



International
Medical
Innovations Inc.

**FIRST-QUARTER REPORT
2002**

For the period ended March 31, 2002

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 2002 first quarter ended March 31, 2002. Key events of the first quarter included acceptance of IMI's lead product, Cholesterol 1,2,3™, to a major U.S. clinical trial and scientific presentation. Subsequent to the end of the quarter, IMI signed a marketing partnership with McNeil Consumer Healthcare, a Johnson & Johnson company and completed a private placement for \$6 million.

First quarter included continuing acceptance of Cholesterol 1,2,3 by the medical research community. In February, Cholesterol 1,2,3 was added to a major U.S. clinical study sponsored by the National Institutes of Health. Also in February the latest research on Cholesterol 1,2,3 was accepted for presentation at an international medical meeting sponsored by the American Heart Association. This data showed, for the first time, a correlation between skin cholesterol and heart attacks.

Subsequent to the end of the first quarter we completed two significant transactions. In May IMI signed a marketing partnership with McNeil Consumer Healthcare to market and distribute IMI's heart disease predictive test in Canada. Prior to this, In April, we raised \$6 million through a private placement that provided additional funds for product development and enabled us to expand our institutional shareholder base.

In the coming days you will receive your annual report and notice of our annual meeting, to be held on June 19, 2002 at 10:30 a.m., at the Toronto Stock Exchange Conference Centre. Since we last met with shareholders in July we have achieved several significant milestones and have continued our evolution into a leading developer of predictive medicine products. At the meeting I will review the commitments we have met and the major steps we have taken in the past year, and will offer new commitments for the year ahead. I look forward to seeing you in June.



Brent Norton, MD, MBA
President and CEO

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

Results Of Operations

In December 2001, the Company changed its year-end from January 31 to December 31. Accordingly, for fiscal 2002 the quarter ended March 31, 2002 has been compared with the previously published quarter ended April 30, 2001.

For the three months ended March 31, 2002 (fiscal 2002), IMI reports a net loss of \$799,121 or \$0.04 per share compared to a loss of \$681,947 or \$0.04 per share for the quarter ended April 30, 2001 (fiscal 2001).

Research and development expenditures for the quarter decreased to \$416,704, compared to \$449,739 in fiscal 2001. Spending on clinical trials during the quarter amounted to \$41,183 compared to \$135,067 during fiscal 2001, a decrease of \$93,884. This is expected to be a temporary reduction due to the timing of the various clinical trials. Expenditures to expand patent coverage on these technologies increased by approximately \$87,000 for the period. Most of the other development costs remained at fairly constant levels.

General and administration expenses amounted to \$395,393 for fiscal 2002 compared to \$353,984 in fiscal 2001, an increase of \$41,409. Investor communications expenses increased by approximately \$36,000 to develop and support U.S. investor activities.

Amortization expenses for fiscal 2002 amounted to \$54,146 compared to \$31,808 for fiscal 2001. The increase resulted from amortization of new technologies acquired during the year ended December 31, 2001.

Interest income amounted to \$47,122 for the quarter, compared to \$123,584 for fiscal 2001. This resulted from a significant decrease from the prior year in interest rates on cash investments. Refundable scientific investment tax credits accrued for fiscal 2002 amounted to \$20,000 versus \$30,000 for fiscal 2001.

Liquidity and Capital Resources

As at March 31, 2002 the Company had cash, cash equivalents and short-term investments totaling \$7,276,896 (\$7,951,179 as at December 31, 2001). The Company received \$160,000 during the quarter from the issuance of capital stock resulting from the exercise of options. Cash used to fund the operating activities during fiscal 2002 amounted to \$823,084 compared to \$1,063,705 in fiscal 2001. The Company has no long-term debt.

Subsequent Events

On April 2, 2002 the Company completed a private placement of 1.2 million common shares at a price of \$5.00 per share, on a bought-deal basis, for net proceeds of approximately \$5,432,000. This increased the cash, cash equivalents and short term investments to more than \$12.7 million which will provide the Company with funds for strategic applications.

On May 10, 2002 the Company announced an agreement with McNeil Consumer Healthcare, a Johnson & Johnson company, to market and distribute in Canada the Company's predictive test for coronary artery disease. Under the agreement, in addition to sales of the product to McNeil, the Company will receive ongoing royalties on McNeil's sales as well as a series of milestone payments.

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 \$231,000 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.



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, 2002 and December 31, 2001		
	March 31	December 31
	2002	2001
	(Unaudited)	(Audited)
ASSETS		
Current		
Cash and cash equivalents	\$ 2,276,740	\$ 593,379
Short-term investments	5,000,156	7,357,800
Prepaid expenses and other receivables	262,526	224,519
Investment tax credits receivable	231,000	211,000
Total current assets	7,770,422	8,386,698
Capital assets, net	241,040	248,552
Acquired technology, net	673,273	708,708
	\$ 8,684,735	\$ 9,343,958
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 344,572	\$ 358,674
Advance collaboration funding	30,588	36,588
Total current liabilities	375,160	395,262
Shareholders' equity		
Capital Stock	18,372,490	18,212,490
Warrants	310,000	310,000
Deficit	(10,372,915)	(9,573,794)
Total shareholders' equity	8,309,575	8,948,696
	\$ 8,684,735	\$ 9,343,958

