
PERIMETER MEDICAL IMAGING AI, INC.

Unaudited Condensed Consolidated Interim Financial Statements

Three and nine months ended September 30, 2020 and 2019

The accompanying unaudited condensed consolidated interim financial statements have been prepared by management and approved by the Audit Committee. The Company's independent auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditors.

PERIMETER MEDICAL IMAGING AI, INC.

Unaudited Condensed Consolidated Interim Statements of Financial Position

For the three and nine months ended September 30, 2020 and 2019

(Dollar amounts in Canadian Dollars)

	Note	September 30, 2020	December 31, 2019
ASSETS			
Current assets			
Cash and cash equivalents		\$ 9,065,685	\$ 1,210,212
Investments	5	2,930,660	-
Other receivables		279,218	253,483
Investment tax credits recoverable		305,835	760,951
Prepaid expenses		983,373	253,431
Total current assets		13,564,771	2,478,077
Non-current assets			
Property and equipment		105,417	70,341
Intangible assets		2,949	3,816
Total non-current assets		108,366	74,157
Total assets		\$ 13,673,137	\$ 2,552,234
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		\$ 1,322,897	\$ 2,029,572
Current portion of government debt	6	39,713	153,117
Current portion of deferred grant income	7	641,029	140,779
Current portion of lease liability	8	35,749	22,667
Convertible debt	9	-	13,833,704
Derivative liability	9	-	2,364,610
Total current liabilities		2,039,388	18,544,449
Non-current liabilities			
Government debt	6	341,682	202,676
Deferred grant income	7	259,818	278,324
Lease liability	8	33,048	-
Total non-current liabilities		634,548	481,000
Shareholders' equity			
Share capital		49,802,720	17,798,486
Contributed surplus		6,225,267	5,172,000
Accumulated deficit		(45,082,149)	(39,443,701)
Accumulated currency translation adjustment		53,363	-
Total shareholders' equity		10,999,201	(16,473,215)
Total liabilities and shareholders' equity		\$ 13,673,137	\$ 2,552,234
<i>Basis of preparation and going concern</i>	2		

PERIMETER MEDICAL IMAGING AI, INC.

Unaudited Condensed Consolidated Interim Statements of Income and Loss and Comprehensive Income and Loss

For the three and nine months ended September 30, 2020 and 2019

(Dollar amounts in Canadian Dollars)

	Note	Three months ended		Nine months ended	
		September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Grants		\$ 16,416	\$ 41,164	\$ 78,997	\$ 113,722
Operating Expenses					
Salaries and wages		648,956	424,658	1,878,171	2,093,443
Employee taxes and benefits		52,347	41,774	183,267	185,437
Stock-based compensation		521,404	329,415	688,975	799,257
Subcontractors		23,087	140,690	388,391	396,864
Consulting fees		300,831	304,124	447,292	633,009
Professional fees		229,454	601,526	1,443,774	961,810
Marketing		61,882	14,525	74,785	30,445
Dues and subscriptions		42,277	21,668	126,453	57,483
Travel		15,510	38,467	64,235	178,231
Research and development		130,937	353,579	304,270	552,207
Occupancy costs		23,315	20,429	78,293	79,480
Depreciation and amortization		11,996	14,683	32,951	40,399
Other		139,260	17,695	214,396	104,414
Total Operating Expenses		<u>2,201,256</u>	<u>2,323,233</u>	<u>5,925,253</u>	<u>6,112,479</u>
Net foreign exchange losses		(19,252)	(14,675)	(17,483)	(25,529)
Finance income (costs)	12	3,004,122	453,441	3,523,561	(1,849,828)
Listing costs	4	-	-	(3,298,270)	-
Income (Loss) before income taxes		<u>800,030</u>	<u>(1,843,303)</u>	<u>(5,638,448)</u>	<u>(7,874,114)</u>
Income tax expense		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income (Loss) for the period		<u>\$ 800,030</u>	<u>\$ (1,843,303)</u>	<u>\$ (5,638,448)</u>	<u>\$ (7,874,114)</u>
Other comprehensive income (loss)					
Items that may be reclassified subsequently to profit:					
Foreign currency translation differences for foreign operations - net of tax of nil (2019: nil)		39,240	-	53,363	-
Comprehensive Income (Loss)		<u>\$ 839,270</u>	<u>\$ (1,843,303)</u>	<u>\$ (5,585,085)</u>	<u>\$ (7,874,114)</u>
Basic and diluted loss per common share	13	\$ 0.02	\$ (0.14)	\$ (0.24)	\$ (0.65)

PERIMETER MEDICAL IMAGING AI, INC.

