

**PERIMETER MEDICAL IMAGING AI, INC.**

**Unaudited Condensed Consolidated Interim Financial Statements**

**For the three and six months ended June 30, 2024 and 2023**

**Presented in US Dollars**

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**PERIMETER MEDICAL IMAGING AI, INC.**

Unaudited Condensed Consolidated Interim Statements of Financial Position

As of June 30, 2024 and December 31, 2023

(Dollar amounts in US Dollars)

	Note	June 30, 2024	December 31, 2023
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	\$	6,488,205	\$ 13,980,176
Accounts receivable		257,608	36,900
Grant and other receivables	7	1,945,514	2,312,831
Inventory		61,310	128,999
Prepaid expenses		1,124,450	1,121,369
Total current assets		<u>9,877,087</u>	<u>17,580,275</u>
<b>Non-current assets</b>			
Property and equipment	8	2,883,118	2,961,096
Total non-current assets		<u>2,883,118</u>	<u>2,961,096</u>
<b>Total assets</b>	<b>\$</b>	<b><u>12,760,205</u></b>	<b>\$ <u>20,541,371</u></b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	\$	2,295,613	\$ 1,682,958
Current portion of deferred revenue		18,855	-
Current portion of deferred grant income	9	49,032	49,032
Current portion of lease liability		50,193	50,565
Warrant liability		304,613	3,455,939
Total current liabilities		<u>2,718,306</u>	<u>5,238,494</u>
<b>Non-current liabilities</b>			
Deferred grant income	9	71,225	95,743
Lease liability		116,967	142,329
Deferred revenue		120,000	-
Total non-current liabilities		<u>308,192</u>	<u>238,072</u>
<b>Shareholders' equity</b>			
Share capital	11	81,825,322	81,820,732
Contributed surplus	11	8,962,960	7,635,656
Accumulated deficit		(78,659,759)	(73,358,975)
Accumulated currency translation adjustment		(2,394,816)	(1,032,608)
<b>Total shareholders' equity</b>		<u>9,733,707</u>	<u>15,064,805</u>
<b>Total liabilities and shareholders' equity</b>	<b>\$</b>	<b><u>12,760,205</u></b>	<b>\$ <u>20,541,371</u></b>

Commitments (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 and six months ended June 30, 2024 and 2023

(Dollar amounts in US Dollars)

	Note	Three months ended		Six months ended	
		June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
<b>Revenue</b>		\$ 246,311	\$ 134,367	\$ 344,641	\$ 244,601
<b>Cost of goods sold</b>					
Direct Costs		30,520	18,304	42,510	33,792
Depreciation	8	44,065	30,885	82,973	57,675
		<u>74,585</u>	<u>49,189</u>	<u>125,483</u>	<u>91,467</u>
<b>Gross Profit</b>		171,726	85,178	219,158	153,134
<b>Grant income</b>		12,259	43,215	24,518	84,656
<b>Operating Expenses</b>					
Sales and marketing		1,486,653	901,570	2,782,364	2,145,467
Research and development		1,803,518	1,220,049	3,237,164	2,586,120
General and administrative		2,065,264	1,118,427	3,923,737	2,214,048
Depreciation	8	130,566	113,014	246,861	240,442
<b>Total Operating Expenses</b>		<u>5,486,001</u>	<u>3,353,060</u>	<u>10,190,126</u>	<u>7,186,077</u>
Net foreign exchange gain (loss)		463,983	(1,114,462)	1,399,916	(1,138,718)
Net finance income (expense)	12	1,658,950	(565,790)	3,245,750	(77,373)
Loss before income tax		<u>(3,179,083)</u>	<u>(4,904,919)</u>	<u>(5,300,784)</u>	<u>(8,164,378)</u>
Income tax expense		-	-	-	-
<b>Net loss</b>		<u>(3,179,083)</u>	<u>(4,904,919)</u>	<u>(5,300,784)</u>	<u>(8,164,378)</u>
<b>Other comprehensive (loss) income items that may be reclassified subsequently to profit:</b>					
Foreign currency translation - net of tax		(457,702)	952,774	(1,362,208)	979,450
<b>Comprehensive loss</b>		<u>\$ (3,636,785)</u>	<u>\$ (3,952,145)</u>	<u>\$ (6,662,992)</u>	<u>\$ (7,184,928)</u>
<b>Basic and diluted loss per common share</b>	13	<u>\$ (0.05)</u>	<u>\$ (0.08)</u>	<u>\$ (0.08)</u>	<u>\$ (0.13)</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 six months ended June 30, 2024 and 2023

(Dollar amounts in US Dollars)

