

Immunotec Inc.

Interim Consolidated Financial Statements
(Unaudited)
July 31, 2009

Immunotec Inc.

Interim Consolidated Balance Sheet (Unaudited)

| | As at July 31, 2009 \$ | As at October 31, 2008 \$ |
|--|---------------------------------|------------------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 1,749,168 | 6,138,454 |
| Restricted cash (note 4) | 970,197 | - |
| Accounts receivable | 638,372 | 812,914 |
| Income taxes receivable | 109,832 | 118,692 |
| Inventories | 5,059,238 | 2,979,230 |
| Prepaid expenses | 722,427 | 548,333 |
| Future income taxes | 1,037,000 | 1,037,000 |
| | <u>10,286,234</u> | <u>11,634,623</u> |
| Property, plant and equipment | 6,170,722 | 6,210,788 |
| Intangible assets | 2,564,126 | 2,527,596 |
| Other assets (note 5) | 1,278,701 | 1,238,885 |
| Goodwill | 499,541 | 499,541 |
| Future income taxes | 732,654 | 551,967 |
| | <u>21,531,978</u> | <u>22,663,400</u> |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 6,124,524 | 4,243,914 |
| Customer deposits | 360,220 | 261,735 |
| Income taxes payable | - | 46,538 |
| | <u>6,484,744</u> | <u>4,552,187</u> |
| Shareholders' Equity | | |
| Share capital (note 6) | 3,465,548 | 3,465,548 |
| Other equity – Stock options (note 7) | 1,692,197 | 1,414,885 |
| Contributed surplus | 11,337,796 | 11,332,143 |
| (Deficit) Retained earnings | (1,448,307) | 1,898,637 |
| | <u>15,047,234</u> | <u>18,111,213</u> |
| | <u>21,531,978</u> | <u>22,663,400</u> |

Approved by the Board of Directors



Richard Patte Director



James A. Northrop Director

Immunotec Inc.

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

| | Number of common shares | Share capital \$ | Other equity – Stock options \$ | Contributed surplus \$ | (Deficit) Retained earnings \$ | Total \$ |
|--------------------------------------|-------------------------------|------------------------|---|------------------------------|---|-------------|
| Balance - October 31, 2007 | 69,994,300 | 3,465,548 | 736,416 | 11,326,406 | 956,836 | 16,485,206 |
| Net earnings | - | - | - | - | 1,099,278 | 1,099,278 |
| Stock-based compensation (note 7) | - | - | 496,695 | 5,737 | - | 502,432 |
| Balance – July 31, 2008 | 69,994,300 | 3,465,548 | 1,233,111 | 11,332,143 | 2,056,114 | 18,086,916 |
| Balance - October 31, 2008 | 69,994,300 | 3,465,548 | 1,414,885 | 11,332,143 | 1,898,637 | 18,111,213 |
| Net loss | - | - | - | - | (3,346,944) | (3,346,944) |
| Stock-based compensation (note 7) | - | - | 277,312 | 5,653 | - | 282,965 |
| Balance – July 31, 2009 | 69,994,300 | 3,465,548 | 1,692,197 | 11,337,796 | (1,448,307) | 15,047,234 |

Immunotec Inc.

