations:

PERIMETER MEDICAL IMAGING AI, INC.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Three and nine months ended September 30, 2024 and 2023

(Dollar amounts in US Dollars)

1. Annual preventative maintenance (PM) services where the Company will come on-site to the customer facility and perform a maintenance check of the equipment as well as performing software updates.
2. The Company will also cover the costs of any repair fees for the equipment under the ESP at no charge to the customer.

ESPs are invoiced at time of contract signing. These billings are included in deferred revenue and recognized on a straight-line basis over the life of the contract.

Preventative Maintenance Contracts – Customers must purchase PM services for equipment at its facility if they do not purchase an ESP. The PM service will have a duration for one year where the Company must send a technician to come to the customer's facility to run a maintenance check on the equipment and perform software updates. Revenue is recognized once the PM service has been provided at a point in time.

Repair fees – for equipment placed at customer site without ESP that require repairs, the Company will charge the customer a fixed base fee for repair services. Repair fees for replacement of parts will be charged extra to the customer and recognized at a point in time once completed and accepted by the customer.

The accompanying interim financial statements include the Company and its subsidiary on a consolidated basis. All intercompany transactions and balances are eliminated on consolidation.

6. Revenue

For the three and nine months ended September 30, 2024, revenue amounting to \$208,420 (September 30, 2023: \$86,267) and \$553,061 (September 30, 2023: \$330,868), respectively, was recognized. Of this amount, \$76,726 (September 30, 2023: \$35,267) and \$213,534 (September 30, 2023: \$130,268), respectively, was recognized as revenue from operating leases, \$119,665 (September 30, 2023: \$51,000) and \$327,498 (September 30, 2023: \$200,600), respectively, was recognized as revenue from sale of consumables and \$12,029 (September 30, 2023: \$Nil) was recognized as ESP Warranty revenue in the unaudited condensed consolidated interim statements of loss and comprehensive loss.

As at September 30, 2024, \$18,469 (December 31, 2023: \$6,001) relating to revenue from operating leases and \$209,957 (December 31, 2023: \$Nil) related to revenue from ESP warranty program has been deferred and included in Deferred revenue in the unaudited condensed consolidated interim statement of financial position.

PERIMETER MEDICAL IMAGING AI, INC.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Three and nine months ended September 30, 2024 and 2023

(Dollar amounts in US Dollars)

7. GRANT AND OTHER RECEIVABLES

Grant and other receivables balance is comprised of the following:

	September 30, 2024	December 31, 2023
Harmonized sales tax receivable	\$ 48,392	\$ 321,776
CPRIT grant receivable	1,875,650	1,821,559
Interest receivable	2,034	45,061
Other receivables	2,256	124,435
Grant and other receivables	\$ 1,928,332	\$ 2,312,831

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 (B-Series). The agreement will expire on February 28, 2025. 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 percent of grant proceeds have been repaid and 0.5 percent thereafter for the remainder of the twelve-year term. From inception of the grant agreement through to September 30, 2024, the Company received US\$5,548,602 to fund activities related to the project.

For the three and nine months ended September 30, 2024, the Company recognized grant income of \$544,697 (September 30, 2023: \$359,220) and \$1,629,654 (September 30, 2023: \$1,355,964) respectively, as a reduction of project-related costs.

Additionally, three and nine months ended September 30, 2024, the Company recognized grant income of \$12,259 (September 30, 2023: \$73,321) and \$36,777 (September 30, 2023: \$109,145), respectively, related to depreciation of OCT equipment used in the project.

At September 30, 2024, the CPRIT grant receivable was \$1,875,650 (December 31, 2023: 1,821,559) of which \$1,875,650 (December 31, 2023: \$1,574,892) related to the reimbursement of project-related costs and \$Nil (December 31, 2023: \$246,667) related to OCT equipment. The following table shows a reconciliation on the movement of the balances for the period ended September 30, 2024 and year ended December 31, 2023:

	Nine Months Ended	Year ended
	30-Sep-24	31-Dec-23
Balance at beginning of period	\$ 1,821,559	1,751,527
Project related expenses	1,629,654	1,838,311
Payments received	(1,575,563)	(1,768,279)
Balance at end of period	1,875,650	1,821,559

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements
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(Dollar amounts in US Dollars)

