



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

For the three months ended March 31, 2025

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 First Quarter 2025 Interim Condensed Consolidated Financial Statements and notes thereto, which have been prepared in accordance as issued by the International Accounting Standards Board. All of the 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, 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 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 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 May 13, 2025, and was approved by the Board of Directors (the "Board") on that date.

COMPANY OVERVIEW

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.

BUSINESS OF PERIMETER

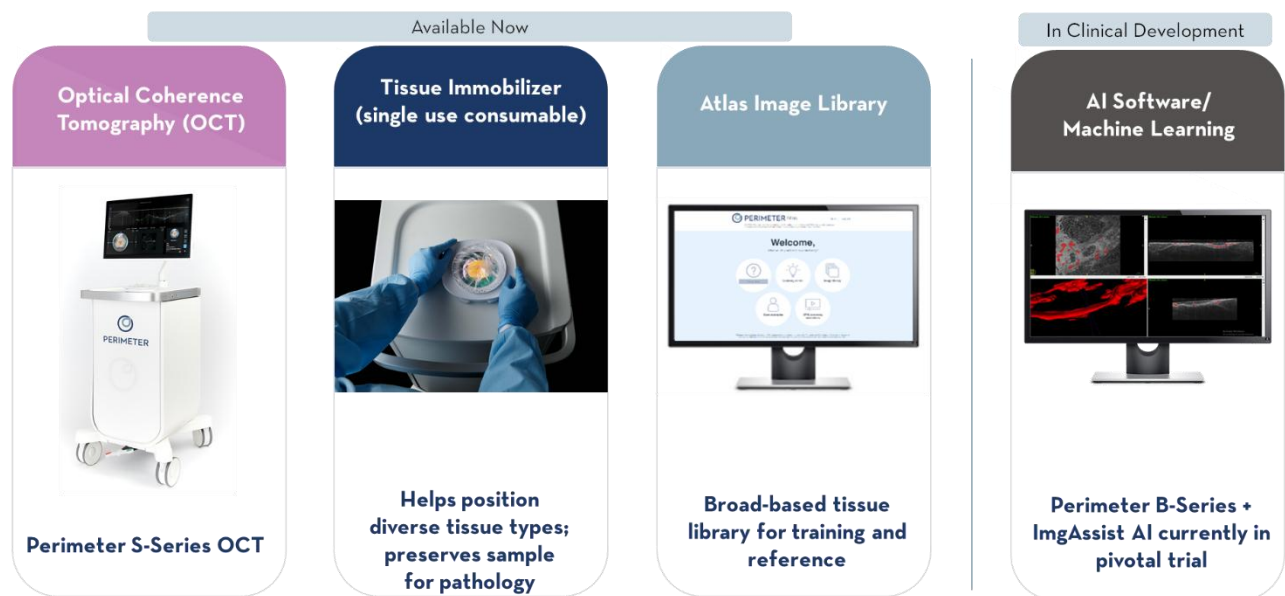
Perimeter's mission, as an innovative medical technology company, is to transform cancer surgery with ultra-high-resolution, real-time, advanced imaging tools to address unmet medical needs. Perimeter's vision is that patients will no longer experience the costly emotional and physical trauma of being 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 resolution than ultrasound or X-ray.
- **Orientation management:** Preserves and conveys specimen orientation, with ability to label and capture images of individual margins.

- **Non-destructive:** Images tissue without compromising standard histopathology.
- **No oral or injectable required:** Because patient dosing is not required, 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, with 10-times higher image resolution than standard x-ray and ultrasound. This innovative technology gives physicians the ability to visualize microscopic tissue structures at the point-of-care – during the primary surgery compared to days later when pathology reports are available – which has the potential to result in better long-term outcomes for patients and lower costs to the healthcare system.

Next-Generation Machine Learning and AI Technology

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. Subsequently, results published in a peer reviewed retrospective study demonstrated that Perimeter's deep learning model showed high levels of sensitivity and specificity, accurately identifying 96.8% of pathology-positive margins.

