

# IMI INTERNATIONAL MEDICAL INNOVATIONS INC.

## MANAGEMENT INFORMATION CIRCULAR

### SOLICITATION OF PROXIES

**This management information circular is furnished in connection with the solicitation of proxies by the management of IMI International Medical Innovations Inc. (the “Corporation”) for use at the annual and special meeting (the “Meeting”) of holders (the “Shareholders”) of common shares of the Corporation (the “Common Shares”) to be held at the time and place and for the purposes set forth in the attached Notice of Annual and Special Meeting (the “Notice”).** The solicitation will be primarily by mail but proxies may also be solicited personally or by telephone by regular employees of the Corporation. The cost of solicitation will be borne by the Corporation.

The Corporation has distributed, or made available for distribution, copies of the Notice, the management information circular and form of proxy to clearing agencies, securities dealers, banks and trust companies or their nominees (“Intermediaries”) for distribution to Shareholders (“Non-registered Shareholders”) whose shares are held by or in custody of such Intermediaries. Such Intermediaries are required to forward such documents to Non-registered Shareholders unless the Non-registered Shareholder has waived the right to receive them. The solicitation of proxies from Non-registered Shareholders will be carried out by the Intermediaries or by the Corporation if the names and addresses of the Non-registered Shareholders are provided by Intermediaries. The Corporation will pay the permitted fees and costs of Intermediaries incurred in connection with the distribution of these materials.

### APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are officers and/or directors of the Corporation. **A Shareholder has the right to appoint a person (who need not be a Shareholder) to attend and act for him and on his behalf at the Meeting other than the persons designated in the enclosed form of proxy.** Such right may be exercised by inserting in the blank space provided for that purpose the name of the desired person or by completing another proper form of proxy and, in either case, delivering the completed and executed proxy to the Corporation at 4211 Yonge Street, Suite 615, Toronto, Ontario M2P 2A9 (the “Head Office”) or with its transfer agent and registrar, Equity Transfer Services Inc., 120 Adelaide Street West, Toronto, Ontario M5H 3C4 not later than the close of business on Tuesday, June 15, 2004, or delivering it to the chairman of the Meeting on the day of the Meeting or any adjournment thereof prior to the time of voting. A proxy must be executed by the registered Shareholder or his attorney duly authorized in writing or, if the Shareholder is a corporation, by an officer or attorney thereof duly authorized.

Proxies given by Shareholders for use at the Meeting may be revoked prior to their use:

- (a) by depositing an instrument in writing executed by the Shareholder or by such Shareholder’s attorney duly authorized in writing or, if the Shareholder is a corporation, under its corporate seal, by an officer or attorney thereof duly authorized indicating the capacity under which such officer or attorney is signing,
  - (i) at the Head Office at any time up to and including the last business day preceding the day of the Meeting, being Tuesday, June 15, 2004, or any adjournment thereof, at which the proxy is to be used; or
  - (ii) with the chairman of the Meeting on the day of the Meeting or any adjournment thereof; or

- (b) in any other manner permitted by law.

### EXERCISE OF DISCRETION BY PROXIES

The persons named in the accompanying form of proxy will vote the shares in respect of which they are appointed in accordance with the direction of the Shareholders appointing them. **In the absence of such direction, such shares will be voted in favour of the passing of the matters set out in the Notice. The form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice and with respect to other matters which may properly come before the Meeting or any adjournment thereof.** At the time of the printing of this management information circular, management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice. **However, if any other matters which at present are not known to management of the Corporation should properly come before the Meeting, the proxy will be voted on such matters in accordance with the best judgment of the named proxies.**

### ADVICE TO BENEFICIAL SHAREHOLDERS

**The information set forth in this section is of significant importance to a substantial number of Shareholders who do not hold their shares in their own name (referred to in this section as “Beneficial Shareholders”).** Beneficial Shareholders should note that only proxies deposited by Shareholders whose names appear on the records of the Corporation as the registered holders of shares can be recognized and acted upon at the Meeting. If shares are listed in an account statement provided to a Shareholder by a broker, then in almost all cases those shares will not be registered in such Shareholder’s name on the records of the Corporation. Such shares will more likely be registered under the name of the Shareholder’s broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co., the registration name for The Canadian Depository for Securities Inc., which company acts as a nominee of many Canadian brokerage firms. Shares held by brokers or their nominees can only be voted for or against resolutions upon the instructions of the Beneficial Shareholder. Without specific instructions, brokers/nominees are prohibited from voting shares for their clients. The directors and officers of the Corporation do not know for whose benefit the shares registered in the name of CDS & Co. are held.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of shareholders’ meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their shares are voted at the Meeting. Often the form of proxy supplied to a Beneficial Shareholder by its broker is identical to the form of proxy provided by the Corporation to the registered shareholders. However, its purpose is limited to instructing the registered shareholder how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to ADP Investor Communications Corporation (“ADP”). ADP typically applies a special sticker to the proxy forms, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return the proxy forms to ADP. ADP then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. **A Beneficial Shareholder receiving a proxy with an ADP sticker on it cannot use that proxy to vote shares directly at the Meeting - the proxy must be returned to ADP well in advance of the Meeting in order to have the shares voted.** All references to shareholders in this Management Information Circular and the accompanying form of proxy and Notice are to Shareholders of record unless specifically stated otherwise.

## VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The Corporation has fixed the close of business on Friday, May 7, 2004 (the "Record Date") as the record date for the purposes of determining Shareholders entitled to receive the Notice and vote at the Meeting. The Corporation is authorized to issue an unlimited number of Common Shares and preferred shares, issuable in series, of which 21,459,052 Common Shares were issued and outstanding as at the Record Date.

In accordance with the provisions of the *Canada Business Corporations Act*, the Corporation will prepare a list of the Shareholders on the Record Date. Each Shareholder named in the list will be entitled to vote the shares shown opposite his name on the list at the Meeting.

To the knowledge of the directors and senior officers of the Corporation, as at the date of this management information circular, the only person who beneficially owns, directly or indirectly, or exercises control or direction over voting securities of the Corporation carrying more than 10% of the voting rights of the total issued and outstanding shares of the Corporation is as follows:

Name	Number of Voting Securities Owned	
	Common Shares	Percentage of Class
Dr. Brent Norton	2,519,268	11.7%

## EXECUTIVE COMPENSATION

### 1. Summary Compensation Table

The following table is a summary of the compensation paid by the Corporation to its: (i) President and Chief Executive Officer; (ii) Executive Vice President, Clinical and Regulatory Affairs; and (iii) Vice President, Finance and Chief Financial Officer (collectively, the "Named Executive Officers") for the years ended December 31, 2003 and 2002, and the 11 month period ended December 31, 2001.

Name and Position	Financial Year Ended <sup>(1)</sup>	Annual Compensation			Long-term Compensation	All other Compensation <sup>(2)</sup> (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Securities Under Option Granted (#)	
Dr. Brent Norton, President and Chief Executive Officer	Dec. 31, 2003	\$285,000	-	-	70,000	-
	Dec. 31, 2002	\$222,500	\$45,000	-	360,000	\$6,750
	Dec. 31, 2001	\$206,250	-	-	120,000	-
Michael Eveleigh, Ph.D., Executive Vice President, Clinical and Regulatory Affairs	Dec. 31, 2003	\$225,000	-	-	50,000	-
	Dec. 31, 2002	\$215,000	\$105,000	-	110,000	-
	Dec. 31, 2001	\$183,334	-	-	60,000	-
Ronald Hosking, Vice President, Finance and Chief Financial Officer	Dec. 31, 2003	\$150,000	\$24,000	-	85,000	-
	Dec. 31, 2002	\$126,000	-	-	36,000	\$6,750
	Dec. 31, 2001	\$110,000	-	-	-	\$6,075

**Notes:**

- (1) In 2001, the Corporation changed its financial year end from January 31 to December 31. As a result the period ended December 31, 2001 is 11 months.
- (2) This compensation reflects the value of the Common Shares issued by the Corporation to such Named Executive Officers pursuant to the Corporation's employee share purchase plan. The value is based upon the closing price of the Common Shares on the Toronto Stock Exchange on the respective dates of the issuance of such shares. See "Executive Compensation – Employee Share Purchase Plan".

**2. Long-term Incentive Plan Awards during the Year Ended December 31, 2003**

No Long-term Incentive Plan Awards were made to the Named Executive Officers during the year ended December 31, 2003.

### 3. Option Grants during the Year Ended December 31, 2003

During the year ended December 31, 2003, the following incentive stock options were granted to the Named Executive Officers:

Name and Position	Securities Under Options Granted (#) <sup>(1)</sup>	% of Total Options Granted to Employees in Financial Year	Exercise or Base Price (\$/Security)	Market Value of Securities Underlying Options on the Date of Grant (\$/Security)	Expiration Date
Dr. Brent Norton President and Chief Executive Officer	70,000	17.1%	\$4.00	\$4.00	Dec. 5, 2008
Michael Evelegh, PhD Vice President Clinical and Regulatory Affairs	50,000	12.2%	\$4.00	\$4.00	Dec. 5, 2008
Ronald Hosking, Vice President, Finance and Chief Financial Officer	50,000 35,000	12.2% 8.6%	\$2.85 \$4.00	\$2.85 \$4.00	Jun. 27, 2008 Dec. 5, 2008

**Note:**

(1) These options will vest annually over periods from three to five years.

