



International
Medical
Innovations Inc.

**THIRD-QUARTER REPORT
2002**

For the period ending October 31, 2001

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

MESSAGE TO SHAREHOLDERS

IMI International Medical Innovations Inc. (TSE:IMI) is pleased to report its results for its fiscal 2002 third quarter ended October 31, 2001. This report highlights some of the key events in the quarter, as well as important developments that have occurred subsequent to the end of the quarter. Specifically, following the end of the quarter the Company filed its revised FDA submission for Cholesterol 1,2,3™ with additional information comparing it to HDL. The Company also continued to build awareness of IMI among the U.S. investment community, and assess the value of listing IMI shares on a U.S. exchange in 2002 as a number of U.S.-based milestones approach.

Our dialogue with the FDA regarding Cholesterol 1,2,3 resulted in IMI submitting its file with a new comparison to HDL rather than total cholesterol as in the initial filing. In an October news release we committed to adjust and strengthen our application, and I can report that the new filing is complete. Consequently, we expect to receive FDA clearance for Cholesterol 1,2,3 late in the first calendar quarter of 2002. In September 2001, we engaged New York-based SG Cowen Securities Corporation to advise the Company on partnering strategy and structure for a Cholesterol 1,2,3 marketing agreement. We have since made excellent progress in our partnering negotiations and are planning for the initial commercial launch in Canada,

Both of our cancer products continue to move forward through significant clinical trials. Our pivotal trial with LungAlert™, a proprietary test for lung cancer, is well underway and interim data are expected in the next quarter. On ColorectAlert™, we are analyzing data from an additional 750 patients, and have begun testing a further 500 patients. That will bring the total number of patients in ColorectAlert trials to nearly 2,000. These colorectal cancer studies also provide an opportunity to evaluate the potential for using our two technologies – ColorectAlert and Colopath™ – in tandem.

On the corporate side, recent meetings with members of the U.S. financial community, including analysts, bankers and institutional investors, suggest strongly that a U.S. listing for IMI shares would result in a substantially broader following of IMI. As we move closer to a partnering agreement and FDA clearance we believe it is appropriate to seek a share listing in the U.S. where predictive medicine is well established, and comparable peer companies are gaining significant momentum. We are addressing the application requirements and have already begun restating our financials to meet U.S. GAAP.



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 October 31, 2001, IMI reports a net loss of \$896,071 or \$0.05 per share compared to a loss of \$543,919 or \$0.03 per share for the quarter ended October 31, 2000. For the nine months ended October 31, 2001, the Company reports a net loss of \$2,620,958 or \$0.14 per share, compared to \$1,271,540 or \$0.07 per share for the nine months ended October 31, 2000.

The Company ended the quarter with cash and cash equivalents of \$1,022,667 plus short-term investments of \$7,357,800.

Research and development expenditures for the quarter increased to \$581,446, compared to \$426,754 in fiscal 2000. The major reasons for the increase were additional clinical trials to expand the uses for Cholesterol 1,2,3, and ongoing trials for ColorectAlert and LungAlert. These clinical trial costs increased by more than \$154,000 for the quarter and \$667,000 for the nine months, compared to the respective periods in 2000. Expenditures to expand patent coverage on these technologies increased by \$30,000 during the quarter and \$55,000 year to date. Total research expenditures for the nine months ended October 31, 2001 and 2000 amounted to \$1,740,898 and \$870,509, respectively.

General and administration expenses amounted to \$369,833 for the three months ended October 31, 2001, compared to \$263,858 in the third quarter last year, an increase of \$105,975. Salaries and related expenses increased by \$67,000 to support new business development activities. Investor relations expenses increased by approximately \$34,000 to develop and support U.S. investor activities. Total general and administration expenses for the nine months ended October 31, 2001 amounted to \$1,179,810 compared to \$730,675 in fiscal 2000.

Amortization expenses for the three months and nine months ended October 31, 2001 amounted to \$69,847 and \$145,125, respectively. For the corresponding periods in 2000, amortization amounted to \$18,400 and \$50,054. The increase resulted from purchases of additional research and development equipment to support clinical trial activities, and from additions to acquired technology. In exchange for a lump-sum payment on one of its core cancer technologies IMI negotiated a significant reduction in the rate of future royalties payable.

Accruals for recoveries of provincial scientific research tax credits (ITC's) amounted to \$34,000 for the quarter and \$110,000 year to date. Tax credit recoveries were not accrued for the nine months ended October 31, 2000.

Liquidity and Capital Resources

As at October 31, 2001 the Company had cash, cash equivalents and short-term investments totaling \$8,380,467 (\$10,566,170 as at January 31, 2001). The Company received \$36,688 during the quarter (1,212,299 for nine months) from the issuance of capital stock resulting from the exercise of warrants and options. Cash used to fund the operating activities during the three months and nine months ended October 31, 2001 amounted to \$813,898 and \$2,830,980, respectively. 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 \$190,000 will be sufficient to meet its current operating and capital requirements through at least fiscal 2003 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 October 31, 2001 and January 31, 2001		
	October 31	January 31
	2001	2001
	(Unaudited)	(Audited)
ASSETS		
Current		
Cash and cash equivalents	\$ 1,022,667	\$ 2,565,534
Short-term investments	7,357,800	8,000,636
Prepaid expenses and other receivables	119,068	152,584
Investment tax credits receivable	190,000	80,000
Total current assets	8,689,535	10,798,754
Capital assets, net	263,572	150,455
Acquired technology, net	457,119	148,339
	\$ 9,410,226	\$ 11,097,548
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 171,723	\$ 436,386
Advance collaboration funding	41,588	55,588
Total current liabilities	213,311	491,974
Shareholders' Equity		
Capital Stock	18,146,461	16,934,162
Deficit	(8,949,546)	(6,328,588)
Total shareholders' equity	9,196,915	10,605,574
	\$ 9,410,226	\$ 11,097,548

