



CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2009

(Unaudited)

May 4, 2009

(Date Issued)



IMRIS INC.
Consolidated Balance Sheets
(In CDN dollars)
(March 31, 2009 Unaudited)

	March 31, 2009	December 31, 2008
Assets		
Current assets		
Cash and cash equivalents (note 4)	\$ 12,699,892	\$ 18,597,333
Accounts receivable (note 5)	7,096,616	1,208,380
Unbilled receivables	-	3,051,782
Inventory (note 6)	2,873,765	2,186,283
Prepaid expenses	2,009,376	1,133,570
	<u>24,679,649</u>	<u>26,177,348</u>
Property, plant, and equipment, net	7,419,054	6,884,653
Goodwill	6,462,808	6,462,808
Patents, net	312,790	323,961
	<u>6,775,598</u>	<u>6,786,769</u>
Total assets	\$ 38,874,301	\$ 39,848,770
Liabilities and Shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 6,331,133	\$ 6,227,986
Customer deposits	15,024,436	12,647,883
Current portion of capital lease obligation	5,796	8,624
	<u>21,361,365</u>	<u>18,884,493</u>
Shareholders' equity		
Share capital (note 8b)	65,992,820	65,992,820
Contributed surplus (note 8d)	1,407,899	1,228,193
Deficit	(49,887,783)	(46,256,736)
	<u>17,512,936</u>	<u>20,964,277</u>
Total liabilities and shareholders' equity	\$ 38,874,301	\$ 39,848,770

See accompanying notes

IMRIS INC.
Consolidated Statement of Loss and Comprehensive Loss and Deficit
(In CDN dollars)
(Unaudited)

	Three months ended March 31, 2009	Three months ended March 31, 2008
Sales	4,804,279	4,158,136
Cost of sales	2,956,468	3,756,113
Gross profit	1,847,811	402,023
Operating expenses		
Administrative	1,474,344	1,741,635
Sales and marketing	1,704,122	1,322,545
Customer support and operations	1,065,352	911,610
Research and development	1,077,369	903,844
Amortization	498,737	250,698
Total operating expenses	5,819,924	5,130,332
Loss before the following	(3,972,113)	(4,728,309)
Other income		
Foreign exchange gain	336,796	52,492
Interest income	4,270	271,305
Total other income	341,066	323,797
Loss before taxes	(3,631,047)	(4,404,512)
Income taxes	-	-
Loss and comprehensive loss for the period	(3,631,047)	(4,404,512)
Deficit, beginning of period	(46,256,736)	(29,293,844)
Deficit, end of period	(49,887,783)	(33,698,356)
Weighted average number of common shares outstanding	27,352,513	27,349,991
Basic and diluted loss per share	(0.13)	(0.16)

See accompanying notes

IMRIS INC.
Consolidated Cash Flows
(In CDN dollars)
(Unaudited)

	Three months ended March 31, 2009	Three months ended March 31, 2008
OPERATING ACTIVITIES		
Loss for the period:	(3,631,047)	(4,404,512)
Items not affecting cash		
Amortization	498,737	250,698
Stock based compensation	179,706	136,470
Loss on disposal of assets	1,841	-
	<u>(2,950,763)</u>	<u>(4,017,344)</u>
Changes in non-cash working capital items		
Accounts receivable	(5,888,236)	1,288,739
Unbilled receivables	3,051,782	(231,773)
Inventory	(687,482)	386,132
Prepaid expenses	(875,806)	(666,736)
Accounts payable and accrued liabilities	103,147	(240,154)
Customer deposits	2,376,553	1,306,844
	<u>(1,920,042)</u>	<u>1,843,052</u>
	<u>(4,870,805)</u>	<u>(2,174,292)</u>
FINANCING ACTIVITIES		
Proceeds from issuance of share capital	-	2,910
Repayment of long term debt	-	(41,582)
Repayment of obligation under capital lease	(2,828)	(2,648)
	<u>(2,828)</u>	<u>(41,320)</u>
INVESTING ACTIVITIES		
Proceeds from sale of assets	1,370	-
Acquisition of property, plant and equipment	(1,025,178)	(184,151)
	<u>(1,023,808)</u>	<u>(184,151)</u>
Decrease in cash and cash equivalents	(5,897,441)	(2,399,763)
Cash and cash equivalents, beginning of period	18,597,333	30,803,989
Cash and cash equivalents, end of period	<u>12,699,892</u>	<u>28,404,226</u>

