Perimeter Medical Imaging AI, Inc.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023

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") should be read in conjunction with our Third Quarter 2023 Unaudited Condensed Consolidated Interim Financial Statements and notes thereto, which have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (IASB Accounting standards); our 2022 Annual MD&A; our 2022 Annual Audited Consolidated Financial Statements and notes thereto, which have been prepared in accordance with International Financial Reporting Standards (IFRS) Financial Statements as issued by the IASB; and our other recent filings with Canadian securities regulatory authorities, which are available on SEDAR+ at www.sedarplus.ca. All amounts are expressed in US dollars unless otherwise indicated. References to "Perimeter" or "the Company" mean Perimeter and/or its management.

This MD&A contains certain information that may constitute forward-looking information within the meaning of Canadian securities laws which the Company refers to as forward-looking information. In some cases, forward-looking information can be identified by the use of terms such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue" or other similar expressions concerning matters that are not statements about the present or historical facts. Forward-looking information may relate to management's future outlook and anticipated events or results and may include statements or information regarding the future financial position, business strategy and strategic goals, competitive conditions, research and development activities, projected costs and capital expenditures, financial results, research and clinical testing outcomes, taxes and plans and objectives of, or involving, Perimeter. Without limitation, information regarding future sales and marketing activities, Perimeter's technology platform, including Perimeter S-Series OCT, Perimeter B-Series OCT, Perimeter ImgAssist (the "Products"), sales, placements and utilization rates, reimbursement for the various procedures, future revenues arising from the sales of the Company's Products, future potential partnerships, research and development activities, information regarding ongoing clinical studies, the Company's plans to seek further regulatory clearances for additional indications, future plans for the use of proceeds from previous financings, as well as the Company's plans for development of its proprietary, next generation machine learning tools and artificial intelligence technology is forward-looking information

Forward-looking information is based on certain factors and assumptions regarding, among other things, market acceptance and the rate of market penetration of Perimeter's Products, the success of Perimeter's partnerships and distribution arrangements, the effect of reimbursement codes for procedures involving use of the Products and the clinical results of the use of the Products. While the Company considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect and actual results may vary materially from the disclosure herein. The successful commercialization of any one of the Products will depend on a number of financial, logistical, technical, legal, regulatory, competitive, economic, and other factors, the outcome of which cannot be predicted, and some of which will be out of the Company's control. Due to the early stage of commercialization for certain Products, it is difficult for the Company to accurately predict its future revenues or results of operations or the timing of its current research and development programs. In addition, despite the Company's current focus on the commercialization of its products, the Company continues to invest in additional research and development in order to expand the applications of its platform, and these activities may require significant cash commitments which may, in turn, affect the profitability of the Company.

Forward-looking information is subject to certain factors, including risks and uncertainties, which could cause actual results to differ materially from what the Company currently expects. These factors include: the Company's ability to obtain additional financing on terms favorable to it, if at all; transition from research and development activities to commercial activities; market acceptance and adoption of the Products; risks relating to the Company's implementation of a sales and marketing model with respect to its platform; the risk that changes to current healthcare reimbursement codes or healthcare spending will negatively affect the acceptance or usage of the Products; quarter to quarter fluctuations in financial results due to numerous external risk factors; risks related to third-party contractual performance; risks associated with the introduction of products or existing products by competitors that compete with the Products; risks associated with conducting business internationally; risks related to medical or scientific advances that could render the Products obsolete; market acceptance and adoption of the its platform; dependence on key supplier for components of certain Products; regulatory and clinical risks; risks relating to the protection of its patents, trade secrets, trademarks and other intellectual property ("IP") and third party IP; risks inherent in the conduct of research and development activities, including the risk of unfavorable or inconclusive clinical trial outcomes; potential product liability, competition and the risks posed by potential technological advances; and, risks relating to fluctuations in the exchange rate between the U.S. and the Canadian dollar.

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 14, 2023, and was approved by the Board of Directors (the "Board") on that date.

CHANGE IN PRESENTATION CURRENCY

Effective October 1, 2022, the Company changed its presentation currency from Canadian dollars to United States dollars ("US dollar"). The change in presentation currency was to improve investors' ability to compare the Company's financial results with other publicly traded businesses in the industry. In making the change to a US dollar presentation currency, the Company followed the guidance in The Effects of Changes in Foreign Exchange Rates (IAS 21) and has applied the change retrospectively to all prior periods as if the new presentation currency had always been the Company's presentation currency.

