PERIMETER MEDICAL IMAGING AI, INC.

Consolidated Financial Statements

Years Ended December 31, 2023 and December 31, 2022

Presented in US Dollars

CONSOLIDATED FINANCIAL STATEMENTS **Page**

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Perimeter Medical Imaging AI Inc.

Opinion

We have audited the consolidated financial statements of Perimeter Medical Imaging AI Inc. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2023 and December 31, 2022
- the consolidated statements of loss and comprehensive loss for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 3 in the financial statements, which indicates that for the year ended December 31, 2023, the Entity reported a net loss of $14,035,994 and cash used in operating activities of $14,696,253.

As stated in Note 3 in the financial statements, these events or conditions, along with other matters as set forth in Note 3 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the "Material Uncertainty related to Going Concern" section of the auditor's report, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Recoverability of CPRIT Grant Receivables

Description of the matter

We draw attention to Notes 4 and 8 to the financial statements. The Entity entered into a product development grant agreement with the Cancer Prevention and Research Institute of Texas ("CPRIT"). Under the terms of the CPRIT grant agreement, the Entity is allowed to claim reimbursement of approved project related costs and depreciation of equipment used in the approved project. The receivable balance from CPRIT is $1,821,559. The reimbursement of expenses is subject to assessment by CPRIT for compliance with the grant agreement.

Why the matter is a key audit matter

We identified the recoverability of the CPRIT grant receivable as a key audit matter. This matter was a key audit matter because it required significant auditor attention in performing the audit given the magnitude of the balance. Auditor judgment was required to evaluate the evidence supporting the Entity's recoverability of the recorded receivables in accordance with the CPRIT grant agreement.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

- We obtained an understanding of the terms and eligibility criteria under the CPRIT grant agreement.
- For a sample of expenses giving rise to the grant receivable, we evaluated whether the expenses claimed met the terms and conditions of CPRIT grant agreement and historical reimbursements made by CPRIT for similar claims.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequence of doing so would reasonably be expected to outweigh the public benefits of such communication.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditor's report is Gurdev Singh Narula.

Toronto, Canada

March 28, 2024

PERIMETER MEDICAL IMAGING AI, INC.
Consolidated Statements of Financial Position
As at December 31, 2023 and December 31, 2022
(Dollar amounts in US Dollars)

	Note		December 31, 2023		December 31, 2022
ASSETS					
Current assets					
Cash		$	13,980,176	$	28,439,048
Accounts receivable			36,900		72,000
Grant and other receivables	**8**		2,312,831		1,904,150
Inventory			128,999		42,880
Prepaid expenses			1,121,369		1,037,072
Total current assets			17,580,275		31,495,150
Non-current assets					
Property and equipment	**9**		2,961,096		3,101,038
Total non-current assets			2,961,096		3,101,038
Total assets		$	**20,541,371**	$	**34,596,188**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued liabilities	**11**	$	1,682,958	$	1,753,282
Current portion of government debt			-		110,383
Current portion of deferred grant income	**10**		49,032		103,724
Current portion of lease liability	**16**		50,565		39,774
Warrant liability	**11**		3,455,939		6,035,502
Total current liabilities			5,238,494		8,042,665
Non-current liabilities					
Government debt			-		9,654
Deferred grant income	**10**		95,743		271,918
Lease liability	**16**		142,329		165,865
Total non-current liabilities			238,072		447,437
Shareholders' equity					
Share capital	**12**		81,820,732		80,835,179
Contributed surplus	**12**		7,635,656		6,638,421
Accumulated deficit			(73,358,975)		(59,322,981)
Accumulated currency translation adjustment			(1,032,608)		(2,044,533)
Total shareholders' equity			15,064,805		26,106,086
Total liabilities and shareholders' equity		$	**20,541,371**	$	**34,596,188**

Commitments (Note 19)
Going concern (Note 3)
The accompanying notes are an integral part of these consolidated financial statements.

Approved on behalf of the Board of Directors:

/s/ Ian Mortimer
Director

/s/ Adrian Mendes
Director

PERIMETER MEDICAL IMAGING AI, INC.
Consolidated Statements of Loss and Comprehensive Loss
For the years ended December 31, 2023 and December 31, 2022
(Dollar amounts in US Dollars)

