

MANAGEMENT'S DISCUSSION AND ANALYSIS

This interim Management Discussion and Analysis ("MD&A") is dated as at November 2, 2009 and should be read in conjunction with the interim unaudited consolidated financial statements and the notes thereto for the three and nine months ended September 30, 2009, and with the audited consolidated financial statements and notes thereto for the year ending December 31, 2008. In this MD&A, "IMRIS", the "Company", "we", "our" and "us" are used to refer to IMRIS Inc.

This MD&A contains forward-looking statements about future events or future performance and reflects management's expectations and assumptions regarding our growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management's current beliefs and are based on information currently available to us. In some cases, forward-looking statements can be identified by terminology such as "may", "would", "could", "will", "should", "expect", "plan", "intend", "anticipate", "believe", "estimate", "predict", "potential", "continue" or the negative of these terms or other similar expressions concerning matters that are not historical facts. In particular, statements regarding our future operating results, economic performance and product development efforts are or involve forward-looking statements.

A number of factors could cause actual events, performance or results, including those in respect of the foregoing items, to differ materially from the events, performance and results discussed in the forward-looking statements. Factors which could cause future outcomes to differ materially from those set forth in the forward-looking statements include, but are not limited to: [i] timing and amount of revenue recognition of order backlog and the Company's expectation of sales and margin growth [ii] obtaining sufficient and suitable financing to support operations and commercialization of products, [iii] adequately protecting proprietary information and technology from competitors, [iv] obtaining regulatory approvals and successfully completing new product launches, [v] successfully competing in the targeted markets, and [vi] maintaining third party relationships, including key personnel, and key suppliers. In evaluating these forward-looking statements, readers should specifically consider various factors, including the risks outlined under "Risks and Uncertainties", which may cause actual events, performance or results to differ materially from any forward-looking statement. Although the forward-looking statements contained in this MD&A are based on what management considers to be reasonable assumptions, there can be no assurance that actual events, performance or results will be consistent with these forward-looking statements, and management's assumptions may prove to be incorrect. These forward-looking statements are made as of the date of this MD&A and we do not intend, and do not assume any obligation, to update or revise them to reflect new events or circumstances. Additional information including our annual information form and management's discussion and analysis for the year ended December 31, 2008 is available on SEDAR at www.sedar.com.

Non-GAAP Financial Measures

In this Management Discussion and Analysis, we use the non-GAAP measure "order backlog". We define order backlog as the unrecognized portion of the revenues anticipated to be recorded from confirmed system orders, including the next 12 months of revenues to be derived from executed service contracts. In view of the long sales cycle, high unit price and limited quarterly installations that are characteristic of our business, we believe that our order backlog provides a better measure at any particular point in time of the long-term performance prospects of our business than our quarterly operating results. Order backlog, however, does not have any standardized meaning prescribed by generally accepted accounting principles and is, therefore, unlikely to be comparable to similar measures presented by other issuers.

Overview

IMRIS provides fully integrated imaging solutions that deliver timely information to clinicians during surgical or interventional procedures. IMRIS systems incorporate multiple imaging modalities including Magnetic Resonance Imaging (“MRI”) and Fluoroscopy into fully integrated imaging suites. Our systems use a variety of patented technologies including the capability of moving a Magnetic Resonance (“MR”) scanner to the patient, rather than having to move the patient to the scanner, while the surgery or interventional procedure is in progress.

IMRISneuro – is our flagship product, providing surgeons with high resolution MR images during neurosurgical procedures. Due to the invasive nature of brain surgery and the importance of minimizing disturbance to healthy brain tissue, neurosurgical procedures may benefit from an MRI's unique ability to distinguish between diseased and healthy brain tissue. IMRISneuro allows surgeons to make adjustments to the procedure while the procedure is in progress, which may lead to improved patient outcomes and reduce the likelihood that repeat surgeries will be needed.

IMRISneuro has become the solution of choice for neurosurgeons in neuroscience centers across the globe. To date, we have sold 31 systems, 16 of which are installed and 15 of which are in the delivery phase. Of the 31 systems sold, 22 are in the United States, 5 are in Canada and 4 systems are in Asia Pacific.

Bringing new application-specific solutions to market is a priority for IMRIS. Through a program of continuous innovation that leverages our technology platforms and core competencies, we have recently rolled out two new applications that are targeted at the cardiovascular and neurovascular markets. IMRIScardio and IMRISnv represent new market opportunities for our Company. We received CE Mark regulatory approval for both systems in Europe in April 2009, US Food and Drug Administration (FDA) approval in September 2009 and Health Canada approval in October 2009.

IMRIScardio –provides clinicians with timely and accurate images for visualizing the cardiovascular system before, during and after an intervention. Cardiovascular interventions demand a high level of accuracy in the diagnosis of patients and in the assessment of treatments. The IMRIScardio suite includes a wide-bore 1.5 Tesla MRI scanner and a single-plane or bi-plane angiography system providing the ability to alternate between imaging modalities and immediately assess treatment.