The effect of this change is disclosed in Note 25 to the consolidated financial statements for the years ended December 31, 2022, and 2021.

BUSINESS OF PERIMETER

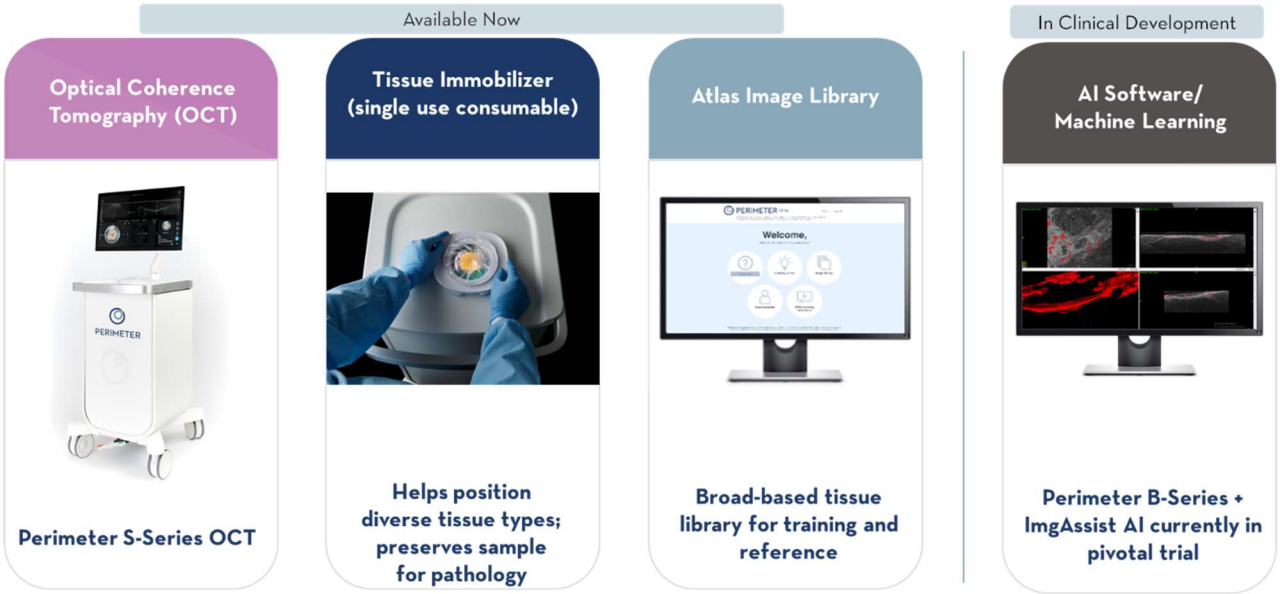
Perimeter's mission, as an innovative medical technology company, is to transform cancer surgery with ultra-high-resolution, real-time, advanced imaging tools to address unmet medical needs. Perimeter's vision is that patients will no longer experience the costly emotional and physical trauma of being called back for a second surgery due to cancer left behind.

Perimeter's Medical Imaging Platform

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

- an intraoperative device for automated scanning of the 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's technology has been designed to integrate into current clinical workflows. Following surgical excision, the excised tissue is scanned for confirmation prior to completion of the surgery. This real-time imaging provides the surgeon with information needed to determine whether additional intervention is required. Several key features include:

- **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 image resolution than standard x-ray and 100-times that of ultrasound
- **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, so there are no drug-related side-effects.

Perimeter has six 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 two in 2038.

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 United States. Perimeter S-Series OCT provides cross-sectional images of tissues down to 2 mm depth. 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.

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 a $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 the standalone ImgAssist AI, which achieved 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 in a pivotal study.

Led by Principal Investigator, Dr. Alastair Thompson at Baylor College of Medicine, a multi-center, randomized, two-arm clinical trial is currently underway to measure the effectiveness of the breakthrough-device-designated Perimeter B-Series OCT + ImgAssist AI in reducing the number of unaddressed positive margins in breast lumpectomy procedures when used in addition to standard intraoperative margin assessment. All eight of the initially planned clinical trial sites were activated and, subsequently Perimeter received U.S. Food and Drug Administration ("FDA") approval to expand the number of institutions with the goal of further accelerating enrollment.