			Year ended		
	Note		**December 31, 2023**		**December 31, 2022***
Revenue		$	403,533	$	132,766
Cost of goods sold					
Direct Costs			53,955		32,139
Depreciation	**10**		143,159		103,956
			197,114		136,095
Gross Profit			206,419		(3,329)
Grant Income			241,221		337,189
Operating Expenses					
Sales and marketing			4,961,487		4,836,896
Research and development			5,154,449		5,476,248
General and administrative			6,120,298		5,445,120
Depreciation	**10**		471,545		696,908
Total Operating Expenses			16,707,779		16,455,172
Net foreign exchange (loss) gain			(1,014,731)		4,040,735
Net finance income	13		3,238,876		2,174,467
Loss for the year			(14,035,994)		(9,906,110)
Other comprehensive income (loss) items that may be reclassified subsequently to profit:					
Foreign currency translation - net of tax			1,011,925		(3,067,944)
Comprehensive loss		$	(13,024,069)	$	(12,974,054)
Basic and diluted loss per common share		$	(0.22)	$	(0.16)

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

PERIMETER MEDICAL IMAGING AI, INC.
Consolidated Statements of Changes in Shareholders' Equity
For the years ended December 31, 2023 and 2022
(Dollar amounts in Canadian Dollars)

	Note	Shares Issued		Share Capital		Contributed Surplus		Accumulated foreign currency translation differences		Deficit		Total
Balance as at January 1, 2023		**64,458,586**	**$**	**80,835,179**	**$**	**6,638,421**	**$**	**(2,044,533)**	**$**	**(59,322,981)**	**$**	**26,106,086**
Issuance of common shares for exercise of options	12	594,235		985,553		(466,237)		-		-		519,316
Stock-based compensation		-		-		1,463,472		-		-		1,463,472
Currency translation adjustment		-		-		-		1,011,925		-		1,011,925
Net loss for the year		-		-		-		-		(14,035,994)		(14,035,994)
Balance as at December 31, 2023		**65,052,821**	**$**	**81,820,732**	**$**	**7,635,656**	**$**	**(1,032,608)**	**$**	**(73,358,975)**	**$**	**15,064,805**
Balance as at January 1, 2022		**45,282,548**	**$**	**47,575,419**	**$**	**6,673,367**	**$**	**1,023,411**	**$**	**(49,416,871)**	**$**	**5,855,326**
Issuance of common shares for cash, net of issuance cost	12	16,234,333		29,326,222		-		-		-		29,326,222
Issuance of common shares for services rendered	12	434,000		-		-		-		-		-
Issuance of common shares for exercise of options	12	1,546,989		2,593,273		(1,134,456)		-		-		1,458,817
Stock-based compensation		-		-		1,524,063		-		-		1,524,063
Issuance of common shares for exercise of warrants	12	960,716		1,340,265		(424,553)		-		-		915,712
Currency translation adjustment		-		-		-		(3,067,944)		-		(3,067,944)
Net loss for the year		-		-		-		-		(9,906,110)		(9,906,110)
Balance as at December 31, 2022		**64,458,586**	**$**	**80,835,179**	**$**	**6,638,421**	**$**	**(2,044,533)**	**$**	**(59,322,981)**	**$**	**26,106,086**

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

PERIMETER MEDICAL IMAGING AI, INC.
Consolidated Statements of Cash Flows
For the years ended December 31, 2023 and 2022
(Dollar amounts in US Dollars)

	Note	Year ended December 31, 2023	Year ended December 31, 2022
Cash flows from (used in) operating activities:			
Net loss		$ (14,035,994)	$ (9,906,110)
Adjustments for:			
Depreciation		614,704	800,864
Stock-based compensation		1,463,472	1,524,063
Grant income		(241,221)	(337,189)
Net finance income	13	(3,238,876)	(2,174,467)
Unrealized currency translation		1,310,922	(1,548,785)
		(14,126,993)	(11,641,624)
Changes in:			
Accounts receivable		35,100	(72,000)
Grant and other receivables		(363,620)	(424,694)
Inventory		(86,119)	(37,849)
Investment tax credits recoverable		-	66,243
Prepaid expenses		(84,297)	(49,457)
Accounts payable and accrued liabilities		(70,324)	291,476
Net cash used in operating activities		(14,696,253)	(11,867,905)
Cash flows from (used in) investing activities:			
Proceeds from the sale of equity investment		-	242,575
Interest income		680,514	-
Purchase of equipment		(474,503)	(1,991,369)
		206,011	(1,748,794)
Cash flows from (used in) financing activities:			
Net proceeds from warrants and options exercised	12	519,316	2,374,529
Net proceeds from issuance of common shares	12	-	38,136,760
Repayment of government debt		(239,306)	(177,192)
Repayment of lease liabilities	16	(45,537)	(49,895)
		234,473	40,284,202
Net decrease in cash		(14,255,769)	26,667,503
Cash, beginning of year		28,439,048	3,723,132
Effect of foreign exchange on cash		(203,103)	(1,951,587)
Cash, end of year		$ **13,980,176**	$ **28,439,048**

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

1. Reporting entity

Perimeter Medical Imaging AI Inc. (the "Company" or "Perimeter") is a medical technology company driven to transform cancer surgery with ultra-high resolution, real-time, advanced imaging tools that address unmet medical needs. 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

The accompanying consolidated financial statements have been prepared in accordance with IFRS Accounting Standards.