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, Perimeter completed in 2024, a multi-center, randomized, two-arm clinical trial 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 FDA approval to expand the number of institutions with the goal of further accelerating enrollment. The pivotal trial met its primary endpoint, achieving a statistically significant (p-value = 0.0050) reduction in patients with residual cancer during surgery. These results demonstrate super-superiority (lower bound of confidence interval for treatment effect greater than a predetermined minimal clinically meaningful difference) of the Perimeter B-Series OCT with ImgAssist AI 2.0 system's ability to aid surgeons in achieving clear surgical margins during surgery, potentially lowering the need for reoperation.

SUMMARY OF KEY DEVELOPMENTS IN 2025

In February 2025, Perimeter announced further commercial expansion into New Mexico with CHRISTUS St. Vincent to use the Company's [S-Series OCT](#) technology to visualize tissue margins in the operating room. CHRISTUS St. Vincent offers the only Commission on Cancer (CoC) accredited breast cancer program in northern New Mexico.

In February 2025, Perimeter announced that its common shares will begin trading on the OTCQX® Best Market under the symbol "PYNKF", effective with the open of business on February 27, 2025.

In March 2025, Perimeter announced that detailed results from the pivotal trial evaluating the use of its next-generation B-Series OCT with ImgAssist AI 2.0 ("Perimeter B-Series") during breast-conserving surgeries ("BCS") will be presented during the scientific session of the [26th Annual Meeting of the American Society of Breast Surgeons](#) ("ASBrS") which took place in Las Vegas, NV, April 30-May 4, 2025.

In March 2025, Perimeter announced further commercial expansion into the state of Tennessee, where [Covenant Health Fort Sanders Regional](#) is the first hospital in Tennessee to use the Company's [S-Series OCT](#) technology to visualize tissue margins in the operating room.

In March 2025, Perimeter announced the submission of a Premarket Approval ("PMA") application to the FDA for the Company's next-generation Perimeter B-Series OCT system, which combines proprietary artificial intelligence ("AI") technology with OCT for use during BCS in the United States.

In March 2025, Perimeter filed a preliminary short form prospectus (the "Preliminary Prospectus") with the securities regulatory authorities in the Provinces of British Columbia, Alberta and Ontario in connection with an offering of units of the Company ("Units"), with each Unit consisting of one common share and one common share purchase warrant (the "Offering"). The Offering is expected to be completed on a reasonable "best efforts" agency basis pursuant to an agency agreement (the "Agency Agreement") to be entered into between the Company and A.G.P. Canada Investments ULC (the "Agent"). The number of Units to be distributed, the price of each Unit and the exercise price and the expiry date of each warrant will be determined by negotiation between the Company and the Agent in the context of the market with final terms to be determined at the time of pricing.

In April 2025, Perimeter announced that it deployed the first S- Series OCT device in Arizona at HonorHealth, a leading healthcare system serving more than five million people in the greater Phoenix and Scottsdale areas.

In May 2025, Perimeter announced detailed results from the pivotal trial evaluating the use of its next-generation Perimeter B-Series for intraoperative margin assessment BCS. The positive pivotal trial results were presented during the scientific session of the [26th Annual Meeting of the American Society of Breast Surgeons](#) ("ASBrS") by Dr. Alastair Thompson, the trial's Primary Principal Investigator, Surgeon and Professor, Section Chief of Breast Surgery, Olga Keith Wiess Chair of Surgery at Baylor College of Medicine, Breast Cancer Program Leader at the Dan L Duncan Comprehensive Cancer Center.

Dr. Thompson's ASBrS presentation highlighted:

Primary Endpoint

- Of the 206 patients evaluated, 56 residual diseased margins were observed in 35 patients after intraoperative Standard of Care ("SOC") alone (17.0% patients with residual diseased margins).
- Use of Perimeter B-Series after SOC evaluation resulted in correct detection of residual disease in 14 of the 35 (40.0%) patients, fully clearing 7 (20.0%) patients of all residual disease, and meeting the prespecified super-superiority performance goal for the primary endpoint ($P=0.0050$).
- Mean total lumpectomy tissue volume excised in the device arm of the trial was 74.0 cm³: 76.4% (56.5 cm³) of the volume was from the primary lumpectomies, 19.9% (14.7 cm³) from 499 SOC shaves, and only 3.8% (2.8 cm³) from 115 Perimeter B-Series shaves.
- The overall Perimeter B-Series margin accuracy was 88.1%.