IMRISnv –sequentially employs MRI and fluoroscopy in an integrated suite that provides interventional clinicians with imaging for the rapid assessment and post procedure evaluation of neurovascular conditions including stroke, where speed of treatment is a major determinant in the success of patient outcomes. The IMRISnv suite features a wide-bore 3 Tesla MRI scanner and a bi-plane angiography system completely integrated into a single suite that permits the patient to transition quickly and seamlessly between MR imaging and intervention without transporting the patient between modalities

Our integrated imaging solutions are based on three fundamental principles:

Patient Safety – The patient is never moved during the course of a surgical or interventional procedure in an IMRIS integrated therapy suite. Unlike conventional imaging solutions where the patient is moved for imaging, our solutions move the imaging system to the patient at the right moment in the procedure. This avoids any potential risks associated with having to move the patient to the scanner, and maintains optimum patient positioning during the procedure.

Clinical Efficiency – All aspects of IMRIS systems are designed to enhance the workflow of the clinical team. Imaging information is captured rapidly and presented to maximize efficiency and effectiveness for clinicians. In addition, because the imaging system is moved to the patient during use, when not in use, clinicians are afforded unrestricted access to the patient and do not require special MR-compatible instruments for the procedures.

Financial Utility – IMRIS systems provide customers with both intraoperative interventional and diagnostic MR imaging capabilities. When not in use during a surgery or interventional procedure, the MRI scanner is located in an adjacent room and is available for diagnostic imaging, thereby ensuring that the hospital obtains maximum utility from its equipment.

IMRIS Business Model

The purchase and installation of an IMRIS system represents a significant capital project for our customers. The price of an integrated IMRIS system ranges from approximately \$4 million to \$12 million, depending on the product, room configuration and level of integration services. In addition to the purchase of our equipment, customers may require additional capital expenditures for room construction and ancillary operating room equipment.

The large capital expenditure associated with the purchase of an IMRIS system necessitates that we engage with a number of different stakeholders within and outside the hospital that can include representatives from neurosurgery, cardiology, radiology, facilities management and administration. As a result, the sales cycle associated with the marketing of our systems is both complex and lengthy, with a typical sales cycle of more than 12 months from initial customer engagement to our receipt of a purchase order.

Following the receipt of a customer purchase order, the delivery and installation cycle for one of our systems typically ranges from five months to twelve months or more depending in part on the configuration of our system, but also dependent on the amount of additional construction work that may be required to be completed by the customer. In certain cases, the purchase and installation of our system may be part of a larger hospital construction project and our delivery cycle may be considerably longer.

Our delivery cycle includes a phase for initial design and obtaining of permits, structural site construction activities carried out by the hospital and our subcontractors, installation of our overhead rail system, the delivery and installation of the MRI scanner and the remaining system components and final testing and integration of the system.

Given the lengthy delivery cycle, we invoice customers for the system in installments spread over a number of milestones. These milestones typically include a deposit at the time of order; and a percentage of the total system price upon delivery of the equipment, completion of installation and final acceptance. Due to the project nature of our system sales, we recognize revenues and related cost of sales on a percentage-of-completion basis as the system is installed.

As a result of our relatively short operating history, the limited number of systems sold and installed to date and the high dollar value associated with each sale, our revenues recorded from quarter to quarter may vary significantly depending on the number and stage of active projects in any given quarter. We expect that quarter over quarter results in the future will continue to fluctuate in the near term for these reasons.

Highlights:

- Sales increased to \$9.9 million, a 103% increase over Q3 2008.
- Gross profit as a percentage of sales improved to 45% compared with 27% in Q3 2008.
- Order bookings of \$10.6 million in Q3 2009 contributed to 73% year over year growth in order backlog.
- IMRISNV and IMRIScardio approved for sale in the US and Canada.

Summary of Selected Financial Information

The following table sets forth selected financial information for the dates and periods indicated.

	Three months ended			Nine months ended		
	September 30		%	September 30		%
	2009	2008		2009	2008	
Sales	\$ 9,863,709	\$ 4,869,433	103%	\$ 24,495,851	\$ 17,218,641	42%
Cost of sales	5,401,780	3,541,973	53%	13,756,715	14,031,484	-2%
Gross profit	4,461,929	1,327,460	236%	10,739,136	3,187,157	237%
As a percentage of sales	45.2%	27.3%		43.8%	18.5%	
Operating expenses						
Administration	1,642,702	1,733,936	-5%	4,891,558	5,088,585	-4%
Sales and marketing	1,601,483	1,747,905	-8%	5,269,417	4,708,728	12%
Customer support and operations	1,161,209	1,021,536	14%	3,443,437	2,974,892	16%
Research and development	1,133,412	1,419,993	-20%	3,493,709	3,433,851	2%
Amortization	539,392	432,931	25%	1,565,235	953,242	64%
	6,078,198	6,356,301	-4%	18,663,356	17,159,298	9%
Operating loss before the following	(1,616,269)	(5,028,841)	-68%	(7,924,220)	(13,972,141)	-43%
Foreign exchange (loss) gain	(1,033,741)	230,763		(1,657,608)	238,037	
Interest (expense) income	(6,096)	118,060		(1,072)	586,304	
Net loss for the period	\$ (2,656,106)	\$ (4,680,018)	-43%	\$ (9,582,900)	\$ (13,147,800)	-27%
Basic and fully diluted loss per share	\$ (0.10)	\$ (0.17)	-41%	\$ (0.35)	\$ (0.48)	-27%