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

These financial statements were reviewed, approved and authorized for issue by the Company's board of directors on March 28, 2024.

3. Going concern

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards and 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 year ended December 31, 2023, the Company reported a net loss of $14,035,994 (2022 – $9,906,110) and cash used in operating activities of $14,696,253 (2022 –$11,867,905). The Company has working capital of $12,341,781 as at December 31, 2023 (2022 - $23,452,485). 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 on its ability to realize positive cashflows 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 favorable 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 consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumptions were not appropriate. If the going concern basis was not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses, and the consolidated statement of financial position classification used. Such adjustments could be material.

4. Use of estimates and judgements

The preparation of financial statements requires management to make estimates, judgements and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of expenses during the reporting period. Actual results could differ materially from these estimates.

Critical judgements

The preparation of the accompanying consolidated financial statements requires management to make judgements, including, among others:

<u>Going concern</u>: The going concern of the Company, as discussed in Note 3.

<u>Eligibility of expenses under grant programs</u>: The Company is required to interpret government regulations and apply those interpretations in preparing expense claims under grant programs. Those interpretations and applications are subject to audit and retrospective challenge by the granting authorities. Changes in the eligibility of expenses under government grant programs can have a material adverse effect on the Company's grant claim and correspondingly the recorded amounts due from the applicable granting authorities and the recorded amount of grant income.

Key sources of estimation uncertainty

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS Accounting Standards requires management to make estimates that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements and the reported amounts during each reporting period. Actual results could materially differ from those estimates. Significant estimates made by management affecting the accompanying consolidated financial statements include, among others:

<u>Fair value measurement</u>: The Company uses Black-Scholes valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) using the risk-free rate, share price, expected life, expected annualized volatility, expected dividend rate and the fair value.

<u>Valuation of share-based compensation</u>: The Company uses the Black-Scholes option pricing model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, risk-free interest rate, and expected life of the option. Changes in the input assumptions can materially affect the grant date fair value estimate. In addition to the fair value input assumptions, the Company also estimates the number of options that will forfeit

prior to becoming vested. These fair value input and forfeiture rate assumptions affect the Company's share-based compensation expense and equity reserves.

Changes in the input assumptions can materially affect the fair value estimate which correspondingly affects the Company's finance costs and liabilities.

Eligibility of expenses for investment tax credit refund: The Company is required to interpret government regulations and apply those interpretations in preparing claims for scientific research and development tax credits. Those interpretations and applications are subject to audit and retrospective challenge by taxing authorities. Changes in the eligibility of expenses under government tax credit programs can have a material adverse effect on the Company's tax credit claims and correspondingly the recorded amounts due from/to the applicable taxing authorities and the recorded amount of tax credit.

Useful lives of depreciable assets: The Company reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and equipment.

Contracts with multiple products or services: Contracts with customers often include promises to deliver multiple products and services. Determining whether such products and services are considered (i) distinct performance obligations that should be separately recognized or (ii) non-distinct and therefore should be combined with another good or service and recognized as a combined unit of accounting may require significant judgement. The determination of the standalone selling prices ("SSP") for distinct performance obligations can also require judgment and estimates. SSP for a performance obligation in a contract with customers is an estimate of the price that would be charged for the specific product or service if it was sold separately in similar circumstances and to similar customers.

5. Foreign currency translation

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 and loss in the consolidated statement of loss.

6. Material accounting policies

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for management's intended use of the asset and, where relevant, the present value of all dismantling and removal costs. Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company. All repair and maintenance costs are recognized in the consolidated statements of loss and comprehensive loss as an expense when incurred. Property and equipment is depreciated at the following rates and methods:

OCT equipment	5 years straight line
OCT equipment (Operating leases)	5 years straight line
Research equipment	30% declining balance
Computer equipment	55% declining balance
Office equipment and tooling	30% declining balance
Right-of-use assets	Over the term of the lease
Leasehold improvements	Shorter of lease term and useful life

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

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

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

i. As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by comparing existing financing rates from external sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise of fixed payments, including in-substance fixed payments.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets in 'Property and equipment' and lease liabilities in 'lease liabilities' in the consolidated statements of financial position.

ii. As a lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

Financial Instruments

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

i. Recognition and derecognition

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

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

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

ii. Classification and initial measurement of financial assets

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

Financial assets are classified into the following categories:

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

iii. Subsequent measurement of financial assets

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

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

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents and receivables fall into this category. The Company does not have any financial assets measured at FVTPL or FVOCI.

iv. Impairment of financial assets

The impairment requirements under IFRS 9 require the use more forward-looking information to recognize expected credit losses and is referred to as the expected credit loss (ECL) model.