### 4. Aggregated Option Exercises during the Year Ended December 31, 2003 and Financial Year-end Option Values

The following table sets out (i) the number of Common Shares issued to the Named Executive Officers upon the exercise of options during the year ended December 31, 2003 and the aggregate value realized upon such exercises; and (ii) the number and value of unexercised options held by the Named Executive Officers as at December 31, 2003:

Name and Position	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at FY-End (#) Exercisable/Unexercisable	Value of Unexercised in-the-money Options at FY-End (\$) Exercisable/Unexercisable <sup>(3)</sup>
Dr. Brent Norton, President and Chief Executive Officer	-	-	625,000 <sup>(1)</sup> 407,500/217,500 <sup>(2)</sup>	\$452,250 \$371,250/\$81,000
Michael Evelegh, Ph.D., Executive Vice President, Clinical and Regulatory Affairs	210,000	140,070	220,000 <sup>(1)</sup> 112,500/107,500 <sup>(2)</sup>	\$80,400 \$46,800/\$33,600
Ronald Hosking, Vice President, Finance and Chief Financial Officer	60,000	45,000	121,000 <sup>(1)</sup> 21,600/99,400 <sup>(2)</sup>	\$54,500 -/\$54,500

**Notes:**

- (1) These options will vest (i) upon the occurrence of certain performance-related milestones of the Corporation relating to the Corporation's core technologies (e.g. launch of clinical trials, FDA clearance of initial claims); (ii) based upon the Corporation's financial performance (e.g. earnings per share targets); and/or (iii) annually over a pre-determined number of years.
- (2) These options were not yet exercisable as the milestones or time periods referred to in note (1) above had not yet been attained.
- (3) Based upon a closing price of \$3.94 for the Common Shares on the Toronto Stock Exchange on December 31, 2003.

**5. Employee Share Purchase Plan**

The Corporation implemented a share purchase plan (the "Purchase Plan") effective March 22, 1999, as amended, whereby the Corporation will match the value of the Common Shares purchased by its employees, officers and directors in the market by issuing from treasury an equal number of Common Shares, up to a maximum value of the lesser of (i) 50% of the maximum allowable annual contribution for registered retirement savings plans as established by the Canada Revenue Agency; and (ii) 9% of the participant's annual salary. The maximum number of Common Shares which may be issued by the Corporation pursuant to the Purchase Plan is 350,000. As of the date of this management information circular, the Corporation has issued an aggregate of 93,522 Common Shares under the Purchase Plan to its employees, officers and directors.

**6. Employment Agreements**

The Corporation has entered into employment agreements with each of the Named Executive Officers. Each of these employment agreements sets out the obligations of such Named Executive Officers to the Corporation and the compensation to be paid to them. These Named Executive Officers' compensation includes a combination of base salary, cash bonus, stock options and other benefits.

Unless terminated earlier pursuant to the terms of their respective agreements, Dr. Norton's and Dr. Eveleigh's employment with the Corporation shall continue indefinitely. If either the employment of Dr. Norton or Dr. Eveleigh is terminated by the Corporation without cause or, at the option of each of Dr. Norton or Mr. Eveleigh, terminated in the event of a "change of control" (as such term is defined in their respective employment agreements) of the Corporation, he is entitled to cash payments equal to a percentage of his then current annual base salary. Also, in the event of termination without cause or termination by Dr. Norton and Dr. Eveleigh in the event of a change of control, all of their options shall immediately vest and shall be exercisable or convertible for a period of 60 days after such termination. Each of Dr. Norton and Dr. Eveleigh has also agreed not to compete with the Corporation for two years and one year, respectively, in the event that he is terminated for cause or without cause or if he voluntarily resigns from the Corporation.

Unless terminated earlier pursuant to his employment agreement, Mr. Hosking's employment shall continue until January 12, 2005 at which time it may be renewed for successive one-year periods. If Mr. Hosking's employment is terminated without cause, he is entitled to a cash payment equal to a percentage of his then current annual base salary and all options held by Mr. Hosking shall immediately vest and shall be exercisable or convertible for a period of 30 days after such termination. Mr. Hosking has also agreed not to compete with the Corporation for one year in the event that he is terminated for cause.

**7. Compensation of Directors**

During the year ended December 31, 2003, a total of \$61,500 was paid to the directors of the Corporation in their capacity as directors. The directors of the Corporation are eligible to receive options to purchase Common Shares pursuant to the terms of the Corporation's incentive stock option plan.