Supplemental disclosure of cash flow information

Cash paid during the period for:

Interest	\$	2,829	\$	3,252
Income taxes		-		-

1. DESCRIPTION OF BUSINESS

IMRIS is a supplier of surgical imaging solutions designed to provide surgeons with near real time images during a surgical procedure to assist them in making decisions that ultimately result in improved patient outcomes. The Company's flagship product IMRISneuro is an integrated operating room that uses IMRIS' patented technology to move a magnetic resonance imaging scanner into an operating room from an adjacent suite and position it directly over the patient for imaging during the surgical procedure, without the need to move the patient. The Company's products are currently focused on the neurosurgical market, however the Company is currently developing a solution for MR guided interventional cardiac and neurovascular procedures.

2. INTERIM FINANCIAL STATEMENTS

The unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian Generally Accepted Accounting Principles (GAAP) applicable to interim financial statements. The statements follow the same accounting policies and methods of their application as disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2008 except as described in note 3.

In the opinion of Management, all adjustments necessary for a fair presentation are reflected in the unaudited interim consolidated interim financial statements. Such adjustments are of a normal and recurring nature. The results of operations for the interim periods are not necessarily indicative of the operating results for the full year. The unaudited consolidated interim financial statements do not include all the disclosures required according to GAAP for annual consolidated financial statements, and should therefore be read in conjunction with the audited consolidated financial statements and notes included in the Company's Annual Report for the year ended December 31, 2008.

3. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2009, the Company adopted the following new accounting standard, as issued by the Canadian Institute of Chartered Accountants: Section 3064 Goodwill and Intangible Assets. This change in accounting policy was applied in accordance with the transitional provisions contained in this section.

Goodwill and Intangible Assets

Section 3064, Goodwill and Intangible Assets provides guidance on the recognition, measurement, presentation and disclosure for goodwill and intangible assets, other than the initial recognition of goodwill or intangible assets acquired in a business combination. It revises the requirement for recognition, measurement, presentation and disclosure of intangible assets. The adoption of this standard has had no material impact on our financial position or results of operations.

4. CASH AND CASH EQUIVALENTS

	March 31 <u>2009</u>	December 31 <u>2008</u>
Cash	\$ 2,314,683	\$ 7,167,897
Short term investments	10,385,209	11,429,436
	<u>\$ 12,699,892</u>	<u>\$ 18,597,333</u>

Short term investments consist of investments in short term banker's acceptances and short term deposits.

Included in short-term investments are term deposits totalling \$340,008 (2008 - \$270,293) that have been pledged as security to our bank for letters of credit required for bid bonds on certain system installations.

5. ACCOUNTS RECEIVABLE

	March 31 <u>2009</u>	December 31 <u>2008</u>
Accounts receivable, trade	\$ 7,093,627	\$ 1,094,940
Commodity taxes receivable	-	91,784
Interest receivable	2,989	21,656
	<u>\$ 7,096,616</u>	<u>\$ 1,208,380</u>

The carrying value of the Company's trade accounts receivable is as noted above. The company has not provided an allowance for doubtful accounts.

As at March 31, 2009, trade accounts receivable of \$1,495,725 were past due but not impaired. The aging of these trade accounts receivable are as follows:

	<u>Current</u>	1 to 30 days <u>past due</u>	31 to 60 days <u>past due</u>
Accounts receivable, trade	\$ 5,597,902	\$ 1,040,711	\$ 455,014

There are no impairments or amounts past due other than those relating to trade accounts receivable.

6. INVENTORY

	March 31 <u>2009</u>	December 31 <u>2008</u>
Materials	\$ 2,152,168	\$ 2,146,319
Work in progress	721,597	39,964
	<u>\$ 2,873,765</u>	<u>\$ 2,186,283</u>

During the quarter ended March 31, 2009, the Company recorded inventory write-downs for slow moving and obsolete inventory of \$30,000 (Year-to-date-\$30,000).

7. LONG TERM DEBT

The long-term loan under the NRC Industrial Research Assistance Program results from a refundable contribution in the amount of \$495,000 under which the NRC contributed to funding certain research and development activities. The loan facility is unsecured, is non-interest bearing, and is repayable quarterly as to principal only until January 31, 2015 at a rate of 1% of the Company's gross revenues for the preceding quarter. The debt was repaid in 2008.

