

Management's Discussion and Analysis of Operating Results and Financial Situation

The following analysis must be read in conjunction with the annual audited consolidated financial statements of Immunotec Inc. (the "Company").

This management's discussion and analysis ("MD&A") has been prepared in accordance with the guidelines of National instrument 51-102. The Company's financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The audited consolidated financial statements and management's report have been reviewed by the Audit Committee and approved by the Board of Directors. All amounts are expressed in Canadian dollars unless otherwise indicated.

OVERVIEW

The Company is incorporated under the *Canada Business Corporations Act* and is engaged primarily in the development and marketing of natural health products, dietary supplements, food, vitamins and personal care products, some of which are manufactured on its behalf by third parties. The products are distributed and sold in Canada and the United States through a network marketing system and in other countries under exclusive distributorship agreements.

The Company operates out of a 37,000 square foot facility located in Vaudreuil-Dorion, Quebec, Canada, as well as a manufacturing facility in Blainville, Quebec, Canada and a distribution centre located in Swanton, Vermont, USA.

Upon commencing its operations, the Company made a strategic decision to market its products through a direct-selling/network marketing system, being a system in which distributors sell products directly to customers and sponsor other individuals as distributors. Distributors derive compensation both from the direct sales of products and from sales volume generated by sponsored distributors. Network marketing involves person-to-person communication and training with respect to the products and the system. The Company believes this feature makes network marketing a more effective means of marketing its products than in-store retail sales.

As at October 31, 2007, the Company's product line was comprised of 16 different products which are distributed and sold by independent distributors through a network marketing system of over 13,500 active distributors in Canada and the United States. We consider an active distributor, a distributor who has purchased our products within the last twelve months. Our products are also sold internationally under exclusive distribution agreements.

FORWARD LOOKING STATEMENTS

Some statements included in this management report contain forward-looking information about the Company's future financial positions, operating results and sales. They may be based on market expectations, management opinions and assumptions. Such information involves significant risks and uncertainties that are difficult to predict and rely on assumptions that may prove inaccurate. Actual results and events may differ materially from those forecasted in the forward-looking statements in this analysis.

The Company, unless required under securities regulations, declines any intention or obligation to update or revise the forward-looking statements as a result of new information, future events or other developments. More specifically, the forward-looking statements do not reflect the impact of mergers, acquisitions, business combinations or disposals of businesses that could be announced or completed after their formulation.

MAJOR EVENTS

Effective October 11, 2006, Immunotec Research Ltd. amalgamated with its two parent companies, 3223841 Canada Inc. and Roberts Evergreen Products (1996) Ltd., and continued its operations under the name of Immunotec Research Ltd.

On October 12, 2006, two of the principal shareholders of Immunotec Research Ltd. sold to Caisse de Dépôt et Placement du Québec such number of shares in the share capital of Immunotec Research Ltd. representing a 15% equity interest. Under the terms of such transaction, the parties entered into several agreements, including a unanimous shareholders agreement which expired upon the completion of the reverse take-over ("RTO") and other agreements which were specifically intended to take effect upon the completion of the RTO.

On November 21, 2006, Immunotec Research Ltd. signed an agreement with Magistral Biotech Inc., a corporation whose shares were traded on the TSX Venture Exchange, regarding the acquisition of all of Immunotec Research's issued and outstanding shares.

On December 20, 2006, the shareholders of Magistral approved the transaction and Immunotec Research was acquired by Magistral. Immunotec Research's shareholders received 66,924,115 Magistral Shares after taking into account a 40:1 share consolidation in exchange for the 1,000,000 shares held in Immunotec Research Ltd. As a result of this transaction, the shareholders of Immunotec Research have received enough common shares of Magistral to give effect to a reverse takeover of Magistral. Consequently, the historical consolidated financial statements of the Company reflect the continuation of Immunotec Research Ltd. and include the assets, liabilities, and results of operations and cash flow of Magistral since December 20, 2006.

On December 21, 2007, Magistral changed its name to Immunotec Inc.