## **8. Key Man Life Insurance**

A subsidiary of the Corporation (the "Subsidiary"), all of the common shares of which are owned by the Corporation, maintains a life insurance policy for Dr. Norton in the amount of \$11,000,000 with the Subsidiary as the named beneficiary under such policy. Pursuant to an agreement dated March 24, 2004 between the Corporation, the Subsidiary and Dr. Norton, in the event of Dr. Norton's death, the Subsidiary shall use 75% of the insurance proceeds (the "Payout Amount") to purchase the following number of Common Shares from Dr. Norton's estate: (a) if the aggregate fair market value (as determined pursuant to the terms of the agreement) of all of Dr. Norton's Common Shares as at the date of death is less than the Payout Amount, all of the Dr. Norton's Common Shares at a purchase price equal to such aggregate fair market value; or (b) if the aggregate fair market value of all of Dr. Norton's Common Shares as at the date of death is greater than the Payout Amount, such number of Dr. Norton's Common Shares which results when (i) the Payout Amount is divided by (ii) the fair market value of a Common Share calculated as at the date of death. After the payment for Dr. Norton's Common Shares as determined above, the balance of the insurance proceeds shall be paid to the Subsidiary. Pursuant to the terms of this agreement, on January 1 of each year, the Subsidiary shall ensure that the amount of the insurance policy is not less than 100% of the fair market value of Dr. Norton's Common Shares at that date. The Corporation has agreed to guarantee the Subsidiary's obligations under this agreement.

The Corporation also maintains a key man life insurance policy for Dr. Evelegh in the amount of \$750,000, with the Corporation as the named beneficiary under such policy.

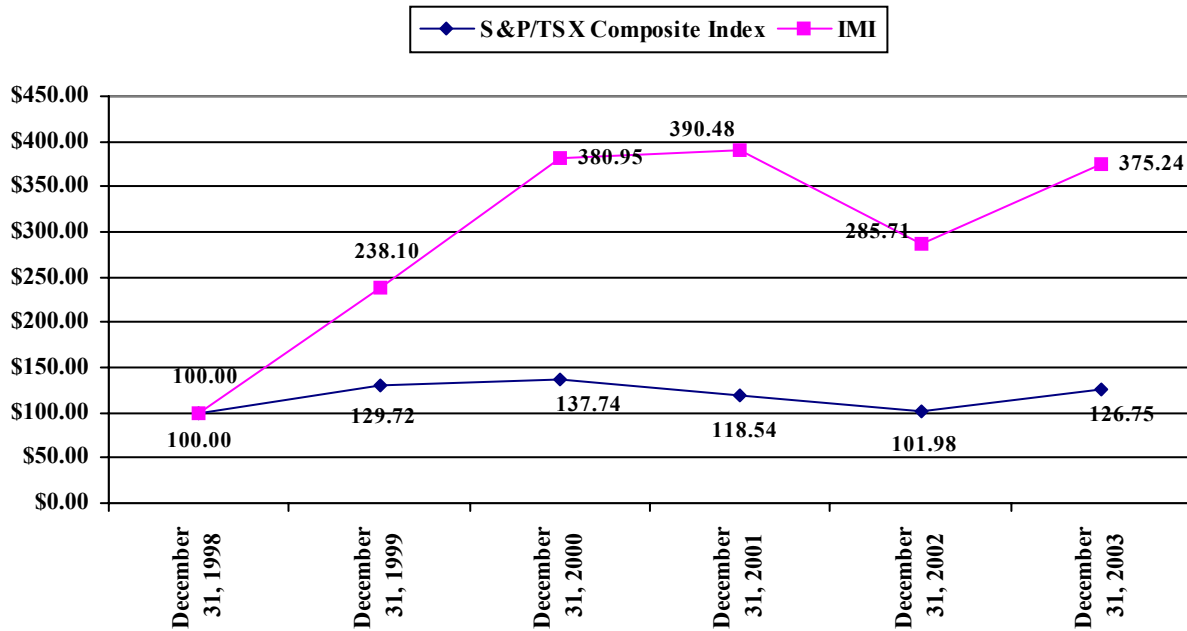
## **9. Compensation and Corporate Governance Committee and Report on Executive Compensation**

The compensation and corporate governance committee of the Corporation is made up of John C. Carroll, Anthony F. Griffiths, David A. Rosenkrantz and Stephen A. Wilgar, all of which are outside directors. The committee meets on compensation matters as and when required with respect to executive compensation. The primary goal of the compensation committee as it relates to compensation is to ensure that the compensation provided to the Corporation's senior officers is determined with regard to the Corporation's business strategies and objectives, such that the financial interest of the senior officers is matched with the financial interest of shareholders. The Corporation's senior officers are paid fairly and commensurably with their contributions to furthering the Corporation's strategic direction and objectives. The board of directors of the Corporation or the compensation and corporate governance committee also grants stock options to its officers, directors and employees from time to time in accordance with the Corporation's stock option plan.

### 10. Shareholder Return Performance Graph

The Common Shares were first listed for trading on the former Canadian Dealing Network on November 11, 1997. They were subsequently listed on the Toronto Stock Exchange (the “TSX”) on August 22, 2000 and the American Stock Exchange on September 17, 2003. The following graph shows the percentage change in the cumulative shareholder return on the Common Shares compared to the cumulative total return of the S&P/TSX Composite Index for the period from December 31, 1998 to December 31, 2003 assuming \$100 initial investments:

**Comparison of Cumulative Total Return between IMI International Medical Innovations Inc. and the S&P/TSX Composite Index from December 31, 1998 to December 31, 2003**



**Note:**

- (1) The calculation of the shareholder return for the Common Shares as described in the table above is based upon the trading values of the Common shares on the TSX.

## INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS

The following table outlines each individual who is, or at any time during the year ended December 31, 2003 was, a director, executive officer or senior officer of the Corporation, each proposed nominee for election as a director of the Corporation and each associate of any such director, officer or proposed nominee, who is, or at any time since the beginning of the year ended December 31, 2003 has been, indebted to the Corporation:

Name and place of residence	Position	Largest Amount Outstanding During year ended December 31, 2003	Amount Outstanding as of April 30, 2004	Financially Assisted Securities Purchases During year ended December 31, 2003	Security for Indebtedness
Dr. Brent Norton Toronto, Ontario	President and Chief Executive Officer	\$20,738 <sup>(1)</sup>	nil	nil	n/a
Michael Eveleigh, Ph.D. Dundas, Ontario	Executive Vice President, Clinical and Regulatory Affairs	\$188,266 <sup>(1)</sup>	\$122,489 <sup>(1)</sup>	nil	n/a
Ronald Hosking, Toronto, Ontario	Vice President, Finance and Chief Financial Officer	\$56,060 <sup>(1)</sup>	\$10,169 <sup>(1)</sup>	nil	n/a

**Note:**

- (1) These loans bear interest at the rate of interest prescribed by the Canada Revenue Agency for employee loans or 5%, whichever is greater. The interest on these loans is payable annually whereas the principal thereof is payable upon demand.

## INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS

No insider (as such term is defined in the *Securities Act* (Ontario)) or proposed nominee for election as a director of the Corporation or any associate or affiliate of the foregoing has any interest, direct or indirect, in any material transactions in which the Corporation has participated since January 1, 2003, or in any proposed transaction which has materially affected or will materially affect the Corporation.

## STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The TSX has approved the recommendations of the report dated December 1994 (the "Report") by the TSX Committee on Corporate Governance in Canada and has adopted a new by-law requiring corporations listed on the TSX to disclose their approach to corporate governance. In December 1999, the TSX clarified the requirements for the disclosure of listed corporations' approaches to corporate governance and now requires listed corporations to specifically address the TSX's guidelines in their annual "Statement of Corporation Governance Practices". Companies listed on the TSX are not required to comply in all respects with the guidelines set out in the Report as it is recognized that there is a wide range of corporations listed on the TSX and compliance by smaller corporations with all aspects of the

guidelines would, in certain circumstances, be difficult or excessively expensive. The Corporation's Board of Directors and senior management consider good corporate governance to be central to the effective and efficient operation of Canadian corporations. The disclosure of the Corporation's corporate governance practices is set out in a question and answer format and attached to this management information circular as Schedule "A".

The Corporation has put in place measures to facilitate communications with the shareholders and the public in general. Feedback and concerns from shareholders and the general public are received by the Corporation by telecopier, telephone or mail. The Corporation intends to keep its shareholders informed through shareholder meetings as well as by press releases, the Corporation's website, quarterly financial statements, financial reports and other information documentation.

## **PARTICULARS OF MATTERS TO BE ACTED UPON**

### **1. Election of Directors**

Management of the Corporation proposes that the persons named in the following table be nominated for election as directors of the Corporation. All of the nominees for director are now directors of the Corporation and have been since the dates set opposite their respective names. An affirmative vote of a majority of the votes cast at the Meeting is sufficient for the election of directors.

In the event a nominee is unable or unwilling to serve, an event that management of the Corporation has no reason to believe will occur, the persons named in the accompanying form of proxy reserve the right to vote for another person at their discretion, unless a Shareholder has specified in the form of proxy that these shares are to be withheld from voting for the election of directors. Each director elected at the Meeting will hold office until the close of the next annual meeting of Shareholders or until such director's successor is duly elected or appointed.

The following table sets forth the name of each person to be nominated by management of the Corporation for election as a director, such person's present position with the Corporation, the period or periods of his service as a director of the Corporation, and the approximate number of Common Shares beneficially owned, directly or indirectly, or subject to control or direction, by such person as at the date of this management information circular:

Name and Place of Residence	Principal Occupation	Director Since	Number and Class of Voting Securities Beneficially Owned or Controlled
Dr. Brent Norton North York, Ontario	President, Chief Executive Officer and Director of the Corporation	March 17, 1993	2,519,268 Common Shares (11.7%)
Stephen A. Wilgar <sup>(1)(2)</sup> Toronto, Ontario	Corporate director of various public companies	March 17, 1993	270,808 Common Shares (1.3%)
John C. Carroll <sup>(1)(2)</sup> Toronto, Ontario	Corporate director of various public companies	June 6, 1994	263,442 Common Shares (1.2%)
Anthony F. Griffiths <sup>(1)(2)</sup> Toronto, Ontario	Corporate director of various public companies	July 13, 1995	510,500 Common Shares (2.4%)
David A. Rosenkrantz <sup>(1)(2)</sup> Toronto, Ontario	President, Patca Securities Limited and director of various public companies	June 11, 1998	392,733 Common Shares (1.8%)
Ronald D. Henriksen Plainfield, Indiana	Chief Investment Officer, Twilight Ventures, L.L.C.	N/A	nil

**Notes:**

- (1) Member of the Audit Committee.
- (2) Member of the Compensation Committee.