Clinical Benefit

In total, 26 patients benefited clinically from the identification of residual disease by use of Perimeter B-Series after SOC was completed. Importantly, this includes six patients with Perimeter B-Series-aided shaves which contained pathology-confirmed disease missed by both SOC and histopathology at the previous margin.

RESULTS OF OPERATIONS

The following is a discussion of the results for the three months ended March 31, 2025, as compared to the three months ended March 31, 2024:

	Three months ended	
	March 31, 2025	March 31, 2024
Revenue	\$ 550,269	\$ 98,330
Cost of goods sold		
Direct costs	163,124	11,990
Depreciation	87,768	38,908
	<u>250,892</u>	<u>50,898</u>
Gross profit	299,377	47,432
Grants	-	12,259
Operating expenses		
Sales and marketing	1,262,493	1,295,711
Research and development	1,604,543	1,433,646
General and administrative	1,651,536	1,858,473
Depreciation	119,645	116,295
	<u>4,638,217</u>	<u>4,704,125</u>
Total operating expenses	4,638,217	4,704,125
Net foreign exchange gain (loss)	(7,427)	935,933
Net finance income	29,140	1,586,800
	<u>(4,317,127)</u>	<u>(2,121,701)</u>
Loss before income tax	(4,317,127)	(2,121,701)
Income tax expense	-	-
Loss for the period	<u>(4,317,127)</u>	<u>(2,121,701)</u>
Other comprehensive (loss) income items that may be reclassified subsequently to profit:		
Foreign currency translation adjustment - net of tax	32,196	(904,506)
Comprehensive loss	\$ <u>(4,284,931)</u>	\$ <u>(3,026,207)</u>
Basic and diluted loss per common share	\$ (0.05)	\$ (0.03)

DISCUSSION OF OPERATIONS:

Revenue

Revenue increased \$451,939 to \$550,269, for the three months ended March 31, 2025, compared to \$98,330 for the three months ended March 31, 2024. The increase comprised of a capital unit sale of \$230,000, \$92,361 increase in recurring operating lease revenue, \$90,391 increase in consumable sale, and \$39,187 of ESP warranty and annual preventative maintenance revenue.

Cost of goods sold

Cost of goods sold was \$250,892 for the three months ended March 31, 2025, compared to \$50,898 for the three months ended March 31, 2024.

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 the higher revenue from consumable sales and the capital sale of an OCT unit. The increase in depreciation cost is related to a larger number of units placed at healthcare sites.

Grants

Grant income for the three months ended March 31, 2025, decreased \$12,259 to \$nil compared to \$12,259 for the three months ended March 31, 2024. The decrease is due to the end of clinical trials which meant there were no CPRIT funded OCT equipment used in clinical trials.

Operating expenses

Operating expenses for the three months ended March 31, 2025, decreased \$65,908 to \$4,638,217 compared to \$4,704,125 for the three months ended March 31, 2024. The decrease in total operating expenses was largely the result of lower stock-based compensation and partially offset by higher research and development expenses.

Sales and Marketing

Sales and marketing expenses decreased \$33,218 to \$1,262,493 for the three months ended March 31, 2025, compared to \$1,295,711 for the three months ended March 31, 2024. The decrease was primarily due to the timing of costs associated with attending trade shows which are scheduled for later in the current year.

Research & Development

Research and development expenses increased \$170,897 to \$1,604,543 for the three months ended March 31, 2025, compared to \$1,433,646 for the three months ended March 31, 2024. The increase was primarily from project costs to support regulatory activities associated with our PMA filing.

General and Administrative

General and Administrative expenses decreased \$206,937 to \$1,651,536 for the three months ended March 31, 2025, compared to \$1,858,473 for the three months ended March 31, 2024. The decrease was primarily due to a decrease in stock-based compensation.