Operating Results

Sales

Sales increased by approximately \$5.0 million or 103% to \$9.9 million for the three months ended September 30, 2009 over the same period in 2008 and \$7.3 million to \$24.5 million for nine months ended September 30, 2009 compared to the nine months ended September 30, 2008. Sales for the current nine months ended September 30, 2009 included \$23.3 million of revenues associated with new system deliveries and \$1.2 million of revenues associated with extended maintenance contracts.

Gross Profit

Gross profit for the three and nine months ended September 30, 2009 increased by approximately \$3.1 million and \$7.5 million, respectively as compared to the same periods in the prior year. Gross profit as a percentage of sales increased from 27.3% in the third quarter of 2008 to 45.2% in the third quarter of 2009 and from 18.5% to 43.8% for the nine months ending September 30, 2009. With the benefits of our IMRISneuro system now well recognized in the market place, we have moved our pricing strategy from market penetration to value based, resulting in higher gross margins. We have seen improved margins as a result of our efforts to reduce the direct costs of our systems.

Operating expenses

Operating expenses for the third quarter were \$6.1 million, a decrease of approximately \$0.3 million or 4% over the third quarter of 2008. Operating expenses were \$18.7 million for the nine months ended September 30, 2009, an increase of approximately \$1.5 million or 9% higher as compared to the first nine months of 2008. The third quarter decrease is a result of lower costs across most functional areas of the Company. The year to date increases are reflected across most major functional areas of the Company including sales and marketing, customer support and operations and research and development. A considerable amount of the increases in the departmental expenses is attributable to higher staff levels. We have expanded our team to address the anticipated growth in demand for our systems.

At the departmental level, administrative expenses decreased by approximately \$0.1 million from \$1.7 million in the third quarter of 2008 to \$1.6 million in the third quarter of 2009. Administrative expenses decreased by approximately \$0.2 million from \$5.1 million for the first nine months of 2008 to \$4.9 million in the first nine months of 2009. The third quarter decrease is due to lower IT related professional fees (\$0.1 million). The year to date decrease is primarily comprised of decreased professional fees (\$0.4 million) offset by increased wages (\$0.1 million) and miscellaneous office and general expenses (\$0.1 million).

Sales and marketing expenses decreased by approximately \$0.1 million from \$1.7 million in the third quarter of 2008 to \$1.6 million in the third quarter of 2009. Sales and marketing expenses increased by approximately \$0.6 million from \$4.7 million in the first nine months of 2008 to \$5.3 million in the first nine months of 2009. The third quarter decrease is due to lower international sales commissions (\$0.1 million). The year to date increase is comprised of higher staff related costs (\$0.5 million), an increase of approximately \$0.1 million in marketing and promotion expenses and increased costs associated with additional international sales offices (\$0.2 million). This is offset by lower commissions \$0.2 million, due to lower international sales.

Customer support and operations expense increased by approximately \$0.2 million; from \$1.0 million in the third quarter of 2008 to \$1.2 million in the third quarter of 2009. Customer support and operations expense increased by approximately \$0.4 million from \$3.0 million in the first nine months of 2008 to \$3.4 million in the first nine months of 2009. The third quarter increase is partly due to professional fees associated with obtaining regulatory approvals for our products (\$0.1 million). The year to date increase relates to increased staff costs (\$0.3 million) and higher professional fees (\$0.1 million).

Research and development expenses in the third quarter of 2009 were approximately \$1.1 million, a decrease of \$0.3 million from third quarter in 2008. Research and development expense increased by approximately \$0.1 million, from \$3.4 million in the first nine months of 2008 to \$3.5 million in the first nine months of 2009. The third quarter decrease is due to timing of prototyping as compared to the prior period. The year to date increase is primarily caused by increased staff levels (\$0.1 million), an increase in legal fees (\$0.1 million), and an increase in equipment maintenance (\$0.1 million), offset by lower expenditures on prototyping (\$0.2 million).

Amortization expense increased \$0.1 million to approximately \$0.5 million versus \$0.4 million in the third quarter of 2008. Amortization expenses increased approximately \$0.6 million to approximately \$1.6 million in the first nine months of 2009 versus \$1.0 million in the first nine months of 2008. The increased amortization expense results from the capital additions to our research and development test facility.