The following is the biography of Ronald D. Henriksen, the nominated director whose biography has not previously been provided to the Shareholders:

Mr. Henriksen has more than 30 years of experience in healthcare, working in the pharmaceutical, biotechnology, consulting and venture capital industries. Mr. Henriksen is currently the Chief Investment Officer of Twilight Ventures, L.L.C., an Indianapolis-based venture capital firm investing exclusively in life science companies. Prior to joining Twilight Ventures, he was the President of ARTI (Indiana University Advanced Research & Technology Institute) from November 1998 until March 2002.

Mr. Henriksen currently serves on the board of directors of CyberLearning Labs, Neuromed Technologies, QLT, Inc. and StemSource. Mr. Henriksen received his BS in Industrial Administration at Iowa State University and a Masters of Business Administration “with distinction” from the Harvard Business School. He served as a naval officer for four years following graduation.

**2. Appointment of Auditor**

Management proposes to nominate Ernst & Young LLP, Chartered Accountants, Toronto, Ontario, which firm has been auditor of the Corporation since 1997, as auditor of the Corporation to hold office until the next annual meeting of Shareholders. An affirmative vote of a majority of the votes cast at the Meeting is sufficient for the appointment of auditor. It is intended that the shares represented by proxies in favour of management nominees will be voted in favour of the appointment of Ernst & Young LLP as auditor of the Corporation and the authorizing of the directors to fix their remuneration.

### 3. Amendment to Articles of the Corporation

The *Canada Business Corporations Act* allows a board of directors of a corporation to appoint from time to time one or more directors between annual meetings of shareholders provided that the articles of such corporation empower the directors with this right. In order to give the Corporation the flexibility to add strategic directors between annual meetings of Shareholders, the Shareholders are being asked to pass a special resolution authorizing an amendment to the articles of the Corporation which would provide the directors with this right.

In order for the special resolution to be effective, it must be approved by the holders of at least two-thirds of the votes cast at the Meeting. The full text of the special resolution to be submitted to the Shareholders is set out below:

**“NOW THEREFORE BE IT RESOLVED AS A SPECIAL RESOLUTION:**

- (1) The articles of the Corporation be and the same are hereby amended to provide that the board of directors is empowered from time to time to appoint one or more directors, who shall hold office for a term expiring not later than the close of the next annual meeting of shareholders, but the total number of directors so appointed may not exceed one-third of the number of directors elected at the previous annual meeting of shareholders.
- (2) Any director or officer of the Corporation be and such director or officer of the Corporation is hereby authorized and empowered, acting in the name of and on behalf of the Corporation, to execute or cause to be executed, under the seal of the Corporation or otherwise, and deliver or cause to be delivered any and all such documents and instruments and to do or cause to be done all such other acts and things as, in the opinion of such director or officer, may be necessary or desirable in order to fulfill the intent of the foregoing resolution, including, without limitation, the filing of articles of amendment, in duplicate, with the Director under the *Canada Business Corporations Act*.”

The board of directors of the Corporation believes the passing of this special resolution is in the best interests of the Corporation and recommends that Shareholders vote in favour of the special resolution.

**IT IS INTENDED THAT THE COMMON SHARES REPRESENTED BY PROXIES IN FAVOUR OF MANAGEMENT NOMINEES WILL BE VOTED IN FAVOUR OF SUCH SPECIAL RESOLUTION.**

#### **APPROVAL OF BOARD OF DIRECTORS**

The contents of this management information circular and the sending of it to each director of the Corporation, to the auditor of the Corporation, to the Shareholders and to the appropriate governmental agencies have been approved by the directors of the Corporation.

DATED at Toronto, Ontario this 10th day of May, 2004.

(signed) Dr. Brent Norton  
President and Chief Executive Officer

## SCHEDULE “A”

### IMI INTERNATIONAL MEDICAL INNOVATIONS INC.

#### ALIGNMENT WITH CORPORATE GOVERNANCE GUIDELINES

##### Corporate Governance Guidelines

1. *The board of directors should explicitly assume responsibility for stewardship of the corporation, and specifically for:*

*(a) adoption of a strategic planning process*

The board of directors of the Corporation (the “Board”) provides input and guidance on, and reviews and approves the strategic planning and business objectives developed by, senior management of the Corporation and oversees management’s implementation of the strategic plan.