SUMMARY OF KEY DEVELOPMENTS IN 2023

In January 2023, Perimeter announced the appointment of global industry leader Suzanne Foster – currently President of Beckman Coulter Life Sciences – as Chair of its Board of Directors, which is comprised of world-class life sciences, medtech, and AI experts.

In March 2023, Perimeter published a white paper from three case studies from the commercial use of its Perimeter S-Series OCT technology. The supporting clinical evidence suggests that the surgeon's use of the S-Series aided in intraoperative clinical decisions to excise additional tissue during the primary surgeries, sparing the need for a second surgery and relieving the associated burden on clinical, economic, and psychosocial resources.

In April 2023, Perimeter announced the first commercial placement of its flagship Perimeter S-Series OCT system in the state of Utah.

In May 2023, Perimeter initiated an additional clinical trial site at Baptist MD Anderson Cancer Center in Jacksonville, FL to further support patient enrollment.

In June 2023, Perimeter announced a leadership transition, with the resignation of Jeremy Sobotta as Chief Executive Officer and the appointment of Adrian Mendes as its new Chief Executive Officer, and the addition of Dr. Josh Vose to its Board of Directors. Subsequently, the Company announced the transition of Andrew Berkeley (Company co-founder) to Chief Innovation Officer, in support of the Company's strategic focus on product innovation. In addition, in September 2023, Sara Brien was appointed Chief Financial Officer and Adam Hodges was named Vice President, Sales and Marketing.

In August 2023, Perimeter announced the first commercial placement of its flagship Perimeter S-Series OCT system in the state of Georgia.

In August 2023, Perimeter provided an update on its ongoing multi-center, randomized two-arm pivotal clinical trial led by Principal Investigator, Dr. Alastair Thompson at Baylor College of Medicine in

Houston. The study is evaluating the use of Perimeter B-Series OCT combined with its proprietary ImgAssist AI software during breast conservation surgery:

- Perimeter received approval from the FDA to introduce an enhanced AI algorithm in the ongoing clinical trial under the existing study protocol. As a result, all clinical trial sites will use the updated AI as patients continue to enroll in the ongoing study.

- The new enhanced AI takes advantage of additional training data and Perimeter's latest AI advancements that demonstrate improved sensitivity, specificity, precision, and recall. It is expected that this updated version of ImgAssist AI will contribute to more accurate classification, as well as fewer false positives and negatives.

- To further support patient enrollment, Perimeter initiated an additional clinical trial site at Mayo Clinic in Florida and subsequently initiated an additional site at University of Washington/Fred Hutch Cancer Center in Seattle.

- Based on feedback from the FDA on key elements of the ongoing clinical trial, Perimeter is permitted to enroll up to 531 subjects in order to obtain statistically significant findings based on the use of the new AI algorithm. Perimeter intends to conduct a planned interim analysis in the second quarter of 2024. If statistically significant positive interim results are obtained, Perimeter may opt to conclude the trial and begin preparing regulatory submissions supporting market clearance. If it is determined that more data is needed, the clinical trial may continue with study completion anticipated by the end of 2024.

In October 2023, Perimeter announced that it had been shortlisted in a grant funding process sponsored by the Advanced Research Projects Agency for Health (ARPA-H) under its Precision Surgical Interventions (PSI) Program. Perimeter attended the ARPA-H Proposer's Day in early September and subsequently submitted an abstract, which has been selected to advance to the next stage of the grant funding process with an invitation to submit a full proposal by mid-November.

In November 2023, Perimeter announced the appointment of Adrian Mendes (CEO) as a director of the Company.

To date, Perimeter has conducted multiple clinical presentations and product demonstrations showcasing Perimeter S-Series OCT at several leading industry events and conferences including:

- SSO 2023, the Society of Surgical Oncology's International Conference on Surgical Cancer Care, featuring a spotlight presentation by Dr. Shawndeep Singh Tung and Dr. Nina Tamirisa.

- ASBrS 2023, the 24th Annual Meeting of the American Society of Breast Surgeons, including a symposium and panel discussion with Dr. Beth Anglin and Dr. Michele Carpenter moderated by Dr. Beth DuPree.