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

| | For the three-month period ended July 31, | | For the nine-month period ended July 31, | |
|---|--|------------|---|------------|
| | 2009 \$ | 2008 \$ | 2009 \$ | 2008 \$ |
| Net sales | 11,967,395 | 8,942,007 | 34,762,679 | 26,766,768 |
| Cost of sales | 2,370,257 | 1,573,609 | 6,682,627 | 4,940,520 |
| | 9,597,138 | 7,368,398 | 28,080,052 | 21,826,248 |
| Operating expenses | | | | |
| Sales incentives | 5,644,625 | 3,697,379 | 16,103,001 | 10,971,475 |
| Selling, general and administrative (notes 3 & 10) | 5,052,710 | 3,173,318 | 14,057,525 | 9,099,446 |
| Costs of closing operations in South Korea (note 3) | 1,424,458 | - | 1,424,458 | - |
| | 12,121,793 | 6,870,697 | 31,584,984 | 20,070,921 |
| (Loss) Earnings before income taxes | (2,524,655) | 497,701 | (3,504,932) | 1,755,327 |
| (Recovery) Income tax provision | | | | |
| Current | (15,302) | (10,805) | 22,699 | 95,593 |
| Future | 18,850 | 154,338 | (180,687) | 560,456 |
| | 3,548 | 143,533 | (157,988) | 656,049 |
| Net (loss) earnings and comprehensive income | (2,528,203) | 354,168 | (3,346,944) | 1,099,278 |
| Net (loss) earnings per share (note 11) | | | | |
| Basic | (0.036) | 0.005 | (0.048) | 0.016 |
| Diluted | (0.036) | 0.005 | (0.048) | 0.016 |
| Weighted average number of common shares outstanding during the period (note 11) | | | | |
| Basic | 69,994,300 | 69,994,300 | 69,994,300 | 69,994,300 |
| Diluted | 69,994,300 | 69,994,805 | 69,994,300 | 70,055,040 |

Immunotec Inc.

Interim Consolidated Statement of Cash Flows (Unaudited)

| | For the three-month period ended July 31, | | For the nine-month period ended July 31, | |
|--|--|------------|---|------------|
| | 2009 \$ | 2008 \$ | 2009 \$ | 2008 \$ |
| Cash flows from | | | | |
| Operating activities | | | | |
| Net (loss) earnings | (2,528,203) | 354,168 | (3,346,944) | 1,099,278 |
| Items not affecting cash | | | | |
| Amortization of property, plant and equipment | 105,361 | 208,413 | 370,598 | 606,530 |
| Amortization of intangible assets | 135,387 | 50,976 | 399,556 | 151,747 |
| Net loss on disposal and write-off of property, plant and equipment | 48,028 | - | 48,028 | - |
| Write-off of intangible assets | 29,163 | - | 29,163 | - |
| Future income taxes | 18,850 | 154,338 | (180,687) | 560,456 |
| Stock-based compensation | 84,152 | 150,832 | 282,965 | 502,432 |
| | (2,107,262) | 918,727 | (2,397,321) | 2,920,443 |
| Changes in non-cash working capital balances related to operations | 1,605,155 | 321,350 | (473,110) | 565,531 |
| | (502,107) | 1,240,077 | (2,870,431) | 3,485,974 |
| Investing activities | | | | |
| Additions to property, plant and equipment | (449,527) | (120,360) | (627,163) | (261,315) |
| Additions to intangible assets | (64,782) | (31,483) | (406,179) | (121,900) |
| Disposal of property, plant and equipment | 524,500 | - | 524,500 | - |
| Research and development tax credits | (13,272) | (72,303) | (39,816) | (98,178) |
| | (3,081) | (224,146) | (548,658) | (481,393) |
| Net (decrease) increase in cash, cash equivalents and restricted cash | (505,188) | 1,015,931 | (3,419,089) | 3,004,581 |
| Cash, cash equivalents and restricted cash – Beginning of period | 3,224,553 | 5,863,208 | 6,138,454 | 3,874,558 |
| Cash, cash equivalents and restricted cash – End of period | 2,719,365 | 6,879,139 | 2,719,365 | 6,879,139 |
| Supplemental information | | | | |
| Income taxes paid (recovered) during the period | (8,670) | (2,446) | 67,652 | 205,710 |

Immunotec Inc.

Notes to Interim Consolidated Financial Statements

(Unaudited)

July 31, 2009

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, 2008. 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, 2008 which are available on www.sedar.com.

Accounting policy

Changes to accounting policies

On November 1, 2008, the Company adopted the new recommendation of Section 1400, “General Standards of Financial Statement Presentation” to include requirements to assess and disclose an entity’s ability to continue as a going concern. The recommendation had no effect on the Company’s consolidated financial statements.

Future accounting policies

In January 2009, the CICA issued the following new Handbook sections:

- i) Section 1582, “Business Combinations”, which replaces Section 1581, “Business Combinations”. The Section establishes standards for the accounting for a business combination. It provides the Canadian equivalent to the IFRS standard, IFRS 3 (Revised), “Business Combinations”. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier application is permitted. The Company is currently evaluating the impact of the adoption of this new Section on the consolidated financial statements.