Unaudited Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

For the nine months ended September 30, 2020 and 2019

(Dollar amounts in Canadian Dollars)

	Note	Shares Issued	Share Capital	Contributed Surplus	Accumulated other comprehensive income	Deficit	Total
Balance as at December 31, 2019 (1)		15,238,507	\$ 17,798,486	\$ 5,172,000	\$ -	\$ (39,443,701)	\$ (16,473,215)
Issuance of common shares for exercise of options (1)	11	182,543	200,001	(12,500)	-	-	187,501
Shares issued for services rendered (1)	11	55,555	66,667				66,667
Stock-based compensation (1)		-	-	688,975			688,975
Issuance of common shares for conversion of convertible debt notes (1)	4, 9	10,725,627	15,609,502	-	-	-	15,609,502
Issuance of common shares for exercise of warrants (1)	11	771,110	926,457	(864,971)	-	-	61,486
Issuance of common shares for acquisition of New World Corp.	4	5,000,000	6,000,000	-	-	-	6,000,000
Issuance of common shares for cash, net of issuance cost	4, 11	6,893,386	9,408,269	-	-	-	9,408,269
Warrants issued on private placement financing	4, 11	-	(206,662)	206,662	-	-	-
Warrants issued to New World Corp. shareholders	4, 11	-	-	1,035,101	-	-	1,035,101
Accumulated currency translation adjustment		-	-	-	53,363	-	53,363
Net loss for the period		-	-	-	-	(5,638,448)	(5,638,448)
Balance as at September 30, 2020		38,866,728	\$ 49,802,720	\$ 6,225,267	\$ 53,363	\$ (45,082,149)	\$ 10,999,201

(1) - The share numbers in this table are retrospectively restated to reflect the exchange ratio of 0.2083333 as defined in the Plan of Arrangement (see Note 4).

PERIMETER MEDICAL IMAGING AI, INC.

Unaudited Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
For the nine months ended September 30, 2020 and 2019
(Dollar amounts in Canadian Dollars)

	Note	Shares Issued (1)	Share Capital	Contributed Surplus	Accumulated other comprehensive income	Deficit	Total
Balance as at December 31, 2018		11,295,313	\$ 13,541,747	\$ 2,657,026	\$ -	\$ (29,101,015)	\$ (12,902,242)
Issuance of common shares for cash, net of issuance cost		3,657,083	3,913,405	168,950	-	-	4,082,355
Stock-based compensation		-	-	799,257	-	-	799,257
Issuance of common shares and warrants for services rendered		55,556	66,667	64,310	-	-	130,977
Issuance of common shares for exercise of warrants		41,667	50,000	(49,998)	-	-	2
Issuance of warrants with issuance of convertible debt notes		-	-	1,011,085	-	-	1,011,085
Net loss for the period		-	-	-	-	(7,874,114)	(7,874,114)
Balance as at September 30, 2019		15,049,619	\$ 17,571,819	\$ 4,650,630	\$ -	\$ (36,975,129)	\$ (14,752,680)

(1) - The share numbers in this table are retrospectively restated to reflect the exchange ratio of 0.2083333 as defined in the Plan of Arrangement (see Note 4).

PERIMETER MEDICAL IMAGING AI, INC.

Unaudited Condensed Consolidated Interim Statements of Cash Flows
For the three and nine months ended September 30, 2020 and 2019
(Dollar amounts in Canadian Dollars)

	Note	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Cash flows (used in) from operating activities:			
Net loss		\$ (5,638,448)	\$ (7,874,114)
Adjustments for:			
Depreciation and amortization		32,951	40,399
Stock-based compensation		688,975	799,257
Equity-settled share-based payment transactions		66,667	299,927
Listing cost	4	3,298,270	-
Finance costs		107,046	1,122,962
Grant income		(78,997)	(113,723)
Unrealized losses on change in fair value of derivative		1,602,331	930,479
Realized gain on change in fair value of derivative		(2,191,143)	(344,924)
Repayment of amounts related government debt		(53,394)	(433,811)
Unrealized gain on change in market value of investments		(1,492,066)	-
Realized gain on sale of investments		(1,550,385)	-
Unrealized gain on foreign currency translation		53,363	-
Other		(48,972)	-
		<u>(5,203,802)</u>	<u>(5,573,547)</u>
Changes in:			
Other receivables		(22,325)	252,775
Investment tax credits recoverable		455,116	-
Prepaid expenses and other		(729,943)	(22,681)
Deferred grant income		613,577	-
Accounts payable and accrued liabilities		<u>(730,571)</u>	<u>605,908</u>
Net cash used in operating activities		(5,617,948)	(4,737,545)
Cash flows from (used in) investing activities:			
Cash received on the acquisition of New World Corp.	4	905,265	-
Proceeds from the sale of Investments		2,964,119	-
Purchase of equipment		-	(37,194)
		<u>3,869,384</u>	<u>(37,194)</u>
Cash flows from financing activities:			
Net proceeds from warrants and options exercised		248,987	-
Net proceeds from private placement issuance of common shares	4	9,408,269	3,913,405
Net proceeds from issuance of convertible debt		-	1,830,000
Finance costs paid		(25,564)	-
Repayment of amounts related to lease liabilities		(27,655)	(26,619)
		<u>9,604,037</u>	<u>5,716,786</u>
Net increase in cash and cash equivalents		7,855,473	942,047
Cash and cash equivalents, beginning of period		1,210,212	1,845,620
Cash and cash equivalents, end of period		\$ <u>9,065,685</u>	\$ <u>2,787,667</u>