RESULTS OF OPERATIONS

The following is a discussion of the results for the three and nine months ended September 30, 2023, as compared to the three and nine months ended September 30, 2022:

	Three months ended		Nine months ended	
	September 30, 2023	**September 30, 2022***	**September 30, 2023**	**September 30, 2022***
Revenue	$ 86,267	$ 42,800	$ 330,868	$ 59,540
Cost of goods sold				
Direct Costs	11,652	9,424	45,444	11,601
Depreciation	47,159	-	104,834	-
	58,811	9,424	150,278	11,601
Gross Profit	27,456	33,376	180,590	47,939
Grants	100,405	96,833	185,061	296,612
Operating Expenses				
Sales and Marketing	1,174,606	1,507,362	3,320,073	3,945,674
Research and development	1,384,837	1,597,646	3,970,957	4,316,047
General and administrative	1,856,344	1,166,370	4,070,392	4,377,438
Depreciation and amortization	130,468	285,822	370,910	703,665
Total Operating Expenses	4,546,255	4,557,200	11,732,332	13,342,824
Net foreign exchange gain	1,212,610	3,049,989	73,892	4,621,040
Net Finance income	2,860,992	716,221	2,783,619	2,343,245
Loss before income tax	(344,792)	(660,781)	(8,509,170)	(6,033,988)
Income tax expense	-	-	-	-
Loss for the period	(344,792)	(660,781)	(8,509,170)	(6,033,988)
Other comprehensive loss items that may be reclassified subsequently to profit:				
Foreign currency translation - net of tax	(1,040,128)	(2,981,031)	(60,681)	(3,558,547)
Comprehensive loss	$ (1,384,920)	$ (3,641,812)	$ (8,569,851)	$ (9,592,535)
Basic and diluted loss per common share	$ (0.01)	$ (0.01)	$ (0.13)	$ (0.10)

*Restated for change in presentation currency

DISCUSSION OF OPERATIONS:

Revenue

Revenue increased $43,467 to $86,267 for the three months ended September 30, 2023, compared to $42,800 for the three months ended September 30, 2022. The increase comprised of $8,200 increase in consumable sales and $35,267 increase in recurring operating lease revenue on commercial equipment placed at healthcare sites.

Revenue increased $271,328 to $330,868 for the nine months ended September 30, 2023, compared to $59,540 for the nine months ended September 30, 2022. The increase comprised of $142,500 in increased consumable sales and $128,828 increase in recurring and additional operating lease revenue on commercial equipment placed at healthcare sites.

Cost of goods sold

Cost of goods sold was $58,811 for the three months ended September 30, 2023, compared to $9,424 for the three months ended September 30, 2022.

Cost of goods sold was $150,278 for the nine months ended September 30, 2023, compared to $11,601 for the nine months ended September 30, 2022.

The cost of goods sold consists of direct material costs of specimen immobilizers and depreciation on commercial equipment placed at healthcare sites recognized as operating leases. The increase in direct costs is in line with higher consumable sales partially offset by a reduction in unit costs as a result in increased volume. The increase in depreciation and amortization costs is consistent with the recognition of the operating lease revenue on commercial equipment.

Grant income

Grant income for the three months ended September 30, 2023, increased $3,572 to $100,405 compared to $96,833 for the three months ended September 30, 2022. The increase is due to the grant income recognized related to OCT equipment funded by CPRIT in 2022.

Grant income for the nine months ended September 30, 2023, decreased $111,551 to $185,061 compared to $296,612 for the nine months ended September 30, 2022. The decrease is due to the grant income recognized related to OCT equipment funded by CPRIT in 2022.

Operating expenses

Operating expenses for the three months ended September 30, 2023, decreased $10,945 to $4,546,255 compared to $4,557,200 for the three months ended September 30, 2022. The decrease was primarily due to a reduction in advertising and promotional expenses and salaries and related expense in research and development.

Operating expenses for the nine months ended September 30, 2023, decreased $1,610,492 to $11,732,332 compared to $13,342,824 for the nine months ended September 30, 2022. The decrease was primarily due to a reduction in advertising and promotional expense and research and development salaries and related expense, partially offset with subcontracting expense.

Sales and Marketing

For the three months ended September 30, 2023, sales and marketing expenses decreased $332,756 to $1,174,606 compared to $1,507,362 for the same period in the previous year. The decrease is attributable to lower expenditures on subcontractors, consulting fees, and advertising expenses.

For the nine months ended September 30, 2023, sales and marketing expenses decreased $625,601 to $3,320,073 compared to $3,945,674 for the same period in the previous year. The decrease is attributable to lower expenditures on subcontractors, consulting fees, and advertising expenses.

