

**PERIMETER MEDICAL IMAGING AI, INC.**

**Unaudited Condensed Consolidated Interim Financial Statements**

**March 31, 2024**

**Presented in US Dollars**

**PERIMETER MEDICAL IMAGING AI, INC.**

Unaudited Condensed Consolidated Interim Statements of Financial Position

As at March 31, 2024 and December 31, 2023

(Dollar amounts in US Dollars)

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**PERIMETER MEDICAL IMAGING AI, INC.**

Unaudited Condensed Consolidated Interim Statements of Financial Position

As at March 31, 2024 and December 31, 2023

(Dollar amounts in US Dollars)

<b>ASSETS</b>	<u>Note</u>	<u>March 31, 2024</u>	<u>December 31, 2023</u>
<b>Current assets</b>			
Cash		\$ 10,625,034	\$ 13,980,176
Accounts receivable		63,900	36,900
Grant and other receivables	7	1,490,967	2,312,831
Inventory		108,673	128,999
Prepaid expenses		1,109,701	1,121,369
<b>Total current assets</b>		<u>13,398,275</u>	<u>17,580,275</u>
<b>Non-current assets</b>			
Equipment	8	2,802,562	2,961,096
<b>Total non-current assets</b>		<u>2,802,562</u>	<u>2,961,096</u>
<b>Total assets</b>		<u>\$ <b>16,200,837</b></u>	<u>\$ <b>20,541,371</b></u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 1,292,192	\$ 1,682,958
Current portion of deferred grant income	9	49,032	49,032
Current portion of lease liability		50,347	50,565
Warrant liability		1,904,118	3,455,939
<b>Total current liabilities</b>		<u>3,295,689</u>	<u>5,238,494</u>
<b>Non-current liabilities</b>			
Deferred grant income	9	83,484	95,743
Lease liability		128,812	142,329
<b>Total non-current liabilities</b>		<u>212,296</u>	<u>238,072</u>
<b>Shareholders' equity</b>			
Share capital	11	81,820,732	81,820,732
Contributed surplus	11	8,289,910	7,635,656
Accumulated deficit		(75,480,676)	(73,358,975)
Accumulated currency translation adjustment		(1,937,114)	(1,032,608)
<b>Total shareholders' equity</b>		<u>12,692,852</u>	<u>15,064,805</u>
<b>Total liabilities and shareholders' equity</b>		<u>\$ <b>16,200,837</b></u>	<u>\$ <b>20,541,371</b></u>

Commitments and contingencies (Note 15)

Going concern (Note 3)

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

Approved on behalf of the Board of Directors:

/s/ Ian Mortimer

Director

/s/ Adrian Mendes

Director

**PERIMETER MEDICAL IMAGING AI, INC.**

Unaudited Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

For the three months ended March 31, 2024 and 2023

(Dollar amounts in US Dollars)

	Note	Three months ended	
		March 31, 2024	March 31, 2023
<b>Revenue</b>		\$ 98,330	\$ 110,234
<b>Cost of goods sold</b>			
Direct costs		11,990	15,488
Depreciation	8	38,908	26,790
		<u>50,898</u>	<u>42,278</u>
<b>Gross Profit</b>		47,432	67,956
<b>Grants</b>		12,259	41,441
<b>Operating Expenses</b>			
Sales and marketing		1,295,711	1,243,897
Research and development		1,433,646	1,366,071
General and administrative		1,858,473	1,095,621
Depreciation	8	116,295	127,428
<b>Total Operating Expenses</b>		<u>4,704,125</u>	<u>3,833,017</u>
Net foreign exchange gain (loss)		935,933	(24,256)
Net finance income	12	1,586,800	488,417
Loss before income tax		<u>(2,121,701)</u>	<u>(3,259,459)</u>
Income tax expense		-	-
<b>Loss for the period</b>		<u>(2,121,701)</u>	<u>(3,259,459)</u>
<b>Other comprehensive (loss) income items that may be reclassified subsequently to profit:</b>			
Foreign currency translation - net of tax		(904,506)	26,676
<b>Comprehensive loss</b>		<u>\$ (3,026,207)</u>	<u>\$ (3,232,783)</u>
<b>Basic and diluted loss per common share</b>	13	<u>\$ (0.03)</u>	<u>\$ (0.05)</u>