*(b) identification of principal risks, and implementing risk-management systems*

The Board considers on an ongoing basis the principal risks of the Corporation’s business based on regular business reports prepared by the Corporation’s senior management. In addition, the Audit Committee, through reviewing the activities and findings of the Corporation’s external auditors, is aware of the principal risks to the Corporation’s business and reports thereon to the Board on a regular basis.

*(c) succession planning and monitoring senior management*

The Board is responsible for the assessment of the performance of, and the development of a succession plan for, the President and Chief Executive Officer (the “CEO”) of the Corporation, who is in turn charged with those same responsibilities for the balance of the Corporation’s senior management team.

*(d) communications policy*

The Board is committed to maintaining an effective communications policy for the benefit of all shareholders. In addition to its timely and continuous disclosure obligations under applicable law, the Corporation ensures that senior management is available to respond to questions and comments from shareholders. With the approval of the Board, management has a designee of the Corporation, as the principal individual responsible for receiving shareholder inquiries and dealing with shareholders’ concerns. Such designee is available to respond to shareholder questions and comments, and endeavours to respond promptly and appropriately to all requests and/or inquiries. If material business issues result from communications between shareholders and senior management, it is the policy of the Corporation that such matters be reported to the Board.

*(e) integrity of internal control and management information systems*

The Audit Committee reviews with management and the Corporation’s external auditors the ongoing sufficiency and integrity of the Corporation’s internal control, financial reporting and management information systems.

2. ***The board of directors of every corporation should be constituted with a majority of individuals who qualify as “unrelated” directors. For the purposes of the TSX Report, an “unrelated” director is a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director’s ability to act with a view to the best interests of the corporation, other than interests and relationships arising from shareholding.***

The current Board consists of four unrelated directors and one related director who is a management director as well. The Compensation and Corporate Governance Committee will consider further changes to the composition of the Board from time to time in order to serve the Corporation as it evolves.

3. ***Disclose for each director whether he or she is related to the corporation or any significant shareholder of the corporation, and how that conclusion was reached.***

The Board, in conjunction with the Compensation and Corporate Governance Committee, is responsible for the review of factual circumstances and relevant relationships of each of the directors. One of the directors, Dr. Norton is a member of management of the Corporation and is therefore considered to be “related”. The remaining members of the Board, Messrs. Carroll, Griffiths, Rosenkrantz and Wilgar are considered by the Board as “unrelated” to the Corporation.

The Corporation does not have a “significant shareholder” which the TSX Report defines as a “shareholder with the ability to exercise a majority of the votes for the election of the board of directors”.

4. ***Appoint a committee comprised exclusively of non-management directors, a majority of whom are unrelated directors, responsible for proposing new nominees to the Board and for assessing directors on an ongoing basis.***

The Corporation does not have a nominating committee. When a new director is to be elected or appointed, the Chairman is expected to consult with fellow directors and management for suggestions and, in considering appointments, the Board is expected to take into account the objectives of the Corporation and the then current composition of the Board.

5. ***Implement a process for assessing the effectiveness of the board as a whole, the committees of the board and the contribution of individual directors.***

The Compensation and Corporate Governance Committee is responsible (i) for the review of the membership and chairs of the Board committees, as well as the mandates and activities of each committee; and (ii) to make such recommendations to the Board arising out of such review as each committee deems appropriate.

6. ***Provide an orientation and education program for new recruits to the board.***

The Corporation currently has an informal orientation program for new members of the Board.

7. ***Examine the size of the board of directors with a view to determining the impact of the number of directors upon effectiveness.***

As of the date of this management information circular, the Board is composed of five members. The Board has reviewed its size and has concluded that the number of directors of the Corporation is efficient and effective, given the size and scope of the Corporation's operations.

8. ***Review the adequacy and form of the compensation of directors to ensure that such compensation realistically reflects the responsibilities and risks involved in being an effective director.***

The Compensation and Corporate Governance Committee is responsible for the review and approval of the design and administration of all compensation and benefit plans and policies for the Corporation's Board and senior management. Directors' compensation is to be fixed by the Compensation and Corporate Governance Committee at what the committee believes to be competitive levels with due consideration to the periodic changes in the levels of responsibility assigned to members of the Board.

9. ***Committees of the board of directors should generally be composed of outside directors, a majority of whom are unrelated directors.***

Each of the Audit Committee and the Compensation and Corporate Governance Committee is comprised entirely of non-management or "outside" directors.

10. ***Each board should assume responsibility for, or assign to a committee of directors the general responsibility for, developing the corporation's approach to governance issues.***

The mandate of the Compensation and Corporate Governance Committee includes responsibility for reviewing the Corporation's approach to corporate governance issues, monitoring compliance with Corporation's stated corporate governance policies and otherwise generally having responsibility for the Corporation's corporate governance.