PERIMETER MEDICAL IMAGING AI, INC.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2020 and 2019

(Dollar amounts in Canadian Dollars)

1. DESCRIPTION OF THE BUSINESS

Perimeter Medical Imaging AI Inc. (the "Company" or "Perimeter") was formed in British Columbia on June 29, 2020 by the amalgamation of New World Resource Corp. ("New World") and Perimeter Medical Imaging Inc. The Company was listed as a Tier 2 issuer on the TSX Venture Exchange ("TSXV") on July 7, 2020 under the symbol PINK. The Company's registered office is located at Suite 1700, Park Place, 666 Burrard Street, Vancouver, British Columbia V6C 2X8. The Company's head office is located at 359 Eastern Avenue, Suite 110, Toronto, Ontario M4M 1B7.

As described in Note 4, the Company completed a reverse takeover transaction on June 29, 2020, pursuant to an amalgamation agreement between a non-reporting issuer, Perimeter Medical Imaging Inc. and New World to form the continuing entity. Perimeter Medical Imaging Inc. was incorporated under the laws of the province of Ontario, Canada, on May 16, 2013. On June 26, 2013, Perimeter Medical Imaging Inc. changed its name from Eiros Medical Inc. to Perimeter Medical Imaging Inc. On June 18, 2020, Perimeter Medical Imaging Inc. continued under the laws of the province of British Columbia.

The Company has one subsidiary, Perimeter Medical Imaging Corp., a Delaware corporation.

The Company develops and commercializes advanced in-procedural medical imaging tools.

2. BASIS OF PREPARATION AND GOING CONCERN

These interim condensed consolidated financial statements for the three and nine months ended September 30, 2020 and 2019 (the "interim financial statements") have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These interim financial statements do not include all the disclosures required by International Financial Reporting Standards ("IFRS") 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, 2019 prepared in accordance with IFRS as issued by the IASB. We have reclassified certain amounts in prior-period financial statements to conform to the current period's presentation.

The accompanying unaudited condensed consolidated interim financial statements have been prepared by management and approved by the Audit Committee. The Company's independent auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditors.

The preparation of the interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported assets, liabilities, revenue and expenses, consistent with those described in the 2019 annual consolidated financial statements and as described in these interim financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Estimates are based on historical experience and other assumptions that are considered reasonable in the circumstances. The actual amount or values may vary in certain instances from the assumptions and estimates made.

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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The Company is currently in its product development stage and therefore has not generated revenue to date, has experienced losses since inception and additional financing will be required before the Company expects to generate positive cash flow. The Company intends to continue to pursue opportunities to raise additional capital in the form of equity, debt and government funding to fund its product development, clinical research and commercialization activities. There is no assurance of the success or sufficiency of any these initiatives. The Company's ability to continue as a going concern is dependent upon obtaining such financing in order to continue its product development, including developing technologies, obtaining patents and commercializing advanced in-procedural medical imaging tools. The failure to raise such financing could result in the delay or indefinite postponement of current business objectives and additional financing may not be available or available on favorable terms.

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 consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses, and the consolidated statement of financial position classification used, and these adjustments may be material.

The uncertainties around the outbreak of the novel coronavirus ("COVID - 19") pandemic required the use of judgments and estimates which resulted in no material impacts for the period ended September 30, 2020. The future impact of COVID - 19 uncertainties could generate, in future reporting periods, a significant risk of material adjustment to the reported amounts of assets, liabilities, and expenses in the interim financial statements. The extent to which COVID-19 and any other pandemic or public health crisis impacts the Company's business, affairs, operations, financial condition, liquidity, availability of credit and results of operations will depend on future developments that are highly uncertain and cannot be predicted with any meaningful precision, including new information which may emerge concerning the severity of the COVID-19 virus and the actions required to contain the COVID-19 virus or remedy its impact, among others. The duration and impact of the COVID-19 outbreak is unknown at this time.

The accompanying unaudited condensed consolidated interim financial statements were reviewed, approved and authorized for issue by the Company's board of directors on November 20, 2020.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in these unaudited condensed consolidated interim financial statements are consistent with those applied by the Company in its consolidated financial statements as at and for the year ended December 31, 2019.