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

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

On September 26, 2007, the Company announced the retirement of its President and CEO, Mr. Charles Roberts, effective September 25, 2007. A major shareholder in Immunotec, he continues his involvement with the corporation, both as an active member of the Board of Directors and as a co-founder, in a variety of public relations and sales support roles.

On October 11, 2007, the Company announced the appointment of Mr. James A. Northrop as President and Chief Executive Officer, effective November 5, 2007. A member of the Board of Directors of Immunotec Inc., Mr. Northrop is a seasoned chief executive with a record of success in rapid growth situations. Mr. Northrop has impressive experience in the direct selling, consumer packaged goods, cosmetics, fashion and retail industries. He currently serves on the Board of Directors of the Direct Selling Association (DSA) and is Vice-Chairman of the Direct Selling Education Foundation.

On November 13, 2007, the Company achieved a significant milestone by receiving regulatory approval from Health Canada to market HMS 90 / IMMUNOCAL with the following health claim: "a natural source of the glutathione precursor cysteine for the maintenance of a strong immune system."

On January 17, 2008, the Company announced the successful completion of a multi-center randomized, double-blind clinical trial on cancer-related weight loss (cachexia) in lung cancer patients which was performed in collaboration with various Canadian clinical centers. A second trial has been initiated to confirm the results.

DESCRIPTION OF THE BUSINESS

Principal Products and Services

Most of the Company's products are considered to be natural health products in Canada and dietary supplements in the United States. The Company develops and markets the following products:

HMS 90/Immunocal

The Company's flagship product is called HMS 90® (Humanized Milk Serum, 90% Protein) in Canada and Immunocal® United States and in other countries. HMS 90/Immunocal represented over 54% of the Company's sales for the year ended October 31, 2007.

Immunocal Platinum

Launched in May 2006, Immunocal Platinum represented approximately 25% of the Company's sales for the year ended October 31, 2007. Immunocal Platinum is an enhanced form of HMS 90/Immunocal.

Other Products

Other products sold include Cherry Concentrate, Pycena shake and Thermal Action tablets, Xtra Sharp energy tonics, Magistral for Men Only, PNT-200, Grass Valley Food Supplements, Naturally Sourced Calcium, Vitamin/Mineral Supplement, Skin Perfecting Cream and Immunotec Toothpaste. In addition, 2 new products were launched in May 2007, a new vitamin supplement and Omega-3 with turmeric supplement.

Distribution Strategy

The Company distributes over 92% of its product sales through a network marketing/direct sales system.

Direct selling, by definition, is the sale of a consumer product or service made through person-to-person contact, away from a fixed retail location. It is a system of selling products or services through a network of independent sales people (distributors) who serve as the conduit between a product and/or service and the end consumer. Both direct selling and network marketing provide an easier way to market the benefits of products – in particular, nutritional products or any other products requiring an explanation. Successful companies in the network marketing channel generate strong free cash flow due to limited needs for capital investment and limited costs to open new geographic markets. Network or multi-level marketing is a form of person-to-person direct selling through a network of vertically organized independent distributors who purchase products at wholesale prices from a company and then make retail sales to consumers. The Company's products are paid for on a cash or credit card basis prior to being shipped and its sales patterns do not reflect any significant seasonality.

Market information

Generally, natural health products are distributed through the following sales channels: mass market retailers, including mass merchandisers, drug stores, supermarkets and discount stores, natural health food stores, network marketing, mail order, and the Internet.

According to the Direct Selling Association (DSA), in the United States, direct sales companies account for US\$32.2 billion in sales generated by 15.2 million distributors. In the United States, one in 10 households had someone involved in a direct selling business – and 25% of households buy from someone selling products through a direct sales company. The DSA reports that 20.3% of US direct sales are “wellness” products (mostly weight-loss and supplements), 33.7% are personal care products, and household products at 26.7%. Face-to-face transactions represent 75.2% of sales, phone 12.8% and the Internet 11.6%. Worldwide, in 2006, 58.5 million distributors sold approximately US\$109.2 billion of product which represent an increase of 6.4% compared to the year 2005 (source DSA: World Federation of Direct Selling Association).

