IMMTECH INTERNATIONAL INC
Form 10-Q
February 14, 2002

2/12/01

United States
Securities and Exchange Commission
Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the quarterly period ended December 31, 2001.

or

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from _____ to _____.

Commission file number: 000-25669

IMMTECH INTERNATIONAL, INC.
(Exact Name of Registrant as specified in its Charter)

Delaware	39-1523370
(State or other jurisdiction of incorporation or organization)	(I. R. S. Employer Identification No.)

150 Fairway Drive, Suite 150, Vernon Hills, Illinois 60061
(Address of principal executive offices) (Zip Code)

Registrant's telephone number: (847) 573-0033

Check whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the prior 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [_]

As of January 31, 2002, 6,005,371 shares of the Registrant's common stock, par value $0.01 ("Common Stock"), were outstanding.

INDEX

Page No.

PART I. FINANCIAL INFORMATION

Item 1. Condensed Financial Statements.

IMMTECH INTERNATIONAL, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

CONDENSED BALANCE SHEETS (UNAUDITED)

ASSETS

CURRENT ASSETS:
- Cash and cash equivalents
- Restricted funds on deposit
- Other current assets

Total current assets

PROPERTY AND EQUIPMENT - Net

OTHER ASSETS

TOTAL

LIABILITIES AND STOCKHOLDERS' EQUITY
(DEFICIENCY IN ASSETS)

CURRENT LIABILITIES:
  Accounts payable
  Accrued expenses
  Deferred revenue

Total current liabilities

DEFERRED RENTAL OBLIGATION

Total liabilities

STOCKHOLDERS' EQUITY (DEFICIENCY IN ASSETS):
  Preferred stock, par value $0.01 per share, 5,000,000 shares
    authorized and unissued
  Common stock, par value $0.01 per share, 30,000,000 shares authorized,
    6,005,371 and 5,955,245 shares issued and outstanding
    as of December 31, 2001 and March 31, 2001, respectively
  Additional paid-in capital
  Deficit accumulated during the developmental stage

Total stockholders' equity (deficiency in assets)

TOTAL

See notes to condensed financial statements.

IMMTECH INTERNATIONAL, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

CONDENSED STATEMENTS OF OPERATIONS (UNAUDITED)

	THREE MONTHS ENDED DECEMBER 31,		NINE M DE
	2001	2000	2001
REVENUES	$ 954,660	$ 86,440	$ 2,914,0
EXPENSES:			
Research and development	1,205,808	1,207,471	2,986,8
General and administrative	689,328	1,928,692	2,370,3
Equity in loss of joint venture			

Total expenses	1,895,136	3,136,163	5,357,2
LOSS FROM OPERATIONS	(940,476)	(3,049,723)	(2,443,1
OTHER INCOME (EXPENSE):			
Interest income	2,409	13,336	38,7
Interest expense			
Loss on sales of investment securities - net			
Cancelled offering costs			
Other income (expense) - net	2,409	13,336	38,7
LOSS BEFORE EXTRAORDINARY ITEM	(938,067)	(3,036,387)	(2,404,3
EXTRAORDINARY GAIN ON EXTINGUISHMENT OF DEBT			
NET LOSS	(938,067)	(3,036,387)	(2,404,3
REDEEMABLE PREFERRED STOCK CONVERSION, PREMIUM AMORTIZATION AND DIVIDENDS			
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ (938,067)	$ (3,036,387)	$ (2,404,3
BASIC AND DILUTED LOSS PER SHARE	$ (0.16)	$ (0.55)	$ (0.
WEIGHTED AVERAGE SHARES USED IN COMPUTING BASIC AND DILUTED LOSS PER SHARE	6,005,371	5,520,357	6,003,2

See notes to condensed financial statements.

IMMTECH INTERNATIONAL, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

	THREE MONTHS ENDED DECEMBER 31,		NINE M DE
	2001	2000	2001

OPERATING ACTIVITIES:			
Net loss	$ (938,067)	$ (3,036,387)	$ (2,404,360
Adjustments to reconcile net loss to net cash used in operating activities:			
Compensation recorded related to issuance of common stock, common stock options and warrants	85,087	1,141,830	246,911
Depreciation and amortization of property and equipment	25,480	28,973	73,341
Deferred rental obligation	(1,592)	(1,591)	(4,774
Equity in loss of joint venture			
Loss on sales of investment securities - net			
Amortization of debt discounts and issuance costs			
Extraordinary gain on extinguishment of debt			
Changes in assets and liabilities:			
Restricted funds on deposit	751,339		2,311,653
Other current assets	50,000		28,289
Other assets			
Accounts payable	419,092	(383,944)	157,751
Accrued expenses		(25,789)	(20,000
Deferred revenue	(858,215)		(2,379,484
Net cash used in operating activities	(466,876)	(2,276,908)	(1,990,673
INVESTING ACTIVITIES:			
Purchases of investment securities			
Proceeds from sales and maturities of investment securities			
Purchases of property and equipment		(6,329)	(61,994
Investment in and advances to joint venture			
Net cash (used in) provided by investing activities		(6,329)	(61,994
FINANCING ACTIVITIES:			
Advances from stockholders and affiliates			
Proceeds from issuance of notes payable			
Principal payments on notes payable			
Payments for debt issuance costs			
Payments for extinguishment of debt			
Proceeds from issuance of redeemable preferred stock			
Net proceeds from issuance of common stock		4,410,162	18,843
Additional capital contributed by stockholders			
Net cash provided by (used in) financing activities		4,410,162	18,843
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(466,876)	2,126,925	(2,033,824
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	530,770	987,980	2,097,718
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 63,894	$ 3,114,905	$ 63,894

See notes to condensed financial statements.

IMMTECH INTERNATIONAL, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying condensed financial statements have been prepared by Immtech International, Inc. (the "Company") pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and, in the opinion of the Company, include all adjustments necessary for a fair statement of results for each period shown (unless otherwise noted herein, all adjustments are of a normal recurring nature). Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such SEC rules and regulations. The Company believes that the disclosures made are adequate to prevent the financial information given from being misleading. It is suggested that these financial statements be read in conjunction with the financial statements and notes thereto included in the Company's latest Annual Report on Form 10-KSB/A (Amendment No. 1).

2. COMPANY BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business - Immtech International, Inc. (the "Company") is a biopharmaceutical company focused on the discovery, development and commercialization of drugs for the treatment of fungal diseases, tuberculosis, hepatitis, pneumonia, diarrhea, and cancer. The Company has two separate platform technologies for developing drugs, one for developing a new class of anti-microbial molecules as pharmaceuticals and the other for developing (Through NextEra Therapeutics, Inc., a joint venture among the Company, Franklin Research Group, Inc. and an individual. See Note 3) a series of biological proteins that work in conjunction with the immune system.

The Company was incorporated in 1984. The Company is in the development stage and has directed its efforts toward research and development, hiring scientific and management personnel, arranging for facilities and conducting laboratory and clinical trials of product candidates. The Company does not have any products currently available for sale, and no products are expected to be commercially available for several years.