4. REVERSE TAKE-OVER OF NEW WORLD RESOURCE CORP. AND PRIVATE PLACEMENT

On June 29, 2020, the Company completed a reverse take-over of New World Resource Corp. ("New World") via the plan of arrangement as detailed in the Arrangement Agreement dated June 3, 2019 and amended November 29, 2019 and April 23, 2020 (the "Plan of Arrangement").

Under the Plan of Arrangement, former New World securityholders were issued 5,000,000 common shares of the Company and 1,712,381 common share purchase warrants having an exercise price of \$1.20. Shareholders of Pre-close Perimeter's common shares were exchanged for 26,787,392 common shares of the Company. This reflects the exchange ratio established under the Plan of Arrangement under which shareholders of Pre-close Perimeter received 0.2083333 common shares of the Company

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in exchange for each common share of Pre-close Perimeter held and shareholders of New World received 0.36499 common shares of the Company in exchange for each New World common share held. Former option holders and warrant holders of Pre-close Perimeter had their options and warrants converted into 5,059,047 options and 3,530,169 warrants of the Company based on the same exchange ratio used in the Plan of Arrangement. Accordingly, all common share references to activity prior to the reverse takeover have been restated to reflect the exchange ratio.

As a result, the Company is listed as an issuer on the TSX-V. Immediately following closing of the Plan of Arrangement, the Company closed a non-brokered private placement financing (the "Offering") of units ("Units") for net proceeds of \$9,408,269 (\$9,995,410, before issuance costs).

In the Offering, the Company issued 6,893,386 Units at a price of \$1.45 per Unit. Each Unit consists of one (1) Common Share and one-half (1/2) of a common share purchase warrant ("Warrant") with each whole Warrant exercisable into a common share of the Company at an exercise price of \$2.00 for a period of 18 months from closing, subject to adjustment in certain customary events. The Warrants will be subject to accelerated conversion if the underlying common shares trade above a \$3.00 15-day volume-weighted average price on the TSX-V at any time following the date that is four months and a day following the closing.

In connection with the closing of the Offering, the Company paid finder's fees of \$587,141 in cash and issued 400,806 non-transferable finder's warrants ("Finder's Warrants"). Each Finder's Warrant will entitle the holder thereof to purchase one common share of the Resulting Issuer at a price of \$1.45 for a period of 24 months from the date of the closing of the Offering.

The fair value of the net assets acquired and the public listing cost expensed are summarized as follows:

Fair value of 5,000,000 common shares issued	\$	6,000,000
Fair value of 1,712,381 warrants issued		1,035,102
Total Purchase Price	\$	7,035,102
Cash	\$	905,265
Investments		2,852,054
Receivables		3,410
Accounts payable and accrued liabilities		(23,897)
Net assets assumed		3,736,832
Listing cost		3,298,270
	\$	7,035,102

The total consideration has been estimated based on \$1.20 per common share and \$0.60 per share purchase warrant. The total purchase price as described above results in a share capital increase of \$6,000,000 which represents the fair value of the Company's common shares issued to New World Corp. shareholders.

The warrants granted were valued using the Black-Scholes option pricing model using a weighted average risk-free rate of the bond-equivalent yield at issue date, an expected life of two years, an expected annualized volatility of 65%, risk free rate of return at .25%, an expected forfeiture rate of nil, and an expected dividend rate of nil%.

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The fair value of consideration paid exceeds the fair value of net assets assumed by \$3,298,270 which is treated as a public company listing cost and expensed for the period ended September 30, 2020. The public listing costs have been included in the interim statement of income (loss) and comprehensive income (loss).

5. INVESTMENTS

Financial Assets at fair value through profit or loss

	September 30, 2020	December 31, 2019
Investments	\$2,930,660	-
	\$2,930,660	-

6. GOVERNMENT DEBT

Federal Economic Development Agency for Southern Ontario ("FedDev Ontario"):

The Company entered into a contribution agreement dated May 15, 2015 under the Investing in Business Innovation Program and Amendment dated December 16, 2015, collectively known as the Contribution Agreement, whereby FedDev Ontario agreed to contribute in the maximum amount of \$980,000. The interest rate on this debt was 0%. Repayments began April 1, 2017 and consisted of repayments of \$500 per month in the first year, \$1,000 per month in the second year, and \$26,722 per month for the remainder of the term.

On June 4, 2020 the Company entered into an amended agreement with FedDev Ontario. The primary change to the amended agreement was to extend the maturity date to January 1, 2024 which included no payments due from April 1, through September 1, 2020.

The effective interest rate used to measure the fair value of the loan is 25%, and the benefit of the interest rate concession is a grant which gives the Company economic benefits over the term of the loan and recorded as grants.

