



International
Medical
Innovations Inc.

**FIRST-QUARTER REPORT
2003**

For the period ended March 31, 2003

IMI International Medical Innovations Inc.
Toronto Stock Exchange: IMI
www.imimedical.com

MESSAGE TO SHAREHOLDERS

IMI International Medical Innovations Inc. (TSX:IMI) is pleased to announce its results for the fiscal 2003 first quarter ended March 31, 2003.

During the quarter IMI continued preparations for the commercial launch of its heart disease predictive tests scheduled for this year, and had all three of its cancer-detection tests accepted for presentation at a major medical meeting.

We are on track to begin marketing programs for our heart disease predictive test this year. With our partner McNeil Consumer Healthcare we took important steps toward that goal in the first quarter of the year. Most importantly, we made strong progress in developing two new skin cholesterol test formats – one designed for automated laboratory processing and the other for home use. The result of these efforts is that we are on track to begin marketing this fall. That marketing effort will be supported by ongoing studies and publications, including the results of our newest study on pediatric use of skin cholesterol that were recently accepted for presentation at the 85th Annual Meeting of The Endocrine Society in June.

Our three cancer-detection tests continue to gain increasing attention in the scientific and medical community. Late last year we analyzed our latest studies with ColorectAlert, LungAlert and our new test for breast cancer, and all three were accepted for presentation at the American Association for Cancer Research annual meeting. Although that meeting was postponed due to SARS in Toronto, it has been rescheduled for the week of July 12 in Washington D.C. and will include IMI's three presentations. The postponement has enabled IMI to add further data to the lung and breast studies for these presentations. In addition, we began a clinical study involving LungAlert in Japan with a major Japanese corporate partner to gain a foothold in a critical market for LungAlert.

In the first quarter we became a registered issuer in the U.S. with the acceptance of our SEC registration, a step required for our U.S. stock listing. At this time, with our market capitalization and stock price just below the required levels for listing, we are in constant contact with officials at the American Stock Exchange and are working toward securing the listing as soon as possible.

We continue to be in a strong financial position to execute our plan, which calls for the commercialization of multiple products united by the single vision of predictive medicine.



Brent Norton, MD, MBA
President and CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations

For the three months ended March 31, 2003 (Q1 2003), IMI reports a net loss of \$811,162 or \$0.04 per share compared with a loss of \$799,121 or \$0.04 per share for the quarter ended March 31, 2002 (Q1 2002).

Research and development expenditures for the quarter decreased to \$355,000 compared with \$417,000 in fiscal 2002. The main reason for this decrease was a reduction of \$103,000 in patent and trademark fees. The Company has an active clinical trial program with approximately 12 studies of varying size and scope being conducted to support IMI's four principal products. Several of these studies are funded by third parties including government entities and multinational companies. Most of the other development costs remained at fairly constant levels.

General and administration expenses amounted to \$519,000 for fiscal 2003 compared to \$395,000 in fiscal 2002, an increase of \$124,000. The Company completed its registration with the U.S. Securities and Exchange Commission (SEC) which cost \$31,000 for fiscal 2003 compared with nil in fiscal 2002. Compensation and employee-related expenses increased by \$72,000 for fiscal 2003 compared with fiscal 2002, which included the addition of one employee, payment of directors' fees and annual salary increases. The adoption of stock-based compensation applied to the Employee Share Purchase Plan resulted in a non-cash expense of \$13,000 for fiscal 2003 compared to nil for fiscal 2002. IMI's financial commitment for an ongoing U.S. consulting relationship ended in 2002 resulting in a savings of \$40,000 in fiscal 2003.

Amortization expenses for equipment and acquired technology for fiscal 2003 amounted to \$43,000 compared to \$54,000 for fiscal 2002. Increases in capital assets amounted to \$10,000 during fiscal 2003.

Interest income amounted to \$67,000 for fiscal 2003, compared to \$47,000 for fiscal 2002. This increase resulted from the investment of the additional cash raised by private placement in the second quarter of fiscal 2002. Refundable scientific investment tax credits accrued for fiscal 2003 amounted to \$38,000 versus \$20,000 for fiscal 2002. The increase resulted from a higher percentage of research expenditures being conducted in Ontario and eligible for the refund.