Going Concern Presentation and Related Risks and Uncertainties - The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

Since inception, the Company has incurred accumulated losses of approximately $37,550,000. Management expects the Company to continue to incur significant losses during the next several years as the Company expands its research and development activities and clinical trial

efforts. In addition, the Company has various research and development agreements with certain entities that are thinly capitalized and are dependent upon their ability to raise additional funds to continue their research and development activities. There can be no assurance that the Company's continued research will lead to the development of commercially viable products. The Company's operations to date have consumed substantial amounts of cash. The negative cash flow from operations is expected to continue in the foreseeable future. The Company will require substantial funds to conduct research and development and laboratory and clinical testing and to manufacture (or have manufactured) and market (or have marketed) its product candidates.

The Company's working capital is not sufficient to fund the Company's operations through the commercialization of one or more products yielding sufficient revenues to support the Company's operations; therefore, the Company will need to raise additional funds. On February 14, 2002, the Company closed the initial stage of two private placement offerings which raised approximately $3,867,500 of additional equity (before offering costs) through the issuance of 154,700 shares of Series A convertible preferred stock and warrants to purchase 386,750 shares of common stock (see Note 7). The Company believes its existing unrestricted cash and cash equivalents, and the grants the Company has received or has been awarded and is awaiting disbursement of, together with the proceeds from the aforementioned private placements offerings, will be sufficient to meet the Company's planned expenditures through December, 2002, although there can be no assurance the Company will not require additional funds. These factors, among others, indicate that the Company may be unable to continue as a going concern. The accompanying financial statements do not include any adjustments that might result from an adverse outcome of these uncertainties.

The Company's ability to continue as a going concern is dependent upon its ability to generate sufficient funds to meet its obligations as they become due and, ultimately, to obtain profitable operations. Management's plans for the remainder of the fiscal year, in addition to normal operations, include continuing their efforts to obtain additional equity and/or debt financing (see Notes 4 and 7), obtain additional research grants and enter into various research and development agreements with other entities.

Cash and Cash Equivalents - The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents consist of an amount on deposit at a bank and an investment in a money market mutual fund, stated at cost, which approximates fair value.

Restricted Funds on Deposit - Restricted funds on deposit consist of cash on deposit at a bank which is restricted for use in accordance with a clinical research subcontract agreement with The University of North Carolina at Chapel Hill (see Note 5).

Income Taxes - The Company accounts for income taxes using an asset and liability approach. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible

amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. In addition, the valuation allowance is recognized if it is more likely than not that some or all of the deferred income tax assets will not be realized. A valuation allowance is used to offset the related net deferred income tax assets due to uncertainties of realizing the benefits of certain net operating loss and tax credit carryforwards and other deferred income tax assets.

Comprehensive Loss - Comprehensive loss for the nine months ended December 31, 2000 was as follows:

Net loss	$(7,764,452)
Other comprehensive income (loss):	
Unrealized loss on investment securities available for sale	(1,764)
Reclassification adjustment for loss included in net loss	2,942
Comprehensive loss	$(7,763,274)

There were no differences between comprehensive loss and net loss for the three months and nine months ended December 31, 2001 and the three months ended December 31, 2000.

Reclassifications - Certain amounts previously reported have been reclassified to conform with the current presentation.

3. INVESTMENT IN NEXTERA THERAPEUTICS, INC.

On July 8, 1998, the Company, together with Franklin Research Group, Inc. ("Franklin") and an individual, formed NextEra Therapeutics, Inc. ("NextEra") to develop therapeutic products for treating cancer and related diseases. The Company and Franklin have a research and funding agreement with NextEra in which Franklin provided funding of $1,350,000 to NextEra to fund the scale-up of manufacturing for and initiation of certain clinical trials of NextEra's product candidates. The Company contributed its rmCRP technology as well as use of its current laboratory facilities for 330,000 common shares of NextEra. During the year ended March 31, 2000, the Company advanced $135,000 to NextEra to fund its operations. The Company did not advance any funds to NextEra during the nine months ended December 31, 2000 and 2001.

NextEra funded the operation of the Company's primary facility, including certain salaries related to work on rmCRP, rent, and overhead associated with the project from July 1998 through December 1999. Since January 1, 2000, NextEra has funded only their own compensation expenses, as they stopped funding the Company's primary facility and any associated overhead. In addition, NextEra has funded and is required to fund the cost of maintaining and defending the patents that are part of the intellectual property transferred to NextEra by the Company.

NextEra has incurred accumulated losses of approximately $2,174,000 since inception (July 8, 1998) through December 31, 2001. NextEra is expected to continue to incur significant losses during the next several years. In

addition, as of December 31, 2001, NextEra's current liabilities exceeded its current assets by approximately $303,000 and NextEra had a stockholders' deficiency of approximately $269,000.

As of December 31, 2001, September 30, 2001 and March 31, 2001, the Company owned approximately 28%, 28% and 43%, respectively, of the issued and outstanding shares of NextEra common stock.

On April 27, 2000, Franklin filed a complaint against the Company in the United States District Court for the Southern District of Ohio, Eastern Division alleging fraud, negligent misrepresentation and breach of the implied covenant of good faith and fair dealing in connection with the research and funding agreement entered into between Franklin, the Company and NextEra. The complaint sought compensatory damages, unquantified punitive damages, attorneys' fees, costs and expenses. On March 23, 2001, Franklin voluntarily dismissed its complaint against the Company and together

with NextEra filed a new complaint in the Court of Common Pleas, Franklin County, Ohio alleging fraud, negligent misrepresentation and breach of the implied covenant of good faith and fair dealing in connection with the research and funding agreement entered into between Franklin, the Company and NextEra. In addition, NextEra alleged the Company tortuously interfered with an employment agreement between NextEra and the chief scientific officer of NextEra. The complaint sought compensatory damages in excess of $25,000, unquantified punitive damages, attorneys' fees, costs and expenses. On May 25, 2001, the case was dismissed without prejudice by the Court of Common Pleas, Franklin County, Ohio. The Company is currently in negotiations with Franklin and its designees to resolve certain issues, including the possible restructuring of the joint venture and relationship with NextEra to better position NextEra in its fund raising efforts, and increasing the Company's ownership in NextEra as consideration for services provided to NextEra, expenses the Company previously incurred on behalf of NextEra and funds previously advanced to NextEra.

NextEra's ability to continue as a going concern is dependent upon its ability to generate sufficient funds to meet its obligations as they become due and, ultimately, to obtain profitable operations. NextEra's financial plans for the forthcoming year include continuing efforts to obtain additional equity financing.

The Company has recognized an equity loss in NextEra to the extent of the basis of its investment and the investment balance has remained zero since March 31, 2001. Recognition of any investment income on the equity method by the Company for its investment in NextEra will occur only after NextEra has earnings in excess of previously unrecognized equity losses.

4. COMMON STOCK OPTIONS AND WARRANTS

On October 12, 2000, the Company's stockholders approved the issuance of options to purchase shares of common stock to certain employees and other nonemployees who have been engaged to assist the Company in various research and administrative capacities as part of the 2000 Stock Incentive Plan. The 2000 Stock Incentive Plan provides for the issuance of up to 350,000 shares of common stock in the form of incentive stock options and non-qualified stock options. The incentive stock options must be granted

at a price at least equal to fair market value at the date of grant.