A. Terms and repayment schedule

			September 30, 2020		December 31, 2019	
	Nominal Interest Rate	Year of Maturity	Undiscounted Face Value	Carrying Amount	Undiscounted Face Value	Carrying Amount
FedDev Ontario	0.0%	2024	721,500	381,395	801,666	355,793

7. DEFERRED GRANT INCOME

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 US\$7,446,844 to fund activities related to its artificial intelligence software. For twelve years following the first commercial sale of commercial products (i.e., anything that is based on, utilizes or is developed from, or materially incorporates, the results of the grant-funded project and that is capable of being sold, licensed, transferred or conveyed to another party or is capable of otherwise being exploited or disposed of, whether in exchange for consideration or

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not), the Company is required to pay CPRIT a royalty of 2.5% of revenue until such time that 250% of grant proceeds have been repaid and 0.5% thereafter for the remaining twelve-year term. On March 27, 2020, the Company received \$1,703,195 (US\$1,220,666) of the US\$7,446,844 to fund activities related to the first year of the project.

During the three and nine months ended September 30, 2020, \$559,174 and \$1,089,618 (2019: nil and nil) of grant income has been recognized as a reduction to project-related expenses.

The deferred grant income arises as a result of the benefit received from below-market interest rate government loan from FedDev Ontario (see Note 6) and the advanced proceeds from the CPRIT grant received in 2020, and consists of the following on the consolidated statement of financial position:

	September 30, 2020		December 31, 2019	
Fed Dev	\$	340,105	\$	419,103
CPRIT		560,742		0
Current	\$	641,029	\$	140,779
Non-current		259,818		278,324
Total	\$	900,847	\$	419,103

8. LEASES

The Company leases office space in Toronto, Canada. During 2020 one lease expired and a new lease was entered into. The new lease runs for a two-year period and expires August 2022.

A. Right-of-use assets

Right-of-use assets related to leased property that do not meet the definition of investment property is presented as property and equipment.

Balance at December 31, 2019	\$	11,620
Addition to right-of-use assets		71,300
Depreciation expense		(14,591)
Balance at September 30, 2020	\$	68,329
Balance at January 1, 2019	\$	34,463
Depreciation expense		(15,508)
Balance at September 30, 2019	\$	18,955

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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(Dollar amounts in Canadian Dollars)

B. Lease liability

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

Balance at December 31, 2019	\$	22,667
Lease payments		(27,655)
Interest expense		2,485
Additions to leases		71,300
Balance at September 30, 2020	\$	68,797

9. CONVERTIBLE DEBT

During the years 2016, 2017, and 2019, the company issued convertible debt with principal of \$1,500,000, \$9,540,753 (of which \$107,960 is denominated in United States dollars), and \$1,830,000 respectively (the "Convertible Debentures"). All Convertible Debentures outstanding at December 31, 2019 (amounting to a principal value of \$12,870,753) would have matured on June 30, 2020. The notes were convertible into ordinary shares at the option of the debenture holder at maturity or immediately prior to and in connection with a financing. The conversion price was \$1.20 if converted at maturity or at a 20 per cent discount to the price per security paid by investors in connection with a financing if converted in connection with a financing. The notes issued in 2019 (principal value of \$1,830,000) also include a mandatory conversion at \$1.20 without any action of the holder upon completion of the proposed amalgamation with New World Resource Corp. If the notes were not converted, they were to be redeemed at maturity at 120 per cent of par. Additionally, in connection with the subscription for the Convertible Debenture, the holder was granted two warrants to purchase common shares in the capital of the Company for each one Canadian dollar of principal amount of debenture with a conversion price of \$0.00048 per share with a fair value at issuance of \$914,969.

Upon issuance of the Convertible Debentures, the debt liability component was recognized initially at the fair value of a comparable instrument with no conversion option, using a risk-adjusted discount rate of 25%. Subsequent to initial recognition, the debt liability was measured at amortized cost with an accretion rate of 25%. The initial fair value of the derivative liability associated with the conversion option was valued using the Black-Scholes option pricing model.

On April 25, 2019, all outstanding Convertible Debentures that were amended in the prior years to mature at the end of the financial year 2018 had the maturity term revised and extended to December 31, 2019, resulting in substantially modified terms. On December 6, 2019, an agreement was signed with the debenture holders to extend the maturities of all outstanding convertible debentures to June 30, 2020, resulting in substantially modified terms.

On June 29, 2020, all outstanding Convertible Debentures (amounting to a principal value of \$12,870,753) were converted into 10,725,627 common shares of the Company at a conversion price of \$1.20 per common share.