Research and Development

For the three months ended September 30, 2023, research and development expenses decreased $212,809 to $1,384,837 compared to $1,597,646 for the same period in the previous year. The decrease was primarily a reduction in labor related expenses and project costs to support clinical and regulatory activities.

For the nine months ended September 30, 2023, research and development expenses decreased $345,090 to $3,970,957 compared to $4,316,047 for the same period in the previous year. The decrease was primarily a reduction in labor related expenses and project costs to support clinical and regulatory activities.

General and administrative

For the three months ended September 30, 2023, general and administrative expenses increased $689,974 to $1,856,344 compared to $1,166,370 for the same period in the previous year. The increase was as a result of an increase in stock based compensation, investor relations and board fees.

For the nine months ended September 30, 2023, general and administrative expenses decreased $307,046 to $4,070,392 compared to $4,377,438 for the same period in the previous year. The decrease was as a result of reduced expense in stock-based compensation, subcontractor, consulting and professional fees.

Depreciation and amortization

For the three months ended September 30, 2023, depreciation and amortization expenses decreased $155,354 to $130,468 compared to $285,822 for the same period in the previous year. The decrease was as a result of a change in depreciation rate relating to the OCT equipment from 55% declining balance to a 5-year straight line, effective October 1, 2022.

For the nine months ended September 30, 2023, depreciation and amortization expenses decreased $332,755 to $370,910 compared to $703,665 for the same period in the previous year. The decrease was as a result of change in depreciation rate relating to the OCT equipment from 55% declining balance to a 5-year straight line, effective October 1, 2022.

Finance income

For the three months ended September 30, 2023, finance income increased $2,144,771 to $2,860,992 compared to finance income of $716,221 for the three months ended September 30, 2022. The increase in finance income was as a result of the revaluation of the warrant liability $1,917,428 and interest income $227,343.

For the nine months ended September 30, 2023, finance income increased $440,374 to $2,783,619 compared to finance income of $2,343,245 for the nine months ended September 30, 2022. The increase in finance income was primarily as a result of interest income.

Net foreign exchange gain

For the three months ended September 30, 2023, the net foreign exchange gain reduced $1,837,379 to $1,212,610 compared to net foreign exchange gain of $3,049,989 for the three months ended September 30, 2023. The reduction was due to the movement in the exchange rates and reduction in foreign currency cash balances during the period.

For the nine months ended September 30, 2023, the net foreign exchange gain reduced $4,547,148 to $73,892 compared to net foreign exchange gain of $4,621,040 for the nine months ended September 30, 2023. The reduction was due to the movement in the exchange rates and reduction in foreign currency cash balances during the period.

Net loss

For the three months ended September 30, 2023, net loss decreased $315,989 to $344,792 compared to $660,781 for three months ended September 30, 2022. The decrease in net loss was primarily the result of lower finance cost resulting from the revaluation of the warrant liability and net foreign exchange gain.

For the nine months ended September 30, 2023, net loss increased $2,475,182 to $8,509,170 compared to $6,033,988 for the nine months ended September 30, 2022. The increase in net loss was primarily the result of a lower net foreign exchange gain compared to the same period in the prior year.

FINANCIAL POSITION

The following is a discussion of the changes to the Company's financial position as of September 30, 2023, as compared to December 31, 2022:

	Note		September 30, 2023		December 31, 2022
ASSETS					
Current assets					
Cash		$	18,105,837	$	28,439,048
Accounts receivable			27,900		72,000
Grant and other receivables	7		1,778,538		1,904,150
Inventory			153,581		42,880
Prepaid expenses			1,053,971		1,037,072
Total current assets			21,119,827		31,495,150
Non-current assets					
Property and equipment	8		3,105,185		3,101,038
Total assets		$	**24,225,012**	$	**34,596,188**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued liabilities		$	1,237,133	$	1,753,282
Current portion of government debt	9		36,749		110,383
Current portion of deferred grant income	10		38,320		103,724
Current portion of lease liability			48,813		39,774
Warrant liability	11		3,713,486		6,035,502
Total current liabilities			5,074,501		8,042,665
Non-current liabilities					
Government debt	9		-		9,654
Deferred grant income	10		157,034		271,918
Lease liability			151,448		165,865
Total non-current liabilities			308,482		447,437
Shareholders' equity					
Share capital	12		81,796,158		80,835,179
Contributed surplus	12		6,983,236		6,638,421
Accumulated deficit			(67,832,151)		(59,322,981)
Accumulated currency translation adjustment			(2,105,214)		(2,044,533)
Total shareholders' equity			18,842,029		26,106,086
Total liabilities and shareholders' equity		$	**24,225,012**	$	**34,596,188**

Assets

Cash decreased $10,333,211 to $18,105,837 as at September 30, 2023, compared to $28,439,048 at the end of 2022, due to cash used to support the Company's operations.