The Company has granted common stock options to individuals who have contributed to the Company in various capacities. The options contain various provisions regarding vesting periods and expiration dates. The options generally vest over periods ranging from zero to four years and generally expire after five or ten years. During the three months and nine months ended December 31, 2001, the Company issued options to purchase 56,000 and 95,750 shares of common stock to certain employees and directors. As of December 31, 2001, there were 75,750 shares available for grant, including 24,000 shares which are reserved for issuance under certain consulting agreements with nonemployees.

During the three months ended December 31, 2001, the Company did not issue any options to nonemployees and recognized expense of approximately $85,000 related to certain options issued prior to July 1, 2001 which vest over four year service periods. During the nine months ended December 31, 2001, the Company issued options to purchase 12,000 shares of common stock to nonemployees and recognized expense of approximately $247,000 related to these options and certain other options issued prior to April 1, 2001 which vest over four year service periods. During the three months and nine months ended December 31, 2000, the Company issued options to purchase 105,750 shares of common stock to nonemployees and recognized expenses of approximately $276,000 and $410,000, respectively, related to these options and certain other options issued prior to April 1, 2000 which vest over four year service periods. The expenses were determined based on the estimated fair value of the options issued.

On July 31, 2000, the Company entered into an agreement with the principals of Stonegate Securities, Inc. ("Stonegate") for assistance to be provided by Stonegate in connection with raising additional equity capital for the consideration of warrants to purchase 200,000 shares of the Company's common stock. Pursuant to a notice of termination of the agreement dated December 8, 2000, 100,000 of the warrants shall not vest. The remaining 100,000 warrants expire on July 31, 2005 and have an exercise price of $12.06 per share. The Company recognized a general and administrative expense of $866,000 during the three months and nine months ended December 31, 2000, as the warrants were for compensation unrelated to the December 8, 2000 private placement offering. The expense was determined based on the estimated fair value of the 100,000 issued and vested warrants.

On March 15, 2001, the Company entered into a one year agreement with The Kriegsman Group ("Kriegsman") for assistance to be provided by Kriegsman to the Company with respect to financial consulting, planning, structuring, business strategy, public relations and promotions. This agreement was terminated by the Company effective September 14, 2001. As compensation for these services, the Company paid a retainer fee to Kriegsman of $20,000 per month for the term of the agreement. The Company also granted Kriegsman warrants to purchase 250,000 shares of the Company's common stock at $10.75 per share. Warrants to purchase 100,000 shares vested immediately while the remaining 150,000 warrants did not vest as the Company's market capitalization did not reach the required milestones. The warrants to purchase 100,000 shares of the Company's common stock are exercisable over a five year period and contain a cashless exercise provision.

On July 24, 2001, the Company entered into an agreement with H.C. Wainwright & Co., Inc. ("Wainwright"), an investment bank, to seek investors for a private placements of debt, equity and/or warrant securities of the Company. This agreement was terminated by the Company effective January 28, 2002. The Company was obligated to grant to Wainwright, upon the closing of any private placement offering of the Company's securities arranged by Wainwright, warrants to purchase 10% of the amount of securities sold in such private placement offering at an exercise price equal to the price at which the securities are sold in the private placement offering, with a five year exercise period, and grant registration rights on any underlying shares, among other items. In addition, Wainwright was entitled to a fee of 7.5% of the aggregate cash consideration received by the Company through their sources in connection with the private placement offering. No warrants were issued and no consideration was paid to Wainwright as Wainwright did not place any securities for the Company.

5. COLLABORATIVE RESEARCH AND DEVELOPMENT ACTIVITIES

The Company has various collaborative research agreements with commercial enterprises. Under the terms of these arrangements, the Company has agreed to perform best efforts research and development and, in exchange, the Company may receive advanced cash funding and may also earn additional fees for the attainment of certain milestones. The Company may receive royalties on the sales of such products. The other parties generally receive exclusive marketing and distribution rights for certain products for set time periods in specific geographic areas.

The Company initially acquired its rights to the platform technology and dictations developed by a consortium of universities consisting of The University of North Carolina at Chapel Hill ("UNC"), Duke University, Auburn University and Georgia State University (all four universities collectively,

the "Consortium") pursuant to an agreement, dated January 15, 1997 (as amended, the "Consortium Agreement"), among the Company, Pharm-Eco Laboratories, Inc. ("Pharm-Eco"), and UNC (to which each of the other members of the Consortium agreed shortly thereafter to become a party). The Consortium Agreement commits the parties to, collectively, research, develop, finance the research and development of, manufacture and market the technology and compounds owned by the Consortium and then licensed or optioned to Pharm-Eco (the "Current Compounds") and to be licensed to the Company in accordance with the Consortium Agreement, and all technology and compounds developed by the Consortium after the date thereof through use of Company-sponsored research funding or National Cooperative Drug Development grant funding made available to the Consortium (the "Future Compounds" and, collectively with the Current Compounds, the "Compounds").

The Consortium Agreement contemplated that upon the completion of the Company's initial public offering ("IPO") of shares of its common stock with gross proceeds of at least $10,000,000 by April 30, 1999, the Company and Pharm-Eco, with respect to the Current Compounds, and the Company and UNC, (on behalf of the Consortium), with respect to Future Compounds, would enter into license agreements for, or assignments of, the intellectual property rights relating to the Compounds held by Pharm-Eco and the Consortium; pursuant to which the Company would pay royalties and other payments based on revenues received for the sale of products based

on the Compounds.

The Company completed its IPO on April 26, 1999, with gross proceeds in excess of $10,000,000. Pursuant to the Consortium Agreement, both Pharm-Eco and the Consortium then became obligated to grant or assign to the Company an exclusive worldwide license to use, manufacture, have manufactured, promote, sell, distribute, or otherwise dispose of any products based directly or indirectly on all of the Current Compounds and Future Compounds.

As a result of the closing of the IPO, the Company issued an aggregate of 611,250 shares of common stock, of which 137,500 shares were issued to the Consortium and 473,750 shares were issued to Pharm-Eco or persons designated by Pharm-Eco.

Pursuant to the Consortium Agreement, the Company may, subject to the satisfaction of certain conditions, be required to issue 100,000 shares of common stock to the Consortium upon the filing by the Company of the first new drug application or an abbreviated new drug application with the Food and Drug Administration for a product covered by the Consortium Agreement under Current Compounds. In addition, the Company will pay the Consortium an royalty based on a percentage of the net sales of products derived from the Compounds or revenues derived from sub-license agreements.

On January 28, 2002 the Company amended the Consortium Agreement whereby the Company received the right to commercialize all future technology and compounds developed or invented by one or more of the Consortium scientists after January 15, 1997 and also incorporated into such license agreement its existing license with the Consortium with regard to compounds already under license. Under the terms of this license the Company is required to continue to make quarterly research grants in the amount of $100,000 to UNC through April 30, 2002 and pay all costs to maintain and defend all patents and patent applications relating to any products based on any Compounds. In addition, the Company will pay the Consortium certain royalties based upon net sales or sub-license revenues of commercialized products derived from the Compounds. During each of the three month periods ended December 31, 2001 and 2000, the Company expensed grant payments to UNC of $100,000. During each of the nine month periods ended December 31, 2001 and 2000, the Company expensed grant payments to UNC of $300,000. Such payments were expensed as research and development costs.