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

**PERIMETER MEDICAL IMAGING AI, INC.**

Unaudited Condensed Consolidated Interim Statements of Changes in Shareholders' Equity  
 For the three months ended March 31, 2024 and 2023

(Dollar amounts in US Dollars)

	Note	Shares Issued	Share Capital	Contributed Surplus	Accumulated foreign currency translation adjustment	Accumulated deficit	Total
<b>Balance as at January 1, 2024</b>		<b>65,052,822</b>	<b>\$ 81,820,732</b>	<b>\$ 7,635,656</b>	<b>\$ (1,032,608)</b>	<b>\$ (73,358,975)</b>	<b>\$ 15,064,805</b>
Stock-based compensation		-	-	654,254	-	-	654,254
Foreign currency translation adjustment		-	-	-	(904,506)	-	(904,506)
Net loss for the period		-	-	-	-	(2,121,701)	(2,121,701)
<b>Balance as at March 31, 2024</b>		<b>65,052,822</b>	<b>\$ 81,820,732</b>	<b>\$ 8,289,910</b>	<b>\$ (1,937,114)</b>	<b>\$ (75,480,676)</b>	<b>\$ 12,692,852</b>
<b>Balance as at January 1, 2023</b>		<b>64,458,586</b>	<b>\$ 80,835,179</b>	<b>\$ 6,638,421</b>	<b>\$ (2,044,533)</b>	<b>\$ (59,322,981)</b>	<b>\$ 26,106,086</b>
Issuance of common shares for exercise of options	11	9,114	15,188	(7,015)	-	-	8,173
Stock-based compensation		-	-	174,106	-	-	174,106
Foreign currency translation adjustment		-	-	-	26,676	-	26,676
Net loss for the period		-	-	-	-	(3,259,459)	(3,259,459)
<b>Balance as at March 31, 2023</b>		<b>64,467,700</b>	<b>\$ 80,850,367</b>	<b>\$ 6,805,512</b>	<b>\$ (2,017,857)</b>	<b>\$ (62,582,440)</b>	<b>\$ 23,055,582</b>

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

**PERIMETER MEDICAL IMAGING AI, INC.**

Unaudited Condensed Consolidated Interim Statements of Cash Flows

For the three months ended March 31, 2024 and 2023

(Dollar amounts in US Dollars)

	Note	Three months ended	
		March 31, 2024	March 31, 2023
<b>Cash flows from (used in) operating activities:</b>			
Net loss		\$ (2,121,701)	\$ (3,259,459)
Adjustments for:			
Depreciation	8	155,203	154,218
Stock-based compensation		654,254	174,106
Grant income		(12,259)	(41,441)
Net finance income		(1,586,800)	(488,417)
Loss on sale of equipment		-	(2,229)
Unrealized currency translation		(1,125,321)	59,813
		<u>(4,036,624)</u>	<u>(3,403,409)</u>
Changes in:			
Accounts receivable		(27,000)	(18,900)
Grant and other receivables	7	855,907	(577,762)
Inventory		20,326	8,448
Prepaid expenses		11,668	7,727
Accounts payable and accrued liabilities		(390,766)	(575,424)
<b>Net cash used in operating activities</b>		<u>(3,566,489)</u>	<u>(4,559,320)</u>
<b>Cash flows from (used in) investing activities:</b>			
Interest income		83,525	-
Purchase of equipment	8	-	(163,690)
		<u>83,525</u>	<u>(163,690)</u>
<b>Cash flows used in financing activities:</b>			
Net proceeds from warrants and options exercised	11	-	8,173
Repayment of government debt		-	(29,556)
Repayment of lease liabilities		(17,551)	(7,385)
		<u>(17,551)</u>	<u>(28,768)</u>
<b>Net decrease in cash</b>		<u>(3,500,515)</u>	<u>(4,751,778)</u>
<b>Cash, beginning of period</b>		13,980,176	28,439,048
<b>Effect of foreign exchange on cash</b>		145,373	(12,259)
<b>Cash, end of period</b>		<u>\$ 10,625,034</u>	<u>\$ 23,675,011</u>