The company had a foreign exchange loss of \$1.0 million in the third quarter of 2009 compared to a foreign exchange gain of \$0.2 million in 2008. Foreign exchange losses for the nine months ending September 30, 2009 were \$1.7 million compared to a foreign exchange gain of \$0.2 million in the first nine months of 2008. The exchange loss during the quarter and the first nine months resulted from the decrease in value of the US dollar relative to the Canadian dollar. The majority of the Company's sales are denominated in US dollars; as such we held US dollar denominated assets during the period and we are negatively impacted as the US dollar weakened against the Canadian dollar.

Interest income decreased by \$0.1 million in the third quarter and \$0.6 million for the first nine months as compared to the same periods in 2008 as a result of the extremely low yields on short-term money market instruments and lower cash balances.

Operating Loss and Net loss for the period

The Company's third quarter 2009 operating loss decreased to \$1.6 million and was \$7.9 million in the first nine months of 2009, representing decreases of 68% and 43% respectively from the comparable periods in 2008. The year over year decreases are due primarily to increase sales volume and higher gross profit margins offset in part by additional operating expenses to fund growth in the business.

Our net loss for the quarter ended September 30, 2009 was \$2.7 million, a decrease of 43% compared to the loss of \$4.7 million in the third quarter of 2008. The year to date loss decreased from \$13.1 million in 2008 to \$9.6 million in 2009. This was mainly due to the higher sales volume and the improved gross margins offset in part by higher foreign exchange losses and lower interest income.

Summary of Quarterly Results

The following table is a summary of our financial results for the past eight quarters.

(In CDN dollars)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
(Unaudited)	2009	2009	2009	2008	2008	2008	2008	2007
Sales	9,863,709	\$ 9,827,863	\$ 4,804,279	\$ 5,733,845	\$ 4,869,433	\$ 8,191,072	\$ 4,158,136	\$ 3,424,391
Cost of sales	5,401,780	5,398,467	2,956,468	4,312,698	3,541,973	6,733,398	3,756,113	2,957,390
Gross Profit	4,461,929	4,429,396	1,847,811	1,421,147	1,327,460	1,457,674	402,023	467,001
As a percentage of sales	45.2%	45.1%	38.5%	24.8%	27.3%	17.8%	9.7%	13.6%
Operating expenses								
Administration	1,642,702	1,774,512	1,474,344	1,718,663	1,733,936	1,613,014	1,741,635	1,789,978
Sales and marketing	1,601,483	1,963,812	1,704,122	1,741,730	1,747,905	1,638,278	1,322,545	1,068,448
Customer support and operations	1,161,209	1,216,876	1,065,352	955,378	1,021,536	1,041,746	911,610	954,769
Research and development	1,133,412	1,282,928	1,077,369	1,271,654	1,419,993	1,110,014	903,844	826,382
Amortization	539,392	527,106	498,737	503,793	432,931	269,613	250,698	248,581
	6,078,198	6,765,234	5,819,924	6,191,218	6,356,301	5,672,665	5,130,332	4,888,158
Operating loss before the following	(1,616,269)	(2,335,838)	(3,972,113)	(4,770,071)	(5,028,841)	(4,214,991)	(4,728,309)	(4,421,157)
Foreign exchange (loss) gain	(1,033,741)	(960,663)	336,796	880,516	230,763	(45,218)	52,492	127,621
Interest income (expense)	(6,096)	754	4,270	74,463	118,060	196,939	271,305	224,368
Net loss for the period	\$ (2,656,106)	\$ (3,295,747)	\$ (3,631,047)	\$ (3,815,092)	\$ (4,680,018)	\$ (4,063,270)	\$ (4,404,512)	\$ (4,069,168)
Basic and diluted loss per share	\$ (0.10)	\$ (0.12)	\$ (0.13)	\$ (0.14)	\$ (0.17)	\$ (0.15)	\$ (0.16)	\$ (0.16)

As noted in the IMRIS Business Model section above, as a consequence of the limited number of systems sold to date and the high dollar value associated with each sale, our revenues from quarter to quarter tend to vary significantly.

Order Backlog

During the third quarter, IMRIS received order bookings of \$10.6 million, contributing to order backlog of \$83.8 million at September 30, 2009. The change in the Company's order backlog was impacted by delivering record revenues of \$9.9 million and a \$3.7 million reduction in the value of the backlog due to the appreciation of the Canadian dollar versus the US dollar. Included in the third quarter backlog are one new customer order and an upgrade of an existing order. We have been able to convert past order backlog to recognized revenue and we are reasonably confident that we will convert our present order backlog to recognized revenue going forward.

Outlook

Since the formation of the Company in 2005, we focused our efforts on gaining market acceptance for our products and on ensuring the successful delivery of each customer installation by developing core competencies across all facets of the organization. Our efforts to date have resulted in increased market acceptance for our IMRISneuro product suite, which is best demonstrated by the positive trend in our sales results and by the consistent quarter over quarter backlog growth. As we moved through 2009, we are focused on converting these orders into deliveries and generating new orders.

