

# **Immunotec Inc.**

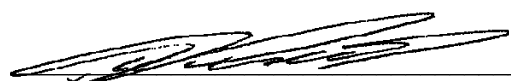
Interim Consolidated Financial Statements  
(Unaudited)  
**April 30, 2007**

# Immunotec Inc.

## Interim Consolidated Balance Sheet

	As at April 30, 2007 \$ (unaudited)	As at October 31, 2006 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	1,736,703	1,481,835
Accounts receivable	885,419	887,847
Income taxes receivable	43,426	-
Inventories	4,272,228	3,180,292
Prepaid expenses	778,903	547,861
Future income taxes	536,000	16,000
	<u>8,252,679</u>	<u>6,113,835</u>
<b>Investments</b> (note 3)	774,467	247,274
<b>Property, plant and equipment</b>	7,308,494	6,024,461
<b>Patents, trademarks and license</b>	2,314,680	1,714,406
<b>Deferred costs</b>	-	488,499
<b>Goodwill</b>	499,541	499,541
<b>Research and development tax credits receivable</b>	227,031	-
<b>Future income taxes</b>	1,435,610	107,554
	<u>20,812,502</u>	<u>15,195,570</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	4,123,183	2,710,785
Dividends payable	-	441,300
Customer deposits	179,389	106,103
Income taxes payable	407,425	290,335
	<u>4,709,997</u>	<u>3,548,523</u>
<b>Future income taxes</b>	-	246,590
<b>Class A shares redeemable at the option of the holder</b> (note 6)	-	11,325,000
	<u>4,709,997</u>	<u>15,120,113</u>
<b>Shareholders' Equity</b>		
<b>Share capital</b> (note 4)	3,465,548	1,700
<b>Other equity – Stock options</b> (note 5)	307,672	-
<b>Contributed surplus</b> (note 6)	11,326,406	1,706
<b>Retained earnings</b>	1,002,879	72,051
	<u>16,102,505</u>	<u>75,457</u>
	<u>20,812,502</u>	<u>15,195,570</u>

Approved by the Board of Directors

 Director

 Director

# Immunotec Inc.

## Interim Consolidated Statement of Retained Earnings and Contributed Surplus (Unaudited)

	<u>For the three-month period ended April 30,</u>		<u>For the six-month period ended April 30,</u>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	\$	\$	\$	\$
<b>Retained Earnings</b>				
<b>Balance – Beginning of period</b>				
Amount before the following transaction	577,814	10,875,422	11,396,751	9,982,504
Excess of redeemable value of portion of Class A shares redeemable at the option of the holder over the paid-up capital, which had been recorded as a liability until December 20, 2006 and reversed to contributed surplus on completion of reverse takeover (note 6)	-	-	(11,324,700)	-
	577,814	10,875,422	72,051	9,982,504
Net earnings	425,065	1,032,720	930,828	1,925,638
	1,002,879	11,908,142	1,002,879	11,908,142
Dividend	-	(1,592,470)	-	(1,592,470)
<b>Balance – End of period</b>	<b>1,002,879</b>	<b>10,315,672</b>	<b>1,002,879</b>	<b>10,315,672</b>
<b>Contributed Surplus</b>				
<b>Balance – Beginning of period</b>	11,326,406	-	1,706	-
Class A shares redeemable at the option of the holder (note 6)	-	-	11,324,700	-
<b>Balance – End of period</b>	<b>11,326,406</b>	<b>-</b>	<b>11,326,406</b>	<b>-</b>

# Immunotec Inc.

## Interim Consolidated Statement of Earnings and Comprehensive Income (Unaudited)

	<u>For the three-month period ended April 30,</u>		<u>For the six-month period ended April 30,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Net sales</b>	8,835,156	10,157,573	17,490,299	19,784,582
<b>Cost of sales</b>	1,600,740	1,787,895	2,969,167	3,277,135
	<u>7,234,416</u>	<u>8,369,678</u>	<u>14,521,132</u>	<u>16,507,447</u>
<b>Operating expenses</b>				
Sales incentives	3,628,354	4,193,050	7,270,450	8,314,012
Selling, general and administrative (note 8)	2,958,419	2,609,701	5,853,380	5,322,970
	<u>6,586,773</u>	<u>6,802,751</u>	<u>13,123,830</u>	<u>13,636,982</u>
<b>Earnings before income taxes</b>	<u>647,643</u>	<u>1,566,927</u>	<u>1,397,302</u>	<u>2,870,465</u>
<b>Income tax provision (recovery)</b>				
Current	78,040	536,525	296,993	947,145
Future	144,538	(2,318)	169,481	(2,318)
	<u>222,578</u>	<u>534,207</u>	<u>466,474</u>	<u>944,827</u>
<b>Net earnings and comprehensive income</b>	<u>425,065</u>	<u>1,032,720</u>	<u>930,828</u>	<u>1,925,638</u>
<b>Net earnings per share (note 9)</b>				
Basic	0.006	0.015	0.014	0.029
Diluted	<u>0.006</u>	<u>0.015</u>	<u>0.013</u>	<u>0.029</u>
<b>Weighted average number of common shares outstanding during the period (note 9)</b>				
Basic	69,994,300	66,924,115	66,373,084	66,924,115
Diluted	<u>69,994,300</u>	<u>66,924,115</u>	<u>69,146,183</u>	<u>66,924,115</u>