	Note	Shares Issued	Share Capital	Contributed Surplus	Accumulated currency translation adjustment	Accumulated deficit	Total
<b>Balance as at January 1, 2024</b>		<b>65,052,821</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>
Issuance of common shares for exercise of options	11	5,210	4,590	(4,571)	-	-	19
Stock-based compensation	11	-	-	1,331,875	-	-	1,331,875
Foreign currency translation adjustment		-	-	-	(1,362,208)	-	(1,362,208)
Net loss for the period		-	-	-	-	(5,300,784)	(5,300,784)
<b>Balance as at June 30, 2024</b>		<b>65,058,031</b>	<b>\$ 81,825,322</b>	<b>\$ 8,962,960</b>	<b>\$ (2,394,816)</b>	<b>\$ (78,659,759)</b>	<b>\$ 9,733,707</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	117,153	220,559	(101,472)	-	-	119,087
Stock-based compensation	11	-	-	221,081	-	-	221,081
Foreign currency translation adjustment		-	-	-	979,450	-	979,450
Net loss for the period		-	-	-	-	(8,164,378)	(8,164,378)
<b>Balance as at June 30, 2023</b>		<b>64,575,739</b>	<b>\$ 81,055,738</b>	<b>\$ 6,758,030</b>	<b>\$ (1,065,083)</b>	<b>\$ (67,487,359)</b>	<b>\$ 19,261,326</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 six months ended June 30, 2024 and 2023

(Dollar amounts in US Dollars)

	Note	Six months ended	
		June 30, 2024	June 30, 2023
<b>Cash flows from (used in) operating activities:</b>			
Net loss		\$ (5,300,784)	\$ (8,164,378)
Adjustments for:			
Depreciation	8	329,834	298,117
Stock-based compensation		1,331,875	221,081
Grant income		(24,518)	(84,656)
Net finance (income) expense	12	(3,245,750)	77,373
Loss on sale of equipment		-	1,455,880
Unrealized currency translation		(1,582,435)	(2,654)
		<u>(8,491,778)</u>	<u>(6,199,237)</u>
Changes in:			
Accounts receivable		(220,708)	(9,900)
Grant and other receivables	7	384,054	(475,170)
Inventory		67,689	(121,876)
Prepaid expenses		(3,081)	(55,519)
Deferred Revenue		138,855	-
Accounts payable and accrued liabilities		612,655	(318,909)
<b>Net cash used in operating activities</b>		<u>(7,512,314)</u>	<u>(7,180,611)</u>
<b>Cash flows from (used in) investing activities:</b>			
Interest income		185,301	243,349
Purchase of equipment	8	(256,390)	(309,293)
		<u>(71,089)</u>	<u>(65,944)</u>
<b>Cash flows from (used in) financing activities:</b>			
Net proceeds from options exercised	11	19	119,087
Repayment of government debt		-	(86,645)
Repayment of lease liabilities		(36,002)	(14,991)
		<u>(35,983)</u>	<u>17,451</u>
<b>Net decrease in cash</b>		<u>(7,619,386)</u>	<u>(7,229,104)</u>
<b>Cash, beginning of period</b>		13,980,176	28,439,048
<b>Effect of foreign exchange on cash</b>		127,415	(320,225)
<b>Cash, end of period</b>		<u>\$ <b>6,488,205</b></u>	<u>\$ <b>20,889,719</b></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 and six months ended June 30, 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 and six months ended June 30, 2024 and 2023 (the "interim financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB").

These interim financial statements do not include all the disclosures required by IFRS Accounting Standards for annual consolidated financial statements and accordingly should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2023, prepared in accordance with IFRS Accounting Standards. The accounting policies used are consistent with those used in the audited financial statements. There were no new accounting standards adopted for the six months ended June 30, 2024.

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

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

### **3. Going concern**

These interim financial statements have been prepared in accordance with the basis of presentation outlined in Note 2 on the assumption that the Company is a going concern and will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

For the six months ended June 30, 2024, the Company reported a net loss of \$5,300,784 (June 30, 2023 - \$8,164,378) and cash used in operating activities of \$7,512,314 (June 30, 2023 - \$7,180,611). 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 and six months ended June 30, 2024 and 2023

(Dollar amounts in US Dollars)

The Company's ability to continue as a going concern is dependent on its ability to realize positive 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 assumption were not appropriate. If the going concern basis was not appropriate for these interim financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses, and the interim statement of financial position classification used. Such adjustments could be material.