In June 1999, the Company entered into a research and manufacturing agreement with Pharm-Eco for Pharm-Eco to produce good manufacturing practices quality, as defined, diatonic drugs and products for clinical testing and for early commercialization. Pharm-Eco was unable to manufacture certain required compounds and the Company subsequently engaged alternate suppliers who successfully manufactured the compounds.

In August 2000, Pharm-Eco and two of its senior executives filed suit in Delaware against the Company in connection with a dispute under the Consortium Agreement. The Company responded by denying the allegations and filing a counter-claim against Pharm-Eco for breach of contract.

The Company filed a Motion for Summary Judgment, which was granted on February 21, 2001. In his Memorandum Opinion, the Vice Chancellor hearing the proceeding dismissed all of the plaintiffs' claims against the Company

and held that Pharm-Eco had breached the Consortium Agreement by failing to grant or assign to the Company a license for the Current Compounds. On March 12, 2001, the Vice Chancellor signed a Final Order and Judgment directing Pharm-Eco to execute and deliver to the Company an agreement granting or assigning to the Company such a license. On March 27, 2001, Pharm-Eco and the Company entered into an agreement assigning to the Company the license to the Current Compounds. No further claims against the Company remain in this proceeding, and on May 1, 2001, a Stipulation of Dismissal was filed with the Court.

On April 20, 2001, the Company entered into a settlement agreement with Pharm-Eco and certain other parties resolving all remaining matters between them. Pursuant to this agreement, the Company received a cash payment of $1,000,000; an assignment from Pharm-Eco of various contract rights; and a termination of all of the Company's obligations to Pharm-Eco, including, without limitation, (a) the obligation to issue an aggregate of 850,000 warrants for shares of the Company's stock, (b) the obligation to issue shares of common stock upon the occurrence of a certain future event, (c) the obligation to pay a percentage of all non-royalty payments that the Company might receive under any sublicense that the Company might enter into with respect to certain compounds, and (d) certain accounts payable which Pharm-Eco claimed to be owed of approximately $159,000; and a release of any and all claims that Pharm-Eco may have had against the Company. The cash payment received and the accounts payable obligations which were forgiven, aggregating approximately $1,159,000, was recorded as a credit to (reduction of) research and development expense during the three months ended June 30, 2001; as the Company had previously expensed the estimated fair value of the shares of common stock issued to Pharm-Eco at the time of the IPO and the accounts payable obligations, as research and development expense.

In August 1999, the Company received a Small Business Innovation Research ("SBIR") grant of approximately $598,000 from the National Institutes of Health ("NIH") to research various infections. During the nine months ended December 31, 2000, the Company recognized revenues of approximately $236,000 from this grant and expensed payments to UNC of approximately $51,000, respectively, for contracted research related to the grant. There was no additional funding available to the Company under the aforementioned grant as of September 30, 2000.

In August 2000, the Company received two additional SBIR grants from the NIH aggregating approximately $831,000. During the three months and nine months ended December 31, 2001, the Company recognized revenues of approximately $65,000 and $503,000, respectively, from these grants. During the three months and nine months ended December 31, 2000, the Company recognized revenues of approximately $86,000 and $189,000, respectively, from these grants. During the three months and nine months ended December 31, 2001, the Company expensed payments of approximately $32,000 and $163,000, respectively, to UNC and certain other Consortium universities for contracted research related to these grants. During the three months

and nine months ended December 31, 2000, the Company expensed payments of approximately $64,000 to UNC and certain other Consortium universities for contracted research related to these grants. There was no additional funding available to the Company under the aforementioned grants as of December 31, 2001.

In August 2001, the Company was awarded an additional SBIR grant of $144,000 from the NIH. During the three months and nine months ended December 31, 2001, the Company recognized revenues of approximately $32,000 related to this grant. During the three months and nine months ended December 31, 2001, the Company expensed payments of approximately $32,000 to UNC and certain other consortium universities for contracted research related to this grant. There is additional funding available to the Company under the aforementioned grant of approximately $112,000 as of December 31, 2001.

During the three months ended December 31, 2001 and 2000, the Company expensed approximately $58,000 and $115,000, respectively, of other payments to UNC and certain other Consortium universities for reimbursement of patent related costs and other contracted research. Total payments expensed to UNC and certain other Consortium universities were approximately $222,000 and $279,000 during the three months ended December 31, 2001 and 2000, respectively. During the nine months ended December 31, 2001 and 2000, the Company expensed approximately $231,000 and $286,000, respectively, of other payments to UNC and certain other Consortium universities for reimbursement of patent related costs and other contracted research. Total payments expensed to UNC and certain other Consortium universities were approximately $726,000 and $701,000 during the nine months ended December 31, 2001 and 2000, respectively. Included in accounts payable as of December 31, 2001 and March 31, 2001, were approximately $390,000 and $215,000, respectively, due to UNC and certain other Consortium universities.

In November 2000, the Bill & Melinda Gates Foundation awarded a $15,114,000 grant to UNC to develop new drugs to treat Trypanosomiasis (African sleeping sickness) and Leishmaniasis. On March 29, 2001, UNC entered into a clinical research subcontract agreement with the Company, whereby the Company is to receive up to $9,800,000 of such grant funds, subject to certain terms and conditions, over a five year period to conduct certain clinical and research studies in connection with such diseases. The proceeds from this agreement are restricted and must be segregated from the Company's other funds and used for specific purposes. On March 29, 2001, the Company received the first installment of $4,300,000, of which approximately $858,000 and $2,379,000 was utilized for clinical and research purposes conducted and expensed during the three months and nine months ended December 31, 2001, respectively. The Company has recognized aggregate revenues of approximately $3,170,000 through December 31, 2001 for services performed under the agreement. The remaining amount (approximately $1,130,000) has been deferred and will be recognized as revenue over the term of the agreement as the services are performed.

6. CONTINGENCIES

In June 2000, Technikrom, Inc. ("Technikrom"), filed a claim against the Company with the American Arbitration Association in Chicago, Illinois. In that proceeding, Technikrom sought to recover $124,000 in fees, interest and costs for certain method development services provided to the Company relating to the purification of a protein known as rmCRP. The Company has filed a counterclaim against Technikrom for fraudulent inducement of contract which sought compensatory damages of at least $224,000, plus fees, interest and costs. The Company also sought a declaratory judgment that Technikrom, inter alia, failed to use its best efforts to develop a purification method within the time parameters set by the parties. The parties engaged an arbitrator and in November 2001 Technikrom was awarded a $95,000 settlement, which the Company subsequently paid.

The Company is involved in various other claims and litigation incidental to its operations. In the opinion of management, the ultimate resolution of these actions will not have a material effect on the Company's financial statements.