- ii) Section 1601, “Consolidated Financial Statements”, and Section 1602, “Non-controlling Interests”, which together replace Section 1600, “Consolidated Financial Statements”. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS standard, IAS 27 (Revised), “Consolidated and Separate Financial Statements”. The Sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. The Company is currently evaluating the impact of the adoption of these new Sections on the consolidated financial statements.

Immunotec Inc.

Notes to Interim Consolidated Financial Statements

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2 Nature of activities

The Company is primarily engaged in the development of natural health products, dietary supplements, foods, vitamins and personal care products, some of which are manufactured on its behalf by third parties. The products are distributed through a network marketing system in Canada, the United States and since June 2009 in the Republic of Ireland and the United Kingdom. The Company's products are sold in other countries through exclusive licensing agreements.

3 Closing of operations in South Korea

The company closed, in July 2009, the operation of its subsidiary located in South Korea.

A former sub-distributor obtained from the Seoul Central District Court the issuance of an Executory Preliminary Injunction on July 13, 2009 against Immunotec Korea Inc., the subsidiary, to cease selling Immunocal products in South Korea as the Court concluded the subsidiary was infringing on the former sub-distributor exclusive distribution rights for these products.

Negotiations with the former sub-distributor which were initiated by the Company to obtain the withdrawal of the Injunction failed resulting in the decision to close the business since the appeals process to remove the Injunction against the subsidiary by the District Court could take many months.

The Company has instructed the law firm representing the Company to file an appeal of the decision as well as to consider filing a claim for damages against the former sub-distributor for misrepresentations of facts on which the Injunction is based.

The net loss incurred from March 20, 2009 to July 31, 2009, from the operations in South Korea prior to the termination of the business amounted to \$882,277. Additional costs associated with the termination of the operations of Immunotec (Korea) Inc. have been estimated at \$1,424,458 and have been recorded in the consolidated financial statements.

4 Restricted cash

These funds are restricted for a period of time, not yet determined, under operating regulatory requirements of South Korea.

Immunotec Inc.

Notes to Interim Consolidated Financial Statements

(Unaudited)

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5 Other assets

| | 2009 | 2008 |
|---|------------------|------------------|
| | \$ | \$ |
| Investment | 736,000 | 736,000 |
| Research and development tax credits receivable | 542,701 | 502,885 |
| | <u>1,278,701</u> | <u>1,238,885</u> |

6 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.

7 Other equity – Stock options

| | <u>For the nine-month period ended July 31, 2009</u> | |
|---|--|--|
| | Number of options | Weighted average exercise price \$ |
| Issued and outstanding –Beginning of period | 2,712,500 | 0.94 |
| Granted | 150,000 | 0.45 |
| Forfeited | (100,000) | 1.13 |
| Issued and outstanding –End of period | <u>2,762,500</u> | <u>0.91</u> |

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| Issue date | Options issued and in circulation | | | Options exercisable | | |
|---------------|-----------------------------------|----------------------|--|---------------------|----------------------|--|
| | Number | Exercise price \$ | Weighted average remaining life (years) | Number | Exercise price \$ | Weighted average remaining life (years) |
| December 2006 | 1,582,500 | 1.13 | 2.39 | 1,054,991 | 1.13 | 2.39 |
| November 2007 | 700,000 | 0.66 | 3.27 | 233,333 | 0.66 | 3.27 |
| February 2008 | 30,000 | 0.80 | 3.54 | 10,000 | 0.80 | 3.54 |
| July 2008 | 300,000 | 0.56 | 3.94 | 100,000 | 0.56 | 3.94 |
| March 2009 | <u>150,000</u> | 0.45 | 4.65 | <u>-</u> | - | - |
| | <u>2,762,500</u> | | | <u>1,398,324</u> | | |

During the nine-month period ended July 31, 2009, the Company granted 150,000 stock options to six members of its Board of Directors.

Each unit entitles the holder to acquire one common share of the Corporation at the exercise price specified when granted. Options granted vest over a three-year period, at a rate of one third per year commencing one year following the date of grant. The options expire five years after the grant date.