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

## **PERIMETER MEDICAL IMAGING AI, INC.**

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2024 and 2023

(Dollar amounts in US Dollars)

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### **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**

These unaudited condensed consolidated interim financial statements for the three months ended March 31, 2024 and 2023 (the "interim financial statements") have been prepared in accordance with IFRS Accounting Standards.

These interim financial statements do not include all the disclosures required by IFRS Accounting Standards for annual consolidated financial statements and accordingly should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2023, prepared in accordance with IFRS Accounting Standards. The accounting policies used are consistent with those used in the audited financial statements. There were no new accounting standards adopted for the three months ended March 31, 2024.

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

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

### **3. Going concern**

These interim 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 three months ended March 31, 2024, the Company reported a net loss of \$2,121,701 (March 31, 2023 – \$3,259,459) and cash used in operating activities of \$3,566,489 (March 31, 2023 - \$4,559,320). Additional financing will be required before the Company expects to generate positive cash flow.

**PERIMETER MEDICAL IMAGING AI, INC.**

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2024 and 2023

(Dollar amounts in US Dollars)

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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 favourable terms could result in the delay or indefinite postponement of business objectives.

The above conditions indicate the existence of a material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern. The interim financial statements do not reflect adjustments that would be necessary if the going concern assumptions were not appropriate. If the going concern basis was not appropriate for these interim financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses, and the interim statement of financial position classification used. Such adjustments could be material.

**4. Functional and presentation currency**

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

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

**5. Critical accounting estimates and judgements**

The interim financial statements for the three months ended March 31, 2024, have been prepared using the same policies as the annual consolidated financial statements of the Company. Refer to note 4 of the Company's annual audited consolidated financial statements for the year ended December 31, 2023, for more information on accounting estimates and judgements applied.



**PERIMETER MEDICAL IMAGING AI, INC.**

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2024 and 2023

(Dollar amounts in US Dollars)

**6. Revenue**

For the three months ended March 31, 2024, \$43,330 (March 31, 2023: \$49,334) was recognized as revenue from operating leases and \$55,000 (March 31, 2023: \$60,900) was recognized as revenue from the sale of consumables and included under revenue in the unaudited condensed consolidated interim statements of loss and comprehensive loss.

As at March 31, 2024, \$6,671 (March 31, 2023: \$14,000) relating to revenue from operating leases has been deferred and included in accounts payable and accrued liabilities in the unaudited condensed consolidated interim statement of financial position.

**7. GRANT AND OTHER RECEIVABLES**

Grant and other receivables balance is comprised of the following:

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Harmonized sales tax receivable	\$ 45,088	321,776
CPRIT grant receivable	1,407,555	1,821,559
Interest receivable	34,043	45,061
Other receivables	4,281	124,435
<b>Grant and other receivables</b>	<b>1,490,967</b>	<b>2,312,831</b>

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

On February 22, 2020, the Company entered into a product development grant agreement with the Cancer Prevention and Research Institute of Texas ("CPRIT"). Pursuant to the terms of the agreement, CPRIT will grant the Company up to \$7,446,844 to fund activities related to its artificial intelligence software (B-Series). The agreement will expire on August 31, 2024. 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 three months ended March 31, 2024, the Company recognized grant income of \$674,906 (March 31, 2023: \$507,917), as a reduction of project-related costs.