**4. Functional and presentation currency**

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

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

**5. Critical accounting estimates and judgements**

The interim financial statements for the three and six months ended June 30, 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 and six months ended June 30, 2024 and 2023

(Dollar amounts in US Dollars)

### 6. Revenue

For the three and six months ended June 30, 2024, revenue amounting to \$246,311 (June 30, 2023: \$134,367) and \$344,641 (June 2023: \$244,601) was recognized, respectively. Of this amount \$101,478 (June 30, 2023: \$45,667) and \$136,808 (June 30, 2023: \$95,001), respectively, was recognized as revenue from operating leases and \$144,833 (June 30, 2023: \$88,700) and \$207,833 (June 30, 2023: \$149,600), respectively, was recognized as revenue from the sale of consumables in the unaudited condensed consolidated interim statements of loss and comprehensive loss.

As at June 30, 2024, \$13,862 (June 30, 2023: \$8,333) 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.

On June 28, 2024, the Company entered into a three-year Equipment Service Plan ("ESP") warranty program with two customers, which includes annual preventative maintenance for the OCT equipment. The contract value is \$138,665 and will be recognized over the term of the contract as services are rendered. No revenue was recorded during the current quarter.

As at June 30 2024, \$138,655 (June 30, 2023: \$Nil) related to the revenue from the ESP warranty program has been deferred and included in deferred revenue 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:

	June 30, 2024	December 31, 2023
Harmonized sales tax receivable	\$ 104,010	\$ 321,776
CPRIT grant receivable	1,817,449	1,821,559
Interest receivable	16,737	45,061
Other receivables	7,318	124,435
<b>Grant and other receivables</b>	<b>\$ 1,945,514</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 US\$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.

**PERIMETER MEDICAL IMAGING AI, INC.**

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2024 and 2023

(Dollar amounts in US Dollars)

For the three and six months ended June 30, 2024, the Company recognized grant income of \$409,824 (June 30, 2023: \$488,857) and \$1,084,957 (June 30, 2023: \$996,774) respectively, as a reduction of project-related costs.

Additionally, for the three and six months ended June 30, 2024, the Company recognized grant income of \$12,259 (June 30, 2023: \$17,912) and \$24,518 (June 30, 2023: \$35,824), respectively, related to depreciation of OCT equipment used in the project.

At June 30, 2024, the CPRIT grant receivable was \$1,817,449 (December 31, 2023: \$1,821,559) of which \$1,817,449 (December 31, 2023: \$1,574,892) related to the reimbursement of project-related costs and \$Nil (December 31, 2023: \$246,667) related to OCT equipment. The following table shows a reconciliation on the movement of the balances for the period ended June 30, 2024 and December 31, 2023:

	<b>Six months ended</b>		<b>Year ended</b>
	<b>June 30, 2023</b>		<b>December 31, 2023</b>
Balance at beginning of period	\$ 1,821,559	\$	1,751,527
Project related expenses	1,084,957		1,838,311
Payments received	(1,089,067)		(1,768,279)
<b>Balance at end of period</b>	<b>\$ 1,817,449</b>	<b>\$</b>	<b>1,821,559</b>

**PERIMETER MEDICAL IMAGING AI, INC.**

Notes to the Unaudited Condensed Consolidated Interim Financial Statements  
For the three and six months ended June 30, 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
Additions	-	-	-	-	-	-	-	256,390	256,390
Transfer	320,030	226,756	-	-	-	-	-	(546,786)	-
Effect of movement in exchange rates	-	-	(769)	(776)	(1,785)	(746)	(4,235)	-	(8,311)
At June 30, 2024	2,661,686	1,099,206	146,687	22,710	52,284	21,848	230,070	474,249	4,708,740
<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	208,132	82,971	12,995	1,923	512	1,688	21,613	-	329,834
Transfer	(108,918)	108,918	-	-	-	-	-	-	-
Effect of movement in exchange rates	-	-	(83)	(701)	(1,885)	(320)	(788)	-	(3,777)
At June 30, 2024	1,102,588	454,004	81,264	22,612	51,729	11,118	102,307	-	1,825,622
<b>Net book value:</b>									
At June 30, 2024	\$ 1,559,098	\$ 645,202	\$ 65,423	\$ 98	\$ 555	\$ 10,730	\$ 127,763	\$ 474,249	\$ 2,883,118
	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 and six months ended June 30, 2024 and 2023

(Dollar amounts in US Dollars)

**9. DEFERRED GRANT INCOME**

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

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

	<b>June 30, 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	71,225	95,743
<b>Total Non-current</b>	<b>71,225</b>	<b>95,743</b>
<b>Total</b>	<b>\$ 120,257</b>	<b>\$ 144,775</b>