The installation of our systems is relatively complex. Following the receipt of a customer purchase order, the delivery cycle for one of our systems typically ranges from five to twelve months or more. In some cases, the delivery of our system is a part of a larger hospital construction project, and the delivery cycle may be considerably longer and may be subject to delays for a number of reasons beyond our control. While IMRIS generally has little influence on the overall construction schedule of our customers, we believe that by taking an active role in managing each customer program that we can minimize the potential for delays and shorten our delivery cycle. A group of dedicated program managers works directly with each customer to keep those elements of the delivery cycle that are within the Company's control on schedule.

During the first three quarters of 2009, our gross profit margins, as a percent of sales, increased significantly over the same periods in 2008. Looking ahead, we expect the improved gross profit margins should be maintained. We have seen margin expansion in 2009 as a result of our efforts to reduce the direct costs of our systems.

Operating expenses for the remainder of 2009 are expected to increase over 2008 levels as we add more capacity in anticipation of an increase in system deliveries. These increases are expected to be inline with our budgeted expenses.

We continue to be optimistic about our long-term prospects. While the macro economic conditions continue to improve, we recognize that the current economic climate may impact the spending decisions of some potential customers. We will continue to monitor the situation and take the necessary measures to ensure the long term sustainability and growth of our business.

Our strategies for near-term growth and value-creation include the continued focus on marketing our products globally and through the introduction and development of new products such as IMRIScardio and IMRISnv which will open new markets and revenue streams for the Company. We have sufficient cash resources, with a substantial order backlog, providing us with the required resources to continue to grow our business and invest in new product development. Over the near term, we will be particularly focused on generating additional system orders, carefully managing our expenses and maintaining our gross profit margins.

Our longer term objectives include continued innovation and development of high value imaging solutions for specific surgical applications, the strengthening of our technology base and competitive barriers and the growth of recurring revenue sources.

Liquidity and Capital Resources

Our principal capital needs are for funding scientific research and development programs, supporting our sales and marketing activities and funding capital expenditures and working capital. The Company has financed its cash requirements primarily through issuances of securities and advance deposits from customers associated with new customer orders.

We had cash or cash equivalents of \$6.1 million as at September 30, 2009, a decrease of \$3.0 million from June 30, 2009 and a decrease of \$12.5 million from December 31, 2008. The decrease from June 30, 2009 primarily resulted from the cash operating loss of \$1.9 million, an increase in working capital of \$0.5 million and capital spending of \$0.6 million. The decrease from December 31, 2008 primarily resulted from the cash operating loss of \$7.5 million, an increase in working capital of \$2.3 million and capital spending of \$2.7 million.

The following table sets forth the summary statement of cash flows for the periods indicated:

Statements of Cash Flows						
(In CDN dollars)						
(Unaudited)						
	Three months ended			Nine months ended		
	2009	2008	Change	2009	2008	Change
Cash flows:						
From Operating Activities	\$ (2,471,990)	\$ (3,168,808)	\$ 696,818	\$ (9,865,613)	\$ (7,409,083)	\$ (2,456,530)
Used in Financing Activities	9,046	(48,056)	57,102	23,639	(173,978)	197,617
Used in Investing Activities	(570,205)	(281,052)	(289,153)	(2,655,419)	(5,083,667)	2,428,248
Net decrease	(3,033,149)	(3,497,916)	464,767	(12,497,393)	(12,666,728)	169,335
Cash and cash equivalents, opening	9,133,089	21,635,177		18,597,333	30,803,989	
Cash and cash equivalents, closing	\$ 6,099,940	\$ 18,137,261	\$ (12,037,321)	\$ 6,099,940	\$ 18,137,261	\$ (12,037,321)

Operating Activities

The cash used in operating activities for the three and nine months ended September 30, 2009 was \$2.5 million and \$9.9 million, respectively. The cash used in the third quarter of 2009 was comprised of the operating loss (excluding non-cash related items) of approximately \$1.9 million and \$0.6 million increase in working capital. This increase in working capital is made up of a decrease accounts payables and accruals (\$3.3 million) and an increase in prepaid expenses (\$0.3 million) offset by a decrease in receivables (net of customer deposits) (\$2.4 million), inventory (\$0.4 million), and customer deposits (\$0.2 million).

Financing Activities

Cash generated in financing activities in the current quarter and year to date relates to employee options being exercised offset by payments for capital lease obligations.

The Company closed on November 2, 2009, a bought deal financing with a syndicate of underwriters to issue 3,215,000 common shares of IMRIS at \$5.60 per common share for gross proceeds of approximately \$18 million. In addition, IMRIS granted the underwriters an option, exercisable in whole or in part for a period of up to 30 days following the offering closing date, to increase the offering by up to 482,250 common shares at a price of \$5.60 per common share. This option was exercised on November 2, 2009, increasing the aggregate size of the offering to approximately \$20.7 million.