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

| | |
|-------------------------|---------|
| Risk-free interest rate | 1.85% |
| Volatility rate | 52.90% |
| Expected dividend yield | Nil |
| Expected life | 5 years |

The weighted-average fair value of the 150,000 options has been estimated at \$0.45 per option. In accordance with Section 3870 of the CICA Handbook, the Company has recorded the expense for these options using the straight-line method, from the date it was granted to the date they will become vested or forfeited.

For the nine-month period ended July 31, 2009, the Company has recorded the stock-base compensation expense of \$282,965 (2008 - \$502,432) and \$84,152 (2008 - \$150,832) for the quarter to the « selling, general and administrative expenses » and credited to « other equity – stock options ».

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8 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, cash equivalents, restricted cash and shareholders' equity. The company's capital at July 31, 2009 and October 31, 2008 were as follows:

| | 2009 | 2008 |
|---------------------------|-------------------|-------------------|
| | \$ | \$ |
| Cash and cash equivalents | 1,749,168 | 6,138,454 |
| Restricted cash | 970,197 | - |
| Shareholders' equity | <u>15,047,234</u> | <u>18,111,213</u> |
| | <u>17,766,599</u> | <u>24,249,667</u> |

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 issuances, share repurchases, grant of stock options, the payment of dividends, the issuance 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 July 31, 2009.

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9 Business and geographic segment

The Company's operations involve only one reportable business segment, a direct-selling/network marketing system, being a system in which distributors sell natural health and dietary supplements directly to customers.

The net sales to external customers by geographic region are detailed as follows:

| | For the three-month period ended July 31, | | For the nine-month period ended July 31, | |
|-----------------|--|------------------|---|-------------------|
| | 2009 | 2008 | 2009 | 2008 |
| | \$ | \$ | \$ | \$ |
| Canada | 4,702,053 | 4,425,256 | 15,125,634 | 13,551,201 |
| United States | 4,562,958 | 3,573,401 | 14,144,220 | 10,563,485 |
| South Korea | 1,572,863 | - | 2,642,944 | - |
| Europe | 39,504 | - | 39,504 | - |
| Other countries | 1,090,017 | 943,350 | 2,810,377 | 2,652,082 |
| | <u>11,967,395</u> | <u>8,942,007</u> | <u>34,762,679</u> | <u>26,766,768</u> |

The property, plant and equipment, intangible assets and goodwill by geographic region are detailed as follow:

| | 2009 | 2008 |
|---------------|------------------|------------------|
| | \$ | \$ |
| Canada | 9,139,996 | 9,237,925 |
| International | <u>94,393</u> | <u>-</u> |
| | <u>9,234,389</u> | <u>9,237,925</u> |

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Notes to Interim Consolidated Financial Statements

(Unaudited)

July 31, 2009

10 Statement of (loss) earnings

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

| | For the three-month period ended July 31, | | For the nine-month period ended July 31, | |
|--|--|------------|---|------------|
| | 2009 \$ | 2008 \$ | 2009 \$ | 2008 \$ |
| Research and development* | 170,842 | 84,643 | 618,889 | 517,177 |
| Amortization of property, plant and equipment | 105,361 | 208,413 | 370,598 | 606,530 |
| Amortization of intangible assets | 135,387 | 50,976 | 399,556 | 151,747 |
| Interest income | (2,122) | (28,068) | (25,424) | (86,180) |
| Foreign exchange (gain) | (35,299) | (18,191) | (20,824) | (229,976) |

* Research and development expenses
comprise:

| | \$ | \$ | \$ | \$ |
|---|---------|---------|---------|---------|
| Salaries | 93,283 | 112,064 | 298,066 | 380,845 |
| Expenses | 146,202 | 143,701 | 467,556 | 353,961 |
| | 239,485 | 255,765 | 765,622 | 734,806 |
| Less: Research and development tax credits | 68,643 | 171,122 | 146,733 | 217,629 |
| | 170,842 | 84,643 | 618,889 | 517,177 |

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Notes to Interim Consolidated Financial Statements