# Immunotec Inc.

## Interim Consolidated Statement of Cash Flows (Unaudited)

	<u>For the three-month period ended April 30,</u>		<u>For the six-month period ended April 30,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Cash flows from</b>				
<b>Operating activities</b>				
Net earnings	425,065	1,032,720	930,828	1,925,638
Items not affecting cash				
Amortization of property, plant and equipment	194,444	159,605	355,877	305,705
Amortization of patents, trademarks and license	57,782	40,991	107,978	79,652
Future income taxes	144,538	(2,318)	169,481	(2,318)
Stock-based compensation	209,634	-	307,672	-
	<u>1,031,463</u>	<u>1,230,998</u>	<u>1,871,836</u>	<u>2,308,677</u>
Changes in non-cash working capital balances related to operations	<u>(644,999)</u>	<u>371,079</u>	<u>(642,321)</u>	<u>(7,789)</u>
	<u>386,464</u>	<u>1,602,077</u>	<u>1,229,515</u>	<u>2,300,888</u>
<b>Investing activities</b>				
Amounts received from shareholders	-	-	372,036	-
Decrease in investments	4,424	283,858	8,807	288,085
Additions to property, plant and equipment	(117,168)	(68,184)	(239,910)	(411,649)
Additions to patents, trademarks and license	(16,086)	(10,565)	(58,252)	(488,985)
Costs related to transaction, net of cash acquired (note 2(a))	-	(238,592)	(216,028)	(238,592)
	<u>(128,830)</u>	<u>(33,483)</u>	<u>(133,347)</u>	<u>(851,141)</u>
<b>Financing activities</b>				
Reimbursement of secured convertible debenture (note 2(a))	(400,000)	-	(400,000)	-
Dividends paid	-	(1,592,470)	(441,300)	(1,592,470)
	<u>(400,000)</u>	<u>(1,592,470)</u>	<u>(841,300)</u>	<u>(1,592,470)</u>
<b>Net increase (decrease) in cash during the period</b>	<u>(142,366)</u>	<u>(23,876)</u>	<u>254,868</u>	<u>(142,723)</u>
<b>Cash – Beginning of period</b>	<u>1,879,069</u>	<u>1,006,360</u>	<u>1,481,835</u>	<u>1,125,207</u>
<b>Cash – End of period</b>	<u>1,736,703</u>	<u>982,484</u>	<u>1,736,703</u>	<u>982,484</u>
<b>Supplemental information</b>				
Income taxes paid during the period	52,200	425,736	208,525	1,042,755

# Immunotec Inc.

## Notes to Interim Consolidated Financial Statements

(Unaudited)

April 30, 2007

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### 1 Interim financial information

These interim consolidated financial statements of Immunotec Inc. (the “Company”), expressed in Canadian dollars, are prepared in accordance with Canadian generally accepted accounting principles (“GAAP”), with the exception that their disclosures do not conform in all material respects to the requirements of GAAP for annual financial statements. They should be read in conjunction with the latest annual financial statements of Immunotec Research Ltd. which are available on [www.sedar.com](http://www.sedar.com).