7. SUBSEQUENT EVENTS

On February 14, 2002, the Company filed a Certificate of Designation with the Secretary of State of the State of Delaware designating 320,000 shares of the Company's 5,000,000 authorized shares of preferred stock as Series A Convertible Preferred Stock, $0.01 par value, with a stated value of $25.00 per share. Dividends accrue at a rate of 6% on the $25.00 stated value per share and are payable semi-annually on April 15 and October 15 of each year while the shares are outstanding. The Company has the option to pay the dividend either in cash or in equivalent shares of common stock, as defined. Each share of Series A Convertible Preferred Stock shall be convertible by the holder at any time into shares of the Company's common stock at a conversion rate determined by dividing the $25.00 stated value, plus any accrued and unpaid dividends (the "Liquidation Price"), by a $4.42 conversion price (the "Conversion Price") subject to antidilution adjustment. The Company may at any time after February 14, 2003, require that any or all outstanding shares of Series A Convertible Preferred Stock be converted into shares of the Company's common stock, provided that the shares of common stock into which the Series A Convertible Preferred Stock is convertible is registered pursuant to an effective registration statement, as defined. The Company may redeem the Series A Convertible Preferred upon 30 day's notice followed by payment in cash to the investor of the Liquidation Price, unless the holder converts the Series A Convertible Stock to Common Stock during such 30 day notice period. The number of shares of common stock shall be determined by (i) dividing the Liquidation Price by the Conversion Price provided that the closing bid price for the Company's common stock exceeds $9.00 for 20 consecutive tracking days within 180 days prior to notice of conversion, as defined, or if the requirements of (i) are not met, the number of shares of common stock is determined by dividing 110% of the Liquidation Price by the Conversion Price. The Conversion Price is subject to antidilution adjustments, as defined in the Certificate of Designation.

The Company may, upon 30 days' notice, redeem any or all outstanding shares of the Series A Convertible Preferred Stock by payment of the Liquidation Price to the holder of such shares, provided that the holder does not convert the Series A Convertible Preferred Stock into shares of Common Stock during the 30 day period. The Series A Convertible Preferred Stock has a preference in liquidation equal to $25.00 per share, plus any accrued and unpaid dividends. Each issued and outstanding share of Series A Convertible Preferred Stock shall be entitled to 5.6561 votes with respect to any and all matters presented to the stockholders of the Company for their action or consideration. Except as provided by law or by the provisions establishing any other series of preferred stock, Series A Convertible Preferred stockholders and holders of any other outstanding preferred stock shall vote together with the holders of common stock as a single class.

On February 14, 2002, the Company closed the initial stage of two private placement offerings pursuant to Regulation D and Regulation S of the Securities Act of 1933, as amended, which raised approximately $3,867,500 (before offering costs) through the issuance of 154,700 shares of Series A

Convertible Preferred Stock and warrants to purchase 386,750 shares of the Company's common stock at an exercise price of $6.00 per share of Common Stock. The warrants expire five years from the date of grant. The warrants contain antidilution provisions.

On February 1, 2002, in connection with the aforementioned private placement offerings, the Company entered into a one year consulting agreement with Yorkshire Capital Limited ("Yorkshire") for assistance to be provided by Yorkshire to the Company with respect to financial consulting, planning, structuring, business strategy, public relations and promotions, among other items. As compensation for such services, the Company is required to pay a retainer fee to Yorkshire of $10,000 per month for the term of the agreement. The Company also granted Yorkshire warrants to purchase 360,000 shares of the Company's common stock at prices ranging

from $6.00 to $12.00 per share. Warrants to purchase 100,000 shares at an exercise price of $6.00 per share vested upon the closing of the initial stage of the private placement offerings. Warrants to purchase 130,000 shares of the Company's common stock at a price of $9.00 per share shall vest, should the Company's common stock trade at or above the $9.00 exercise price per share for 20 consecutive trading days. Warrants to purchase 130,000 shares of the Company's common stock at a price of $12.00 per share shall vest, should the Company's common stock trade at or above the $12.00 exercise price per share for 20 consecutive trading days. The warrants expire on February 14, 2007 and contain antidilution provisions. The Company may, upon 30 days notice, redeem any vested warrants for $0.10 per share if the Company's Common Stock trades at 200% of the exercise price for 20 consecutive trading days. Yorkshire may exercise any vested warrants during such notice period. In addition, in connection with the closing of the initial stage of the private placement offerings, Yorkshire received 60,000 shares of the Company's common stock as consideration for identifying investors and raising funds.

In addition, on February 1, 2002, the Company entered into an introductory brokerage agreement with Ace Champion, Ltd. and Pacific Dragon Group, Ltd. (the "Introductory Brokers") for assistance to be provided by the Introductory Brokers to the Company with respect to obtaining funds in connection with the aforementioned Regulation S private placement offerings. As compensation for such services, the Introductory Brokers are entitled warrants to purchase 400,000 shares of the Company's common stock at an exercise price of $6.00 per share, subject to certain conditions. The warrants shall be considered earned, provided that the Company raises $4,000,000 of funds in connection with the Regulation S private placement offerings by March 1, 2002. Should less than $4,000,000 in such funds be raised by March 1, 2002, the agreement will terminate as of such date. As of February 14, 2002, $1,767,500 had been raised under the Regulation S Private Placement. The Company may, after February 14, 2003 upon 30 days' notice, redeem for $0.10 per share any earned warrants, provided that the Company's common stock has traded at or above 200% of the exercise price for 20 consecutive trading days. The Introductory Brokers may exercise their warrants during the 30 day notice period. The warrants expire five years from the date of issuance and contain antidilution provisions.

* * * * * *

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this report and in the documents incorporated by reference herein, including, without limitation, statements containing the words "believe," "anticipate," "expect" and words of similar import, constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended ("Securities Act"), and Section 21E of the Exchange Act of 1934, as amended ("Exchange Act"). Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: (i) the Company's history of operating losses, (ii) the Company's need for substantial additional funds, (iii) the Company's ability to access the capital markets and/or to secure private sources of funding, (iv) the availability of grant money, (v) the length of time until any of the Company's product candidates may be available for sale, (vi) the uncertainties involved in clinical trials being performed on the product candidates the Company is developing, (vii) the Company's dependence on third party relationships for the manufacture of product candidates and the performance of clinical trials with regard to its product candidates, (viii) the intense competition and rapid technological changes in the Company's industry, (ix) the extensive and rigorous federal and foreign regulations of the Company's testing, manufacturing and sale of its product candidates, (x) the Company's dependence on key personnel and contributions from scientists, researchers and technicians from consortium-member universities, (xi) the Company's ability to protect the technology, patents and proprietary information on which its business relies, (xii) the disposition of certain legal actions, (xiii) the Company's ability to keep its common stock listed on the NASDAQ National Market System and (xiv) other factors referenced in this report. Given these uncertainties, readers of this report are cautioned not to place undue reliance on such forward-looking statements. The Company disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

RESULTS OF OPERATIONS

Immtech International, Inc. ("Immtech" or the "Company") has not generated any revenue from operations and does not anticipate generating any revenue from operations for the foreseeable future. The Company has funded, and plans to continue to fund, its operations through research funding agreements and grants, and the sale of debt and equity securities. For the period from inception (October 15, 1984) to December 31, 2001, the Company incurred cumulative net losses of approximately $37,550,000. The Company has incurred additional losses since such date and expects to incur additional operating losses for the foreseeable future.

