

Immunotec Inc.

Interim Consolidated Financial Statements
(Unaudited)
January 31, 2008

Immunotec Inc.

Interim Consolidated Balance Sheet (unaudited)

	As at January 31, 2008 \$	As at October 31, 2007 \$
Assets		
Current assets		
Cash	4,859,061	3,874,558
Accounts receivable	594,131	505,366
Income taxes receivable	-	13,448
Inventories	2,491,969	2,683,249
Prepaid expenses	648,700	495,412
Future income taxes	536,000	536,000
	<u>9,129,861</u>	<u>8,108,033</u>
Investments	736,000	736,000
Property, plant and equipment	7,148,219	7,238,680
Patents, trademarks and licenses	1,733,430	1,726,894
Goodwill	499,541	499,541
Research and development tax credits receivable	410,425	391,435
Future income taxes	1,467,661	1,654,023
	<u>21,125,137</u>	<u>20,354,606</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	3,487,460	3,005,722
Customer deposits	280,503	344,299
Income taxes payable	65,451	125,779
	<u>3,833,414</u>	<u>3,475,800</u>
Long-term liability	283,682	393,600
	<u>4,117,096</u>	<u>3,869,400</u>
Shareholders' Equity		
Share capital (note 2)	3,465,548	3,465,548
Other equity – Stock options (note 3)	948,190	736,416
Contributed surplus	11,326,406	11,326,406
Retained earnings	1,267,897	956,836
	<u>17,008,041</u>	<u>16,485,206</u>
	<u>21,125,137</u>	<u>20,354,606</u>

Approved by the Board of Directors

 Director

 Director

Immunotec Inc.

Interim Consolidated Statements of Changes in Shareholders' Equity (unaudited)

For the quarters ended January 31, 2008 and 2007

	Number of common shares	Share capital \$	Other equity – Stock options \$	Contributed surplus \$	Retained earnings \$	Total \$
Balance - October 31, 2006	56,885,498	1,700	-	1,706	72,051	75,457
Net earnings	-	-	-	-	505,763	505,763
Reverse takeover	3,102,443	3,500,000	-	-	-	3,500,000
Termination of the holder's right to force the redemption of Class 'A' shares	10,038,617	300	-	11,324,700	-	11,325,000
Shares held by the Company for sale	(32,258)	(36,452)	-	-	-	(36,452)
Stock-based compensation (note 3)	-	-	98,038	-	-	98,038
Balance - January 31, 2007	69,994,300	3,465,548	98,038	11,326,406	577,814	15,467,806
Balance - October 31, 2007	69,994,300	3,465,548	736,416	11,326,406	956,836	16,485,206
Net earnings	-	-	-	-	311,061	311,061
Stock-based compensation (note 3)	-	-	211,774	-	-	211,774
Balance - January 31, 2008	69,994,300	3,465,548	948,190	11,326,406	1,267,897	17,008,041

Immunotec Inc.

Interim Consolidated Statement of Earnings and Comprehensive Income (Unaudited)

For the quarters ended January 31, 2008 and 2007

	2008 \$	2007 \$
Net sales	8,644,415	8,655,143
Cost of sales	1,639,607	1,397,241
	<hr/> 7,004,808	<hr/> 7,257,902
Operating expenses		
Sales incentives	3,542,210	3,642,096
Selling, general and administrative (note 6)	2,897,508	2,866,147
	<hr/> 6,439,718	<hr/> 6,508,243
Earnings before income taxes	<hr/> 565,090	<hr/> 749,659
Income taxes provision		
Current	67,667	218,953
Future	186,362	24,943
	<hr/> 254,029	<hr/> 243,896
Net earnings and comprehensive income	<hr/> 311,061	<hr/> 505,763
Net earnings per share (note 7)		
Basic	0.004	0.008
Diluted	0.004	0.007
Weighted average number of common shares outstanding during the quarter (note 7)		
Basic	69,994,300	62,869,951
Diluted	<hr/> 69,994,300	<hr/> 68,325,721

Immunotec Inc.