Accounts receivable decreased $44,100 to $27,900 as at September 30, 2023, compared to $72,000 at the end of 2022, due to improved cash collection from customers partially offset by increased sale of specimen immobilizers.

Grant and other receivables decreased $125,612 to $1,778,538 as at September 30, 2023, compared to $1,904,150 at the end of 2022, primarily the result of CPRIT reimbursements received during the period, offset by the CPRIT reimbursements receivable for eligible expenses incurred during the nine months ended September 30, 2023, and interest receivable on cash balance.

Inventory increased $110,701 to $153,581 as at September 30, 2023, compared to $42,880 at the end of 2022, primarily due to anticipated growth and more favorable pricing.

Prepaid expenses increased $16,899 to $1,053,971 at September 30, 2023, compared to $1,037,072 at end of 2022 primarily due to a prepayment of insurance and software licenses.

Equipment increased by $4,147 to $3,105,185 as at September 30, 2023, compared to $ 3,101,038 at the end of 2022, mainly due to depreciation expense for the period offsetting purchases of equipment.

Liabilities

Accounts payable and accrued liabilities decreased by $516,149 to $1,237,133 as at September 30, 2023, compared to $1,753,282 at the end of 2022, primarily due to payments to a manufacturing supplier and other contractors.

Government debt decreased by $83,288 to $36,749 as at September 30, 2023, compared to $120,037 at the end of 2022, due to contractually scheduled repayments.

Deferred grant income decreased $180,288 to $195,354 as at September 30, 2023, compared to $375,642 at end of 2022, due to depreciation of CPRIT OCT equipment placed in clinical trials.

Lease liability decreased by $5,378 to $200,261 as at September 30, 2023, compared to $205,639 at the end of 2022, due to a new lease of office space, partially offset by contractually scheduled repayments.

Warrant liability decreased $2,322,016 to $3,713,486 as at September 30, 2023, compared to $6,035,502 at the end of 2022, due to fair value revaluation of warrants. The reduction in the fair value was primarily a result of the lower share price as at September 30, 2023.

Shareholders' equity

Share capital increased $960,979 to $81,796,158 as at September 30, 2023, compared to $80,835,179 at the end of 2022, due to the issuance of common shares associated with the exercise of options.

Contributed surplus increased $344,815 to $6,983,236 as at September 30, 2023, compared to $6,638,421 at the end of 2022, due to stock-based compensation expense, partially offset by the exercise of options.

Accumulated deficit increased $8,509,170 to $67,832,151 as at September 30, 2023, compared to $59,322,981 at the end of 2022, due to the net loss for the nine months ended September 30, 2023.

SUMMARY OF QUARTERLY RESULTS

The table below summarizes information regarding Company's loss from operations and other financial information for the quarters presented in accordance with IFRS as issued by the IASB:

Three months ended	**September 30, 2023**	**June 30, 2023**	**March 31, 2023**
Revenue	$ 86,267	134,367	$ 110,234
Operating expenses	4,546,255	3,353,060	3,833,017
Other (income) expenses	4,073,602	(1,680,252)	464,161
Net loss for the period	$ (344,792)	(4,904,919)	$ (3,259,459)
Basic and diluted loss per share	$ (0.01)	(0.08)	$ (0.05)

Three months ended	**December 31, 2022**	**September 30, 2022***	**June 30, 2022***
Revenue	$ 73,226	$ 42,800	$ 16,740
Operating expenses	3,216,303	4,557,201	4,963,622
Other (income) expenses	(749,083)	3,766,210	4,483,218
Net loss for the period	$ (3,872,122)	$ (660,782)	$ (286,162)
Basic and diluted loss per share	$ (0.06)	$ (0.01)	$ (0.01)

Three months ended	**March 31, 2022***	**December 31, 2021***
Revenue	$ -	$ 9,000
Operating expenses	3,822,002	4,376,083
Other (income) expenses	(1,285,143)	(3,756)
Net loss for the period	$ (5,087,044)	$ (4,348,754)
Basic and diluted loss per share	$ (0.09)	$ (0.09)

*Restated for change in presentation currency

LIQUIDITY AND CAPITAL RESOURCES

Since its inception, Perimeter has financed its operations primarily through the issuance of securities and convertible debt, investment tax credits, government funding, and interest income. Given the Company's history of continuing losses and its accumulated deficit, revenues will need to 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 of $18,105,837 as of September 30, 2023, and the expected inflows from approved government grants, the Company expects to have sufficient funds to support its operations for at least the next 12 months. 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 business objectives and additional financing may not be available, or on favorable terms.