Three Months Ended December 31, 2001 and 2000.

Revenues under collaborative research and development agreements were approximately $955,000 and $86,000 for the three months ended December 31, 2001 and 2000, respectively. For the three months ended December 31, 2001 there were revenues recognized of approximately $858,000 relating to a clinical research subcontract agreement between the Company and The University of North Carolina at Chapel Hill ("UNC") and grant revenues of approximately $97,000 from Small Business Innovative Research ("SBIR") grants from the National Institutes of Health ("NIH"), while for the three months ended December 31, 2000, revenues consisted of an NIH grant of approximately $86,000. The clinical research subcontract agreement relates to a grant from the Bill & Melinda Gates Foundation ("Gates Foundation") to UNC to develop new drugs to treat Trypanosomiasis (African sleeping sickness) and Leishmaniasis. This program was initiated in March 2001 (fourth quarter of last fiscal year). Grant and research and development agreement revenue is recognized as completed under the terms of the respective agreements, according to Company estimates. Funds received prior to completion under the terms of the respective agreements are recorded as deferred revenues.

Interest income for the three months ended December 31, 2001 was approximately $2,000. Interest income in the three months ended December 31, 2000 was approximately $13,000. The decrease is due to a reduction in funds invested and a decrease in interest rates paid on the invested funds from the prior corresponding quarter. There was no interest expense for the three months ended December 31, 2001 and December 31, 2000.

Research and development expenses decreased to approximately $1,206,000 in the three months ended December 31, 2001 from approximately $1,207,000 in the three months ended December 31, 2000.

General and administrative expenses decreased for the three months ended December 31, 2001 to approximately $689,000 from approximately $1,929,000 for the three months ended December 31, 2000. General and administrative expenses for the three months ended December 31, 2000 included a non-cash charge of approximately $866,000 related to the issuance and vesting of warrants to purchase 100,000 shares of the Company's Common Stock to Stonegate Securities, Inc. ("Stonegate") as compensation for terminated services with respect to raising additional capital. Additionally, there were expenses of approximately $659,000 for general legal work and legal fees related to disputes with Pharm-Eco, Technikrom and with our NextEra joint venture partner during the three months ended December 31, 2000.

We incurred a net loss of approximately $938,000 for the three months ended December 31, 2001 as compared with a net loss of approximately $3,036,000 for the three months ended December 31, 2000.

Nine Months Ended December 31, 2001 and 2000.

Revenues under collaborative research and development agreements were approximately $2,914,000 and $425,000 for the nine months ended December 31, 2001 and 2000, respectively. For the nine months ended December 31, 2001 there were revenues recognized of approximately $2,379,000 relating to a clinical research subcontract agreement

between the Company and The University of North Carolina at Chapel Hill ("UNC")

and grant revenues of approximately $535,000 from Small Business Innovative Research ("SBIR") grants from the National Institutes of Health ("NIH"), while for the nine months ended December 31, 2000, revenues consisted of an NIH grant of approximately $425,000. The clinical research subcontract agreement relates to a grant from the Gates Foundation to UNC for development of new drugs to treat Trypanosomiasis (African sleeping sickness) and Leishmaniasis. The clinical research subcontract agreement with UNC was consummated in March 2001. Grant and research and development agreement revenue is recognized as completed under the terms of the respective agreements, according to Company estimates. Funds received prior to completion under the terms of the respective agreements are recorded as deferred revenues.

Interest income for the nine months ended December 31, 2001 was approximately $39,000. Interest income for the nine months ended December 31, 2000 was approximately $152,000. The decrease is due to a reduction in funds invested and a reduction in interest rates paid on the invested funds. There was no interest expense for the nine months ended December 31, 2001 and December 31, 2000.

Research and development expenses decreased to approximately $2,987,000 in the nine months ended December 31, 2001 from approximately $5,095,000 in the nine months ended December 31, 2000. The decrease for the period is primarily attributable to an April 20, 2001 settlement agreement with Pharm-Eco Laboratories, Inc. ("Pharm-Eco"), whereby Immtech received from Pharm-Eco a cash payment of $1,000,000. Certain accounts payable obligations to Pharm-Eco of approximately $159,000 were also forgiven. The cash payment received and the accounts payable obligation forgiven were recorded as a credit to (reduction of) research and development expenses during the nine months ended December 31, 2001 because we had previously expensed in research and development the estimated fair value of the shares of our common stock received by Pharm-Eco at the time of our initial public offering on April 26, 1999 and the accounts payable obligations. The nine months ended December 31, 2000 had significant spending on preclinical studies required for regulatory filings which were not required in the same period this year.

General and administrative expenses decreased for the nine months ended December 31, 2001 to approximately $2,370,000 from approximately $3,243,000 for the nine months ended December 31, 2000. The decrease was primarily due to a non-cash charge of approximately $866,000 recorded in the nine months ended December 31, 2000 related to the issuance and vesting of warrants to purchase 100,000 shares of the Company's Common Stock to Stonegate as compensation for terminated services with respect to raising additional capital.

We incurred a net loss of approximately $2,404,000 for the nine months ended December 31, 2001 as compared with a net loss of approximately $7,764,000 for the nine months ended December 31, 2000.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2001, the Company had approximately $64,000 of cash and cash equivalents, substantially all of which were invested in a money market mutual fund.

There were no equipment expenditures for the three months ended December 31, 2001 as compared to approximately $6,000 for the same period last year. During the nine months ended December 31, 2001 and 2000, equipment

purchases were approximately $62,000 and $60,000, respectively. No significant purchases of equipment are anticipated by the Company during the next three months.

The Company periodically receives cash from the exercise of common stock options. During the three months ended December 31, 2001, there were no options exercised.

On February 14th, 2002 we closed the initial stage of two private placements of 154,700 shares of our Series A Convertible Preferred Stock, $0.01 par value ("Series A Convertible Preferred Stock"), pursuant to Regulation D and Regulation S of the Securities Act at a stated value of $25.00 per share and warrants to purchase 387,650 shares of the Company's Common Stock at an exercise price of $6.00 per share of Common Stock, $3,867,500 in the aggregate ("Private Placements"). Each share of Series A Convertible Preferred Stock, among other things, (i) earns a 6% dividend, (ii) has a $25.00 (plus accrued but unpaid dividends) liquidation preference, (iii) has "weighted average" anti-dilution protection until December 31, 2002, (iv) is convertible into 5.6561 shares of Common Stock and (v) may be redeemable by the Company after one year under certain circumstances. The warrants expire five years from the date of grant and contain certain anti-dilution protections. A complete description of the designations, preferences, voting powers, qualifications, special or relative rights and privileges of the Series A Convertible Preferred Stock is contained in the Company's Series A Convertible Preferred Stock Certificate of Designation file on Form 8-K on February 14, 2002.

We believe the proceeds of the Private Placements, together with our existing resources, but not including proceeds from any grants we may receive, to be sufficient to meet our planned expenditures through December, 2002, although there can be no assurance we will not require additional funds.