Based on 2006 statistics, direct selling sales growth in Canada increased 7 to 8 percent over 2005 to reach CA\$1.4 billion for Canadian DSA members, numbering 600,000 consultants. Wellness product sales represent 15% of the 2006 direct selling sales in Canada.

Immunotec Research International

Immunotec Research International, a division of the Company, provides the Company's products to exclusive licensees located in approximately 20 countries outside of Canada and the United States. In certain countries the products are distributed through direct selling and in others they are distributed through traditional retail sales channels. Gross profit on net sales to our international licensees is lower than on net sales to our distributors network because the Company does not pay distributors incentives or incur marketing and distribution expenses in the licensed countries.

Patents

As at October 31, 2007, the Company has been issued 74 patents and has 11 patent applications pending with respect to Canada, United States and other countries.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables summarize selected financial information from the Statement of Earnings and the Balance Sheets regarding the operations of the Company for the last three years, which are taken from the audited financial statements of the Company and Immunotec Research Ltd. The Company's financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

	Year Ended October 31, 2007 (\$)	Year Ended October 31, 2006 (\$)	Year Ended October 31, 2005 (\$)
Net Sales	34,528,236	36,907,812	38,776,054
Cost of Sales	6,138,492	6,221,046	6,201,581
Sales Incentives	14,356,993	15,272,762	16,111,968
Selling, General and Administrative	12,586,457	10,315,734	10,410,337
Earnings before income taxes	1,446,294	5,098,270	6,052,168
Net Earnings	884,785	3,448,017	4,148,539
Net Earnings per share:			
Basic	0.013	0.052	0.062
Diluted	0.013	0.052	0.062
Weighted average number of common shares outstanding:			
Basic	68,198,574	66,374,054	66,924,115
Diluted	69,573,727	66,924,115	66,924,115
Cash Dividends Declared	-	2,033,770	2,237,930
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	As at October 31, 2007 (\$)	As at October 31, 2006 (\$)	As at October 31, 2005 (\$)
<u>ASSETS:</u>			
Cash and equivalent	3,874,558	1,481,835	1,125,207
Accounts receivable	505,366	887,847	1,091,579
Other current Assets	3,728,109	3,744,153	2,605,363
Total current Assets	<u>8,108,033</u>	<u>6,113,835</u>	<u>4,822,149</u>
Other Assets	12,246,573	9,081,735	8,506,564
TOTAL ASSETS	<u>20,354,606</u>	<u>15,195,570</u>	<u>13,328,713</u>
<u>LIABILITIES:</u>			
Current Liabilities	3,475,800	3,548,523	3,126,209
Long Term Liabilities	393,600	11,571,590	218,000
TOTAL LIABILITIES	<u>3,869,400</u>	<u>15,120,113</u>	<u>3,344,209</u>
<u>SHAREHOLDERS' EQUITY:</u>			
Share Capital	3,465,548	3,406	2,000
Other Equity-Stock Options	736,416	-	-
Contributed surplus	11,326,406	-	-
Retained Earnings	956,836	72,051	9,982,504
TOTAL SHAREHOLDERS' EQUITY	<u>16,485,206</u>	<u>75,457</u>	<u>9,984,504</u>

Summary of the last eight quarters of operations

The following table summarizes selected financial information regarding the operations of the Company for the last eight quarters, which are taken from the unaudited interim financial statements of the Company and Immunotec Research Ltd.. The Company's financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