Proceeds of the offering will be used for working capital and general corporate purposes.

Investing Activities

The cash used in investing activities for the three and nine months ended September 30, 2009 was approximately \$0.6 million and \$2.7 million, respectively. All of the investing activities are for capital equipment purchases. During the current quarter, the Company purchased capital equipment for \$0.5 million (\$2.2 million year to date) related to R&D equipment for MR guided radiation therapy. The remaining capital expenditures for the third quarter and year to date were for computer software and hardware and miscellaneous equipment.

Capital expenditures for the balance of the 2009 are expected to be in the range of \$1.0 to \$1.3 million. Included in the total will be additional capital expenditures for approximately \$0.5 million relating to a new enterprise resource planning (ERP) system being implemented in the fourth quarter of 2009 and approximately \$0.5 million for a trade show booth.

Liquidity and Capital Resources Summary

Our cash and cash equivalents as at September 30, 2009 totaled \$6.1 million. This cash position, together with the completed bought deal financing and our expectation that we will generate positive cash flow from operations including the customer deposits on future orders, is expected to provide sufficient liquidity to meet the anticipated needs of ongoing operations and existing projects including the funding of current research and development programs and budgeted capital asset expenditures.

Outstanding Share Data

The following table sets forth our outstanding share data as at the dates given:

	Authorized	November 2, 2009	December 31, 2008
Common shares	unlimited	\$85,350,194 (31,068,877 common shares)	\$65,992,820 (27,352,513 common shares)
Preferred shares	unlimited	Nil	Nil
Contributed surplus		\$1,765,496	\$1,228,193

As at November 2, 2009 a total of 3,781,793 stock options were outstanding under the Company's stock option plan.

Financial Instruments

Our financial instruments consist of cash and cash equivalents, accounts receivables, unbilled receivables, and accounts payable and accrued liabilities.

We are subject to credit risk with respect to our accounts receivable and unbilled receivables to the extent debtors do not meet their obligations and we are subject to foreign exchange risk with respect to financial instruments denominated in a currency other than the Canadian dollar.

Our short-term investments at September 30, 2009 were \$0.3 million and were invested in interest bearing saving accounts and short term bank deposits. Of this total, \$0.2 million was denominated in US dollars.

Our accounts receivable at September 30, 2009 were \$6.3 million, of which \$5.9 million is considered current (less than 60 days old). \$5.2 million of the total accounts receivable were denominated in US dollars.

Related Party Transaction

The Company leases air travel time from 5343381 Manitoba Ltd., a company which is wholly owned by Centara Corporation, a corporation controlled by David Graves, our President & Chief Executive Officer. The amount charged to travel expenses with respect to transactions conducted on an estimated third party comparable cost basis with this related party during the third quarter of 2009 was \$131,590 (2008 - \$106,386) and \$439,800 for the nine months ended September 30, 2009 (2008 - \$213,446).

As at September 30, 2009, the balance payable to this related party was \$150,000 versus \$41,580 as at December 31, 2008.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Among the accounting estimates described in the notes to the financial statements, we consider the accounting estimates used in the determination of recognized revenues, the value of goodwill and the valuation of stock options to be critical. Our results as determined by actual events could differ materially from the previously mentioned estimates.

Revenue recognition

We recognize revenues for our system sales on a percentage-of-completion basis as the system is installed. The percentage-of-completion is determined by the ratio of actual costs incurred to date to the estimated cost of completion for the project. In the event that the actual costs of completion differ from the estimated cost we have used in determining the percentage-of-completion, recognized revenues may be over or under-estimated until all costs have been incurred and the project is complete. Funds received from our customers in advance of meeting the criteria for recognition of revenues are recorded as customer deposits until the revenue is recognized. Revenues recognized in advance of the criteria for invoicing to our customer are recorded as unbilled receivables. Accordingly, the reported amounts shown on the balance sheet under customer deposits or unbilled receivables may be over or understated.

Interest income is recognized as earned.

Value of goodwill

We recorded goodwill on the purchase of the assets of a predecessor company. The value of goodwill is tested for impairment annually or more frequently if an event or circumstance occurs which we feel may result in an impairment of the value of goodwill.

Stock based compensation plan

From time to time we issue stock options to employees, directors, officers or consultants. We have adopted the recommendations of Section 3870 of the Canadian Institute of Chartered Accountants' Handbook, "Stock Based Compensation and Other Stock Based Payments". Options granted to employees are valued at the grant date using the Black-Scholes option pricing model which requires management to make assumptions as to volatility, exercise date and option life. The value of the options is expensed over the vesting period of the options, generally a period of four years. Options granted to non-employees are valued at the grant date using the Black-Scholes option pricing model. The options are expensed at the time the goods are received or services performed, or over the vesting period.