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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(Dollar amounts in Canadian Dollars)

The following table indicates the changes in the Convertible Debentures during the reporting period:

	September 30, 2020	December 31, 2019
Carrying value of debt, beginning of period	\$ 13,833,704	\$ 11,878,998
Carrying value of derivative liability, beginning of period	2,364,610	2,023,634
Total carrying value of convertible notes at beginning of period	16,198,314	13,902,632
Proceeds from issue of Convertible Notes	-	1,830,000
Investor warrants classified as equity	-	(914,969)
Loss or (Gain) on Day 1 of new issuances	-	1,368,125
Accreted Interest	-	3,046,441
Unrealized gain on change in fair value of derivative (note 12)	1,602,331	(155,539)
Realized gain on change in fair value of derivative (note 12)	(2,191,143)	(2,692,977)
Derecognition gain from amendment	-	(185,399)
Converted into 10,725,627 common shares of the Company	(15,609,502)	-
Carrying value of debt at end of period	-	13,833,704
Carrying value of derivative liability, end of period	-	2,364,610
Total carrying value of convertible notes, end of period	\$ -	\$ 16,198,314

10. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT**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.

The financial assets measured at amortized cost include cash and cash equivalents, and other receivables.

The financial liabilities measured at amortized cost include accounts payable and accrued liabilities, government debt, loans and borrowings, and convertible debt.

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	Carrying Amount	Fair Value			
	Mandatorily at FVTPL	Level 1	Level 2	Level 3	Total
September 30, 2020					
Investments	\$2,930,660	\$2,930,660			\$2,930,660
	2,930,660	2,930,660	-	-	2,930,660

	Carrying Amount	Fair Value			
	Mandatorily at FVTPL	Level 1	Level 2	Level 3	Total
December 31, 2019					
Financial liabilities measured at fair value					
Derivative liability component of convertible debt	\$ (2,364,610)	-	(2,364,610)	-	(2,364,610)
	(2,364,610)	-	(2,364,610)	-	(2,364,610)

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 Investments are classified as FVTPL and valued using Level 1 fair value hierarchy in the statement of financial position. The valuation methodology used for these instruments was the quoted price in the active market.

The derivative component of convertible debt is classified as FVTPL and valued using Level 2 fair value hierarchy in the statement of financial position. The valuation technique used for these instruments was the Black-Scholes option pricing model using a weighted average risk-free rate of the bond-equivalent yield at issue date, an expected life of the time to maturity of the host contract, and an expected volatility of 65 per cent based on time to maturity. 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 nine-month period ended September 30, 2020, the Company:

- i. Issued 92,014 common shares on the exercise of share purchase options with an exercise price of \$0.000048 per share for nominal proceeds. In relation to the exercise, the fair value of the options of \$66,667 was allocated to share capital.
- ii. Issued 10,725,627 common shares on the conversion of \$12,870,753 convertible debt principal which carried a \$1.20 exercise conversion price. The fair value of the shares issued was \$15,609,502 (Note 9).
- iii. Issued 720,834 common shares on the exercise of warrants with an exercise price of \$0.000048 per share. In relation to the exercise, the fair value of the warrants of \$864,971 was reallocated from contributed surplus to share capital.
- iv. Issued 10,417 common shares on the exercise of share purchase options with an exercise price of \$0.000048 per share. In relation to the exercise, the fair value of the options of \$12,500 was reallocated from reserves to share capital.
- v. Issued 5,000,000 common stock shares to the former New World securityholders for the contributed surplus take-over of New World Resource Corp.
- vi. Issued 6,893,386 common shares for the non-brokered private placement financing for net proceeds of \$9,408,269 (\$9,995,410, before issuance costs).
- vii. Issued 135,667 common shares on the exercise of options for proceeds of \$187,501.
- viii. Issued 50,276 common shares on the exercise of warrants for proceeds of \$61,486.

C. Warrants

The following schedule summarizes the warrant transactions for the nine-month period ended September 30, 2020:

	Number of warrants	Weighted-average exercise price
December 31, 2019 (1)	4,251,002	\$ 1.49
Exercised	(771,110)	0.08
Issued	5,559,883	1.37
September 30, 2020	9,039,775	\$ 1.55

(1) - The share numbers in this table are retrospectively restated to reflect the exchange ratio of 0.2083333 as defined in the Plan of Arrangement (see Note 4).

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During the nine-month period ended September 30, 2020, the Company:

- i. Issued 720,834 common shares on the exercise of warrants for nominal proceeds (see Note 11(B)(iii)).
- ii. In connection with the reverse takeover, issued 1,712,381 share purchase warrants to former shareholders of New World Resource Corp. (see Note 4). The fair value of the warrants issued of 1,035,101 was allocated to contributed surplus.
- iii. In connection with the private placement, issued 3,446,696 warrants to subscribers and 400,806 warrants to finders. The fair value of the warrants issued of \$206,662 was allocated to contributed surplus.
- iv. Issued 50,276 common shares on the exercise of warrants for proceeds of \$61,486.