Net finance income

Net finance income decreased \$1,557,660 to \$29,140, for the three months ended March 31, 2025, compared to \$1,586,800 for the three months ended March 31, 2024. The decrease in net finance income was primarily the result of the revaluation of the warrant liability.

Net loss

For the three months ended March 31, 2025, net loss increased to \$4,317,127 compared to \$2,121,701 for the three months ended March 31, 2024. The increase in net loss was primarily the result of lower finance income resulting from the revaluation of the warrant liability, partially offset by lower stock-based compensation.

FINANCIAL POSITION

The following is a discussion of the changes to the Company's financial position as of March 31, 2025, as compared to December 31, 2024:

	<u>March 31, 2025</u>	<u>December 31, 2024</u>
ASSETS		
Current assets		
Cash	\$ 2,434,021	\$ 6,184,046
Accounts receivable	477,116	390,525
Grants and other receivables	931,045	1,970,059
Inventory	198,730	191,577
Prepaid expenses	492,272	1,231,641
Total current assets	<u>4,535,184</u>	<u>9,967,848</u>
Non-current assets		
Equipment	4,022,978	4,358,450
Total assets	<u>\$ 8,558,162</u>	<u>\$ 14,326,298</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,499,753	\$ 3,331,027
Deferred revenue	203,324	144,226
Current portion of lease liability	45,262	46,813
Warrant liability	50,640	53,182
Total current liabilities	<u>1,798,979</u>	<u>3,575,248</u>
Non-current liabilities		
Deferred revenue	182,193	205,561
Lease liability	80,493	90,671
Total non-current liabilities	<u>262,686</u>	<u>296,232</u>
Shareholders' equity		
Share capital	90,598,073	90,598,073
Contributed surplus	9,743,104	9,416,494
Accumulated deficit	(91,070,030)	(86,752,903)
Accumulated currency translation adjustment	(2,774,650)	(2,806,846)
Total shareholders' equity	<u>6,496,497</u>	<u>10,454,818</u>
Total liabilities and shareholders' equity	<u>\$ 8,558,162</u>	<u>\$ 14,326,298</u>

Assets

Cash decreased \$3,750,025 to \$2,434,021 as at March 31, 2025, compared to \$6,184,046 at December 31, 2024, due to cash used to support the Company's operations.

Accounts receivable increased \$86,591 to \$477,116 as at March 31, 2025, compared to \$390,525 at December 31, 2024, primarily driven by the sale of a capital unit and partially offset by collecting outstanding receivables from customers.

Grant and other receivables decreased \$1,039,014 to \$931,045 as at March 31, 2025, compared to \$1,970,059 at December 31, 2024, primarily the result of CPRIT reimbursements received by the Company during the period.

Inventory increased \$7,153 to \$198,730 as at March 31, 2025, compared to \$191,577 at December 31, 2024, due purchase of specimen immobilizers and partially offset by sales of specimen immobilizer.

Prepaid expenses decreased \$737,369 to \$494,272 as at March 31, 2025, compared to \$1,231,641 at December 31, 2024, primarily driven by the Company utilizing deposit credits to pay down the payable balance with an equipment manufacturer.

Equipment decreased by \$335,472 to \$4,022,978 as at March 31, 2025, compared to \$4,358,450 at December 31, 2024, mainly due to depreciation expense for the three months ended March 31, 2025.

Liabilities

Accounts payable and accrued liabilities decreased by \$1,831,274 to \$1,499,753 as at March 31, 2025, compared to \$3,331,027 at December 31, 2024, primarily due to bonus payments to staff and payments to an equipment manufacturer.

Deferred revenue increased by \$35,730 to \$385,517 as at March 31, 2025 compared to \$349,787 as at December 31, 2024, primarily due to warranty coverage related to the sale of a capital unit.

Lease liability decreased by \$11,729 to \$125,755 as at March 31, 2025, compared to \$137,484 at December 31, 2024, due to contractually scheduled repayments.

Warrant liability decreased \$2,542 to \$50,640 as at March 31, 2025, compared to \$53,182 at December 31, 2024, due to fair value revaluation of warrants.