	Q4 October 31, 2007 (\$)	Q3 July 31, 2007 (\$)	Q2 April 30, 2007 (\$)	Q1 January 31, 2007 (\$)	Q4 October 31, 2006 (\$)	Q3 July 31, 2006 (\$)	Q2 April 30, 2006 (\$)	Q1 January 31, 2006 (\$)
Net Sales	8,551,667	8,526,260	8,835,156	8,655,143	8,580,622	8,542,608	10,157,573	9,627,009
Cost of Sales	1,643,243	1,526,082	1,600,740	1,368,427	1,484,128	1,459,784	1,787,894	1,489,240
Sales Incentives	3,548,533	3,538,010	3,628,354	3,642,096	3,500,505	3,458,246	4,193,049	4,120,962
Selling, General and Administrative	3,972,907	2,760,170	2,958,419	2,894,961	2,683,841	2,308,921	2,609,701	2,713,269
Earnings before income taxes	(653,006)	701,998	647,643	749,659	921,148	1,315,657	1,566,927	1,303,538
Net Earnings	(612,794)	566,751	425,065	505,763	639,776	882,603	1,032,720	892,918
Net Earnings per share:								
Basic	(0.009)	0.008	0.006	0.008	0.010	0.013	0.015	0.013
Diluted	(0.009)	0.008	0.006	0.007	0.010	0.013	0.015	0.013
Weighed average number of common shares outstanding:								
Basic	69,994,300	69,994,300	69,994,300	62,869,951	64,850,922	66,924,115	66,924,115	66,924,115
Diluted	69,994,300	69,994,300	69,994,300	68,325,721	66,924,115	66,924,115	66,924,115	66,924,115
Cash Dividends Declared	-	-	-	-	441,300	-	1,592,470	-

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE COMPANY

The following analysis of the financial situation and the results of operations of the Company should be read in conjunction with the information presented in its audited consolidated financial statements for the years ended October 31, 2007 and 2006.

Net sales

Net Sales for the year ended October 31, 2007 were down by \$2,379,576 or 6.4%, which included an unfavourable foreign exchange effect of approximately \$520,000 due to the stronger Canadian dollar relative to 2006. The decrease in the Company's net sales mainly reflects a drop in volume in Canada of \$898,489, in the United States of \$879,465 (excluding the foreign exchange impact) and in other countries of \$82,132.

Compared to the same periods in the prior year, for the first six month period ended April 30, 2007, net sales were lower by 11.6%, while in the second half of the year ended October 31, 2007, net sales were lower by 0.3%. This demonstrates that the sales and marketing initiatives which were implemented to date have resulted in improved sales performance.

Sales & Marketing Initiatives were as follows:

- Hiring three new Regional Sales Directors: two in the United States and one in Canada;
- Creating a Communications and Public Relations Group;
- Hiring a new Marketing Director;
- Introduction of new distributor training programs to ensure that the sales strategies and training material are communicated properly and effectively;
- New branding of the product portfolio for uniformity and consistency;
- Hiring Spanish speaking customer service agents and translation of the brochures into Spanish to support the growth of the U.S. Spanish market.

For the fourth quarter of 2007, net sales were slightly under 2006, despite the decrease resulting from the strengthening of the Canadian currency (\$337,900). Moreover, sales in the Canadian market increased 10% over prior year. Management attributes the increase to the new marketing initiatives implemented during the year.

Cost of sales

For the twelve-month period ended October 31, 2007, cost of sales as a percentage of net sales was 17.8% (17.9% for the quarter) compared to 16.9% (17.1% for the quarter) for the corresponding periods of 2006. The increase in the cost of sales percentage to net sales, for the year and the quarter, resulted from the sales mix of products and the introduction of new products.

Operating expenses

Sales incentives

Sales incentives are the largest operating expenses of the Company and depend directly on the sales volume of each independent distributor. Sales incentives include both commissions related to commissionable net sales and various incentives which can be earned by independent distributors.

Sales incentives were 41.6% (41.5% for the quarter) of net sales for the twelve-month period ended October 31, 2007 compared to 41.4% (40.5% for the quarter) of net sales for the corresponding period of 2006. For 2007, the increase in sales incentives resulted from decreased sales in other countries in relation to network marketing sales in Canada and the United States, since sales incentives are assumed by the exclusive licensees in each country.