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

v. Classification and measurement of financial liabilities

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

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss. Embedded derivatives are separated from the host contract and recorded at fair value at initial recognition.

Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for embedded derivatives, 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.

Share Capital

Common shares are classified as equity. Transaction costs directly attributable to the issuance of common shares and share purchase options are recognized as a reduction from equity, net of any tax effects. For unit offerings that consist of multiple categories of securities, the proceeds from the issuance of units are allocated between common shares and share purchase warrants using the residual method, allocating fair value to the common shares first, and then to the share purchase warrants.

Loss Per Share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Revenue Recognition

The Company provides medical technology solutions including its Optical Coherence Tomography imaging system, proprietary image library and consumable specimen containers to hospitals and cancer surgery centers.

The Company records revenue from contracts with customers in accordance with the five steps in IFRS 15, Revenue from Contracts with Customers, as follows:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price, which is the amount the Company expects to be entitled to;
4. Allocate the transaction price amount to the performance obligations in the contract based on their relative stand-alone selling prices; and

5. Recognize revenue when or as the goods or services are transferred to the customer. Goods are delivered to the customers on free-on-board basis and revenue is recognized upon delivery of the goods.

Perimeter places its S-Series OCT equipment at the customer (generally hospitals or medical institutions) premises at no cost for one year with the right provided to the customer to use the equipment. The equipment is used with Perimeter's single-use Specimen Immobilizer (consumable), which is sold separately. The customer must purchase Specimen Immobilizers when the equipment is placed. As such, the contract with the customer has two main components:

A. Placement of the S-Series OCT equipment at the customers location
B. Sale of Perimeter's single-use Specimen Immobilizers

The placement of the equipment is a lease and is classified as an operating lease and the sale of the consumable is a non-lease component performance obligation to be accounted for under IFRS 15.

The Company allocates the transaction price between the two performance obligations identified above on a relative stand-alone selling price. Since, there is no separate observable selling price for the equipment and there is no sale of consumable without the use of the related equipment, the stand-alone selling price is not directly observable.

The Company allocates the value of the contract agreement between the sale of consumable and the placement of its S-series OCT equipment using the adjusted market assessment approach by estimating the price that customers in the market would be willing to pay. Based on this calculation, the stand-alone selling price of placement of the S-series OCT equipment represents 44% of the total contract agreement, leaving 56% to be allocated to the sale of single-use specimen immobilizers.

For the year ended December 31, 2023, $169,933 (2022: $40,266) was recognized as revenue from operating leases and $233,600 (2022: $92,500) was recognized as revenue from sale of consumables and included under revenue in the consolidated statements of loss and comprehensive loss.

As at December 31, 2023, $6,001 (2022: $15,334) relating to revenue from operating leases has been deferred and included in accounts payable and accrued liabilities in the consolidated statements of financial position.

Income Taxes

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in Other Comprehensive Income.

<u>Current Tax</u>

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

<u>Deferred Tax</u>

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Such reductions are reversed when the probability of future taxable profits improves. Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. No deferred tax assets have been recognized to date.

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 which are 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 in the consolidated statements of financial position and recorded as grant income in 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) in the consolidated statements of loss and comprehensive loss.

(Dollar amounts in US Dollars)

Research and Development Costs

Expenditures on research and development activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss as incurred. Investment tax credits related to current expenditures are included in the determination of net income as the expenditures are incurred when there is reasonable assurance they will be realized.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. These criteria will be deemed by the Company to have been met when revenue is received by the Company and a determination that it has sufficient resources to market and sell its product offerings. Upon a determination that the criteria to capitalize development expenditures have been met, the expenditures capitalized will include the cost of materials, direct labour, and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditures will be expensed as incurred.

Capitalized development expenditures will be measured at cost less accumulated amortization and accumulated impairment losses. No development costs have been capitalized in the periods presented.

7. Recently adopted accounting standards and policies

Amendments to IAS 1 and IFRS Practice Statement 2, Disclosure Initiative – Accounting Policies
On February 12, 2021, the IASB issued Disclosure Initiative - Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2). The amendments help companies provide useful accounting policy disclosures by requiring companies to disclose their material accounting policies rather than their significant accounting policies.