8. CAPITAL STOCK

a) Authorized

The Company's share capital consists of an unlimited number of common shares and an unlimited number of preferred shares.

b) Issued and outstanding

The issued share capital of the Company is as follows:

Common Shares	Number of Shares	Stated Capital
Issued and outstanding as at as at March 31, 2009	27,352,513	\$ 65,992,820

No common shares were issued in during the quarter ended March 31, 2009.

There are no preferred shares outstanding.

c) Stock-based compensation plan

The outstanding options and the activity relating to these options are as follows:

	Three months ended March 31, 2009	Weighted average exercise price
	Number of options	
Outstanding, beginning of period	3,697,226	\$2.90
Granted	103,109	2.01
Forfeited	(16,375)	1.94
Outstanding, end of period	3,783,960	\$2.88

The company recorded an expense of \$179,706 related to stock options during the first quarter of 2009 (2008 - \$136,470) with a corresponding credit to contributed surplus. This estimate of the fair value on the date of grant used the Black-Scholes option pricing model with the following assumptions:

	Three months ended March 31, 2009	Three months ended March 31, 2008
Risk-free interest rate	1.49%	2.91%
Dividend yield	0%	0%
Expected life of the options	4.2 years	4.2 years
Expected volatility of the underlying stock	64.06%	46.45%

The estimated fair value of the options is expensed on a straight-line basis over the option's vesting period.

The weighted average fair value of stock options granted during the first quarter of 2009, under the Black-Scholes option pricing model, and using the above assumptions was \$1.01 (2007 - \$2.02).

8. CAPITAL STOCK (continued)

d) Contributed Surplus

	Three months ended <u>March 31, 2009</u>	Three months ended <u>March 31, 2008</u>
Balance, beginning of period	\$ 1,228,193	\$ 576,065
Stock based compensation expense for the period	179,706	136,470
Amount credited to share capital related to options exercised during the period	-	(420)
<u>Balance, end of period</u>	<u>\$ 1,407,899</u>	<u>\$ 712,115</u>

9. SEGMENTED INFORMATION

The Company operates as one business segment that develops, assembles and installs surgical imaging systems used in medical applications as well as providing ancillary products and services and extended maintenance services.

Revenue attributable to geographic locations, based on the location of the customer, is as follows:

	Three months ended <u>March 31, 2009</u>	Three months ended <u>March 31, 2008</u>
North America	\$ 4,669,611	\$ 2,214,134
Asia Pacific	134,668	1,944,002
	<u>\$ 4,804,279</u>	<u>\$ 4,158,136</u>

During the three months ended March 31, 2009, revenues from two individual customers totalled \$3,401,479 which represents 71% of the total revenue. The revenues from each of these customers, individually accounted for more than 10% of the total revenue.

Substantially all of the capital assets and the entire goodwill balance are attributable to the Company's operations located in Canada.

10. RELATED PARTY TRANSACTIONS

The Company leases air travel time from 5343381 Manitoba Ltd, a company which is wholly owned by a significant shareholder of IMRIS Inc. The amount charged to travel expenses during the first quarter ended March 31, 2009 totalled \$153,300 (March 31, 2008 – \$148,200) and was priced using an estimated third party comparable cost and recorded at the exchange amount. The payable balance owing to 5343381 Manitoba Ltd. as at March 31, 2009 was \$68,880 (December 31, 2008 – \$41,580).

The Company contracted consulting services from a company which is controlled by a director of IMRIS Inc. in prior years. No consulting services were provided in the current quarter (2008 – \$48,000). The transactions were priced using arms length pricing and were recorded at the exchange amount.

11. DEFINED CONTRIBUTION EMPLOYEE PENSION PLAN

The Company contributes to a defined contribution Employee Pension Plan for all its employees. Contributions to this Plan are expensed as incurred. The Company makes a matching contribution equal to 50% of the employee's contribution, to a maximum of 3% of the employee's annual remuneration (subject to regulatory maximums). The employer contributions vest immediately with the employee. The expense for the defined contribution plan during the first quarter ended March 31, 2009 totalled \$58,678 (2008 – \$13,162).