Selling, general and administrative

Selling, general and administrative expenses consist of marketing and selling related expenses; research and development, including costs of clinical studies; administrative expenses, professional fees, patents and trademarks, consulting fees and other office expenses; financial expenses, including credit card processing fees and the amortization of property, equipment, patents and trademarks. These expenses also include compensation, benefits for employees and other related employment expenses for all operating departments.

For the year ended October 31, 2007, selling, general and administrative expenses were \$12,586,457 (\$3,972,907 for the quarter) compared to \$10,315,734 (\$2,683,841 for the quarter) for the corresponding period of 2006, representing an increase of 22.0% (48% for the quarter). The increase is largely attributable to expenses relating to the Company becoming public, its new Board of Directors, stock option compensation of \$736,416 (a non-cash expense), an allowance of \$820,000 (a non-recurring expense) payable in 50 equal instalments granted to the former President and CEO following his departure, the re-organization of the Sales and Marketing division and the integration of the manufacturing operations. For the fourth quarter 2007, compared to the corresponding period of 2006, additional expenses were incurred for stock option compensation of \$215,080, the allowance for the former President and CEO in the amount of \$820,000 and the impact from the foreign exchange variation when re-evaluating balance sheet items creating an unrealized foreign exchange loss.

Net earnings

Net earnings were \$884,785 for the year ended October 31, 2007 compared to \$3,448,017 for the comparable period in 2006. The decrease of the net earnings is mainly attributable to the decrease in net sales caused by a drop in sales volume, the strengthening of the Canadian currency and the increase in selling, general and administrative expenses. For the fourth quarter 2007, the Company shows a net loss of \$612,794 compared to net earnings of \$639,776 for the corresponding period of 2006.

Financial situation and liquidity

Cash flow from operating activities

The Company realized a cash increase from its operating activities of \$3,701,180 for the year ended October 31, 2007, compared to \$3,274,232 for the comparable period in 2006. The lower net earnings of \$2,563,232 negatively impacted the cash flow from operating activities but it was mainly offset by better managed inventory level, lower prepaid expenses, the increase of customer deposits, the accrual of the balance payable for a retirement allowance and the increase of future income taxes and stock-based compensation both of which are non-cash-items.

Cash flow from investing activities

The increase in investing activities for the year October 31, 2007, resulted in a net decrease of cashflow of \$467,157 compared to a net decrease of cash flow of \$1,330,348 for the corresponding period of 2006. The lower decrease in net cash flow in 2006 resulted from the lower costs paid for the reverse take-over transaction, the cashing of a loan receivable and the reduction of investment in licenses and trademarks.

Cash flow from financing activities

For the year ended October 31, 2007, the Company had a decrease in the utilization of cash, related to financing activities of \$841,300, compared to a decrease in utilization of cash of \$1,587,256 for the corresponding periods of 2006. The decrease in the utilization of cash is mainly the result of a reduction in dividends paid of \$1,151,170 and the reimbursement of the secured convertible debenture of \$400,000.

Cash situation

As at October 31, 2007, the Company had a cash position of \$3,874,558 compared to \$1,481,835 as at October 31, 2006. The Company believes that cash requirements in the ordinary course of business for next year can be met with its available cash, cash generated from its operating activities and the reduction of income tax payments caused by the realization of prior years income tax losses. If required, the Company has access to operating credit facilities of \$2,000,000 at its bank's prime rate plus 1/2 %. The credit facilities were not drawn upon to date.

Working capital

As at October 31, 2007, the Company shows a working capital of \$4,632,233 for a ratio of 2.33 compared to a working capital of \$2,565,312 with a ratio of 1.72 as at October 31, 2006. This improvement is mainly attributable to the fact that the Company reinvests the majority of the funds generated by the operations and the fact that the Company did not declare dividends during the period.

Financial Instruments

The carrying value of cash, investments, accounts receivable, accounts payable and accrued liabilities and long term liability approximates their fair value due to their conditions, terms, rates and maturities.

