
PERIMETER MEDICAL IMAGING, INC.

Unaudited Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2020 and 2019

PERIMETER MEDICAL IMAGING, INC.

Unaudited Condensed Consolidated Interim Statements of Financial Position

March 31, 2020 and December 31, 2019

(Dollar amounts in Canadian Dollars)

	<u>Note</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$	2,051,792	\$ 1,210,212
Other receivables		303,211	253,483
Investment tax credits recoverable		760,951	760,951
Prepaid expenses and other		261,623	253,431
Total current assets		<u>3,377,577</u>	<u>2,478,077</u>
Non-current assets			
Property and equipment		60,152	70,341
Intangible assets		3,527	3,816
Total non-current assets		<u>63,679</u>	<u>74,157</u>
Total assets	\$	<u>3,441,256</u>	<u>\$ 2,552,234</u>

See the accompanying notes to the unaudited condensed consolidated interim financial statements.

	Note	March 31, 2020	December 31, 2019
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current liabilities			
Accounts payable and accrued liabilities		\$ 3,201,217	\$ 2,029,572
Current portion of government debt	4	172,277	153,117
Current portion of deferred grant income	5	1,540,412	140,779
Loans and borrowings	6	307,475	-
Lease liability		14,602	22,667
Convertible debt	7	14,611,108	13,833,704
Derivative liability	7	1,653,727	2,364,610
Total current liabilities		<u>21,500,818</u>	<u>18,544,449</u>
Non-current liabilities			
Government debt	4	162,237	202,676
Deferred grant income	5	238,596	278,324
Total non-current liabilities		<u>400,833</u>	<u>481,000</u>
Shareholders' deficiency			
Share capital	9	17,865,153	17,798,486
Contributed surplus	9	4,922,937	5,172,000
Accumulated deficit		(41,249,582)	(39,443,701)
Accumulated currency translation adjustment		1,097	-
Total shareholders' deficiency		<u>(18,460,395)</u>	<u>(16,473,215)</u>
Total liabilities and shareholders' deficiency		<u>\$ 3,441,256</u>	<u>\$ 2,552,234</u>

Going concern (Note 2)
Subsequent events (Note 13)

See accompanying notes to the unaudited condensed consolidated interim financial statements.

PERIMETER MEDICAL IMAGING, INC.

Unaudited Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

For the three months ended March 31, 2020 and 2019

(Dollar amounts in Canadian Dollars)

	Note	Three months ended March 31, 2020	Three months ended March 31, 2019
Grants		\$ 32,117	\$ 36,586
Operating Expenses			
Salaries and wages		841,756	549,050
Employee taxes and benefits		67,776	61,614
Stock-based compensation		(249,063)	166,669
Subcontractors		52,591	141,773
Consulting fees		149,064	244,481
Professional fees		571,040	178,518
Dues and subscriptions		29,729	23,761
Travel		48,438	82,647
Research and development		150,133	74,671
Occupancy costs		33,517	27,827
Depreciation and amortization		10,478	11,032
Other		37,439	37,530
Total Operating Expenses		<u>1,742,898</u>	<u>1,599,573</u>
Net foreign exchange gain (losses)		10,163	(4,764)
Finance income		(915)	(426)
Finance costs	10	(103,248)	(721,641)
Impairment of equipment		-	(2,763)
Loss before income taxes		<u>(1,804,781)</u>	<u>(2,292,581)</u>
Income tax expense		-	-
Loss for the period		<u>(1,804,781)</u>	<u>(2,292,581)</u>
Other comprehensive loss			
Items that may be reclassified subsequently to profit:			
Foreign currency translation differences for foreign operations - net of tax of nil (2019: nil)		1,097	-
Comprehensive Loss		<u>\$ (1,803,684)</u>	<u>\$ (2,292,581)</u>
Basic and diluted loss per common share	11	\$ (0.02)	\$ (0.04)

See the accompanying notes to the unaudited condensed consolidated interim financial statements.

PERIMETER MEDICAL IMAGING, INC.