12. FINANCIAL RISK MANAGEMENT

The Company is exposed to a variety of financial risks by virtue of its activities: market risk (including currency risk; fair value interest rate risk; cash flow interest rate risk); credit risk and liquidity risk. The overall risk management efforts focus on the unpredictability of financial markets and seek to minimize potential adverse effects on financial performance. The finance department identifies and evaluates financial risks in close cooperation with management. The finance department is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated.

a) *Market Risk*

i. Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk from various currencies, primarily US dollars. Foreign exchange risk arises from future sales and purchase transactions as well as recognized financial assets and liabilities denominated in foreign currencies. The Company's main objective in managing its foreign exchange risk is to preserve gross margins and reduce variations in performance. While the Company sells in most foreign markets in US dollars, the Company also sources a significant portion of the components it delivers in US dollars. In addition, the Company incurs nearly all of its sales expenses in US dollars. As a result of this natural hedge, the Company's foreign exchange risk is significantly reduced. The Company does not currently enter into any foreign exchange contracts, but may consider doing so in the future.

The balances in foreign currencies at March 31, 2009 are as follows:

	<u>US Dollars</u>
Cash and cash equivalents	\$ 5,390,002
Accounts receivables	4,168,079
Unbilled receivables	-
Accounts payable and accrued liabilities	(719,997)
	<u>\$ 8,838,084</u>

Based on the above net exposures as at March 31, 2009, and assuming that all other variables remain constant a 10% depreciation of the Canadian dollar or a 10% appreciation of the Canadian dollar against the various currencies would result in increases/(decreases) in net earnings as follows:

	<u>US Dollars</u>
Canadian dollar depreciates 10%	\$ 1,114,748
Canadian dollar appreciates 10%	(1,114,748)

12. FINANCIAL RISK MANAGEMENT (continued)

ii. Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's cash and cash equivalents includes short-term highly liquid investments that earn interest at market rates. Financial assets and financial liabilities that bear interest at fixed rates are subject to fair value interest rate risk. The Company's short-term investments are the only financial assets bearing fixed interest rates while the capital lease obligation is the only financial liability bearing a fixed interest rate. The Company manages its interest rate risk by minimizing financing costs on its borrowings and maximizing the interest incomes earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis. The Company's investment policy limits the investing of excess funds to Bankers Acceptances, Canadian Chartered bank term deposits, and short term highly liquid money market mutual funds sponsored by Canadian Chartered banks.

b) *Credit Risk*

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The maximum exposure to credit risk of the company at period end is the carrying value of its financial assets. The Company manages its credit risk on cash and cash equivalents by dealing solely with reputable banks and financial institutions. The Company's North American customers are large credit worthy medical hospitals and thus there is very little exposure to credit risk. When selling internationally, the Company uses irrevocable letters of credit to reduce its exposure to credit risks. The Company reviews the collectability of its accounts receivable and would record an allowance for doubtful accounts receivable if accounts were determined to be uncollectible. The loss would be recognized in the income statement within 'Administrative expense'. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the account receivable is uncollectible. For the quarter ended March 31, 2009, revenues from two individual customers totalled \$3,401,479 which represents 71% of the total revenue. (March 31, 2008; five customers represented 94% of the total revenue). The Company's March 31, 2009 receivables include balances owing from five individual customers who respectively account for 35%, 26%, 13%, 11% and 10% of the combined accounts receivable and unbilled receivables balances (March 31, 2008 – two customers representing 50% and 34%).

c) *Liquidity Risk*

Liquidity risk is the risk that the company will not be able to meet its obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The following are the contractual maturities of the undiscounted cash flows of financial liabilities as at March 31, 2009:

	Less than 3 <u>months</u>	3 to 6 <u>months</u>	6 to 9 <u>months</u>	9 months <u>to 1 year</u>	Over 1 <u>year</u>
Accounts payable and accrued liabilities	\$4,964,539	\$160,944	\$266,936	\$238,379	\$700,335

13. FINANCIAL INSTRUMENTS

Fair values

The carrying amounts of cash and cash equivalents, accounts receivable, unbilled receivables and accounts payable and accrued liabilities are a reasonable estimate of their fair values because of the short-term maturity of these instruments. The effective rate of return on short-term investments is approximately 0.53% (December 2008 – 1.44%).

14. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the overall cost of capital.

In the management of capital, the Company includes shareholders' equity, debt and customer deposits in the definition of capital.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets and adjust the amount of cash and short-term investment balances.

15. COMPARATIVE FIGURES

Certain prior period figures have been reclassified to conform to the current period's presentation.