8. PROPERTY AND EQUIPMENT

	OCT Equipment	OCT Equipment Leased	Leasehold improvement	Research equipment	Computer equipment	Office equipment & Tooling	Right of use asset	Construction in Progress	Total
Cost:									
At January 1, 2024	\$ 2,341,656	\$ 872,450	\$ 147,456	\$ 23,486	\$ 54,069	\$ 22,594	\$ 234,305	\$ 764,645	\$ 4,460,661
Additions	-	-	-	-	-	-	-	384,585	384,585
Transfer	210,674	553,971	-	-	-	-	-	(764,645)	-
Disposals	(112,950)	-	-	-	-	-	-	-	(112,950)
Effect of movement in exchange rates	3	-	(510)	(514)	(1,183)	(494)	(2,807)	-	(5,505)
At September 30, 2024	2,439,383	1,426,421	146,946	22,972	52,886	22,100	231,498	384,585	4,726,791
Depreciation:									
At January 1, 2024	\$ 1,003,374	\$ 262,115	\$ 68,352	\$ 21,390	\$ 53,102	\$ 9,750	\$ 81,482	\$ -	\$ 1,499,565
Additions	320,768	140,116	20,647	2,010	393	2,391	32,473	-	518,798
Transfer	(183,863)	183,863	-	-	-	-	-	-	-
Disposals	(70,304)	-	-	-	-	-	-	-	(70,304)
Effect of movement in exchange rates	-	-	(61)	(467)	(1,160)	(216)	(374)	-	(2,278)
At September 30, 2024	1,069,975	586,094	88,938	22,933	52,335	11,925	113,581	-	1,945,781
Net book value:									
At September 30, 2024	\$ 1,369,408	\$ 840,327	\$ 58,008	\$ 39	\$ 551	\$ 10,175	\$ 117,917	\$ 384,585	\$ 2,781,010
Cost:									
At January 1, 2023	\$ 2,218,950	\$ 555,850	\$ 124,189	\$ 22,933	\$ 55,452	\$ 8,583	\$ 231,285	\$ 766,518	\$ 3,983,760
Additions	-	-	23,266	-	-	13,804	-	437,433	474,503
Transfer	122,706	316,600	-	-	-	-	-	(439,306)	-
Disposals	-	-	-	-	(2,655)	-	-	-	(2,655)
Effect of movement in exchange rates	-	-	1	553	1,272	207	3,020	-	5,053
At December 31, 2023	2,341,656	872,450	147,456	23,486	54,069	22,594	234,305	764,645	4,460,661
Depreciation:									
At January 1, 2023	\$ 625,345	\$ 103,956	\$ 37,041	\$ 19,662	\$ 51,120	\$ 8,146	\$ 37,452	\$ -	\$ 882,722
Additions	393,029	143,159	31,320	1,255	1,185	1,405	43,351	-	614,704
Disposals	(15,000)	15,000	-	-	-	-	-	-	-
Effect of movement in exchange rates	-	-	(9)	473	797	199	679	-	2,139
At December 31, 2023	1,003,374	262,115	68,352	21,390	53,102	9,750	81,482	-	1,499,565
Net book value:									
At December 31, 2023	\$ 1,338,282	\$ 610,335	\$ 79,104	\$ 2,096	\$ 967	\$ 12,844	\$ 152,823	\$ 764,645	\$ 2,961,096

Construction in progress consists of OCT equipment 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.

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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(Dollar amounts in US Dollars)

9. DEFERRED REVENUE

Deferred Revenue represents billings to customers in excess of revenue recognized and arise on the sale of consumable inventory, placement of equipment, preventative maintenance services, and warranty contracts. The components of Deferred Revenue and contract liabilities were as follows:

	September 30, 2024		December 31, 2023	
Current:				
Deferred Revenue – Consumables		18,469		6,001
Deferred Revenue – Exchange Service plan		77,394		-
Total Current	\$	95,863	\$	6,001
Non-current:				
Deferred Revenue – Exchange Service Plan		109,069		-
Total Non-current	\$	109,069	\$	-
Total	\$	204,932	\$	6,001

10. DEFERRED GRANT INCOME

Deferred grant income arises as a result of the benefit received from below-market interest rate relating to a product development agreement with the CPRIT (see Note 7).