Changes in Accounting Policies

Goodwill, Intangible Assets and Financial Statement Concepts; In February 2008, the CICA issued Section 3064 Goodwill and Intangible Assets, replacing Section 3062 Goodwill and Other Intangible Assets and Section 3450 Research and Development Costs. The new Section establishes standards on the recognition, measurement, presentation and disclosure for goodwill and intangible assets subsequent to their initial recognition. The standard requires retroactive application to prior period financial statements. The adoption of the standard has had no material impact on our financial position or results of operations.

International Financial Reporting Standards (IFRS)

In February 2008, the CICA confirmed that Canadian reporting issuers will be required to report under IFRS effective January 1, 2011, including comparative figures for the prior year. In April 2008, the CICA released an exposure draft of the coming standards. We have developed a high level IFRS implementation plan, and a detailed assessment of the impact of the accounting standard differences to the financial statements has been completed. This assessment has provided insight as to the most significant areas of difference applicable to us, including property and equipment, as well as the more extensive presentation and disclosure requirements under IFRS. We expect to make changes to certain processes in 2010 to ensure transactions are recorded in accordance with IFRS for comparative reporting purposes on the required implementation date.

We continue to monitor standards development as issued by the International Accounting Standards Board and the AcSB, as well as regulatory developments as issued by the Canadian Securities Administrators (CSA), which may affect the timing, nature or disclosure of our adoption of IFRS.

The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect our reported financial position and results of operations. As we are still in the development phase and have not yet selected our accounting policy choices and IFRS 1 exemptions, we are unable to quantify the impact of IFRS on our financial statements. The areas of significance identified above are based on available information and our expectations as of the date of this MD&A and thus, are subject to change for new facts and circumstances.

Disclosure and Internal Controls

We have established and maintain disclosure controls and procedures in order to provide reasonable assurance that material information relating to IMRIS is made known to us in a timely manner. We have evaluated the effectiveness of our disclosure controls and procedures as at the date of our 2008 annual report and are not aware of any material changes that are required to be made to these controls and procedures; we believe them to be effective in providing such reasonable assurance.

We are also responsible for the design of our internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles ("GAAP"). We have evaluated the design of our internal controls and procedures over financial reporting as at the end of the period covered by the annual filings, and believe the design to be sufficient to provide such reasonable assurance. As of the date of this report, we are not aware of any change in the Corporation's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

No material changes have been made to the Company's internal controls during the first nine months of 2009.

Risks and Uncertainties

The operating results, business prospects and financial position of the Company are subject to a number of risks and uncertainties. Risks relating to our business include: our long sales cycle, high unit price and limited quarterly installations; our limited operating history and accumulated deficit; our lack of product diversity; our dependence on our suppliers; the development of IMRIScardio and IMRISNV; our reliance on key personnel; the lack of supporting clinical data; market competition and technological advances; patent protection and trade secrets; intellectual property litigation; our ability to shift from research and development to commercialization; our ability to manage growth; foreign exchange fluctuations; additional financing requirements; and regulatory matters. If any of the events described as risks or uncertainties actually occurs, our business, prospects, financial condition and operating results would likely suffer, possibly materially. We have discussed several of the more significant risks and uncertainties which may affect the business below, however for a more comprehensive list of the risks and uncertainties affecting the business, readers are advised to refer to our Annual Information Form and Short Form Prospectus dated October 26, 2009 which are available at www.sedar.com.

Long sales cycle, high unit price and limited installations

The long sales cycle, as well as the high unit price of the IMRIS systems, among other factors, may contribute to substantial fluctuations in our quarterly operating results. Because of the high unit price of IMRIS systems and the fact that we have completed the installation of only 16 units over the Company's history, each installation currently represents a significant component of our revenue for a particular quarter. If we lose a single customer order or if customers defer installation of an IMRIS system for even a short period of time, recognition of a significant amount of revenue may be lost or deferred to a subsequent period. Given that our operating costs are relatively fixed, our inability to recognize revenue in a particular quarter may adversely affect our profitability in that quarter. We expect that revenues from a limited number of new customers will account for a large percentage of total revenues in future quarters. Our ability to attract new customers will depend on a variety of factors, including the capability, safety, efficacy, ease of use, price, quality and reliability of our products and effective sales, support, training and service. In addition, if we are unable to fulfill our current purchase orders and other commitments on a timely basis or at all, market acceptance of our products could be adversely affected and hospitals may instead purchase our competitors' products. The loss or delay of individual orders or failure to add new customers could have a significant impact on future revenues and operating results.

Limited operating history and accumulated deficit

We have a limited operating history from which investors can evaluate our business and prospects. We have a large accumulated deficit, we expect future losses, and we may not achieve or maintain profitability. We have incurred substantial losses since inception and we may incur additional operating losses in the near term. If the time required to generate significant revenues and achieve profitability is longer than anticipated, we may not be able to continue our operations without additional capital. Our prospects must be considered in light of the risks and uncertainties encountered by an early-stage company in the continuously-evolving surgical imaging market. If we cannot successfully address these risks, our business and financial condition would suffer.