These interim consolidated financial statements are prepared using the same accounting principles and application thereof as the consolidated financial statements for the year ended October 31, 2006, except for the following:

a) Principles of consolidation

Effective December 20, 2006, the Company acquired the outstanding common shares of Magistral Biotech Inc. (“Magistral”). The business combination of the Company and Magistral has been accounted for using the reverse takeover method of purchase accounting (see note 2). The Company was deemed to be the acquirer and to have purchased the assets and liabilities of Magistral because the shareholders of Immunotec Research Ltd., as a group, became owners of more than 95% of the voting shares of Magistral on a fully diluted basis following the business combination. The results of operations of Magistral are included in the consolidated financial statements from December 20, 2006, the date of the business combination. For accounting purposes, the Company is considered to be a continuation of Immunotec Research Ltd. except with regard to the authorized and issued share capital, which is that of the legal parent company, Magistral. The comparative consolidated figures presented in these interim consolidated financial statements are of Immunotec Research Ltd.

b) Stock-based compensation plan

The Company has a stock-based compensation plan for which it uses the fair value method. Under this method, the stock-based compensation expense is measured at the fair value at the date of grant using an option pricing model and is recognized over the vesting period of the options.

The Company estimates the fair value of stock options using the Black-Scholes option pricing model. The Black-Scholes model was developed to estimate the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, valuation models usually require the input of subjective assumptions, including expected stock price volatility.

All considerations paid for stock options and the amounts of compensation previously included therefor are credited to share capital when the stock options are exercised.

# Immunotec Inc.

## Notes to Interim Consolidated Financial Statements

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c) New accounting policies

Financial instruments – Recognition and measurement, hedges and comprehensive income

In January 2005, the Accounting Standards Board (“ASB”) issued three new standards dealing with financial instruments: (i) “Financial Instruments – Recognition and Measurement”; (ii) “Hedges”; and (iii) “Comprehensive Income”. The new standards are based on U.S. FASB Statement No. 133, “Accounting for Derivative Instruments and Hedging Activities”, and on the International Accounting Standards (“IAS”) Board’s new standard, IAS 39, “Financial Instruments – Recognition and Measurement”. These requirements are applicable to the Company in the first quarter of fiscal 2007.

The Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3855, “Financial Instruments – Recognition and Measurement”, specifies when a financial instrument is to be recognized on the balance sheet and the measurement method to be used: fair value or cost-based measures. It also specifies how financial instrument gains and losses are to be presented.

CICA Handbook Section 3865, “Hedges”, allows optional treatment providing that hedges are designated as either fair value hedges, cash flow hedges or hedges of a net investment in a self-sustaining foreign operation. For a fair value hedge, the gain or loss attributable to the hedged risk is recognized in net earnings in the period of change together with the offsetting gain or loss on the hedged item attributable to the hedged risk. The carrying amount of the hedged item is adjusted for the hedged risk. For a cash flow hedge or a hedge of a net investment in a self-sustaining foreign operation, the effective portion of the hedging item’s gain or loss is initially reported in other comprehensive income and subsequently reclassified to net earnings when the hedged item affects net earnings.

The ASB has issued new Handbook Section 1530, “Comprehensive Income”, and amended Section 3250, “Surplus”, to be renamed Section 3251, “Equity”. These standards require that a company disclose comprehensive income and its components as well as net income in its financial statements; and that a company disclose separately changes in equity during the period as well as components of equity at the end of the period, including comprehensive income.

Investments

The investments are classified as non-derivative investments and are composed of loans and portfolio equity investments not quoted in an active market. These investments are recognized at cost.

Transition

The recognition, derecognition and measurement methods used to prepare the consolidated financial statements of periods prior to the effective date of the new standards were unchanged and therefore, the comparative financial statements have not been restated.

# Immunotec Inc.

## Notes to Interim Consolidated Financial Statements

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Sections 1530, 3251, 3855 and 3865 were adopted by the Company on November 1, 2006. Therefore, the Company has recognized all of its financial assets and liabilities in the consolidated balance sheet according to those classifications.

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

## 2 Business combination

### a) Reverse takeover

On November 21, 2006, following a letter of intent signed on September 19, 2005 between the Company and Magistral, the Company signed an agreement with Magistral, a corporation whose shares were traded on TSX Venture Exchange, regarding the acquisition of all the Company's issued and outstanding shares.

On December 20, 2006, the shareholders of Magistral approved the transaction and the Company was acquired by Magistral. The Company's shareholders received 2,676,964,607 shares of Magistral (66,924,115 shares after taking into account a 40:1 share consolidation) in exchange for the 1,000,000 issued and outstanding Class A shares of the Company.

As a result of this transaction, the shareholders of the Company had received enough common shares of Magistral to effect a reverse takeover of Magistral. Since December 20, 2006, the consolidated financial statements include the assets, liabilities and results of operations of Magistral.

On January 23, 2007, TSX Venture Exchange approved the transaction and authorized the commencement of share trading.

The assets and liabilities of Magistral have been accounted for at their respective estimated fair values using the purchase method of accounting.