The Company adopted the amendments to IAS 1 and IFRS Practice Statement 2 effective January 1, 2023.

8. GRANT AND OTHER RECEIVABLES

Grant and other receivables balance is comprised of the following:

		December 31, 2023		**December 31, 2022**
Harmonized sales tax receivable	$	321,776	$	152,623
CPRIT grant receivable		1,821,559		1,751,527
Interest receivable		45,061		-
Other receivables		124,435		-
Grant and other receivables		**2,312,831**		**1,904,150**

(Dollar amounts in US Dollars)

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

On February 22, 2020, the Company entered into a product development grant agreement 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 percent of grant proceeds have been repaid and 0.5 percent thereafter for the remaining twelve-year term.

For the year ended December 31, 2023, the Company recognized grant income of $1,838,311 (2022: $1,456,545), as a reduction of project-related costs.

At December 31, 2023, the CPRIT grant receivable was $1,821,559 (2022: $1,751,527) of which $1,574,892 (2022: $1,258,194) related to the reimbursement of project-related costs and $246,667 (2022: $493,333) related to the OCT equipment. The following table shows a reconciliation on the movement of the balances for the year ended December 31, 2023 and year ended December 31, 2022:

		Year ended 31-Dec-23		Year ended 31-Dec-22
Balance at beginning of year	$	1,751,527	$	785,663
Project related expenses		1,838,311		1,456,624
OCT Equipment		-		493,333
Payments received		(1,768,279)		(984,093)
Balance at end of year		**1,821,559**		**1,751,527**

Additionally, for the year ended December 31, 2023, the Company recognized grant income of $117,231 (2022: $250,802) related to depreciation of OCT equipment used in the project.

(Dollar amounts in US Dollars)

9. PROPERTY AND EQUIPMENT

	OCT Equipment	OCT Equipment (under operating leases)	Leasehold improvement	Research equipment	Computer equipment	Office equipment & Tooling	Right of use asset	Construction in Progress	Total
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
Transfer	(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

	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, 2022	$ 332,268	$ -	$ 92,774	$ 24,502	$ 56,408	$ 9,170	$ 162,296	$ 1,242,500	$ 1,919,918
Additions	-	-	24,819	-	-	-	125,231	1,966,550	2,116,600
Transfer	1,886,682	555,850	-	-	-	-	-	(2,442,532)	-
Disposals	-	-	-	-	-	-	(56,242)	-	(56,242)
Effect of movement in exchange rates	-	-	6,596	(1,569)	(956)	(587)	-	-	3,484
At December 31, 2022	2,218,950	555,850	124,189	22,933	55,452	8,583	231,285	766,518	3,983,760
Depreciation:									
At January 1, 2022	$ 12,333	$ -	$ 2,577	$ 19,509	$ 51,415	$ 8,503	$ 53,142	$ -	$ 147,479
Additions	613,012	103,956	34,464	1,444	3,086	200	44,702	-	800,864
Disposals	-	-	-	-	-	-	(56,242)	-	(56,242)
Effect of movement in exchange rates	-	-	-	(1,291)	(3,381)	(557)	(4,150)	-	(9,379)
At December 31, 2022	625,345	103,956	37,041	19,662	51,120	8,146	37,452	-	882,722
Net book value:									
At December 31, 2022	$ 1,593,605	$ 451,894	$ 87,148	$ 3,271	$ 4,332	$ 437	$ 193,833	$ 766,518	$ 3,101,038

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.

(Dollar amounts in US Dollars)

10. DEFERRED GRANT INCOME

Deferred grant income arises as a result of the benefit received from a below-market interest rate government loan from FedDev Ontario and a product development agreement with the CPRIT (see Note 8).

		December 31, 2023		December 31, 2022
Current:				
FedDev Ontario	$	-	$	103,724
CPRIT		49,032		-
Total Current		**49,032**		**103,724**
Non-current:				
FedDev Ontario		-		9,910
CPRIT		95,743		262,008
Total Non-current		**95,743**		**271,918**
Total	**$**	**144,775**	**$**	**375,642**

11. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGMENT

A. 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 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 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, 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 years.

There were no transfers between levels for the years reported.