Lack of product diversity

Currently, our commercially available products are the IMRISneuro, IMRIScardio and IMRISNV systems. Although we expect sales of our new IMRIScardio and IMRISNV systems to increase with market acceptance of these systems, we currently generate substantially all of our revenue from sales of the IMRISneuro system and multiyear service plans for the IMRISneuro system. If we are unable to sustain or grow sales of the IMRISneuro system or grow sales of IMRIScardio and IMRISNV, we may not generate sufficient revenue to support our business. Accordingly, we are currently dependent on our ability to market and sell the IMRISneuro system. Any factor materially and/or adversely affecting our ability to market and sell the IMRISneuro system or pricing and demand for the IMRISneuro system may have a material and adverse effect on our financial condition and results of operations.

Foreign exchange fluctuations

As a global provider of integrated imaging solutions, most of our sales are denominated in currencies other than the Canadian dollar. We currently generate a significant portion of our sales in US dollars but many of our expenses are denominated in Canadian dollars. To date, we have not used forward exchange contracts to hedge exposures denominated in US dollars or any other derivative instrument for trading, hedging or speculative purposes. As such, we are exposed to fluctuations in the exchange rate between the US dollar and the Canadian dollar as a result of the translation into Canadian dollars of our balance sheet and income statement items denominated in US dollars.

Regulatory matters

Products intended for diagnostic and therapeutic use for humans are governed by a wide array of regulatory authorities in various jurisdictions. For most of these products in most jurisdictions, applicable statutes and regulations require testing and government review and approval prior to marketing the product. This procedure can take a number of years and involves the expenditure of substantial resources. Any failure or delay by us to obtain regulatory approvals or clearances could adversely affect the marketing of any products developed by us and our ability to receive product revenue. There is no assurance that any of our planned products will be approved by any regulatory authority on a timely basis, or at all. Also, in the event that a regulatory authority revokes any approvals granted in respect of our products, or a recall of our products is required in the event of material deficiencies or defects, our business, financial condition and results of operations could be adversely affected.

Dependence on suppliers

The IMRISneuro system is designed around a Siemens-supplied MRI scanner, with its associated software, diagnostic coils and controls and represents a key component. We currently depend on Siemens to supply the MRI scanner at the core of our IMRISneuro system under an OEM re-sale agreement. Our agreement with Siemens was entered into as of November 2005 for a five-year term with automatic renewal annually thereafter, subject to six months advance written notice of termination by either party. The agreement may be terminated earlier in the event of insolvency or equivalent proceedings against either party or in the event of a change of control or similar sale transaction affecting IMRIS where the buyer or controlling shareholder is a direct competitor to Siemens. If for any reason we could not obtain MRI scanners from Siemens, there is no certainty that we could find another vendor willing to supply an MRI scanner for our IMRIS systems and a change in the MRI scanner would require a major redesign of the IMRISneuro system, which could take a year or more to implement. We are also dependant on Siemens to provide ongoing support and maintenance services to our customers under contract to IMRIS. If Siemens' services became unavailable, any resulting service issues could disrupt our customer relationships and cause damage to our reputation.

We purchase certain other components of our system from outside vendors, including radio-frequency shielding systems, certain hardware components for our surgical information management system and operating room booms and lights. For the majority of our system components, we do not have long-term supply contracts with the suppliers; however, we attempt to establish dual sourcing for most of these other components of our system and we believe that we would be able to establish alternative sources for these components, subject to any regulatory qualifications, as may be required. It is possible that a disruption of the supply of these components could result in increased costs and delays in deliveries of IMRIS systems, which could adversely affect our reputation and results of operations. Additionally, any transition to alternate manufacturers or suppliers would likely result in operational problems and increased expenses and could delay the shipment of, or limit our ability to provide our products.

Competition and technological advances

The surgical imaging industry is subject to intense and increasing competition and rapidly evolving technologies. Many government, academic and business entities are investing substantial resources in research and development of treatments and new products that may render surgical imaging obsolete, including radiation treatment, new drug treatments and gene therapy. Successful developments that result in new approaches for treatments could reduce the attractiveness of our products or render them obsolete. MRI competes with other surgical imaging technologies such as CT, fluoroscopy and ultrasound for market share in the overall surgical imaging market.

The market for neurosurgical MR imaging is highly competitive, with a number of companies providing competing surgical MRI systems. Many of these competitors are large medical system suppliers which have considerably greater resources at their disposal to advance the development of their MRI systems. These competitors or other companies may at any time develop new or improved surgical imaging solutions. Alternatively, these competitors may choose to increase their respective market share by changing their pricing model or by lowering the price of their surgical imaging solutions or ancillary supplies. If we are unable to address these competitor tactics by either continuing to enhance and improve our current product(s) or we are unable to maintain or increase our selling price in the face of competition, there can be no assurance that the Company will be able to maintain its desired market share or achieve its financial objectives.

Additional Information

Additional information about IMRIS can be found on the SEDAR website at www.sedar.com.