Unaudited Condensed Consolidated Interim Statements of Changes in Shareholders' Deficiency

For the three months ended March 31, 2020 and 2019

(Dollar amounts in Canadian Dollars)

	Note	Shares issued	Share capital	Contributed surplus	Accumulated other comprehensive income	Deficit	Total
Balance, January 1, 2020		73,144,836	\$ 17,798,486	\$ 5,172,000	\$ -	\$ (39,443,701)	\$ (16,473,215)
Shares issued on exercise of options	9	266,668	66,667	-	-	-	66,667
Stock-based compensation		-	-	(249,063)	-	-	(249,063)
Accumulated currency translation adjustment		-	-	-	1,097	-	1,097
Net loss for the period		-	-	-	-	(1,804,781)	(1,804,781)
Balance, March 31, 2020		73,411,504	\$ 17,865,153	\$ 4,922,937	\$ 1,097	\$ (41,248,482)	\$ (18,459,295)

	Shares issued	Share capital	Contributed surplus	Accumulated other comprehensive income	Deficit	Total
Balance, January 1, 2019	54,217,504	\$ 13,541,747	\$ 2,657,026	\$ -	\$ (29,101,015)	\$ (12,902,242)
Stock-based compensation	-	-	166,669	-	-	166,669
Net loss for the period	-	-	-	-	(2,292,581)	(2,292,581)
Balance, March 31, 2019	54,217,504	\$ 13,541,747	\$ 2,823,695	\$ -	\$ (31,393,596)	\$ (15,028,154)

See the accompanying notes to the unaudited condensed consolidated interim financial statements.

PERIMETR MEDICAL IMAGING, INC.

Unaudited Condensed Consolidated Interim Statements of Cash Flows

For the three months ended March 31, 2020 and 2019

(Dollar amounts in Canadian Dollars)

	Note	Three months ended March 31, 2020	Three months ended March 31, 2019
Cash flows from operating activities:			
Net loss		\$ (1,804,781)	\$ (2,292,581)
Adjustments for:			
Depreciation		10,188	10,618
Amortization		289	413
Stock-based compensation		(249,063)	166,669
Equity-settled share-based payment transactions	9	66,667	-
Net finance costs		99,748	721,640
CPRIT grant income		(311,173)	-
FedDev grant income		(32,117)	(36,586)
		<u>(2,220,242)</u>	<u>(1,429,827)</u>
Changes in:			
Other receivables		(49,728)	(18,412)
Prepaid expenses and other		(8,192)	(37,727)
Accounts payable and accrued liabilities		<u>1,171,642</u>	<u>116,539</u>
Net cash used in operating activities		(1,106,520)	(1,369,427)
Cash flows used in investing activities:			
Purchase of equipment		<u>-</u>	<u>(10,521)</u>
		-	(10,521)
Cash flows from/ (used in) financing activities:			
Net proceeds from SR&ED loan		307,475	-
Net proceeds from receipt of government grant		1,703,195	-
Principal payment of lease liability		(9,126)	(9,126)
Repayment of amounts related to government debt		(53,444)	(8,400)
		<u>1,948,100</u>	<u>(17,526)</u>
Net increase (decrease) in cash and cash equivalents		841,580	(1,397,474)
Cash and cash equivalents, beginning of period		<u>1,210,212</u>	<u>1,845,620</u>
Cash and cash equivalents, end of period		<u>\$ 2,051,792</u>	<u>\$ 448,146</u>

See accompanying notes to the unaudited condensed consolidated interim financial statements.

PERIMETER MEDICAL IMAGING, INC.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2020 and 2019

(Dollar amounts in Canadian Dollars)

1. DESCRIPTION OF THE BUSINESS

Perimeter Medical Imaging Inc. (the "Company" or "Perimeter") was incorporated under the Business Corporations Act of Ontario on May 16, 2013. The Company's registered office is located at 1 Yonge Street, Suite 201, Toronto, Ontario M5E 1E6. The Company has one subsidiary, Perimeter Medical Imaging Corp., a Delaware corporation.

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

Subsequent to quarter end, on June 29, 2020, the Company and New World Resource Corp (TSXV:NW) ("New World") executed an amalgamation by way of a planned reverse take-over (the "Transaction") pursuant to the Arrangement Agreement dated June 3, 2019 and amended November 29, 2019 and April 23, 2020. The Transaction was an arm's length transaction and resulted in a reverse take-over and change of control of New World by the shareholders of Perimeter. The resulting publicly traded company is named Perimeter Medical Imaging AI, Inc. and is traded on the TSX Venture Exchange under the symbol "PINK".

2. BASIS OF PREPARATION

These interim financial statements for the three months ended March 31, 2020 and 2019 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.

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 consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumptions were not appropriate. If the going concern basis was not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses, and the consolidated statement of financial position classification used.

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 March 31, 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 consolidated financial statements. The extent to which COVID-19 and any other pandemic or public health crisis impacts the Company's business, affairs, operations, financial

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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, as is the efficacy of the government and central bank interventions.