At September 30, 2024 and December 31, 2023, deferred grant income consisted of the following:

	September 30, 2024		December 31, 2023	
Current:				
CPRIT	\$	49,032	\$	49,032
Total Current		49,032		49,032
Non-current:				
CPRIT		58,966		95,743
Total Non-current		58,966		95,743
Total	\$	107,998	\$	144,775

PERIMETER MEDICAL IMAGING AI, INC.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Three and nine months ended September 30, 2024 and 2023

(Dollar amounts in US Dollars)

11. FINANCIAL INSTRUMENTS**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, 2024	Note	Carrying Amount		Fair Value			
		Mandatorily at FVTPL	Total	Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value							
Warrant liability	12	\$ (438,509)	(438,509)	-	(438,509)	-	(438,509)
		\$ (438,509)	(438,509)	-	(438,509)	-	(438,509)

December 31, 2023	Note	Carrying Amount		Fair Value			
		Mandatorily at FVTPL	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value							
Warrant liability	12	\$ (3,455,939)	(3,455,939)	-	(3,455,939)	-	(3,455,939)
		\$ (3,455,939)	(3,455,939)	-	(3,455,939)	-	(3,455,939)

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 (see Note 12). The warrant liability is classified as FVTPL and valued using Level 2 fair value hierarchy in the unaudited condensed consolidated interim statement of financial position. The valuation technique used to measure the fair value of the warrant liability at September 30, 2024 was the Black-Scholes option pricing model using a weighted average risk-free rate of the bond-equivalent yield of 2.84 percent, an expected life of the time to maturity of 2.3 years, a share price of \$0.50 and an expected volatility of 100 percent.

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(Dollar amounts in US Dollars)

The valuation technique used to measure the fair value of the warrant liability at December 31, 2023, was the Black-Scholes option pricing model using a weighted average risk-free rate of the bond-equivalent yield of 3.91 percent, an expected life of the time to maturity of 3.1 years, a share price of \$1.22 and an expected volatility of 109 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.

There were no transfers between levels for the periods reported.

12. 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.

Issuance of Common Shares for cash

On September 30, 2024, the Company executed a private placement of 23,470,560 Common Shares for gross proceeds of \$7,294,936 (CAD\$ 9,857,635) (the "Initial Closing") on a non-brokered basis at a price of \$0.31 (CAD\$0.42) per share. Additionally, the Company may complete one or more additional closings, for aggregate gross proceeds (together with the proceeds raised under the Initial Closing) of up to \$9,990,000 (CAD \$13,500,000) (see Note 17).

In connection with the Initial Closing, the Company paid legal fees of \$55,560 (CAD \$75,000) and finder fee of \$28,119 (CAD \$37,958) for resulting net proceeds of \$7,211,257 (CAD \$9,734,475).

Issuance of Common Shares for exercise of options

During the nine months ended September 30, 2024, the Company issued 5,210 common shares on the exercise of share purchase options with a weighted-average exercise price of \$0.04 (CAD\$0.05) per share for proceeds of \$18 (CAD\$25). In relation to the exercises, the fair value of the options of \$4,571 (CAD\$6,252) was reallocated from contributed surplus to share capital.

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During the nine months ended September 30, 2023, the Company issued 567,153 common shares on the exercise of share purchase options with a weighted-average exercise price of \$0.88 (CAD\$1.23) per share for proceeds of \$519,316 (CAD\$697,457). In relation to the exercises, the fair value of the options of \$441,663 (CAD\$593,167) was reallocated from contributed surplus to share capital.

C. Warrants

On January 27, 2022, the Company executed a private placement of units (each, a "Unit") for gross proceeds of \$38,314,649 (CAD\$48,702,999) (the "Private Placement") on a non-brokered basis at a price of \$2.36 (CAD\$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 \$3.14 (CAD\$3.99) and 20.0 percent have a strike price of \$3.54 (CAD\$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 the warrants 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 \$8,268,490 (CAD\$11,199,362) and allocated to warrant liability and classified as FVTPL. At September 30, 2024, the warrant liability was revalued at \$438,509 (December 31, 2023: \$3,455,939) (refer to Note 11 for assumptions). The revaluation of the warrant liability resulted in a loss of \$130,316 (September 30, 2023: gain of \$2,659,914) and gain of \$2,928,127 (September 30, 2023: gain of \$2,322,303) for three and nine months ended September 30, 2024, respectively, which is recorded in net finance income. The exchange difference on the revaluation of the warrant liability of \$4,707 (September 30, 2023: (\$137,866)) and (\$88,395) (September 30, 2023: \$288) for three and nine months ended September 30, 2024, respectively, is recorded in other comprehensive income.