Shareholders' equity

Share capital remains unchanged at \$90,598,073 as at March 31, 2025, and the end of 2024.

Contributed surplus increased \$326,610 to \$9,743,104 as at March 31, 2025, compared to \$9,416,494 at December 31, 2024, due to stock-based compensation expense.

Accumulated deficit increased \$4,317,127 to \$91,070,030 as at March 31, 2025, compared to \$86,752,903 at December 31, 2024, due to the net loss for the three months ended March 31, 2025.

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 International Accounting Standards ("IAS") 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Boards ("IASB"):

Three months ended	March 31, 2025	December 31, 2024	September 30, 2024
Revenue	\$ 550,269	\$ 293,133	\$ 208,420
Expenses	4,638,217	4,652,889	4,542,576
Other (income) expenses	(21,713)	(934,122)	268,010
Net loss for the period	(4,317,127)	(3,421,904)	(4,671,240)
Basic and diluted loss per share	\$ (0.05)	\$ (0.06)	\$ (0.07)

Three months ended	June 30, 2024	March 31, 2024	December 31, 2023
Revenue	\$ 246,311	98,330	\$ 72,665
Expenses	5,486,001	4,704,125	4,975,447
Other (income) expenses	(2,122,933)	(2,522,733)	663,366
Net loss for the period	(3,179,083)	(2,121,701)	(5,526,824)
Basic and diluted loss per share	\$ (0.05)	(0.03)	\$ (0.09)

Three months ended	September 30, 2023	June 30, 2023
Revenue	82,267	\$ 134,367
Expenses	4,546,255	3,353,060
Other (income) expenses	(4,073,602)	1,680,252
Net loss for the period	(344,792)	(4,904,919)
Basic and diluted loss per share	(0.01)	\$ (0.08)

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 begin and continue to increase over a sustained period.

The Company does not yet generate sufficient cash flow from operations to meet its planned growth and to fund development activities. The Company relies on funding from outside sources to execute its current and future business development plans, which include but are not limited to potential acquisitions, design and development and clinical trials, the investment required for the potential revenue generating assets utilized in the placement and rental models and the required funding for the recruitment and development of a commercial team. The Company is dependent on the willingness of investors or strategic partners to continue to invest in the Company or to enter into strategic relationships to continue further development of the Company's products.

Based on the cash of \$2,434,021 as of March 31, 2025, 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 would result in the delay or indefinite postponement of business objectives.

The Company invests its cash 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:

	Three months ended	
	March 31, 2025	March 31, 2024
Operating activities	\$ (3,778,306)	\$ (3,566,489)
Investing activities	22,185	83,525
Financing activities	(18,210)	(17,551)
Net increase in cash and cash equivalents	\$ (3,774,331)	\$ (3,500,515)

Operating Activities

For the three months ended March 31, 2025, cash used in operating activities increased \$211,817 to \$3,778,306 compared to \$3,566,489 for the three months ended March 31, 2024. Cash used in operating activities was unfavorably impacted by change in working capital during the period.

Investing Activities

For the three months ended March 31, 2025, cash used from investing activities was \$22,185 compared to cash used from investing activity of \$83,525 for the three months ended March 31, 2024, mainly due to lower interest received on the Company's cash held in interest bearing bank accounts.

Financing Activities

For the three months ended March 31, 2025, cash used in financing activities was \$18,210 compared to cash used by financing activities of \$17,551 for the three months ended March 31, 2024. The increase in cash used in financing activities was due to the repayment of lease liabilities.