Interim Consolidated Statement of Cash Flows (Unaudited)

For the quarters period ended January 31, 2008 and 2007

	2008 \$	2007 \$
Cash flows from		
Operating activities	311,061	505,763
Net earnings		
Items not affecting cash		
Amortization of property, plant and equipment	191,072	161,433
Amortization of patents, trademarks and license	50,116	50,196
Future income taxes	186,362	24,943
Stock-based compensation	211,774	98,038
	<hr/>	<hr/>
	950,385	840,373
Changes in non-cash working capital balances related to operations	210,371	2,678
	<hr/>	<hr/>
	1,160,756	843,051
Investing activities		
Amounts received from shareholders	-	372,036
Decrease in investments	-	4,383
Additions to property, plant and equipment	(100,611)	(122,742)
Additions to patents, trademarks and license	(56,652)	(42,166)
Research and development tax credits	(18,990)	-
Costs related to the reverse take over transaction	-	(242,704)
	<hr/>	<hr/>
	(176,253)	(31,193)
Financing activities		
Dividends paid	-	(411,300)
Proceeds on amalgamation	-	26,676
	<hr/>	<hr/>
	-	(414,624)
Net increase in cash during the period	984,503	397,234
Cash – Beginning of period	3,874,558	1,481,835
	<hr/>	<hr/>
Cash – End of period	4,859,061	1,879,069
Supplemental information		
Income taxes paid during the period	122,203	156,325

Immunotec Inc.

Notes to Interim Consolidated Financial Statements

(Unaudited)

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1 Interim financial information

The unaudited interim consolidated financial statements of Immunotec Inc (the “Company”), expressed in Canadian dollars, have been prepared by management. These interim consolidated statements have not been reviewed by the auditors of the Company. These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) for interim financial statements. The significant accounting policies used in the preparation of these interim consolidated financial statements, except for “changes to accounting policies” stated below, are the same as those in the Company’s annual consolidated audited financial statements as at October 31, 2007. However, these interim consolidated financial statements do not reflect all of the information and disclosures required by GAAP for complete financial statements. Accordingly, these interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements as at October 31, 2007 which are available on www.sedar.com.

Changes to accounting policies

Financial instruments and capital disclosures

In December 2006, the CICA issued three new sections which provide a complete set of disclosure and presentation requirements for financial instruments: Section 3862, “Financial Instruments – Disclosures”, Section 3863, “Financial Instruments – Presentation”, and Section 1535, “Capital Disclosures”.

Section 3862 is the Canadian equivalent to International Financial Reporting Standards (IFRS) 7, “Financial Instruments – Disclosures”, and replaces the disclosure portion of Section 3861, “Financial Instruments – Disclosure and Presentation”. The new standard places increased emphasis on disclosures about risks associated with both recognized and unrecognized financial instruments and how these risks are managed. It is also intended to remove any duplicate disclosures and simplify the disclosures about concentrations of risk, credit risk, liquidity risk and price risk currently found in Section 3861.

Section 3863 carries forward the presentation requirements from Section 3861, unchanged.

Section 1535 converges with the capital disclosure amendments to International Accounting Standards (IAS) 1, “Presentation of Financial Statements”. Section 1535 applies to all entities regardless of whether they have financial instruments and are subject to external capital requirements. The new section requires disclosure of information about an entity’s objectives, policies and processes for managing capital, as well as quantitative data about capital and whether the entity has complied with any capital requirements.

These recommendations had no significant effect on the Company’s consolidated financial statements.

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New accounting policy not yet implemented

In February 2008, the CICA issued Section 3064, “Goodwill and Intangible Assets” effective for interim and annual financial statements on or after October 1, 2008. Section 3064, which replaces Section 3062, “Goodwill and Other Tangible Assets”, and Section 3450, “Research and Development Costs”, establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The provisions relating to the definition and initial recognition of intangible assets, including internally generated intangible assets, are equivalent to the corresponding provisions of IFRS IAS 38, “Intangible Assets”. The Company will adopt this new standard on November 1, 2008 and is assessing the effects this new standard will have on its consolidated financial statements.