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

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The following schedule summarizes the warrant transactions for the nine months ended September 30, 2024 and 2023:

	September 30, 2024		September 30, 2023	
	Number of warrants	Weighted-average exercise price	Number of warrants	Weighted-average exercise price
Outstanding at January 1	16,561,674	\$ 3.17	18,687,871	\$ 2.97
Expired	(199,080)	-	(1,984,529)	1.44
Outstanding as of September 30	16,362,594	\$ 3.17	16,703,342	\$ 3.15

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 to directors, officers, employees, consultants, and advisors from time-to-time stock options not to exceed 20 percent of the shares 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.

The following schedule summarizes the share purchase option transactions for the nine months ended September 30, 2024, and 2023:

	September 30, 2024		September 30, 2023	
	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price
Outstanding at January 1,	7,421,166	\$ 1.20	6,199,658	\$ 1.40
Issued	1,555,677	0.62	5,133,408	1.15
Exercised	(5,210)	0.00	(567,153)	0.88
Forfeited	(157,044)	1.50	(2,366,784)	1.49
Outstanding at September 30	8,814,589	\$ 1.10	8,399,129	\$ 1.26
Exercisable at September 30	3,863,429	\$ 1.22	2,909,451	\$ 1.27

During the nine months ended September 30, 2024, the Company:

- i. On April 3, 2024, granted 1,333,177 stock options to certain directors, officers, consultants, and employees of the Company with an exercise price of \$0.64 (CAD \$0.87) per share and vest as follows:
 - a. For 1,058,177 options, 25% will vest on the one-year anniversary of the grant date and the remaining options will vest monthly in 1/48th increments over the following 3 years.
 - b. For 5,000 options, 25% will vest immediately and the remaining options will vest monthly in 1/48th increments over the following 3 years.
 - c. For 270,000 options, 100% will vest on the one-year anniversary of the grant date.

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- ii. On May 17, 2024, granted 117,500 Options to certain consultants and employees of the Company with an exercise price of \$0.41 (CAD \$0.56) per share and will vest as follows:
 - a. For 17,500 options, 25% will vest on the one-year anniversary of the grant date and the remaining options vest monthly in 1/48th increments over the following 3 years.
 - b. For 50,000 options, 100% will vest on the one-year anniversary of the grant date.
 - c. For 50,000 options, 100% will vest upon successful completion of their contract.
- iii. On August 20, 2024, granted 105,000 Options to certain consultants and employees of the Company with an exercise price of \$0.63 (CAD \$0.87) per share. 25% of these options will vest on the one-year anniversary of the grant date and the remaining options vest monthly in 1/48th increments over the following 3 years.

All options expire 10 years from the date of issuance.

During the nine months ended September 30, 2023, the Company:

- i. On March 23, 2023, granted 1,510,000 stock options ("Options") to certain directors, officers, consultants, and employees of the Company with an exercise price of \$1.16 (CAD \$1.58) per share. Of the 1,510,000 Options, 1,145,000 Options vest over a period of four years and 365,000 Options vest after one year. All Options expire after 10 years from date of issuance. On September 13, 2023, the Board of Directors approved an amendment to the Options vesting schedules of 1,145,000 such options ("Amended Options") issued to employees of the Company, to better reflect the Company's intended vesting schedule and to encourage employee retention. 25% of the Amended Options will vest on the one-year anniversary of the grant and the remaining Amended options will vest monthly in 1/48th increments over the following 3 years.
- ii. On August 23, 2023, granted 100,000 options to certain consultants with an exercise price of \$1.48 (CAD \$2.00) per share over a term of three years and vesting over a period of one year.
- iii. On September 13, 2023, granted 3,523,408 options to certain directors, officers, consultants, and employees with an exercise price of \$1.13 (CAD \$1.53) per share. Of the 3,523,408 Options, 50,000 Options vest by December 31, 2023, 90,000 Options vest over a period of one year, and 3,383,408 vest over a period of four years.

All options expire after 10 years from the date of issuance.

As at September 30, 2024, the following 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
0.00-0.59	256,250	5.56	138,750
0.6-0.89	1,786,151	8.53	258,974
0.9-1.1	1,141,872	4.78	1,141,870
1.13	3,495,908	8.96	921,060
1.16	955,500	8.48	518,594
1.44-1.51	475,001	6.66	300,000
2.31	703,906	7.08	584,181
	8,814,588		3,863,429

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The share purchase options granted during the period ended September 30, 2024, were valued using the Black-Scholes option pricing model using a weighted average risk-free rate of 2.95 percent, a weighted-average expected life of 7 years, an expected annualized volatility of 100 percent, and an expected dividend rate of 0.0 percent. The weighted average fair value per option was \$0.27.