Liquidity and Capital Resources

As at March 31, 2003 the Company had cash, cash equivalents and short-term investments totaling \$9,387,000 (\$10,112,000 as at December 31, 2002). The Company received \$143,000 from the exercise of options and the repayment of shareholder loans. Cash used to fund the operating activities during fiscal 2003 amounted to \$858,000 compared to \$823,000 in fiscal 2002. The Company has no long-term debt.

Risks and Uncertainties

To date, the Company has financed its activities through the issuance of shares and the recovery of research tax credits (ITC's). The Company believes that its existing cash resources together with the investment tax credits receivable of \$309,000 will be sufficient to meet its current operating and capital requirements through at least fiscal 2004 and that no additional funds would be required to support ongoing product development, research and clinical trials of its current technologies.

The Company is exposed to financial market risks such as interest rates and foreign exchange fluctuations. The Company invests its funds in short-term high-grade financial instruments with varying maturities. Since the Company's intention is to hold these securities to maturity, adverse changes in interest rates would not have a material effect on the Company's results of operations. The company makes commitments with foreign suppliers for clinical trials and other services. Adverse changes in foreign exchange rates could increase the costs of these services to the Company.



Ron Hosking, CA
Vice President and CFO

IMI International Medical Innovations Inc.		
Incorporated under the laws of Canada		
Consolidated Balance Sheets		
As at March 31, 2003 and December 31, 2002		
	March 31	December 31
	2003	2002
	(Unaudited)	(Audited)
ASSETS		
Current		
Cash and cash equivalents	\$ 123,610	\$ 150,451
Short-term investments	9,263,939	9,961,743
Prepaid expenses and other receivables	90,930	237,591
Investment tax credits receivable	309,000	271,000
Total current assets	9,787,479	10,620,785
Capital assets, net	186,692	191,632
Acquired technology, net	538,618	566,966
	\$ 10,512,789	\$ 11,379,383
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 377,057	\$ 589,555
Total current liabilities	377,057	589,555
Deferred revenue	98,275	100,000
Total liabilities	475,332	689,555
Shareholders' equity		
Capital Stock	23,944,675	23,785,884
Warrants	496,000	496,000
Deficit	(14,403,218)	(13,592,056)
Total shareholders' equity	10,037,457	10,689,828
	\$ 10,512,789	\$ 11,379,383

See accompanying notes

IMI International Medical Innovations Inc.		
Consolidated Statements of Loss and Deficit		
	Three months ended March 31	
	2003 (Unaudited)	2002 (Unaudited)
EXPENSES		
Research and development	\$ 354,772	\$ 416,704
General and administration	518,797	395,393
Amortization	42,800	54,146
	916,369	866,243
RECOVERIES AND OTHER INCOME		
Investment tax credits	38,000	20,000
Interest	67,207	47,122
	105,207	67,122
Net loss for the period	(811,162)	(799,121)
Deficit, beginning of period	(13,592,056)	(9,573,794)
Deficit, end of period	\$ (14,403,218)	\$ (10,372,915)
Basic and fully diluted loss per share	\$ (0.04)	\$ (0.04)
Weighted average number of common shares outstanding	20,814,267	19,590,319

See accompanying notes

IMI International Medical Innovations Inc.		
Consolidated Statements of Cash Flows		
	Three months ended March 31	
	2003	2002
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Net loss for the period	\$ (811,162)	\$ (799,121)
Add item not involving cash		
Amortization	42,800	54,146
Stock compensation costs included in:		
Research and development expense	3,086	-
General and administrative expense	13,245	-
	(752,031)	(744,975)
Net change in non-cash working capital balances related to operations	(106,102)	(78,109)
Cash used in operating activities	(858,133)	(823,084)
INVESTING ACTIVITIES		
Short term investments	697,804	2,357,644
Purchase of capital assets	(9,512)	(11,199)
Cash provided by investing activities	688,292	2,346,445
FINANCING ACTIVITIES		
Issuance of capital stock, net	143,000	160,000
Cash provided by financing activities	143,000	160,000
Net increase (decrease) in cash and cash equivalents during the period	(26,841)	1,683,361
Cash and cash equivalents		
- Beginning of period	150,451	593,379
- End of period	\$ 123,610	\$ 2,276,740
Represented by		
Cash	\$ 123,610	\$ 2,000
Cash equivalents	-	2,274,740
	\$ 123,610	\$ 2,276,740

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2003

(Unaudited)

1. Nature of the Company and Basis of Presentation

IMI International Medical Innovations Inc. [the “Company”] operates in a single business segment and is a predictive medicine company dedicated to developing rapid, non-invasive tests for the early detection of life-threatening diseases, particularly cardiovascular disease and cancer. The Company licenses, develops and initiates the commercialization of novel, medical technologies developed by various research institutions throughout the world.