Additionally, for the three months ended March 31, 2024, the Company recognized grant income of \$12,259 (March 31, 2023: \$41,441) related to depreciation of OCT equipment used in the project.

**PERIMETER MEDICAL IMAGING AI, INC.**

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2024 and 2023

(Dollar amounts in US Dollars)

At March 31, 2024, the CPRIT grant receivable was \$1,407,555 (December 31, 2023: \$1,821,558) of which \$1,407,555 (December 31, 2023: \$1,574,892) related to the reimbursement of project-related costs and \$Nil (December 31, 2023: \$246,667) related to the OCT equipment. The following table shows a reconciliation on the movement of the balances for the period ended March 31, 2024 and year ended December 31, 2023:

	<b>Three Months Ended</b>	<b>Year ended</b>
	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Balance at beginning of period	\$ 1,821,559	\$ 1,751,527
Project related expenses	675,063	1,838,311
Payments received	(1,089,067)	(1,768,279)
<b>Balance at end of period</b>	<b>1,407,555</b>	<b>1,821,559</b>

**PERIMETER MEDICAL IMAGING AI, INC.**

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2024 and 2023

(Dollar amounts in US Dollars)

**8. PROPERTY AND EQUIPMENT**

	OCT Equipment	OCT Equipment Leased	Leasehold improvement	Research equipment	Computer equipment	Office equipment & Tooling	Right of use asset	Construction in Progress	Total
<b>Cost:</b>									
At January 1, 2024	\$ 2,341,656	\$ 872,450	\$ 147,456	\$ 23,486	\$ 54,069	\$ 22,594	\$ 234,305	\$ 764,645	\$ 4,460,661
Transfer	(8,900)	8,900	-	-	-	-	-	-	-
Effect of movement in exchange rates	-	-	(557)	(562)	(1,294)	(540)	(3,070)	-	(6,023)
At March 31, 2024	2,332,756	881,350	146,899	22,924	52,775	22,054	231,235	764,645	4,454,638
<b>Depreciation:</b>									
At January 1, 2024	\$ 1,003,374	\$ 262,115	\$ 68,352	\$ 21,390	\$ 53,102	\$ 9,750	\$ 81,482	\$ -	\$ 1,499,565
Additions	98,381	38,908	5,942	246	289	539	10,898	-	155,203
Transfer	(40,659)	40,659	-	-	-	-	-	-	-
Effect of movement in exchange rates	-	-	(65)	(512)	(1,271)	(235)	(609)	-	(2,692)
At March 31, 2024	1,061,096	341,682	74,229	21,124	52,120	10,054	91,771	-	1,652,076
<b>Net book value:</b>									
At March 31, 2024	\$ 1,271,660	\$ 539,668	\$ 72,670	\$ 1,800	\$ 655	\$ 12,000	\$ 139,464	\$ 764,645	\$ 2,802,562
	OCT Equipment	OCT Equipment Leased	Leasehold improvement	Research equipment	Computer equipment	Office equipment & Tooling	Right of use asset	Construction in Progress	Total
<b>Cost:</b>									
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
<b>Depreciation:</b>									
At January 1, 2023	\$ 625,345	\$ 103,956	\$ 37,041	\$ 19,662	\$ 51,120	\$ 8,146	\$ 37,452	\$ -	\$ 882,722
Additions	393,029	143,159	31,320	1,255	1,185	1,405	43,351	-	614,704
Disposals	(15,000)	15,000	-	-	-	-	-	-	-
Effect of movement in exchange rates	-	-	(9)	473	797	199	679	-	2,139
At December 31, 2023	1,003,374	262,115	68,352	21,390	53,102	9,750	81,482	-	1,499,565
<b>Net book value:</b>									
At December 31, 2023	\$ 1,338,282	\$ 610,335	\$ 79,104	\$ 2,096	\$ 967	\$ 12,844	\$ 152,823	\$ 764,645	\$ 2,961,096

Construction in progress consists of OCT equipment which the Company has not deployed to its intended location and condition necessary for it to be capable of operating in the manner as intended by management. As such, no depreciation has been recorded on this equipment.