The share purchase options granted during the period ended September 30, 2023, were valued using the Black-Scholes option pricing model using a weighted average risk-free rate of 3.42 percent, a weighted-average expected life of 7 years, an expected annualized volatility of 109 percent, and an expected dividend rate of 0.0 percent. The weighted average fair value per option was \$0.94.

During the three months ended September 30, 2024, the Company recognized \$484,912 (2023: \$562,768) as stock-based compensation in the Unaudited Condensed Consolidated Interim Statements of Loss and Comprehensive Loss.

During the nine months ended September 30, 2024, the Company recognized \$1,816,434 (2023: \$786,478) as stock-based compensation in the Unaudited Condensed Consolidated Interim Statements of Loss and Comprehensive Loss.

13. NET FINANCE INCOME (EXPENSE)

Net finance income (expense) for the reporting periods consists of the following:

	Three months ended		Nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Interest expense on government debt	\$ -	\$ (27,085)	\$ -	\$ (75,917)
Interest expense on lease liabilities	(5,909)	(8,232)	(20,640)	(22,567)
Revaluation income (loss) on warrant liability	(130,316)	2,659,914	2,928,127	2,322,303
Other finance income	27,742	236,395	229,780	559,800
	\$ (108,483)	\$ 2,860,992	\$ 3,137,267	\$ 2,783,619

14. LOSS PER SHARE

Both the basic and diluted loss per share have been calculated using the loss attributable to shareholders of the Company as the numerator, i.e., no adjustments to the loss was necessary in 2024 or 2023.

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The following details the loss per share calculations, basic and diluted, three and nine months ended September 30, 2024 and 2023:

	Three months ended		Nine months ended	
	2024	2023	2024	2023
Loss attributable to common shareholders (basic and diluted)	\$ (4,671,240)	\$ (344,792)	\$ (9,972,024)	\$ (8,509,170)
Weighted average number of common shares (in number of common shares):				
Beginning of the period	65,057,569	64,575,739	65,026,341	64,458,586
Shares issued on exercise of options	-	132,778	5,036	215,755
Basic and diluted	65,057,569	64,708,517	65,031,377	64,674,341
Loss per share:				
Basic and diluted	\$ (0.07)	\$ (0.01)	\$ (0.15)	\$ (0.13)

As the Company experienced a loss in both periods, all potential common shares outstanding from dilutive securities are considered anti-dilutive and are excluded from the calculation of loss per share. Potential anti-dilutive securities outstanding not included in loss per share calculations at September 30, 2024 are shares issuable on the exercise of warrants, 16,362,594 (September 30, 2023: 16,703,342); and of options, 8,814,588 (September 30, 2023: 8,399,129).

15. RELATED PARTIES**Transactions with key management personnel**

As at September 30, 2024 and 2023, the Company has no receivable or payable amounts with key management personnel or directors.

Key management personnel compensation

Short-term employment benefits of the Company's key management personnel include salaries and non-cash benefits. Key management personnel also participate in the Company's share option program (see Note 12).

Key management personnel and directors participated in the private placement (see Note 12) and subscribed for an aggregate of 264,350 shares at a price of \$0.31 (CAD\$0.42) per unit for gross proceeds of \$82,160 (CAD\$ 111,027).

	Three months ended		Nine months ended	
	2024	2023	2024	2023
Short-term employment benefits	\$ 252,812	\$ 252,058	\$ 752,813	\$ 757,226
Director's fees	70,892	74,752	213,405	218,879
Share based payments	211,516	530,868	958,454	322,338
Total	535,220	857,678	1,924,672	1,298,443

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16. Commitments and contingencies

As at September 30, 2024 and December 31, 2023, the Company has a contract to purchase OCT equipment from a medical equipment supplier amounting to \$500,000.

The table below summarizes the maturity profile of the Company's financial liabilities as at September 30, 2024 based on contractual undiscounted payments:

September 30, 2024	Carrying Amount	Total	Contractual cash flows			
			2 months or less	3-12 months	1-2 years	Thereafter
Accounts payable and accrued liabilities	\$ 1,952,916	1,952,916	1,952,916	-	-	-
Lease liabilities	156,431	201,301	12,232	61,606	60,860	66,603
	\$ 2,109,347	2,154,217	1,965,148	61,606	60,860	66,603

17. Subsequent events

On October 10, 2024, the Company executed a second close of the private placement of 4,846,501 Common Shares for gross proceeds of \$1,502,415 (CAD\$ 2,035,530) on a non-brokered basis at a price of \$0.31 (CAD\$0.42) per share.