The accompanying unaudited condensed consolidated interim financial statements were reviewed, approved and authorized for issue by the Company's board of directors on August 24, 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. 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

	Nominal Interest Rate	Year of Maturity	March 31, 2020		December 31, 2019	
			Undiscounted Face Value	Carrying Amount	Undiscounted Face Value	Carrying Amount
FedDev Ontario	0.0%	2024	721,500	334,514	801,666	355,793

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5. 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 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 period presented \$311,173 (2019:nil) of grant income has been recognized as a reduction to project-related expenses.

	March 31, 2020		December 31, 2020	
FedDev	\$	386,986	\$	419,103
CPRIT		1,392,022		-
Current	\$	1,540,412	\$	140,779
Non-current		238,596		278,324

The deferred income arises as a result of the benefit received from below-market interest rate government loan from FedDev Ontario (see Note 4) and CPRIT grant.

6. LOANS AND BORROWINGS

The Company entered into a loan agreement with Fundsquire Ltd., a corporation in Canada, on March 3, 2020 to access a future SR&ED refundable tax credit in advance as a loan. The loan was secured by a general security over the Company's assets. The maximum amount of the loan was \$315,000 and was repaid and discharged on July 9, 2020.

A. Terms and Terms and repayment schedule

	Nominal Interest Rate	Year of Maturity	March 31, 2020		December 31, 2019	
			Face Value	Carrying Amount	Face Value	Carrying Amount
Secured loan	14.4%	2020	307,475	307,475	-	-

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7. 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 as at December 31, 2019 (amounting to a principal value of \$12,870,753) mature on June 30, 2020. The notes are 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 is \$0.25 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 \$0.25 without any action of the holder upon completion of the proposed amalgamation with New World Resource Corp. If the notes are not converted, they will be redeemed at maturity at 120 per cent of par. Additionally, in connection with the subscription for the Convertible Debenture, the holder is 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 \$0.00001 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 per cent. Subsequent to initial recognition, the debt liability is 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 as described in note 7(B).

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 51,483,012 common shares of the Company at a conversion price of \$0.25 per common share.

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

	March 31, 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	-	1,368,126
Accreted Interest	777,404	3,046,441
Unrealized gain on change in fair value of derivative (note 13)	(710,883)	(155,539)
Realized gain on change in fair value of derivative (note 13)		(2,692,977)
Derecognition gain from amendment	-	(185,399)
Carrying value of debt at end of period	14,611,108	13,833,704
Carrying value of derivative liability, end of period	1,653,727	2,364,610
Total carrying value of convertible notes, end of period	\$ 16,264,835	\$ 16,198,314

8. 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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March 31, 2020	Carrying Amount	Fair Value			Total
	Mandatorily at FVTPL	Level 1	Level 2	Level 3	
Financial liabilities measured at fair value					
Derivative liability component of convertible debt	\$ (1,653,727)	-	(1,653,727)	-	(1,653,727)
	(1,653,727)	-	(1,653,727)	-	(1,653,727)

December 31, 2019	Carrying Amount	Fair Value			Total
	Mandatorily at FVTPL	Level 1	Level 2	Level 3	
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 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. Related valuation processes are described in Note 2.

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There were no transfers between levels for the periods reported.

9. 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 period ended March 31, 2020, the Company:

- i. Issued 266,668 common shares on the exercise of share purchase options with an exercise price of \$0.00001 per share for nominal proceeds. In relation to the exercise, the fair value of the options of \$66,667 was reallocated from reserves to share capital.

C. Warrants

The Company had no warrant transactions during the reporting period. At March 31, 2019, warrants were outstanding enabling holders to acquire common shares as follows:

Number of warrants	Exercise price	Expiry date
680,000	0.25	December 31, 2023
612,582	0.25	February 27, 2024
7,000	0.25	April 3, 2024
336,000	0.25	April 27, 2024
167,650	0.25	September 29, 2025
3,500	0.25	December 22, 2025
336,000	0.25	April 25, 2029
112,000	0.25	May 17, 2029
1,574,400	0.4	August 6, 2023
11,868,680	0.4	August 7, 2023
373,000	0.4	August 14, 2023
49,000	0.4	August 19, 2023
2,400,000	0.00001	April 25, 2029
60,000	0.00001	May 7, 2029
800,000	0.00001	May 17, 2029
200,000	0.00001	May 16, 2029
525,000	0.4	August 17, 2023
300,000	0.25	July 12, 2029
20,404,812		

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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 grant to directors, officers, employees, consultants, and advisors. 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 March 31, 2020:

	Number of options		Weighted- average exercise price
December 31, 2019	24,967,810	\$	0.22
Issued	4,960,000		0.25
Exercised	(266,668)		0.00
Forfeited	(8,071,723)		0.25
March 31, 2020	21,589,419	\$	0.22