**PERIMETER MEDICAL IMAGING AI, INC.**

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2024 and 2023

(Dollar amounts in US Dollars)

**9. DEFERRED GRANT INCOME**

Deferred grant income arises as a result of the benefit received a product development agreement with the CPRIT (see Note 7).

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

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Current:		\$
CPRIT	\$ 49,032	49,032
<b>Total Current</b>	<b>49,032</b>	<b>49,032</b>
Non-current:		
CPRIT	83,484	95,743
<b>Total Non-current</b>	<b>83,484</b>	<b>95,743</b>
<b>Total</b>	<b>\$ 132,516</b>	<b>\$ 144,775</b>

**10. FINANCIAL INSTRUMENTS****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.

<b>March 31, 2024</b>	<b>Note</b>	<b>Carrying Amount</b>		<b>Fair Value</b>			
		<b>Mandatorily at FVTPL</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial liabilities measured at fair value</b>							
Warrant liability	12	1,904,118	1,904,118	-	1,904,118	-	1,904,118
		<b>1,904,118</b>	<b>1,904,118</b>	<b>-</b>	<b>1,904,118</b>	<b>-</b>	<b>1,904,118</b>

<b>December 31, 2023</b>	<b>Note</b>	<b>Carrying Amount</b>		<b>Fair Value</b>			
		<b>Mandatorily at FVTPL</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets measured at fair value</b>							
Warrant liability	12	3,455,939	3,455,939	-	3,455,939	-	3,455,939
		<b>3,455,939</b>	<b>3,455,939</b>	<b>-</b>	<b>3,455,939</b>	<b>-</b>	<b>3,455,939</b>

**PERIMETER MEDICAL IMAGING AI, INC.**

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2024 and 2023

(Dollar amounts in US Dollars)

**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 11). 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, 2024 was the Black-Scholes option pricing model using a weighted average risk-free rate of the bond-equivalent yield of 3.91 percent (March 31, 2023: 3.02 percent), an expected life of the time to maturity of 2.8 years (March 31, 2023: 3.8 years), and an expected volatility of 109 percent (March 31, 2023: 109 per 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 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.

**11. 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 three month period ended March 31, 2024, there were no shares issued or options exercised.

**PERIMETER MEDICAL IMAGING AI, INC.**

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2024 and 2023

(Dollar amounts in US Dollars)

During the three months period ended March 31, 2023, the Company Issued 9,114 common shares on the exercise of share purchase options with a weighted-average price of \$0.90 (CAD\$1.20) per share for proceeds of \$8,173 (CAD\$10,937). In relation to the exercises, the fair value of the options of \$7,015 (CAD\$9,387) 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) (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 March 31, 2024, the warrant liability was revalued at \$1,904,118 (March 31, 2023: \$5,527,559) (refer to Note 10) for assumptions). The revaluation of the warrant liability resulted in a gain of \$1,476,632 for the three months ended March 31, 2024 (March 31, 2023: gain of \$520,293), which is recorded in net finance income (refer to Note 12). The exchange difference on the revaluation of the warrant liability of \$75,189 for the three months ended March 31, 2024 (March 31, 2023: \$12,390), is recorded in other comprehensive income.

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

**PERIMETER MEDICAL IMAGING AI, INC.**

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For the three months ended March 31, 2024 and 2023

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**C. Warrants**

The following schedule summarizes the warrant transactions for the three months ended March 31, 2024 and 2023:

	March 31, 2024		March 31, 2023	
	Number of warrants	Weighted-average exercise price	Number of warrants	Weighted-average exercise price
<b>Outstanding at January 1</b>	<b>16,561,674</b>	<b>\$ 3.17</b>	<b>18,687,871</b>	<b>\$ 2.97</b>
Issued	-	-	-	-
Exercised	-	-	-	-
Expired	(127,622)	0.91	-	-
<b>Outstanding as of March 31</b>	<b>16,434,052</b>	<b>\$ 3.19</b>	<b>18,687,871</b>	<b>\$ 2.97</b>