2 Share capital

Authorized – in unlimited number

Common shares, voting, participating, with no par value and with dividend rights at the discretion of the Board of Directors

First preferred shares

Second preferred shares

The first and second preferred shares may be issued in one or more series. The Board of Directors is authorized to fix the number of shares in each series and determine the designation, rights, privileges, restrictions and conditions attached thereto.

3 Other equity – Stock options

	For the quarter ended January 31, 2008	
	Number of options	Weighted average exercise price \$
Issued and outstanding – Beginning of period	1,622,500	1.13
Granted	707,500	0.66
Forfeited	(15,000)	1.13
Issued and outstanding – End of period	<u>2,315,000</u>	<u>0.99</u>

Immunotec Inc.

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Issue date	Options issued			Options exercisable		
	Number	Exercise price \$	Weighted average remaining life (years)	Number	Exercise price \$	Weighted average remaining life (years)
December 2006	1,607,500	1.13	3.89	535,833	1.13	3.89
November 2007	700,000	0.66	4.76	-	-	4.76
December 2007	<u>7,500</u>	1.00	4.87	<u>-</u>	-	4.87
	<u>2,315,000</u>			<u>535,833</u>		

During the first quarter ended January 31, 2008 the Company granted 707,500 stock-options detailed as follows:

On November 5, 2007, the Company granted 700,000 options to its new president and chief executive officer under a management contract with the Company effective as at this date. Each unit entitles the holder to acquire one common share of the Corporation at a price of \$0.66 per share. The options are exercisable at a rate of one third per year, starting November 5, 2008 and will expire November 5, 2012.

On December 13, 2007, the Company granted 7,500 options to one of its employee. Each unit entitles the holder to acquire one common share of the Corporation at a price of \$1.00 per share. The options are exercisable at a rate of one third per year, starting December 13, 2008 and will expire December 13, 2012.

The estimated fair value of each option granted in these two series has been determined using the Black-Scholes option pricing model using the following assumptions:

Risk-free interest rate	4.24%
Volatility rate	100%
Expected dividend yield	nil
Expected life	5 years

The weighted-average fair value of the 700,000 options has been estimated at \$0.5039 per unit, while the weighted-average fair value of the 7,500 options has been estimated at \$0.7636 per unit. In accordance with Section 3870 of the CICA Handbook and using the straight-line method for each of these series, from the date it was granted to the date they will become vested.

For the first quarter ended January 31, 2008, the Company has recorded the stock-base compensation expense of \$211,774 to the selling, general and administrative expenses and credited to other equity – stock options.

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4 Capital management

In the context of managing its capital, the objective of the Company is to maintain a capital structure that allows multiple options to finance its development and growth along with providing the shareholders with an acceptable return. The company defines the capital structure as cash and shareholders' equity.

The Company's strategy consists of maintaining a flexible capital structure in order to respond to the economic conditions and adjusting accordingly. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issue, share repurchase, grant of stock options, the payment of dividends, the issue of debt or by undertaking other activities as deemed appropriate under the specific circumstances. The Company periodically monitors its capital structure.

The Company is not subject to externally imposed capital requirements. The Company's strategy with respect to capital management remains unchanged during the period ended January 31, 2008.

5 Business and geographic segment

The Company's operations involve only one reportable business segment; plant and equipment, intangible assets and goodwill are maintained in Canada.

Sales by final destination are as follows:

	For the quarter ended January 31, 2008 \$	For the quarter ended January 31, 2007 \$
Canada	4,567,487	4,308,853
United States	3,296,094	3,807,810
Other countries	780,834	538,480
	<hr/> 8,644,415	<hr/> 8,655,143

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6 Statement of earnings

The following items are included in selling, general and administrative expenses:

	For the quarter ended January 31, 2008 \$	For the quarter ended January 31, 2007 \$
Research and development*	152,083	176,018
Amortization of property, plant and equipment	191,072	161,433
Amortization of patents, trademarks and license	50,116	50,196
Interest income	(32,403)	(13,948)
Foreign exchange (gain) loss	(166,102)	71,449
 * Research and development expenses comprise:		
Salaries	155,380	113,256
Expenses	21,829	97,328
	<hr/>	<hr/>
	177,209	210,584
Less: Research and development tax credits	25,126	34,566
	<hr/>	<hr/>
	152,083	176,018
	<hr/>	<hr/>