The aggregate purchase price is detailed as follows:

	\$
Value attributed to the 3,102,433 shares of Magistral	3,500,000
Immunotec's existing portfolio investment in Magistral (at cost, less value attributed to shares of Magistral)	163,548
Transaction costs incurred by Immunotec Research Ltd.	
Before October 31, 2006	488,499
After October 31, 2006	<u>242,704</u>
	<u>4,394,751</u>

# Immunotec Inc.

## Notes to Interim Consolidated Financial Statements

(Unaudited)

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The preliminary purchase price allocation, based on the estimated fair value of the assets acquired and liabilities assumed of Magistral under the reverse takeover, is detailed as follows:

	\$
<b>Assets</b>	
Cash and cash equivalents	26,676
Accounts receivable	4,567
Inventories	91,554
Other current assets	91,649
Investment	736,000
Property, plant and equipment	1,400,000
Patents, trademarks and license	650,000
Research and development tax credits receivable	227,031
Future income taxes	<u>2,264,127</u>
	<u>5,491,604</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	696,853
Secured convertible debenture	<u>400,000</u>
	<u>1,096,853</u>
<b>Net assets acquired</b>	<u><u>4,394,751</u></u>

b) Name change

On December 21, 2006, Magistral Biotech Inc. changed its legal name to Immunotec Inc.

c) Amalgamation

On January 1, 2007, Immunotec Research Ltd. amalgamated with Immunotec Inc. and continues its operations under the name Immunotec Inc.

# Immunotec Inc.

## Notes to Interim Consolidated Financial Statements

(Unaudited)

April 30, 2007

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### 3 Investments

	As at April 30, 2007 \$ (unaudited)	As at October 31, 2006 \$
Loan receivable, bearing interest at 3.66%, reimbursable in monthly instalments of \$1,600 including principal and interest, maturing in May 2009	38,467	47,274
Portfolio equity investment		
Common shares of a public corporation, Magistral Biotech Inc., at cost (notes 2(a) and 4(b))	-	200,000
Common shares of a private company, Diversified Natural Products, at cost (note 2(a))	736,000	-
	<u>774,467</u>	<u>247,274</u>

### 4 Share capital

- a) 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.

# Immunotec Inc.

## Notes to Interim Consolidated Financial Statements

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b) Issued

The following table summarizes the changes in the Company's share capital issued between November 1, 2005 and April 30, 2007, taking into account the 40:1 share consolidation and the reverse takeover described in note 2(a):

	For the six-month period ended April 30, 2007		For the year ended October 31, 2006	
	Number of shares	Amount \$ (unaudited)	Number of shares	Amount \$
Common shares – Beginning of period	56,885,498	1,700	66,924,115 *	2,000
Plus:				
Termination of the right to redeem shares at the option of the holder (note 6)	10,038,617	300	-	-
Reverse takeover (note 2(a))	3,102,443	3,500,000	-	-
Less:				
Portion of shares redeemable at the option of the holder (note 6)	-	-	(10,038,617)	(300)
Shares held by the Company for sale	(32,258)	(36,452)	-	-
Common shares – End of period	69,994,300	3,465,548	56,885,498	1,700

\* Represents the shares issued to the former shareholders of Immunotec Research Ltd. upon the reverse takeover.

# Immunotec Inc.

## Notes to Interim Consolidated Financial Statements

(Unaudited)

April 30, 2007

### 5 Other equity – Stock options

Pursuant to the reverse takeover approval at the special meeting of shareholders held on December 20, 2006, the Company amended the stock option plan (the “Plan”) adopted by the prior issuer in December 2002 for its directors, officers, key employees and consultants. Options under the Plan will be granted for a maximum term of five years at an exercise price and/or on other terms determined by the directors, in accordance with regulatory policies. The maximum number of common shares reserved for options granted under the Plan may not exceed 5% (previously 10%) of the issued and outstanding common shares. Under the terms of the reverse takeover, all outstanding options previously issued were cancelled. In accordance with the presentation standards of the resulting issuer arising from the reverse takeover, the cancelled options of the previous issuer are not part of the following table.

	For the six-month period ended April 30, 2007		For the year ended October 31, 2006	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Issued and outstanding – Beginning of period	-	-	-	-
Granted	1,630,000	1.13	-	-
Issued and outstanding – End of period	1,630,000	1.13	-	-

Issue date	Options issued			Options exercisable		
	Number	Weighted average exercise price \$	Weighted average remaining life (years)	Number	Weighted average exercise price \$	Weighted average remaining life (years)
December 2006	1,630,000	1.13	4.64	-	-	-

On December 20, 2006, the Company granted 1,630,000 options to its employees, directors and consultants, each option entitling the holder to acquire one common share of the Company at a price of \$1.13 per share. The options are exercisable at a rate of 1:3 per year, starting December 20, 2007, and will expire December 20, 2011.