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July 31, 2009

11 Net (loss) earnings per share

| | For the three-month period ended July 31, | | For the nine-month period ended July 31, | |
|---|--|------------|---|------------|
| | 2009 \$ | 2008 \$ | 2009 \$ | 2008 \$ |
| Net (loss) earnings for the period | (2,528,203) | 354,168 | (3,346,944) | 1,099,278 |
| Weighted average number of outstanding basic common shares | 69,994,300 | 69,994,300 | 69,994,300 | 69,994,300 |
| Dilutive effect of stock options | - | 505 | - | 60,740 |
| Weighted average number of outstanding diluted common shares | 69,994,300 | 69,994,805 | 69,994,300 | 70,055,040 |
| Basic (loss) earnings per share | (0.036) | 0.005 | (0.048) | 0.016 |
| Diluted (loss) earnings per share | (0.036) | 0.005 | (0.048) | 0.016 |

12 Financial instruments

Classification of the financial instruments

Cash, cash equivalents and restricted cash are classified as “financial assets held for trading”. Accordingly, they are carried at fair value, with any gains or losses arising from the revaluation at each period-end being included in consolidated earnings.

Accounts receivable are classified as “loans and receivables”. Subsequent to their initial measurement at fair value, accounts receivable are measured at amortized cost using the effective interest rate method. Given the composition of the Company’s accounts receivable, the amortized cost generally approximates fair value because of their short terms to maturity.

The investment in common shares of a private company is classified as “available for sale”. Such shares were initially recorded at their fair value and subsequent are carried at cost. Available-for-sale financial assets are, however, subject to assessment for impairment and unrealized losses are recorded in the consolidated statement of earnings.

Accounts payable and accrued liabilities as well as customer deposits are classified as “other financial liabilities”. Subsequent to their measurement at fair value, these financial liabilities are measured at amortized cost using the effective interest rate method.

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Fair value

The Company has determined the fair value of its financial instruments based on estimates and assumptions.

The fair value of current financial assets and liabilities, which include cash, cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities and customer deposits, is comparable to their carrying values due to their relatively short terms to maturity.

The fair value of the investment in a private company was not reliably estimable as at July 31, 2009 since the investment relates to a private bio-based technology company in the development stage. The investee is committed to buy back, in May 2010, the shares owned by the Company at the higher of the fair value of the shares or US\$786,350.

Credit risk

Financial instruments which potentially subject the Company to credit risk include cash, cash equivalents, restricted cash and accounts receivable, with respect to which management believes there was no significant concentration of credit risk as at July 31, 2009. 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

The Company is exposed to interest rate risk on its cash, cash equivalents and restricted cash and does not currently hold any financial instrument to mitigate this risk. Cash balances bear interest at floating rates, certificates of deposit and Treasury bills bear interest at a fixed rate. Management does not believe that the impact of the interest rate fluctuations on the current level of cash and cash equivalents will be significant and, therefore, has not provided a sensitivity analysis of the impact of fluctuations on net earnings and comprehensive income.

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.

New subsidiaries in South Korea and the Republic of Ireland, with operations in the United Kingdom, process transactions in different currencies. These subsidiaries bear the currency exchange risk.

Accordingly, exchange rate fluctuations do not directly affect the Company's results of operations. However, exchange rate fluctuations in this market may affect the ability of the Company's subsidiary to conduct its business operations profitably.

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As at July 31, 2009, the financial instruments are denominated in each currency.

| | U.S. dollars | Korean won | Euros | Sterling Pounds |
|---|---------------------|-------------------|--------------|------------------------|
| Cash | 1,083,040 | 15,671,701 | 987 | 984 |
| Restricted cash | - | 1,100,000,000 | - | - |
| Accounts receivable | 409,980 | 2,076,791 | - | 300 |
| Accounts payable and accrued liabilities | 1,803,708 | 1,147,602,177 | 6,012 | 4,048 |

As at July 31, 2009, a variation of 10% in the exchange rates compared to the actual period-end exchange rates, for each category of financial instruments held in different currency, would have an impact on the balance sheet and net earnings of \$26,371.

13 Comparative figures

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