11. ***Position descriptions should be developed for both the board and for the CEO, involving the definition of the limits to management's responsibilities.***

The Board has responsibility for the stewardship of the Corporation and specifically for: (i) providing input and guidance on and approving the strategic plan and business objectives developed by senior management and overseeing management's implementation of the strategic plan; (ii) considering the principal risks of the business based on regular business reports prepared by senior management and based on the Audit Committee's review of the findings of the external auditors; (iii) assessing the performance of, and developing a succession plan for, the CEO; and (iv) reviewing the ongoing sufficiency and integrity of the Corporation's internal control, financial reporting and management information systems with management and the Corporation's external auditors. In addition to the specific responsibilities enumerated above, the Board is responsible for the supervision of management of the business but not the day-to-day operations which are the responsibility of the CEO. The Board will also consider those matters that are brought to it by the CEO that, as noted below, are deemed to be material matters.

The CEO is specifically charged with the responsibility for managing the strategic and operational agenda of the Corporation and for the execution of the directives and policies of the Board. The roles and responsibilities of the CEO include, among other things:

- (a) developing, together with the Board, the Corporation's strategic direction and monitoring same;
- (b) directing the overall business operations of the Corporation;
- (c) ensuring that the Board is kept appropriately informed of the overall business operations of the Corporation and major issues facing the Corporation;
- (d) having ultimate accountability for the development and execution of the strategy and policies of the Corporation and their communication to the Corporation's key internal and external shareholders;
- (e) having responsibility for the day-to-day operations of the Corporation, including the annual planning process, capital management, financial management, acquisitions, divestitures, etc., all of which must be accomplished within the strategic framework of the Corporation established by the Board;
- (f) having the responsibility for the employment, compensation, job descriptions, performance assessment, leadership development and succession planning of human resources;
- (g) representing the Corporation to its major shareholders, including investment and financial communities, governments, customers and the public;
- (h) bringing the following material decisions to the Board for their review and approval:
  - (i) disposition of assets or cancellation of debt other than in the ordinary and normal course of business;
  - (ii) acquisition or initiation of a new business or undertaking or the assumption of any commitment, obligation or liability other than in the ordinary and normal course of business;
  - (iii) issuance or sale of securities of the Corporation or rights, options or warrants to acquire securities of the Corporation;
  - (iv) redemption or repurchase of securities of the Corporation;
  - (v) declaration or payment of a dividend or other distribution in respect of any securities of the Corporation;
  - (vi) any transaction, contract, agreement, undertaking or arrangement with a person with whom the Corporation does not act at arm's length; and
  - (vii) any other transaction, contract, agreement, undertaking, commitment or arrangement, not in the ordinary and normal course of business which is or would be material in relation to the Corporation; and
- (i) presenting to the Board any material business issues resulting from communications with shareholders.

Mr. Wilgar, as Chairman of the Board, also assumes the following role and responsibilities:

- (a) managing the affairs of the Board and monitoring its effectiveness;
- (b) managing meetings of the Board by ensuring that meaningful agendas are prepared and guiding the deliberations of the Board so that appropriate strategic and policy decisions are made;
- (c) setting the agenda for meetings of the Board and ensuring that all matters of strategic importance are being dealt with at the Board level during the course of the year; and
- (d) participation in the selection of candidates to be submitted to the Board for appointment as new directors.

**12. *Establish procedures to enable the board to function independently of management.***

The Board's "unrelated" directors have unrestricted and direct access to both management and the external auditors of the Corporation. Part of the mandate of the Compensation and Corporate Governance Committee is to continuously monitor the relationship between management and the Board.

**13. *Establish an audit committee composed only of outside directors with a specifically defined mandate.***

The Audit Committee has primary responsibility for ensuring the integrity of the Corporation's financial reporting, risk management and internal controls. The Audit Committee Charter, which has been approved by the Board, prescribes the roles and responsibilities of the Audit Committee. The Audit Committee has unrestricted access to the Corporation's personnel and documents and has direct communication channels with the Corporation's external auditors in order to discuss audit and related matters whenever appropriate. The Audit Committee receives and reviews the annual financial statements of the Corporation and makes recommendations thereon to the Board prior to their approval by the full Board. The Audit Committee also reviews the scope and planning of the external audit, the form of audit report and any correspondence from or comments by the external auditors regarding financial reporting and internal controls. Moreover, the Audit Committee is responsible for correcting weaknesses identified by the external auditors with respect to the internal control systems and for ensuring that the recommended corrections had been implemented.

The Audit Committee is composed entirely of outside directors.

**14. *Implement a system to enable individual directors to engage an outside advisor at the expense of the corporation in appropriate circumstances***

In appropriate circumstances, the Board will approve the engagement of an outside advisor at the expense of the Corporation.