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

Selected consolidated financial information

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

	Nine months ended	
	September 30, 2023	**September 30, 2022***
Operating activities	$ (10,638,621)	$ (11,169,654)
Investing activities	1,162	(1,418,808)
Financing activities	325,238	40,204,923
Net increase (decrease) in cash and cash equivalents	$ (10,312,221)	$ 27,616,461

*Restated for change in presentation currency

Operating Activities

For the nine months ended September 30, 2023, cash used in operating activities decreased $531,034 to ($10,638,6721) compared to ($11,169,654) for the nine months ended September 30, 2022. Cash used in operating activities was unfavorably impacted by higher net loss, higher inventory, and lower accounts payable and accrued liabilities, offset and unfavorably impacted by lower grant and other receivables.

Investing Activities

For the nine months ended September 30, 2023, cash used in investing activities decreased $1,419,970 to $1,162 compared to ($1,418,808) for the nine months ended September 30, 2022. Cash outflows for the nine months ended September 30, 2023, related to the purchase of OCT equipment offset by interest income.

Financing Activities

For the nine months ended September 30, 2023, cash provided by financing activities was $325,238 compared to $40,204,923 for the nine months ended September 30, 2022, which was mainly generated from the issuance of common shares and warrants pursuant to a private placement. Cash provided by financing activities in the first nine months of 2023 was generated by the issuance of common shares on the exercise of options. These cash receipts were offset by the repayments of government debt and lease liabilities.

Contractual Obligations

The table below summarizes the maturity profile of the Company's financial liabilities as at September 30, 2023 based on contractual undiscounted payments:

			Contractual cash flows			
September 30, 2023	**Carrying Amount**	**Total**	**2 months or less**	**3-12 months**	**1-2 years**	**Thereafter**
Trade and other payables	$ 1,237,133	1,237,133	1,237,133	-	-	-
Lease liabilities	200,261	272,130	12,006	60,476	73,376	126,272
Unsecured loans from the government	36,749	75,069	36,980	38,089	-	-
	$ 1,474,143	1,584,332	1,286,119	98,565	73,376	126,272

OUTSTANDING SHARES

As of November 14, 2023, the Company had the following securities outstanding:

	Number
Common Shares	65,025,739
Warrants	16,703,342
Options	8,399,129

OFF-BALANCE SHEET ARRANGEMENTS

On February 22, 2020, the Company entered into a product development grant agreement with CPRIT. Pursuant to the terms of the agreement, CPRIT will grant the Company up to $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 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, 2023, the Company received $3,973,038 of the $7,446,844 to fund activities related to the project. At September 30,2023, the Company recorded a receivable of $1,339,212 of which $1,092,545 related to the reimbursement of project-related costs and $246,667 related to the OCT equipment.

FINANCIAL INSTRUMENTS

A. Accounting classification and fair values

The Company's financial instruments recognized on the condensed consolidated interim statement of financial position consist of cash, accounts receivables, other receivables, accounts payable and accrued liabilities, loans, and warrant liability.

In January 2022, the Company completed a Private Placement for net proceeds of $38,136,760 (CAD$48,476,878). Each unit consisted of one common share and a total of one warrant to purchase an additional common 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 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. The warrant liability is comprised of warrants designated as derivatives.

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

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

		Carrying Amount		Fair Value			
September 30, 2023		**Mandatorily at FVTPL**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities measured at fair value							
Warrant liability	$	(3,713,486)	(3,713,486)	-	(3,713,486)	-	(3,713,486)
	$	**(3,713,486)**	**(3,713,486)**	**-**	**(3,713,486)**	**-**	**(3,713,486)**

		Carrying Amount		Fair Value			
December 31, 2022		**Mandatorily at FVTPL**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value							
Warrant liability	$	(6,035,502)	(6,035,502)	-	(6,035,502)	-	(6,035,502)
	$	**(6,035,502)**	**(6,035,502)**	**-**	**(6,035,502)**	**-**	**(6,035,502)**

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 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, 2023 was the Black-Scholes option pricing model using a weighted average risk-free rate of the bond-equivalent yield of 4.6 percent, an expected life of the time to maturity of 3.3 years, and an expected volatility of 109 percent.