To date, we have financed our operations with:

- proceeds from the above mentioned Series A Convertible Preferred Stock and warrants to purchase Common Stock Private Placements which in the aggregate raised gross proceeds of approximately $3,876,500;
- proceeds from various other private placements of debt and equity securities, an initial public offering and other cash contributed from stockholders, which in the aggregate raised approximately $23,047,000;
- payments from research agreements, foundation grants and SBIR grants and Small Business Technology Transfer Program grants of approximately $6,626,000; and
- the use of stock, options and warrants in lieu of cash compensation.

Our cash resources have been used to finance research and development, including sponsored research, capital expenditures, expenses associated with development of product candidates under an agreement dated January 15, 1997, as amended and restated on January 28, 2002 (the "Consortium Agreement"), among the Company, The University of North Carolina at Chapel Hill ("UNC"), and Pharm-Eco Laboratories, Inc. (to which each of Duke University, Auburn University and Georgia State University agreed shortly thereafter to

become a party, and all of which, collectively with UNC, are referred to as the "Consortium"), and general and administrative expenses. Over the next several years we expect to incur substantial additional research and development costs, including costs related to early-stage research in preclinical (laboratory) and clinical (human) trials, administrative expenses to support our research and development operations and capital expenditures for expanded research capacity, various equipment needs and facility improvements or relocation.

Pursuant to the Consortium Agreement, we are required to fund certain research of the Consortium at an aggregate cost of approximately $100,000 per quarter through April 30, 2002.

Our future working capital requirements will depend upon numerous factors, including the progress of research and development programs (which may vary as product candidates are added or abandoned), pre-clinical testing and clinical trials, achievement of regulatory milestones, the Company's corporate partners fulfilling their obligations to the Company, the timing and cost of seeking regulatory approvals, the level of resources that the Company devotes to the engagement or development of manufacturing capabilities, the ability of the Company to maintain existing and to establish new collaborative arrangements with other companies to provide funding to the Company to support these activities, and other factors. In any event, we will require substantial funds in addition to our existing working capital to develop product candidates and otherwise to meet our business objectives.

Our ability to continue as a going concern is dependent upon our ability to generate sufficient funds to meet obligations as they become due and, ultimately, to obtain profitable operations. Management's plans for the remainder of the fiscal year, in addition to normal operations, include continuing their efforts to obtain additional financing and research grants, and to enter into various research and development agreements with other entities.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

The Company's cash and cash equivalents are maintained primarily in U.S. dollar accounts and amounts payable for research and development to research organizations are contracted in U.S. dollars. Accordingly, the Company's exposure to foreign currency risk is limited because its transactions are primarily based in U.S. dollars. The Company does not have any other exposure to market risk. The Company will develop policies and procedures to manage market risk in the future as circumstances may require.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

Technikrom, Inc. v. Immtech International, Inc.

In June 2000, Technikrom, Inc. ("Technikrom") filed a claim against the Company with the American Arbitration Association in Chicago, Illinois. Technikrom sought to recover $124,000 in fees, interest and costs for certain method development services provided to the Company related to the purification of a protein known as rmCRP. The Company filed a counterclaim against Technikrom for fraudulent inducement of contract which sought compensatory damages of at least $224,000, plus fees, interest and costs. The Company also sought a declaratory judgment that Technikrom, inter alia, failed to use its best efforts

to develop a purification method within the time parameters set by the parties. The parties engaged an arbitrator and in November, 2001 Technikrom was awarded a $95,000 settlement which the Company subsequently paid.

Except as noted above and in Note 3 of the Notes to the Condensed Financial Statements set forth in Part I, Item 1, Condensed Financial Statements, of this Form 10-Q, in Part I, Item 3, Legal Proceedings, of the Form 10-KSB/A (Amendment No. 1) filed on July 6, 2001, in Part II, Item 1 of the Form 10-Q filed on November 14, 2001 and in Part II, Item 1, Legal Proceedings, of the Form 10-Q filed on August 14, 2001, the Company is not aware of any impending litigation.

Item 2. Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities.

On February 14, 2002 we issued 154,700 shares of Series A Convertible Preferred Stock, $0.01 par value ("Series A Convertible Preferred Stock") and warrants to purchase 386,750 shares of our Common Stock at a $6.00 per share exercise price to the below listed accredited and non-U.S. investors pursuant to the initial closing of the Private Placements of our Series A Preferred Stock for gross proceeds of $3,867,500. The Series A Convertible Preferred Stock is convertible into 5.6561 shares of our Common Stock and is subject to antidilution protection until January 1, 2003. The Series A Convertible Preferred Stock also has liquidation and dividend preferences superior to those of existing shareholders. The holders of outstanding Series A Convertible Preferred Stock are entitled to receive, out of funds legally available for the payment of dividends, semi-annual dividends. Each semi-annual dividend is computed by dividing the annual dividend rate of 6.0% by two and is payable, at the option of the Company, in cash or shares of Common Stock. The warrants have a five year exercise period and are redeemable by the Company for $0.10 per share upon 30 days' notice to the warrant holder if the Company's Common Stock trades at 200% of the exercise price for 20 consecutive trading days. The warrant holders may exercise the warrants during the notice period. The proceeds of the Private Placements will be used for general corporate purposes.

Date	Investor	Consideration	Series A Convertible Preferred Stock
2/14/02	Monet Capital Fund 1, LP	$350,000	14,000
2/14/02	TEFA Capital, Inc.	$350,000	14,000
2/14/02	Ching-Jung Cheng	$300,000	12,000
2/14/02	Clough Investment Partners I, LP	$285,000	11,400
2/14/02	Thomas G. Hill	$250,000	10,000
2/14/02	Bruce Chiu	$200,000	8,000

2/14/02	T. Stephen Thompson	$200,000	8,000
2/14/02	Chan Chee Wing	$150,000	6,000
2/14/02	Cheng Yuk Chor Dickie	$100,000	4,000
2/14/02	High Achiever Inc.	$100,000	4,000
2/14/02	Arvin H. Kash	$100,000	4,000
2/14/02	Kingsway Lion Spur Technology Ltd.	$100,000	4,000
2/14/02	Li Kwo Yuk	$100,000	4,000
2/14/02	Wong Lin Chooi	$100,000	4,000
2/14/02	Eric L. Sorkin	$90,000	3,600
2/14/02	Clough Offshore Fund, Ltd.	$85,000	3,400
2/14/02	Thorpe Limited	$70,000	2,800
2/14/02	Tsang Wai Ping Alfred	$70,000	2,800
2/14/02	Fu Hui Chen	$62,500	2,500
2/14/02	Dwight B. Crane	$60,000	2,400
2/14/02	Frederick W. Wackerle	$60,000	2,400
2/14/02	Lau Chu	$50,000	2,000
2/14/02	To Wing Ming James	$50,000	2,000
2/14/02	Vivienne Lee	$50,000	2,000
2/14/02	Ho Sin Wai Celia	$50,000	2,000
2/14/02	Donald H. Wong	$50,000	2,000
2/14/02	Select Defender Fund	$50,000	2,000
2/14/02	Wo Ka Po	$50,000	2,000
2/14/02	Val Busler	$30,000	1,200
2/14/02	Clough Investment Partners II, LP	$30,000	1,200
2/14/02	Lau Mei Lin Amy	$30,000	1,200
2/14/02	Cheung Wai Hung	$25,000	1,000