See accompanying notes

IMI International Medical Innovations Inc.				
Consolidated Statements of Loss and Deficit				
	Three months ended October 31		Three months ended October 31	
	2001	2000	2001	2000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
EXPENSES				
Research and development	\$ 581,446	\$ 426,754	\$ 1,740,898	\$ 870,509
General and administration	369,833	263,858	1,179,810	730,675
Amortization	69,847	18,400	145,125	50,054
	1,021,126	709,012	3,065,833	1,651,238
RECOVERIES AND OTHER INCOME				
Investment tax credits	34,000	-	110,000	-
Interest	91,055	165,093	334,875	379,698
	125,055	165,093	444,875	379,698
Net loss for the period	(896,071)	(543,919)	(2,620,958)	(1,271,540)
Deficit, beginning of period	(8,053,475)	(5,223,004)	(6,328,588)	(4,495,383)
Deficit, end of period	\$ (8,949,546)	\$ (5,766,923)	\$ (8,949,546)	\$ (5,766,923)
Basic and fully diluted loss				
per common share	\$ (0.05)	\$ (0.03)	\$ (0.14)	\$ (0.07)
Weighted average number of				
common shares outstanding	19,447,970	18,496,775	19,013,843	16,963,368

See accompanying notes

IMI International Medical Innovations Inc.				
Consolidated Statements of Cash Flows				
	Three months ended October 31		Nine months ended October 31	
	2001	2000	2001	2000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES				
Net loss for the period	\$ (896,071)	\$ (543,919)	\$ (2,620,958)	\$ (1,271,540)
Add item not involving cash				
Amortization	69,847	18,400	145,125	50,054
	(826,224)	(525,519)	(2,475,833)	(1,221,486)
Net changes in non-cash working capital balances related to operations				
Prepaid expenses and other	71,412	(124,761)	33,516	(261,265)
Investment tax credits receivable	(34,000)	278,875	(110,000)	(113,338)
Accounts payable and accrued liabilities	(21,086)	(76,077)	(264,663)	(113,338)
Advance collaboration funding	(4,000)	-	(14,000)	70,588
Cash used in operating activities	(813,898)	(447,482)	(2,830,980)	(1,246,626)
INVESTING ACTIVITIES				
Short-term investments	808,056	-	642,836	-
Purchase of technology	(256,507)	-	(381,507)	-
Purchase of capital assets	803	(10,171)	(185,515)	(47,469)
Cash used in investing activities	550,746	(10,171)	75,814	(47,469)
FINANCING ACTIVITIES				
Issuance of capital stock, net	36,688	30,886	1,212,299	11,175,886
Cash provided by financing activities	36,688	30,886	1,212,299	11,175,886
Net increase (decrease) in cash and cash equivalents during the period	(226,464)	(426,767)	(1,542,867)	9,881,791
Cash and cash equivalents				
- Beginning of period	1,249,131	11,050,325	2,565,534	741,767
- End of period	\$ 1,022,667	\$ 10,623,558	\$ 1,022,667	\$ 10,623,558
Represented by				
Cash	\$ 229,211	\$ 177,442	\$ 229,211	\$ 177,442
Cash equivalents	793,456	10,446,116	793,456	10,446,116
	\$ 1,022,667	\$ 10,623,558	\$ 1,022,667	\$ 10,623,558

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

October 31, 2001 (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.

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 year ended January 31, 2001.

3. Loss per Share Data

During the period, the Company retroactively adopted the recently revised recommendations of the Canadian Institute of Chartered Accountants with respect to loss per share. Under the new recommendations, the treasury-stock method is to be used, instead of the imputed earnings approach for determining the effect of dilution. There are no retroactive adjustments to these interim financial statements resulting from adopting this new standard.

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 \$
Balance, January 31, 2001	18,655,199	16,863,108	71,054	16,934,162
Issued on exercise of warrants	753,358	1,147,611	---	1,147,611
Issued on exercise of options	48,750	64,688	---	64,688
Issued under share purchase plan	13,662	---	---	---
Balance, July 31, 2001	19,470,969	18,075,407	71,054	18,146,461

c) Options

	Shares #	Weighted Average Exercise Price \$
Balance, January 31, 2001	1,389,000	1.41
Granted	333,000	3.34
Exercised	48,750	1.33
Expired	26,750	3.65
Balance, October 31, 2001	1,659,000	1.76

IMI CORPORATE INFORMATION

IMI International Medical Innovations Inc.

4211 Yonge Street, Suite 300
Toronto, Ontario, Canada
M2P 2A9

Tel: (416) 222-3449
Fax: (416) 222-4533
Website: www.imimedical.com
E-mail: aweir@imimedical.com

Stock Listing

Toronto Stock Exchange (TSE)
Symbol: **IMI**

Investor Inquiries

Andrew Weir
Director, Communications
(416) 222-3449 x27
aweir@imimedical.com

Transfer Agent and Registrar

Equity Transfer Services Inc.
120 Adelaide Street West, Suite 420
Toronto, Ontario
CANADA M5H 4C3

Auditors

Ernst & Young LLP, Chartered Accountants
Ernst & Young Tower
P.O. Box 251, 222 Bay Street, Toronto Dominion Centre
Toronto, Ontario
CANADA M5K 1J7