(Dollar amounts in US Dollars)

B. 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.

			Carrying Amount		Fair Value			
December 31, 2023	**Note**		**Mandatorily at FVTPL**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities 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)**

			Carrying Amount		Fair Value			
December 31, 2022	**Note**		**Mandatorily at FVTPL**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value								
Warrant liability	12	$	(6,035,502)	(6,035,502)	-	(6,035,502)	-	(6,035,502)
		$	**(6,035,502)**	**(6,035,502)**	**-**	**(6,035,502)**	**-**	**(6,035,502)**

C. 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 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.

<u>Foreign currency risk</u>

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 at December 31, 2023, the Company's net exposure to currency risk through its current assets and liabilities denominated in US dollars was $11,370,190 (2022: $22,909,768). An appreciation (depreciation) of the Canadian dollar against the US dollar would have resulted in an increase (decrease) of approximately $751,911 (2022: $1,551,450) in the Company's comprehensive loss 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 realising security (if any is held). At December 31, 2023, $9,900 (2022: $Nil) was owing 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.

(Dollar amounts in US Dollars)

The table below summarizes the maturity profile of the Company's financial liabilities as at December 31, 2023 and 2022 based on contractual undiscounted payments:

					Contractual cash flows			
December 31, 2023	**Note**		**Carrying Amount**	**Total**	**2 months or less**	**3-12 months**	**1-2 years**	**Thereafter**
Accounts payable and accrued liabilities		$	1,682,958	1,682,958	1,682,958	-	-	-
Lease liabilities	16		192,894	254,122	12,006	60,700	73,600	107,816
		$	1,875,852	1,937,080	1,694,964	60,700	73,600	107,816

					Contractual cash flows			
December 31, 2022	**Note**		**Carrying Amount**	**Total**	**2 months or less**	**3-12 months**	**1-2 years**	**Thereafter**
Accounts payable and accrued liabilities		$	1,753,282	1,753,282	1,753,282	-	-	-
Lease liabilities	16		205,639	304,776	4,923	46,049	72,632	181,172
Unsecured loans from the government			120,037	233,672	35,684	178,423	19,565	-
		$	2,078,958	2,291,730	1,793,889	224,472	92,197	181,172

D. Capital management

Management's objective when managing capital is to ensure the Company has sufficient liquidity to meet its commitments and to support the cash requirements for ongoing operations. Management defines capital as shareholders' equity, short-term and long-term borrowings and cash. Management manages the Company's capital structure commitments and maturities and adjusts based on general economic conditions, financial markets and operating risks, and the Company's investment and working capital requirements. To maintain or adjust the Company's capital structure, management may, with approval from the Company's Board of Directors, issue shares, repurchase shares, issue or repay debt and/or short-term borrowings, or undertake other activities as deemed appropriate under the circumstances. The Board of Directors reviews and approves any material transactions that are not part of the ordinary course of business, including proposals for financing transactions.

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.

During the year ended December 31, 2023, the Company issued 594,235 common shares on the exercise of share purchase options with a weighted-average exercise price of $0.84 (CAD$1.17) per share for proceeds of $519,316 (CAD$697,460). In relation to the exercises, the fair value of the options of $466,237 (CAD$625,666) was reallocated from contributed surplus to share capital.

During the year ended December 31, 2022, the Company:

i. Issued 16,234,333 units comprising common shares and one-warrant, for the private placement for net proceeds of $38,136,760 (CAD$48,476,878) $38,314,649 (CAD$48,702,999) before issuance costs). Of the net proceeds, $29,326,222 (CAD$37,277,516) were allocated to share capital based on the common shares' relative stand-alone fair value proportion of the transaction price.
i. Issued 960,716 common shares on the exercise of warrants with a weighted-average exercise price of $0.95 (CAD$1.23) per share for proceeds of $915,712 (CAD$1,182,411). In relation to the exercise, the fair value of the warrants of $424,553 (CAD$548,040) was reallocated from contributed surplus to share capital.
ii. Issued 1,546,989 common shares on the exercise of share purchase options with a weighted-average exercise price of $0.94 (CAD$1.22) per share for proceeds of $1,458,817 (CAD$1,879,922). In relation to the exercises, the fair value of the options of $1,134,456 (CAD$1,455,771) was allocated to share capital.

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), 29,326,222 (CAD$37,277,517) after issuing costs and allocation of transaction price to warrants (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 December 31, 2023, the warrant liability was revalued at $3,455,939 (2022: $6,035,502) refer to Note 11A for assumptions. The revaluation of the warrant liability resulted in a gain of $2,657,744 (2022: $2,352,750) for the year ended December 31, 2023, which is recorded in finance income.

(Dollar amounts in US Dollars)

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 the finders by issuing 434,000 Common Shares at a price of $2.36 (CAD$3.00) per Common Share. The Company also paid a cash finder's and other fees associated with the transaction of $177,879 (CAD$226,121) for resulting net proceeds of $38,136,760 (CAD$48,476,878).