At September 30, 2020, warrants were outstanding enabling holders to acquire common shares as follows:

Number of warrants (1)	Exercise price	Expiry date
3,446,696	2.00	December 29, 2021
1,663,710	1.20	June 29, 2022
400,806	1.45	June 29, 2022
141,667	1.20	December 31, 2023
127,621	1.20	February 27, 2024
1,458	1.20	April 3, 2024
70,000	1.20	April 27, 2024
34,927	1.20	September 29, 2025
730	1.20	December 22, 2025
70,000	1.20	April 25, 2029
23,333	1.20	May 17, 2029
328,000	1.92	August 6, 2023
2,471,038	1.92	August 7, 2023
77,708	1.92	August 14, 2023
10,208	1.92	August 19, 2023
109,375	1.92	August 17, 2023
62,500	1.20	July 12, 2029
9,039,775		

(1) - The share numbers in this table are retrospectively restated to reflect the exchange ratio of 0.2083333 as defined in the Plan of Arrangement (see Note 4).

The warrants granted during fiscal years 2019 and 2020 were valued using the Black-Scholes option pricing model using a weighted average risk-free rate of the bond-equivalent yield at issue date, an expected life of time to maturity, an expected annualized volatility of 90%, an expected forfeiture rate of nil, and an expected dividend rate of nil%.

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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 from time to time stock options not to exceed twenty percent (20%) of the shares (calculated on a fully-diluted basis) 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. Vesting is determined by the Board.

The following schedule summarizes the share purchase option transactions for the period ended September 30, 2020:

	Number of options	Weighted-average exercise price
December 31, 2019 (1)	5,201,627	\$ 1.06
Granted	2,296,666	1.21
Exercised	(238,098)	0.68
Forfeited	(1,710,333)	1.19
September 30, 2020	5,549,862	\$ 1.09

(1) - The share numbers in this table are retrospectively restated to reflect the exchange ratio of 0.2083333 as defined in the Plan of Arrangement (see Note 4).

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At September 30, 2020, options were outstanding enabling holders to acquire common shares as follows:

Number of options (1)	Exercise price	Expiry date
583,333	\$ 1.20	March 31, 2023
27,083	0.00	January 1, 2024
6,250	1.20	April 14, 2024
5,208	0.00	April 15, 2024
31,250	1.20	April 15, 2024
104,167	1.20	January 1, 2025
79,167	1.20	June 1, 2025
12,500	1.20	July 15, 2025
15,438	0.00	August 15, 2025
11,250	0.00	December 31, 2025
139,583	1.20	January 1, 2026
5,200	0.00	January 1, 2026
79,167	0.00	January 2, 2026
8,333	1.92	June 27, 2026
15,078	0.00	June 30, 2026
16,250	1.20	December 31, 2026
20,833	1.20	February 1, 2027
192,299	1.92	September 1, 2027
10,417	1.92	October 3, 2027
75,000	0.00	October 3, 2027
31,250	1.92	November 10, 2027
31,250	0.00	December 31, 2027
31,250	0.82	April 13, 2028
1,068,803	0.82	May 1, 2028
25,000	0.82	December 29, 2028
31,250	0.00	December 29, 2028
524,754	1.20	January 15, 2029
179,167	1.20	April 9, 2029
5,708	1.20	May 17, 2029
41,588	1.20	July 9, 2029
208,333	1.20	August 8, 2029
324,787	1.20	December 1, 2029
450,000	1.20	February 4, 2030
528,916	1.20	April 23, 2030
630,000	1.23	July 3, 2030
5,549,862		

(1) - The share numbers in this table are retrospectively restated to reflect the exchange ratio of 0.2083333 as defined in the Plan of Arrangement (see Note 4).

The share purchase options granted during the period ended September 30, 2020 were valued using the Black-Scholes option pricing model using a weighted average risk-free rate of .95%, a weighted average expected life of 7.9 years, an expected annualized volatility of 90%, an expected forfeiture rate of nil, and an expected dividend rate of nil%. The weighted average fair value per option was \$0.96.

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12. FINANCE INCOME (COSTS)

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

	For the nine months ended September 30, 2020	For the nine months ended September 30, 2019
Accretion on debt and lease liabilities	\$ (96,021)	\$ (119,088)
Finance fees on loans and borrowings	(11,681)	-
Finance fees on issuance of convertible debt	-	(230,215)
Accretion on convertible debt using effective interest rate of 25% (2019: 25%)	(1,602,331)	(2,234,699)
Unrealized gain on fair value movement of derivative liability	-	1,887,250
Day-one loss on convertible notes	-	(1,368,126)
Derecognition (gain) or loss on convertible notes	-	215,050
Unrealized gain on fair value of Investments	1,492,066	-
Realized gain on sale of Investments	1,550,385	-
Realized gain on change in fair value of derivative	2,191,143	-
	\$ 3,523,561	\$ (1,849,828)

13. INCOME (LOSS) PER SHARE

Both the basic and diluted earnings per share have been calculated using the loss attributable to shareholders of the Company as the numerator, i.e. no adjustments to profit were necessary in 2020 or 2019. The outstanding shares at the beginning of the period for September 30, 2020 and 2019 have been converted based on the .2083333 exchange ratio based on the Plan of Arrangement.