**10. FINANCIAL INSTRUMENTS****A. Accounting classification and fair values**

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

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

June 30, 2024	Note	Carrying Amount		Fair Value			
		Mandatorily at FVTPL	Total	Level 1	Level 2	Level 3	Total
<b>Financial liabilities measured at fair value</b>							
Warrant liability	11	\$ (304,613)	(304,613)	-	(304,613)	-	(304,613)
		<b>\$ (304,613)</b>	<b>(304,613)</b>	<b>-</b>	<b>(304,613)</b>	<b>-</b>	<b>(304,613)</b>

  

December 31, 2023	Note	Carrying Amount		Fair Value			
		Mandatorily at FVTPL	Total	Level 1	Level 2	Level 3	Total
<b>Financial liabilities measured at fair value</b>							
Warrant liability	11	\$ (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 and six months ended June 30, 2024 and 2023

(Dollar amounts in US Dollars)

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**B. Measurement of fair values**

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

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

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

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

The warrant liability is comprised of warrants designated as derivatives (see Note 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 June 30, 2024 was the Black-Scholes option pricing model using a weighted average risk-free rate of the bond-equivalent yield of 3.83 percent (June 30, 2023: 3.68 percent), an expected life of the time to maturity of 2.58 years (June 30, 2023: 3.58 years), and an expected volatility of 100 percent (June 30, 2023: 109 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.

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### 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 six months ended June 30, 2024, the Company Issued 5,210 common shares on the exercise of share purchase options with a weighted-average exercise price of \$0.04 (CAD\$0.05) per share for proceeds of \$19 (CAD\$25). In relation to the exercises, the fair value of the options of \$4,571 (CAD\$6,252) was reallocated from contributed surplus to share capital.

During the six months ended June 30, 2023, the Company Issued 117,153 common shares on the exercise of share purchase options with a weighted-average exercise price of \$1.02 (CAD\$1.34) per share for proceeds of \$119,087 (CAD\$157,458). In relation to the exercises, the fair value of the options of \$101,472 (CAD\$134,166) was reallocated from contributed surplus 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 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 June 30, 2024, the warrant liability was revalued at \$304,613 (December 31, 2023: \$3,455,939) (refer to Note 10B for assumptions). The revaluation of the warrant liability resulted in a gain of \$1,581,811 (June 30, 2023: loss of \$857,904) and gain of \$3,058,443 (June 30, 2023: loss of \$337,611) for the three and six months ended June 30, 2024, respectively, which is recorded in Net finance income (expense). The exchange difference on the revaluation of the warrant liability of \$17,693 (June 30, 2023: \$125,764) and \$92,882 (June 30, 2023: \$138,154) for the three and six months ended June 30, 2024, respectively, is recorded in other comprehensive income.

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

**C. Warrants**

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

	June 30, 2024		June 30, 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>
Expired	(199,080)	-	-	-
<b>Outstanding as of June 30</b>	<b>16,362,594</b>	<b>\$ 3.19</b>	<b>18,687,871</b>	<b>\$ 2.97</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 six months ended June 30, 2024 and 2023:

	June 30, 2024		June 30, 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>
Issued	1,450,677	0.59	1,510,000	1.16
Exercised	(5,210)	0.01	(117,153)	1.00
Forfeited	(144,545)	1.53	(1,084,777)	1.40
<b>Outstanding at June 30</b>	<b>8,722,088</b>	<b>\$ 1.10</b>	<b>6,507,728</b>	<b>\$ 1.35</b>
<b>Exercisable at June 30</b>	<b>3,867,492</b>	<b>\$ 1.22</b>	<b>4,320,995</b>	<b>\$ 1.27</b>

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During the six months ended June 30, 2024, the Company:

- i. On April 3, 2024, granted 1,333,177 stock options ("Options") to certain directors, officers, consultants, and employees of the Company with an exercise price of \$0.64 (CAD \$0.87) per share and vest as follows:
  - a. For 1,058,177 Options, 25% will vest on the one-year anniversary of the grant date and the remaining Options will vest monthly in 1/48th increments over the following 3 years.
  - b. For 5,000 options, 25% will vest immediately and the remaining Options will vest monthly in 1/48th increments over the following 3 years.
  - c. For 270,000 Options, 100% will vest on the one-year anniversary of the grant date.
- ii. On May 17, 2024, granted 117,500 Options to certain consultants and employees of the Company with an exercise price of \$0.41 (CAD \$0.56) per share and will vest as follows:
  - a. For 17,500 Options, 25% will vest on the one-year anniversary of the grant date and the remaining options vest monthly in 1/48th increments over the following 3 years.
  - b. For 50,000 Options, 100% will vest on the one-year anniversary of the grant date.
  - c. For 50,000 Options, 100% will vest upon successful completion of their contract.