Date	Investor	Consideration	Series A Preferred Stock
2/14/02	Stephen D. Chubb	$25,000	1,000
2/14/02	John J. Orlando	$25,000	1,000
2/14/02	Purchase Power Management Ltd.	$25,000	1,000
2/14/02	Wong Hon Fai Jones	$25,000	1,000
2/14/02	Martin Boyle	$20,000	800
2/14/02	Chu Yau Sum	$20,000	800
2/14/02	Lo Sui Sun	$15,000	600
2/14/02	Au Yeung Chun Kit	$12,500	500
2/14/02	Leung Shuk Lan	$12,500	500
2/14/02	John Coonan	$10,000	400
2/14/02	James M. Florsheim Trust	$10,000	400
2/14/02	Gary C. Parks	$10,000	400
2/14/02	Michael Volpe	$10,000	400
	Totals	$3,867,500	154,700

The total offering price for securities sold in the Private Placements under Regulation D of the Securities Act of 1933, as amended, was $2,100,000. The total offering price for securities sold in the Private Placements under Regulation S of the Securities Act of 1933, as amended, was $1,767,500. In connection with the above Private Placements, certain executive officers and the directors of the Company executed Lock-up Agreements preventing them from disposing of more than 5% of the equity each of them holds in the Company for the six month period that commenced on February 14, 2002.

On January 28, 2002, the Company terminated its engagement agreement entered into on July 24, 2001, with H.C. Wainwright & Co., Inc., an investment bank ("Wainwright"). The Company paid Wainwright $50,000 for its services but has no further obligations under the engagement agreement.

On February 1, 2002, in connection with the aforementioned private placement offerings, the Company entered into a one year consulting agreement with Yorkshire Capital Limited ("Yorkshire") for assistance to be provided by Yorkshire to the Company with respect to financial consulting, planning, structuring, business strategy, public relations and promotions, among other items. As compensation for such services, the Company is required to pay a retainer fee to Yorkshire of $10,000 per month for the term of the agreement. The Company also granted Yorkshire warrants to purchase 360,000 shares of the Company's common stock at prices ranging from $6.00 to $12.00 per share. Warrants to purchase 100,000 shares at an exercise price of $6.00 per share vested upon the closing of the initial stage of the private placement offerings. Warrants to purchase 130,000 shares of the Company's common stock at a price of

$9.00 per share shall vest, should the Company's common stock trade at or above the $9.00 exercise price per share for 20 consecutive trading days. Warrants to purchase 130,000 shares of the Company's common stock at a price of $12.00 per share shall vest, should the Company's common stock trade at or above the $12.00 exercise price per share for 20 consecutive trading days. The warrants have a five year exercise period and are redeemable by the Company for $0.10 per share upon 30 days' notice to the warrant holder if the Company's Common Stock trades at 200% of the exercise price for 20 consecutive days. The warrant holders may exercise the warrants during the notice period. In addition, in connection with the closing of the initial stage of the private placement offerings, Yorkshire received 60,000 shares of the Company's common stock.

On February 1, 2002, the Company also entered into an introductory brokerage agreement with Ace Champion, Ltd. and Pacific Dragon Group, Ltd. (the "Introductory Brokers") for assistance to be provided by the Introductory Brokers to the Company with respect to obtaining funds in connection with the aforementioned Regulation S private placement offerings. As compensation for such services, the Introductory Brokers are entitled warrants to purchase 400,000 shares of the Company's common stock at an exercise price of $6.00 per share, subject to certain conditions. The warrants shall be considered earned, provided that the Company raises $4,000,000 of funds in connection with the Regulation S private placement offerings by March 1, 2002. Should less than $4,000,000 in such funds be raised by March 1, 2002, the agreement will terminate as of such date. If any warrants for are earned, the Company may upon 30 days' notice after February 14, 2003, redeem such warrants $0.10 per share, provided that the Company's Common Stock has traded at or above 200% of the exercise price for 20 consecutive trading days, unless the Introductory Brokers do not exercise their warrants during the 30 day notice period. The warrants expire five years from the date of issuance and contain antidilution protection.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

VOTES OF THE SHAREHOLDERS.

The Company held its Annual Meeting on December 17, 2001 at the Westin O'Hare in Rosemont, Illinois. The following matters were presented to the stockholders: (1) the election of five directors and (2) the ratification of the Company's Board of Director's selection of Deloitte & Touche LLP as the Company's independent auditors for the fiscal year ending March 31, 2002. The results of the vote are as follows:

Proposal 1: The following individuals were elected Directors by the Shareholders

	VOTES FOR	AUTHORITY WITHHELD
T. Stephen Thompson	3,701,367	14,990
Harvey Colten	3,713,867	2,490
Eric L. Sorkin	3,701,367	14,990
Cecilia Chan	3,701,367	14,990
Frederick W. Wackerle	3,713,867	2,490

PROPOSAL 2	VOTES FOR	VOTES AGAINST
RATIFICATION OF DELOITTE & TOUCHE LLP AS INDEPENDENT AUDITORS.	3,711,687 (98.7%)	520 (.01%)

Item 5. Other Information.

Consortium Agreement.

On January 28, 2002 the Company finalized a license agreement with The University of North Carolina at Chapel Hill ("UNC"), Auburn University, Duke University and the Georgia State University Research Foundation, Inc. (all of the foregoing entities shall be collectively referred to as the "Consortium") whereby the Company received the right to commercialize all future technology and compounds developed or invented by one or more of the Consortium scientists and also incorporated into such license agreement its existing license with the Consortium with regard to current compounds already under license. Under the terms of this license the Company is required to pay to UNC on behalf of the Consortium reimbursement of patent and patent related fees and a royalty based on revenue derived from commercialized products. The license agreement is attached hereto as Exhibit 10.1.

Item 6. Exhibits, and Reports on Form 8-K.

(a) Exhibits.

10.1 License Agreement dated as of January 28, 2002 among The University of North Carolina at Chapel Hill, Auburn University, Duke University, Georgia State University Research Foundation, Inc. and Immtech International, Inc. Portions of this exhibit have been omitted pursuant to a request for confidential treatment.

(b) Reports On Form 8-K.

A Form 8-K was filed on February 14, 2002 under Item 5 with regard to the closing of the initial stage of the Regulation D and Regulation S Private Placements collectively resulting in the sale of 154,700 shares of Series A Convertible Preferred Stock and warrants to purchase 386,750 shares of Common Stock for gross proceeds of $3,867,500.

SIGNATURES

Pursuant to the requirements of Section 13 and 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 14, 2002 IMMTECH INTERNATIONAL, INC.

By: /s/ T. Stephen Thompson

T. Stephen Thompson
President and Chief Executive Officer

Date: February 14, 2002

By: /s/ Gary C. Parks

Gary C. Parks
Treasurer, Secretary and
Chief Financial Officer
(Principal Financial and
Accounting Officer)