# Immunotec Inc.

## Notes to Interim Consolidated Financial Statements

(Unaudited)

April 30, 2007

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

- |                           |         |
|---------------------------|---------|
| • Risk-free interest rate | 3.92%   |
| • Volatility rate         | 100%    |
| • Expected dividend yield | nil     |
| • Expected life           | 5 years |

The weighted average fair value of these options has been estimated at \$0.8606 per option. Stock-based compensation expense of \$209,634 and \$307,672 for the three- and six-month periods ended April 30, 2007 respectively is recorded to selling, general and administrative expenses and credited to Other equity – Stock options.

## 6 Contributed surplus

On October 12, 2006, the Caisse de dépôt et placement du Québec (“CDPQ”) purchased 150,000 Class A shares of Immunotec Research Ltd., representing a 15% interest in the Company, from The Beer Family Trust (7.5%) and C.H. Roberts Holdings Ltd. (7.5%). The 150,000 Class A shares have been exchanged for 10,038,617 Class A shares at the completion of the reverse takeover, and the redeemable option ceased to be in effect.

Under a unanimous agreement among shareholders of Immunotec Research Ltd., after a period of five years the CDPQ could exercise an irrevocable option to force the repurchase of a portion or the totality of the shares it owns at the greater of the book value and the fair market value of the shares.

This agreement was to terminate at the occurrence of one of the following events:

- Mutual consent is given by all shareholders.
- Only one shareholder remains.
- The Company becomes a public corporation.
- The reverse takeover of Magistral by the Company is completed.

In accordance with CICA EIC-149, “Accounting for Retractable or Mandatorily Redeemable Shares”, the shares owned by the CDPQ had been classified as debt in the audited financial statements of the Company as at October 31, 2006 due to the CDPQ’s right to force its share redemptions under certain conditions.

As the reverse takeover of Magistral was completed on December 20, 2006 (see note 2(a)), the Class A shares redeemable at the option of the holder have therefore ceased to be redeemable and have been reclassified in shareholders’ equity as contributed surplus, net of the amount initially assigned to share capital.

# Immunotec Inc.

## Notes to Interim Consolidated Financial Statements

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### 7 Business and geographic segment

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

Sales by final destination are as follows:

	For the three-month period ended April 30,		For the six-month period ended April 30,	
	2007 \$	2006 \$	2007 \$	2006 \$
Canada	4,341,376	5,357,281	8,650,229	10,191,994
United States	3,720,407	4,078,909	7,528,217	8,360,839
Other countries	773,373	721,383	1,311,853	1,231,749
	<u>8,835,156</u>	<u>10,157,573</u>	<u>17,490,299</u>	<u>19,784,582</u>

### 8 Statement of earnings

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

	For the three-month period ended April 30,		For the six-month period ended April 30,	
	2007 \$	2006 \$	2007 \$	2006 \$
Research and development				
Salaries and expenses	181,180	207,338	391,764	430,442
Tax credits	(34,374)	(74,500)	(68,940)	(108,000)
	<u>146,806</u>	<u>132,838</u>	<u>322,824</u>	<u>322,442</u>
Interest income	13,622	17,610	27,570	37,906
Foreign exchange loss (gain)	(5,424)	52,422	66,025	69,732

# Immunotec Inc.

## Notes to Interim Consolidated Financial Statements

(Unaudited)

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### 9 Earnings per share

	For the three-month period ended April 30,		For the six-month period ended April 30,	
	2007 \$	2006 \$	2007 \$	2006 \$
Net earnings for the period	425,065	1,032,720	930,828	1,925,638
Weighted average number of outstanding basic common shares	69,994,300	66,924,115	66,373,084	66,924,115
Dilutive effect of redeemable Class A shares	-	-	2,773,099	-
Weighted average number of outstanding diluted common shares	69,994,300	66,924,115	69,146,183	66,924,115
Basic earnings per share	0.006	0.015	0.014	0.029
Diluted earnings per share	0.006	0.015	0.013	0.029

For the three- and six-month periods ended April 30, 2007, the 1,630,000 stock options with an exercise price of \$1.13 and the secured convertible debenture are excluded from the diluted earnings per share calculation since they are anti-dilutive because the exercise price and the future compensation exceed the average stock price of the Company.