The Company currently owns patents for a test to measure skin cholesterol, has in-licensed the technologies for tests to detect the presence of a marker intended for use in colorectal, lung and other cancers. In addition, the Company has licensed a different marker for the detection of prostate cancer, has patents pending for color measurement in biological reactions and has a right of first refusal on certain genomics-related technologies in the predictive medicine field.

2. Accounting Policies

The accompanying unaudited consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied for interim financial information and follow the same accounting policies and methods used in the preparation of the most recent annual financial statements. The interim financial statements do not include all disclosures required for annual financial statements and should be read in conjunction with the Company’s audited financial statements and notes thereto for the fiscal year ended December 31, 2002. Where appropriate, these financial statements include estimates based on management’s judgment.

3. Stock-Based Compensation

Companies are required to calculate and disclose, on a pro forma basis, compensation expense related to the fair value of stock options at the grant date in the notes to the consolidated financial statements. Compensation expense for purposes of these pro forma disclosures is to be determined in accordance with a methodology prescribed in The Canadian Institute of Chartered Accountants Handbook Section 3870 “Stock-Based Compensation and Other Stock-Based Payments”.

The table below presents pro forma net loss and basic and diluted loss per common share as if stock options granted to employees after January 1, 2002 had been determined based on the fair value method.

March 31, 2003

	\$
Net loss as reported	(811,162)
Estimated stock-based compensation costs	<u>(72,514)</u>
Pro forma net loss	<u>(883,676)</u>
Pro forma basic and diluted loss per common share	(0.04)

The fair value of the options granted was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions for the three month period ended March 31, 2003: risk free interest rate of 4.3%, expected dividend yield of nil, expected volatility of 0.554 and expected option life of 5 years. The weighted-average fair value of the options granted during the three months ended March 31, 2003 is \$2.85. Additional disclosure relating to stock-based compensation is provided in the Company's financial statements as at and for the fiscal year ended December 31, 2002.

4. Share Capital

a) Authorized

The authorized capital of the Company consists of an unlimited number of common shares, without nominal or par value, and an unlimited number of preferred shares, issuable in series.

b) Issued and outstanding shares

	Number	Stated value	Contributed surplus	Total
<u>Common shares</u>	<u>#</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Balance, December 31, 2002	21,156,960	23,921,641	119,288	24,040,929
Issued on exercise of options	80,000	98,000		98,000
Issuance of stock options			2,546	2,546
Issued under share purchase plan	4,459	13,245		13,245
	21,241,419	24,032,886	121,834	24,154,720
Share purchase loans	(315,000)	(210,045)		(210,045)
Balance, March 31, 2003	20,926,419	23,822,841	121,834	23,944,675

c) Options

	Shares #	Weighted Average Exercise Price \$
Balance, December 31, 2002	1,798,500	3.04
Granted	182,285	2.85
Exercised	(80,000)	1.23
Expired	(30,000)	2.65
Balance, March 31, 2003	1,870,785	3.10

5. Consolidated Statements Of Cash Flows

Changes in non-cash working capital balances related to operations comprise:

	<u>Three months ended March 31</u>	
	<u>2003</u>	<u>2002</u>
Prepaid expenses and other receivables	\$ 146,121	\$(38,007)
Investment tax credits receivable	(38,000)	(20,000)
Accounts payable and accrued liabilities	(212,498)	(14,102)
Advance collaboration funding	(6,000)	(6,000)
	<u>\$(104,377)</u>	<u>\$ (78,109)</u>

IMI CORPORATE INFORMATION

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Stock Listing

Toronto Stock Exchange (TSX)
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This report contains forward-looking statements that reflect the company's current expectation regarding future events. The forward-looking statements involve risk and uncertainties. Actual events could differ materially from those projected herein and depend on a number of factors including, but not limited to, changing market conditions, successful and timely completion of clinical studies, uncertainties related to the regulatory approval process, establishment of corporate alliances and other risks detailed from time to time in the company's quarterly, annual and other regular filings.