Contractual Obligations

The table below summarizes the maturity profile of the Company's financial liabilities as at March 31, 2025 based on contractual undiscounted payments:

March 31, 2025	Carrying Amount	Total	Contractual cash flows			
			2 months or less	3-12 months	1-2 years	Thereafter
Accounts payable and accrued liabilities	\$ 1,499,753	1,499,753	1,499,753	-	-	-
Lease liabilities	125,755	155,749	11,902	59,511	81,070	3,266
	\$ 1,625,508	1,655,502	1,511,655	59,511	81,070	3,266

OUTSTANDING SHARES

As of May 13, 2025, the Company had the following securities outstanding:

	Number
Common Shares	93,513,842
Warrants	16,362,594
Options	8,367,713

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. The agreement has been extended and will expire on August 31, 2025. For twelve years following the first commercial sale of commercial products (i.e., anything that is based on, utilizes or is developed from, or materially incorporates, the results of the grant-funded project and that is capable of being sold, licensed, transferred or conveyed to another party or is capable of otherwise being exploited or disposed of, whether in exchange for consideration or not), the Company is required to pay CPRIT a royalty of 2.5 percent of revenue until such time that 250.0 percent of grant proceeds have been repaid and 0.5 percent thereafter for the remaining twelve-year term. From inception of the grant agreement through to March 31, 2025, the Company received \$6,702,159 of the \$7,446,844 to fund activities related to the project. At March 31, 2025, the Company recorded a

receivable of \$884,302 of which \$884,302 related to the reimbursement of project-related costs and \$nil related to the OCT equipment.

FINANCIAL INSTRUMENTS

A. Accounting classification and fair values

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.

March 31, 2025	Mandat orily at FVTPL	Carrying Amount			Fair Value		
		Total	Level 1	Level 2	Level 3	Total	
Financial liabilities measured at fair value							
Warrant liability	50,640	\$ 50,640	\$ -	\$ 50,640	-	\$ 50,640	
	\$ 50,640	\$ 50,640	\$ -	\$ 50,640	-	\$ 50,640	

December 31, 2024	Mandatorily at FVTPL	Carrying Amount			Fair Value		
		Total	Level 1	Level 2	Level 3	Total	
Financial assets measured at fair value							
Warrant liability	53,182	\$ 53,182	\$ -	\$ 53,182	-	\$ 53,182	
	\$ 53,182	\$ 53,182	\$ -	\$ 53,182	-	\$ 53,182	

B. Measurement of fair values

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 – Inputs to the valuation methodology are quoted prices unadjusted for identical assets or liabilities in active markets.

Level 2 – Inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The warrant liability is comprised of warrants designated as derivatives. 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 March 31, 2025 was the Black-Scholes option pricing model using a weighted average risk-free rate of the bond-equivalent yield of 2.46 percent (March 31, 2024: 3.91 percent), an expected life of the time to maturity of 1.8 years (March 31, 2024: 2.8 years), and an expected volatility of 80 percent (March 31, 2024: 109 per percent).

The valuation technique used to measure the fair value of the warrant liability at December 31, 2024, was the Black-Scholes option pricing model using a weighted average risk-free rate of the bond-equivalent yield of 2.93 percent, an expected life of the time to maturity of 2.07 years, and an expected volatility of 80 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 at March 31, 2025, the Company's net exposure to currency risk through its current assets and liabilities denominated in US dollars was \$1,115,569 (December 31, 2024: \$4,810,070). An appreciation (depreciation) of the Canadian dollar against the US dollar would have resulted in an increase (decrease) of approximately \$38,863 (December 31, 2024: \$345,755) 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 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 March 31, 2025, no amounts were 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.

RELATED PARTY TRANSACTIONS

Transactions with key management personnel

As at March 31, 2025, and 2024, the Company has no receivable or payable amounts with key management personnel or directors.

Key management personnel compensation

	Three months ended March 31,	
	2025	2024
Short-term employment benefits	\$ 252,813	\$ 247,188
Director's fees	46,826	72,324
Share based payments	196,250	387,412
Total	495,889	706,924

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.

RISKS AND UNCERTAINTIES

An investment in the Company's common shares is subject to a number of risks and uncertainties. An investor should carefully consider the risks described in the Company's most recent Annual Information Form, as well as the Company's other public filings with securities regulators before investing in the common shares. If any of such described risks occur, or if others occur, the Company's business, operating results and financial condition could be seriously harmed, and investors may lose a significant proportion of their investment. For a detailed description of risk factors associated with the Company, refer to the "Risk Factors" section of the Company's most recent Annual Information Form, which is available on SEDAR+ at www.sedarplus.ca.