The valuation technique used to measure the fair value of the warrant liability at December 31, 2022, was the Black-Scholes option pricing model using a weighted average risk-free rate of the bond-equivalent yield of 3.4 percent, an expected life of the time to maturity of 4.1 years, 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.

C. Financial Risk Management

The Company's activities expose it to a variety of financial risks: market risk (including foreign currency and interest rate risk), credit risk and liquidity risk. Risk management is the responsibility of the corporate finance function, which has the appropriate skills, experience, and supervision. The Company's risk management is coordinated at its headquarters, in close cooperation with the Board of Directors, and focuses on identifying and analyzing the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management practices and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company does not actively engage in the trading of financial assets for speculative purposes.

The most significant financial risks to which the Company is exposed are described below.

i. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Components of market risk to which the Company is exposed are discussed below. Financial instruments affected by market risk primarily include cash and cash equivalents, and accounts payable.

Foreign currency risk

The Company is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which purchases are denominated and the Canadian dollar, the functional currency of the Company. The currency in which these transactions are primarily denominated is US dollars.

Foreign currency sensitivity analysis

As of September 30, 2023, the Company's net exposure to currency risk through its current assets and liabilities denominated in US dollars was $16,032,631 (December 31, 2022: $22,909,768). An appreciation (depreciation) of the Canadian dollar against the US dollar would have resulted in an increase (decrease) of approximately $1,070,018 (December 31, 2022: $1,551,450) in the Company's

comprehensive income as a result of the Company's net exposure to currency risk through its current assets and current liabilities denominated in US dollars. This analysis is based on a foreign currency exchange rate variance of 5% which the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The Company's net exposure to other foreign currencies is not significant.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not have any significant exposure to interest rate risk.

ii. Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. The Company is exposed to credit risk from its operating and from financing activities, including cash deposits with banks and financial institutions and accounts receivables from customers. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, considering their financial position, experience, and other factors. Credit risk is mitigated by entering into agreements with only stable, creditworthy parties and through frequent reviews of exposures to individual entities. The credit risk in respect of cash balances held with banks and deposits with banks are only with major reputable financial institutions.

The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and monitors this risk on an ongoing basis to identify any significant increases subsequent to initial recognition.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due. The Company considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held). At September 30, 2023, $9,900 was more than 60 days past due.

iii. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company attempts to meet financial obligations through managing cash from operations and financing activities and through cash on hand. For further discussion refer to Liquidity and Capital Resources above.

RELATED PARTY TRANSACTIONS

Transactions with key management personnel

As of September 30, 2023, and 2022, the Company has no receivable or payable amounts with key management personnel or directors.

Key management personnel compensation

	Three months ended		Nine months ended	
	2023	**2022**	**2023**	**2022**
Short-term employment benefits	$ 252,058	258,750	$ 757,226	646,122
Director's fees	74,752	57,156	218,879	174,618
Share based payments	530,868	144,927	322,338	471,888
Total	857,678	460,833	1,298,443	1,256,628

*Restated for change in presentation currency

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.

Key management personnel and directors participated in the Company's January 2022 Private Placement, which provided the Company with the cash required to continue operations and subscribed for an aggregate of 147,000 units at a price of $2.36 (CAD$3.00) per unit for gross proceeds of $345,000 (CAD$441,000).

RISKS AND UNCERTAINTIES

An investment in the common shares of the Company involves a high degree of risk and should be considered speculative. Investors should carefully consider the risks and uncertainties set forth under the heading "Risks and Uncertainties" in our 2022 Annual MD&A dated April 10, 2023, and filed on SEDAR+, as well as the other information described elsewhere in this MD&A. Additional risks and uncertainties not presently known to us or that we believe to be immaterial may also adversely affect our business. If any such risks occur, our business, financial condition and results of operations could be seriously harmed, and you could lose all or part of your investment. Further, if we fail to meet the expectations of the public market in any given period, the market price of our common shares could decline. We operate in a highly competitive environment that involves significant risks and uncertainties, some of which are outside of our control.

ADDITIONAL INFORMATION

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