C. Warrants

The following schedule summarizes the warrant transactions for the years ended December 31, 2023 and 2022:

	December 31, 2023			December 31, 2022		
	Number of warrants		Weighted-average exercise price	Number of warrants		Weighted-average exercise price
Outstanding at January 1	18,687,871	$	2.97	3,871,853	$	1.18
Issued	-		-	16,234,333		3.22
Exercised	-		-	(960,716)		0.90
Expired	(2,126,197)		1.41	(457,599)		0.88
Outstanding as of December 31	**16,561,674**	**$**	**3.17**	**18,687,871**	**$**	**2.97**

At December 31, 2023, warrants were outstanding enabling holders to acquire common shares as follows:

Exercise price $	Number of warrants outstanding	Weighted-average remaining contractual life (years)
0.88- 0.96	327,341.00	0.04
3.14	12,987,466.00	2.41
3.54	3,246,867.00	0.60
	16,561,674	

(Dollar amounts in US Dollars)

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 years ended December 31, 2023 and 2022:

	December 31, 2023			December 31, 2022		
	Number of options		Weighted-average exercise price	Number of options		Weighted-average exercise price
Outstanding at January 1,	6,199,658	$	1.40	7,592,149	$	1.31
Granted	5,243,408		1.14	350,000		1.52
Exercised	(594,235)		0.84	(1,546,989)		0.93
Forfeited	(3,427,665)		1.52	(195,502)		1.82
Outstanding at December 31	**7,421,166**	$	**1.20**	**6,199,658**	$	**1.40**
Exercisable at December 31	**2,453,488**	$	**1.28**	**4,433,276**	$	**1.28**

During the year ended December 31, 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 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 vest on the one-year anniversary of the grant and the remaining Amended Options 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), which vest over one year. These options expire after three years.

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. Of the remaining 3,383,408, 25% of the Options vest on the one-year anniversary of the grant and the remaining Options vest monthly in 1/48th increments over the following 3 years. All Options expire after 10 years from date of issuance.

(Dollar amounts in US Dollars)

iv. On December 18, 2023, granted 110,000 options to certain employees of the Company with an exercise price of $0.64 (CAD $0.88) per share. 25% of the Options will vest on the one-year anniversary of the grant and the remaining Options will vest monthly in 1/48th increments over the following 3 years. All Options expire after 10 years from date of issuance.

v. During the year ended December 31, 2022, the Company granted 350,000 stock options to an officer of the Company with an exercise price of $1.52 (CAD $1.92) per share, exercisable over a term of ten years and vesting over a period of 4 years.

As at December 31, 2023, 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
0-0.59	143,960	2.8	143,960
0.6-0.89	360,226	5.3	259,185
0.9-1.1	1,155,204	5.5	1,117,702
1.13	3,515,908	9.7	-
1.16	1,006,000	9.2	-
1.44-1.51	483,334	7.3	308,332
2.31	756,534	7.8	624,309
	7,421,166		**2,453,488**

The share purchase options granted during the year ended December 31, 2023 were valued using the Black-Scholes option pricing model using a weighted average risk-free rate of 3.43 percent, a weighted-average share price of 1.48, 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 $1.26.

The share purchase options granted during the year ended December 31, 2022 were valued using the Black-Scholes option pricing model using a weighted average risk-free rate of 1.6 percent, a weighted-average expected life of 10 years, an expected annualized volatility of 90 percent, and an expected dividend rate of 0.0 percent. The weighted average fair value per option was $1.25.

(Dollar amounts in US Dollars)

13. NET FINANCE INCOME (EXPENSE)

Finance income (expense) for the reporting years consist of the following:

	Year ended December 31,			
		2023		**2022**
Interest expense on government debt	$	(114,121)	$	(86,388)
Interest expense on lease liabilities		(30,322)		(17,368)
Unrealized loss on fair value of equity securities		-		(73,351)
Revaluation gain on warrant liability		2,657,744		2,352,750
Other finance income		725,575		(1,176)
	$	**3,238,876**	**$**	**2,174,467**

14. INCOME TAXES

The income taxes recognized in profit or loss are as follows:

	Years ended December 31,	
	2023	**2022**
Deferred tax expense (recovery)	-	-
Origination and reversal of temporary differences of continuing operations	1,146,000	(24,453)
Change in unrecognized losses and deductible temporary differences	(1,146,000)	24,453
Total income tax expense (recovery)	-	-

The provision for income taxes reported differs from the amounts computed by applying statutory Canadian federal and provincial tax rates to the loss before tax due to the following:

		December 31, 2023		**December 31, 2022**
(Loss) for the year before income taxes	$	(14,035,994)	$	(9,906,110)
Statutory tax rates		26.5%		26.5%
Recovery of income taxes computed at statutory rates	$	(3,719,538)	$	(2,625,119)
Non-deductible (non-taxable) items		(337,876)		(209,284)
Differing tax rates in foreign jurisdictions		(157,000)		(138,000)
Adjustment of prior year tax estimates		105,000		128,000
Change in unrecognized deferred tax assets		3,982,250		2,386,725
Impact of foreign exchange and other		127,164		457,678
Total income tax expense (recovery)	**$**	**-**	**$**	**-**

(Dollar amounts in US Dollars)

The Company's recognized deferred tax assets and liabilities are as follows:

		December 31, 2023		December 31, 2022
Deferred tax assets				
Tax Losses	$	1,104,000	$	-
Lease Liability		42,000		
Deferred tax liabilities				
Property and Equipment		(1,104,000)		-
Leased Assets		(42,000)		
Net deferred tax asset (liability)	**$**	-	**$**	-

The Company has the following deductible temporary differences for which no deferred tax assets have been recognized:

		December 31, 2023		December 31, 2022
Tax losses	$	52,008,000	$	39,924,000
Other deductible temporary differences	$	6,288,186	$	4,894,063
Total	**$**	**58,296,186**	**$**	**44,818,063**

At December 31, 2023, the Company has unrecognized tax loss carry forwards in Canada aggregating to $27,493,000 (2022: $22,268,000) which expire over the period between 2032 and 2043 and are available to offset future taxable income in Canada.

At December 31, 2023 the Company has unrecognized tax loss carry forwards in United States of America aggregating to $24,515,000 (2022: $17,656,000) which carry forward indefinitely and are available to offset future taxable income in the United States of America.

Other deductible temporary differences do not expire.

Tax attributes are subject to review, and potential adjustment, by tax authorities.

(Dollar amounts in US Dollars)

15. 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 profit were necessary in 2023 or 2022.

The following details the loss per share calculations, basic and diluted, for the years ended December 31, 2023 and 2022:

	Year ended	
	2023	**2022**
Loss attributable to common shareholders (basic and diluted)	$ (14,035,994)	$ (9,906,110)
Weighted average number of common shares (in number of common shares):		
Beginning of the period	64,458,586	45,282,548
Shares issued on exercise of options	212,672	1,456,338
Shares issued on exercise of warrants	-	2,022,861
Shares issued - private placement	-	11,853,847
Basic and diluted	64,671,258	60,615,594
Loss per share:		
Basic and diluted	**$ (0.22)**	**$ (0.16)**

As the Company experienced a loss in both years, 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 EPS calculations at December 31, 2023 are shares issuable on the exercise of warrants, 16,561,674 (2022: 18,687,871); and of options, 7,421,166 (2022: 6,199,658).

16. LEASE LIABILITY

During the years ended December 31, 2023 and 2022, the Company had two leases of office space. The first lease was entered into on April 1, 2021 with a five-year term; and, the second lease was entered on December 15, 2022 with a term of 5.5 years expiring on June 30, 2028.

Information about leases for which the Company is a lessee is presented below:

Office Space	**December 31, 2023**	**December 31, 2022**
Balance at January 1	$ 205,639	$ 119,259
Additions to leases	-	125,231
Lease payments	(45,537)	(49,895)
Interest expense	30,322	17,368
Effect of movement in exchange rates	2,470	(6,324)
Balance at end of year	**$ 192,894**	**$ 205,639**
Less: current	50,565	39,774
Non-current	**142,329**	**165,865**

(Dollar amounts in US Dollars)

17. RELATED PARTIES

Transactions with key management personnel

As at December 31, 2023 and 2022, the Company has no receivable or payable amounts with key management personnel or directors.

Key management personnel compensation

		December 31, 2023		December 31, 2022
Short-term employment benefits	$	1,008,701	$	921,972
Director's fees		291,156		223,488
Share based payments		722,304		453,293
Total		2,022,161		1,598,753

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).

18. EXPENSES BY NATURE

The following are the classification of expenses for the year ended December 31, 2023 and 2022 by nature of expenses:

		December 31, 2023		December 31, 2022
Operating Expenses				
Employment costs	$	8,970,396	**$**	8,303,890
Stock-based compensation		1,463,472		1,524,063
Subcontractors and consulting fees		1,207,982		1,277,655
Professional fees		1,218,871		1,570,288
Advertising and promotion		828,249		637,405
Research and development		656,677		559,908
General and administrative		1,890,587		1,885,055
Depreciation		471,545		696,908
Total operating expenses		**16,707,779**		**16,455,172**

19. Commitments

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