See accompanying notes

IMI International Medical Innovations Inc.		
Consolidated Statements of Loss and Deficit		
	Three months ended	
	March 31	April 30
	2002	2001
	(Unaudited)	(Unaudited)
EXPENSES		
Research and development	\$ 416,704	\$ 449,739
General and administration	395,393	353,984
Amortization	54,146	31,808
	866,243	835,531
RECOVERIES AND OTHER INCOME		
Investment tax credits	20,000	30,000
Interest	47,122	123,584
	67,122	153,584
Net loss for the period	(799,121)	(681,947)
Deficit, beginning of period	(9,573,794)	(6,328,588)
Deficit, end of period	\$ (10,372,915)	\$ (7,010,535)
Basic and fully diluted loss per share	\$ (0.04)	\$ (0.04)
Weighted average number of common shares outstanding	19,590,319	18,655,199

See accompanying notes

IMI International Medical Innovations Inc.		
Consolidated Statements of Cash Flows		
	Three months ended	
	March 31 2002	April 30 2001
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Net loss for the period	\$ (799,121)	\$ (681,947)
Add item not involving cash		
Amortization	54,146	31,808
	(744,975)	(650,139)
Net changes in non-cash working capital balances related to operations	(78,109)	(413,566)
Cash used in operating activities	(823,084)	(1,063,705)
INVESTING ACTIVITIES		
Short term investments	2,357,644	-
Purchase of capital assets	(11,199)	(179,374)
Cash provided by (used in) investing activities	2,346,445	(179,374)
FINANCING ACTIVITIES		
Issuance of capital stock, net	160,000	-
Cash provided by financing activities	160,000	-
Net increase (decrease) in cash and cash equivalents during the period	1,683,361	(1,243,079)
Cash and cash equivalents		
- Beginning of period	593,379	2,565,534
- End of period	\$ 2,276,740	\$ 1,322,455
Represented by		
Cash	\$ 2,000	\$ 323,519
Cash equivalents	2,274,740	998,936
	\$ 2,276,740	\$ 1,322,455

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2002 (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 colorectal cancer and of prostate cancer and has developed a technology for the detection of lung cancer and has patents pending for colour measurement in biological reactions.

In 2001 the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants with respect to the preparation of interim financial statements.

In December of 2001, the Company changed its yearend from January 31 to December 31, therefore the consolidated statements of loss and deficit and the consolidated statements of cash flows present the three months period ended March 31, 2002 and the three months period ended April 30, 2001.

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, with the exception of stock-based compensation, as discussed in note 3. 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 fiscal year (11 months) ended December 31, 2001. Where appropriate, these financial statements include estimates based on management's judgment.

3. Stock-Based Compensation

On January 1, 2002, the Company adopted the recommendations in Handbook Section 3870 ("Section 3870"), *Stock-Based Compensation and Other Stock-Based Payments*, issued by The Canadian Institute of Chartered Accountants. The new recommendations are generally applicable only to awards granted after the date of adoption. The adoption of the new recommendations did not impact the financial statements.

Stock options and warrants awarded to non-employees are accounted for using the fair value method. No compensation expense for stock options granted to employees is recognized, however pro forma disclosure of net loss and net loss per share is provided as if these awards were accounted for using the fair value method. Consideration paid on the exercise of stock options and warrants is credited to share capital.

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

	March 31, 2002
	\$
Net loss as reported	(799,121)
Estimated stock-based compensation costs	(41,708)
Pro forma net loss	<u>(840,829)</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, 2002: risk free interest rate of 4.3%, expected dividend yield of nil, expected volatility of 0.655 and expected option life of 5 years. The weighted-average fair value of the options granted during the three months ended March 31, 2002 is \$4.00. 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, 2001.

The Black-Scholes model, used by the Company to calculate option values, as well as other accepted option valuation models, were developed to estimate fair value of freely tradable, fully transferable options without vesting restrictions, which significantly differ from the Company's stock option awards. These models also require four highly subjective assumptions, including future stock price volatility and expected time until exercise, which greatly affect the calculated values. Accordingly, management believes that these models do not necessarily provide a reliable single measure of the fair value of the Company's stock option awards.

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 \$
Common shares				
Balance, December 31, 2001	19,565,394	18,141,436	71,054	18,212,490
Issued on exercise of options	220,000	160,000	---	160,000
Issued under share purchase plan	2,250	---	---	---
Balance, March 31, 2002	19,787,644	18,301,346	71,054	18,372,490

c) Options

	Shares #	Weighted Average Exercise Price \$
Balance, December 31, 2001	1,597,000	1.98
Granted	399,500	4.00
Exercised	(220,000)	0.73
Expired	(5,000)	1.00
Balance, March 31, 2002	1,771,500	2.37

d) Subsequent Event

Subsequent to the quarter end, on April 2, 2002 the Company completed a private placement of 1.2 million common shares at a price of \$5.00 per share, on a bought-deal basis, for net proceeds of approximately \$5,432,000. In connection with this offering the Company granted to the agent compensation options to purchase up to 120,000 common shares at an exercise price of \$5.50 per share on or before April 2, 2003.

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 filings.