At March 31, 2020, options were outstanding enabling holders to acquire common shares as follows:

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Number of options	Exercise price	Expiry date
5,318,818	\$	0.25
130,000		0.00
30,000		0.25
250,000		0.00
260,000		0.25
500,000		0.25
380,000		0.25
60,000		0.25
74,100		0.00
54,000		0.00
736,000		0.25
380,000		0.00
40,000		0.40
72,375		0.00
78,000		0.25
24,960		0.00
100,000		0.25
923,036		0.40
50,000		0.40
360,000		0.00
150,000		0.40
50,000		0.00
150,000		0.00
150,000		0.17
5,130,254		0.17
120,000		0.17
150,000		0.00
905,000		0.25
27,400		0.25
216,500		0.25
1,000,000		0.25
1,558,976		0.25
2,160,000		0.25
21,589,419		

The share purchase options granted during the period ended March 31, 2020 were valued using the Black-Scholes option pricing model using a weighted average risk free rate of 1.39%, a weighted average expected life of 5.4 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 \$0.16.

10. FINANCE COSTS

Finance costs for the reporting periods consist of the following:

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	March 31, 2020	March 31, 2019
Interest expense on government debt	\$ 32,166	\$ 25,401
Interest expense on lease liabilities	1,061	294
Finance fees on loans and borrowings	3,500	-
Accretion on convertible debt using effective interest rate of 25% (2019: 25%)	777,404	899,330
Unrealized gain on fair value movement of derivative liability	(710,883)	(203,384)
	\$ 103,248	\$ 721,641

11. 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 following details the earnings per share, basic and diluted, calculations for the periods ended March 31, 2020 and 2019:

	Three months ended March 31,	
	2020	2019
Loss attributable to common shareholders (basic and diluted)	\$ (1,804,781)	\$ (2,292,581)
Weighted average number of common shares (in number of common shares):		
January 1	73,144,836	54,217,504
Issued on exercise of options	174,816	-
Basic and diluted	73,319,652	54,217,504
Loss per share:		
Basic and diluted	\$ (0.02)	\$ (0.04)

As the Company experienced a loss in both years, all potential common shares outstanding from dilutive securities are considered anti-dilutive and are excluded from the calculation of loss per share. Potential anti-dilutive securities outstanding not included in EPS calculations at March 31, 2020 are shares issuable on conversion of convertible notes, 51,503,812 (2019: 44,183,812); warrants, 20,404,812 (2019: 1,806,732); options, 21,589,419 (2019: 19,556,339).

12. RELATED PARTY

At March 31, 2020 and 2019, the Company had no receivable or payable amounts with key management personnel or directors.

Key management personnel compensation

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For the three months ended March 31, 2020 and 2019

(Dollar amounts in Canadian Dollars)

	March 31, 2020		March 31, 2019	
Short-term employment benefits	\$	387,595	\$	85,000
Stock-based compensation		(335,671)		112,496
	\$	51,924	\$	197,496

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. As a result of the separation, the former CEO forfeited 8,071,723 options resulting in a reduction to stock-based compensation of \$518,634.

13. SUBSEQUENT EVENTS**A. 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"). As a result, the Company is listed as an issuer on the TSX-V. Immediately following closing of the Plan of Arrangement, the Resulting Issuer closed a non-brokered private placement financing (the "Offering") of units ("Units") for proceeds of \$9,435,370 (\$9,995,410, net of issuance costs).

Under the Plan of Arrangement, former New World securityholders were issued 4,999,995 common shares of the Resulting Issuer and 1,712,378 common share purchase warrants having an exercise price of \$1.20 and securityholders of the Company were issued 26,787,392 common shares of the Resulting Issuer. This reflects the exchange ratio established under the Plan of Arrangement under which shareholders of the Company received 0.20833 common shares of the Resulting Issuer in exchange for each common share of the Company held and shareholders of New World received 0.36499 common shares of the Resulting Issuer in exchange for each New World common share held. Former option holders and warrant holders of the Company had their options and warrants converted into 5,063,214 options and 3,530,168 warrants of the Resulting Issuer based on the same exchange ratio used in the Plan of Arrangement.

In the Offering, the Resulting Issuer 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 Resulting Issuer 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 TSXV 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 \$560,040 in cash and issued 379,468 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.

B. Employee stock options

Since March 31, 2020, the Company's board of directors has granted 3,060,000 share purchase options to employees, and consultants, including 2,160,000 to key management personnel. Additionally, 121,000 share purchase options were forfeited.