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The following details the earnings per share, basic and diluted, calculations for the periods ended September 30, 2020 and 2019:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Income (Loss) attributable to common shareholders (basic and diluted)	\$ 800,030	(1,843,303)	(5,638,448)	(7,874,114)
Weighted average number of common shares (in number of common shares):				
Beginning of the period	38,680,785	11,295,313	15,238,507	11,295,313
Share based payment	-	17,901	56,218	5,967
Exercise of options	58,078	-	26,998	-
Exercise of warrants	23,034	-	7,678	-
Conversion of convertible notes	-	-	3,694,383	-
Conversion of warrants	-	38,889	248,287	12,963
Conversion of options	-	-	3,588	-
Acquisition of New World Corp. Private Placement	-	-	1,722,222	-
	-	2,374,289	2,374,389	726,062
Basic and diluted	38,761,897	13,530,289	23,372,270	12,040,305
Income (Loss) per share:				
Basic and diluted	\$	0.02	(0.14)	(0.24)
			(0.24)	(0.65)

As the Company experienced a loss for the nine months ended September 30, 2020 and 2019 and also in the three months ended September 30, 2019 and income for the three months ended September 30, 2020, all potential common shares outstanding from dilutive securities are considered anti-dilutive and are excluded from the calculation of loss per share. Potential anti-dilutive securities outstanding not included in EPS calculations at September 30, 2020 are shares issuable on conversion of convertible notes, nil (2019: 10,725,627); warrants, 9,039,775 (2019: 4,188,502); options, 5,549,862 (2019: 4,577,481).

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14. RELATED PARTY TRANSACTIONS

At September 30, 2020 and 2019, the Company had no receivable or payable amounts with key management personnel or directors.

Key management personnel compensation

	September 30, 2020	September 30, 2019
Short-term employment benefits	\$ 768,410	\$ 432,513
Stock-based compensation	293,284	795,801
	\$ 1,061,694	\$ 1,228,314

Short-term employment benefits of the Company's key management personnel include salaries and non-cash benefits and includes \$257,810 in cash compensation related to the exit costs of the Company's former CEO in 2020. As a result of the separation, the former CEO forfeited 1,681,610 options resulting in a reduction to stock-based compensation of \$518,634.

Other related party transactions

Roadmap Capital, Inc. has significant influence over the Company as a result of the following:

As at September 30, 2020 Investment funds managed by Roadmap Capital, Inc. and Roadmap Capital, Inc. owned an aggregate of 16,693,527 common shares (2019: 6,953,700) of the Company and 467,548 warrants (2019:1,134,215) to purchase common shares of the Company. Under a shareholders' agreement, investment funds managed by Roadmap Capital, Inc. are entitled to elect and have elected two members of the Company's board of directors.

All transactions with Roadmap Capital, Inc. and funds managed by Roadmap Capital, Inc. are priced on an arm's length basis and are summarized below:

On June 29, 2020, the Company issued 9,073,161 common shares to investment funds managed by Roadmap Capital, Inc. on the conversion of convertible debentures with an aggregate principal of \$10,887,793 with a conversion price of \$1.20 per share. Additionally, the Company issued 666,666 common shares to investment funds managed by Roadmap Capital, Inc. on the exercise of share purchase warrants with an exercise price of \$0.000048.

During the period ended September 30, 2020, the Company incurred consulting fees with Roadmap Capital, Inc. for activities in connection with the reverse takeover. There was no liability outstanding at September 30, 2020.

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	Transaction value for the period ended		Balance outstanding as at	
	September 30, 2020	September 30, 2019	September 30, 2020	December 31, 2019
Roadmap Capital				
Convertible debt	\$ -	\$ 1,600,000	\$ -	\$ 10,887,793
Investor warrants	-	799,973	-	-
Finance fees	-	96,116	-	-
Consulting fees	137,600	-	-	-
Total	\$ 137,600	2,496,089	\$ -	\$ 10,887,793

15. SUPPLEMENTAL CASH FLOW INFORMATION

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statements of cash flows. During the period ended September 30, 2020 (none in 2019) the following transactions are excluded from the statements of cash flows:

- i. Issued 5,000,000 common shares and 1,712,381 warrants on the acquisition of New World Corp. The warrants had a recorded value of \$1,035,102.
- ii. Issued 10,725,627 common shares on the conversion of \$12,870,753 convertible debt principal which carried a \$1.20 conversion price.