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7 Net earnings per share

	For the quarter ended January 31, 2008 \$	For the quarter ended January 31, 2007 \$
Net earnings for the period	311,061	505,763
Weighted average number of outstanding basic common shares	69,994,300	62,869,951
Dilutive effect of redeemable Class A shares	-	5,455,770
Weighted average number of outstanding diluted common shares	69 994 300	68,325,721
Basic earnings per share	0.004	0.008
Diluted earnings per share	0.004	0.007

For the period ended January 31, 2008, the 2,315,000 stock options with an average exercise price of \$0.99 are excluded from the diluted earnings per share calculation since they are anti-dilutive because the total of the exercise price and the future compensation exceed the average stock price of the Company.

8 Financial instruments

Classification of the financial instruments

Cash is classified as “financial assets held for trading”. It’s presented at their fair value, and the gains/losses arising on the revaluation at each period-end are included in consolidated earnings.

Accounts and loans receivable are classified as “loans and receivables”. After their initial measurement at fair value, they are measured at amortized cost using the effective interest rate method. For the Company, the amortized cost generally corresponds to cost due to short-term maturity.

Investments in common shares of a private company are classified as “available for sale”. They are initially presented at their fair value. Subsequent measurements are at cost. Available-for-sale financial assets are, however, subject to assessment for impairment whereby unrealized losses are recorded in the consolidated statement of earnings.

Accounts payable, accrued liabilities and long-term liability are classified as “other financial liabilities”. They are initially presented at their fair value. Subsequent measurements are at cost, net of amortization, using the effective interest rate method. For the Company, that value corresponds to cost either as a result of their relatively short-term maturity.

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Fair value

The Company has determined the fair value of its financial instruments based on estimates and assumptions. The actual results may differ from the estimated fair value, and the use of other assumptions or valuation methods may have a material effect on the estimates.

The fair value of current assets and liabilities is comparable to their carrying value due to the relatively short period to maturity.

The fair value of the investment in a private company was not able to be reliably estimated as at October 31, 2007 for the reasons that this private bio-based technology company is in a development stage and its latest audited financial statements available are as at December 31, 2006. The company is committed to buy back, in May 2010, the shares owned by Immunotec at the higher of the fair value of the shares or US\$786,350. This investment is accounted for at cost, and as per management no impairment should be recorded as at January 31, 2008.

The fair value of the long-term liability was determined by calculating the present value of expected future cash flows. The fair value is comparable to its carrying value due to the relatively short period to maturity and to payment term.

Credit risk

Management believes that there was no significant credit risk as at January 31, 2008 for its cash and accounts receivable. The Company deals only with highly rated financial institutions and continually monitors its clients' credit and establishes its provision for doubtful accounts based on the credit risk applicable to each client.

Interest rate risk

Cash balances bear a floating interest rate, and accounts receivable, accounts payable and accrued liabilities, customer deposits and long-term liability are non-interest bearing.

Currency risk

The Company is exposed to currency risks as transactions with customers outside Canada are predominantly denominated in U.S. dollars. These risks are partially offset by purchases and operating expenses incurred in U.S. dollars. As at January 31, 2008, the balances denominated in U.S. dollars are \$2,757,386 for the cash, \$491,993 for the accounts receivable and \$1,020,629 for the accounts payable and accrued liabilities.

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As at January 31, 2008, if a variation of 10% in the exchange rate would have occurred compared to the period-end exchange rate, the impact on net earnings, for each category of financial instruments held at the balance sheet date would be in the [context](#) of depreciation and appreciation of the Canadian dollars against the U.S. dollars as follows:

	Depreciation \$	Appreciation \$
Cash	275,739	(275,739)
Accounts receivable	49,199	(49,199)
Accounts payable and accrued liabilities	(102,063)	102,063
	<u>222,875</u>	<u>(222,875)</u>
Income Tax	(71,142)	71,142
	<u>(71,142)</u>	<u>71,142</u>
Increase (decrease) on net earnings	<u>151,733</u>	<u>(151,733)</u>

9 Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the current period.