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

During the six months ended June 30, 2023, the Company:

On March 23, 2023, granted 1,510,000 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 vested after one year. All Options expire after 10 years from date of issuance. On September 13, 2023, the Board of Directors approved an amendment to the Options vesting schedules of 1,145,000 such options ("Amended Options") issued to employees of the Company, to better reflect the Company's intended vesting schedule and to encourage employee retention. 25% of the Amended Options vested on the one-year anniversary of the grant and the remaining Amended Options will vest monthly in 1/48th increments over the following 3 years.

As at June 30, 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
0.00-0.59	256,250	5.8	138,750
0.6-0.89	1,681,151	8.7	258,974
0.9-1.1	1,141,872	5.0	1,141,870
1.13	3,505,908	9.2	922,623
1.16	958,000	8.7	521,094
1.44-1.51	475,001	6.9	300,000
2.31	703,906	7.3	584,181
	<b>8,722,088</b>		<b>3,867,492</b>

The Options granted during the period ended June 30, 2024, were valued using the Black-Scholes option pricing model using a weighted average risk-free rate of 3.58 percent, a weighted-average



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expected life of 7 years, an expected annualized volatility of 100 percent, a weighted average share price of \$0.84. The weighted average fair value per option was \$0.70.

The Options granted during the period ended June 30, 2023, were valued using the Black-Scholes option pricing model using a weighted average risk-free rate of 2.68 percent, a weighted-average expected life of 7 years, an expected annualized volatility of 109 percent, a weighted average share price of \$1.58. The weighted average fair value per option was \$1.35.

During the three months ended June 30, 2024, the Company recognized \$677,621 (2023: \$46,975) as stock-based compensation in the Unaudited Condensed Consolidated Interim Statements of Loss and Comprehensive Loss.

During the six months ended June 30, 2024, the Company recognized \$1,331,875 (2023: \$221,081) as stock-based compensation in the Unaudited Condensed Consolidated Interim Statements of Loss and Comprehensive Loss.

**12. NET FINANCE INCOME (EXPENSE)**

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

	Three months ended		Six months ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Interest expense on government debt	\$ -	\$ (25,301)	\$ -	\$ (48,832)
Interest expense on lease liabilities	(7,331)	(5,990)	(14,731)	(14,335)
Revaluation of warrant liability	1,581,811	(857,904)	3,058,443	(337,611)
Other finance income	84,470	323,405	202,038	323,405
	<b>\$ 1,658,950</b>	<b>\$ (565,790)</b>	<b>\$ 3,245,750</b>	<b>\$ (77,373)</b>

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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 earnings per share calculations, basic and diluted, for the three and six months ended June 30, 2024 and 2023:

	Three months ended		Six months ended	
	2024	2023	2024	2023
Loss attributable to common shareholders (basic and diluted)	\$ (3,179,083)	\$ (4,904,919)	\$ (5,300,784)	\$ (8,164,378)
Weighted average number of common shares (in number of common shares):				
Beginning of the period	65,052,821	64,465,371	65,052,821	64,458,586
Shares issued on exercise of options	4,747	13,609	2,373	14,805
Basic and diluted	65,057,568	64,478,980	65,055,194	64,473,391
Loss per share:				
<b>Basic and diluted</b>	<b>\$ (0.05)</b>	<b>\$ (0.08)</b>	<b>\$ (0.08)</b>	<b>\$ (0.13)</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 June 30, 2024 are shares issuable on the exercise of warrants, 16,362,594 (June 30, 2023: 18,687,871); and of options, 8,722,088 (June 30, 2023: 6,507,728).

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

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

**Key management personnel compensation**

Short-term employment benefits of the Company's key management personnel include salaries and non-cash benefits. Key management personnel also participate in the Company's share option program (see Note 11).

	Three months ended		Six months ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Short-term employment benefits	\$ 252,812	264,231	500,000	\$ 505,168
Director's fees	70,188	74,508	142,512	144,127
Share based payments	359,525	(238,893)	746,937	(208,530)
<b>Total</b>	<b>682,525</b>	<b>99,846</b>	<b>1,389,449</b>	<b>440,765</b>

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**15. Commitments**

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

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

June 30, 2024	Carrying Amount	Total	Contractual cash flows			
			2 months or less	3-12 months	1-2 years	Thereafter
Accounts payable and accrued liabilities	\$ 2,295,613	2,295,613	2,295,613	-	-	-
Lease liabilities	167,160	216,053	12,075	60,601	67,977	75,400
	\$ 2,462,773	2,511,666	2,307,688	60,601	67,977	75,400