At March 31, 2024, warrants were outstanding enabling holders to acquire common shares as follows:

Exercise Price \$	Number of Warrants Outstanding	Weighted Average Remaining Contractual Life
0.88-0.96	199,719	0.03
3.14	12,987,466	2.23
3.54	3,246,867	0.56
	<b>16,434,052</b>	

**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 three months ended March 31, 2024 and 2023:

	March 31, 2024		March 31, 2023	
	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price
<b>Outstanding at January 1,</b>	<b>7,421,166</b>	<b>\$ 1.20</b>	<b>6,199,658</b>	<b>\$ 1.40</b>
Exercised	-	-	(9,114)	0.90
Forfeited	(93,545)	1.28	(26,793)	1.50
<b>Outstanding at March 31</b>	<b>7,327,621</b>	<b>\$ 1.20</b>	<b>6,163,751</b>	<b>\$ 1.40</b>
<b>Exercisable at March 31</b>	<b>2,427,944</b>	<b>\$ 1.28</b>	<b>4,456,996</b>	<b>\$ 1.65</b>

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As at March 31, 2024, 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	2.5	143,960
0.6-0.89	348,973	4.9	257,933
0.9-1.1	1,141,872	5.3	1,104,370
1.13	3,510,908	9.5	-
1.16	965,500	9.0	-
1.44-1.51	475,002	7.2	300,000
2.31	741,406	7.6	621,681
	<b>7,327,621</b>		<b>2,427,944</b>

**12. NET FINANCE INCOME**

Net finance income for the reporting periods consist of the following:

	Three months ended	
	March 31, 2024	March 31, 2023
Interest expense on government debt	\$ -	\$ (23,531)
Interest expense on lease liabilities	(7,400)	(8,345)
Revaluation of warrant liability	1,476,632	520,293
Other finance income	117,568	-
	<b>\$ 1,586,800</b>	<b>\$ 488,417</b>



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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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**13. LOSS PER SHARE**

Both the basic and diluted loss per share have been calculated using the loss attributable to shareholders of the Company as the numerator, i.e., no adjustments to the loss was necessary in 2024 or 2023. The following details the loss per share calculations, basic and diluted, for the three months ended March 31, 2024 and 2023:

	Three months ended	
	2024	2023
Loss attributable to common shareholders (basic and diluted)	\$ (2,121,701)	\$ (3,259,459)
Weighted average number of common shares (in number of common shares):		
Beginning of the period	65,052,822	64,458,586
Shares issued on exercise of options	-	6,785
Shares issued on exercise of warrants	-	-
Shares issued - private placement	-	-
Basic and diluted	65,052,822	64,465,371
Loss per share:		
<b>Basic and diluted</b>	<b>\$ (0.03)</b>	<b>\$ (0.05)</b>

As the Company experienced a loss in both periods, all potential common shares outstanding from dilutive securities are considered anti-dilutive and are excluded from the calculation of loss per share. Potential anti-dilutive securities outstanding not included in loss per share calculations at March 31, 2024 are shares issuable on the exercise of warrants, 16,434,052 (March 31, 2023: 18,687,871); and of options, 7,327,621 (March 31, 2023: 6,163,751).

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

As at March 31, 2024 and 2023, the Company has no receivable or payable amounts with key management personnel or directors.

**Key management personnel compensation**

	March 31, 2024	March 31, 2023
Short-term employment benefits	\$ 247,188	\$ 240,937
Director's fees	72,324	69,619
Share based payments	387,412	30,363
Total	706,924	340,919

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 11).

**PERIMETER MEDICAL IMAGING AI, INC.**

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2024 and 2023

(Dollar amounts in US Dollars)

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**15. Commitments**

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