DEVELOPMENT IN ACCOUNTING STANDARDS

Accounting Standards adopted during the year

Financial instruments

On November 1, 2006, the Company adopted the new recommendations of Section 3855, “Financial Instruments – Recognition and Measurement”, Section 3865, “Hedges”, and Section 1530, “Comprehensive Income”, issued by the Canadian Institute of Chartered Accountants (“CICA”). These new sections contain standards for recognition and measurement for financial instruments, establish standards for hedge accounting and introduce a new measurement of results – comprehensive income – which is the change in equity or net assets of an enterprise during the period from transactions from non-owner sources.

The adoption of these standards requires classifying all financial assets, liabilities and derivatives of the Company for which clearly defined rules determine the standards to be applied. In accordance with the standards in these new sections, all derivative financial instruments, including certain derivatives embedded in contracts, will be recorded in the balance sheet at their fair value. Depending on the classification of the financial instruments, specific standards are applied. The Company has implemented the following classifications:

- Cash and cash equivalents are classified as “financial assets held for trading”. They are presented at their fair value, and the gains/losses arising on the revaluation at each period-end are included in consolidated earnings.
- Accounts and loans receivable are classified as “loans and receivables”. After their initial measurement at fair value, they are measured at amortized cost using the effective interest rate method. For the Company, the amortized cost generally corresponds to cost due to short-term maturity.
- Investments in common shares of a private company are classified as “available for sale”. They are initially presented at their fair value. Subsequent measurements are at cost. Available-for-sale financial assets are, however, subject to assessment for impairment whereby unrealized losses are recorded in the consolidated statement of earnings.
- Bank loan, accounts payable and accrued liabilities and long-term liability are classified as “other financial liabilities”. They are initially presented at their fair value. Subsequent measurements are at cost, net of amortization, using the effective interest rate method. For the Company, that value corresponds to cost either as a result of their short-term maturity or the floating-rate nature of some loans.

- With respect to Section 1530 and Section 3251, “Equity”, a company is required to disclose comprehensive income and its components as well as net income in its financial statements, and disclose separately changes in equity during the period as well as components of equity at the end of the period, including comprehensive income.

The Company currently does not have any elements of other comprehensive income.

Transition

With respect to embedded derivatives, the Company has elected to recognize only those derivatives embedded in contracts issued, acquired or substantively modified on or after November 1, 2002, as permitted by the transitional provisions set out in Section 3855.

The recognition, derecognition and measurement methods used to prepare the consolidated financial statements of periods prior to the effective date of the new standards were unchanged and therefore, there were no transition adjustments to record on adoption.

Accounting changes

On November 1, 2006, the Company early adopted CICA Handbook Section 1506, “Accounting Changes”. This section establishes criteria for changes in accounting policies, accounting treatment and disclosures regarding changes in accounting policies, estimates and corrections of errors. In particular, this section allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information. Furthermore, this section requires disclosure of when an entity has not applied a new source of GAAP that has been issued but is not yet effective. Such disclosures are provided below. The adoption of this section had no further effects on the financial statements for the year ended October 31, 2007.

New accounting standards not yet implemented

Financial instruments and capital disclosures

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

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

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

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

Sections 1535, 3862 and 3863 apply to fiscal years beginning on or after October 1, 2007. The Company will adopt these new standards on November 1, 2007, and is assessing the effects these new standards will have on its consolidated financial statements.

Inventories

In June 2007, the CICA issued Section 3031, "Inventories", to harmonize accounting for inventories under Canadian GAAP with IFRS. This standard requires the measurement of inventories at the lower of cost and net realizable value and includes guidance on the determination of cost, including allocation of overheads and other costs to inventory. The standard also requires the consistent use of either first-in, first-out (FIFO) or weighted average cost formula to measure the cost of inventories and requires the reversal of previous writedowns to net realizable value when there is a subsequent increase in the value of inventories. The new standard applies to fiscal years beginning on or after January 1, 2008. The Company will adopt this new standard on November 1, 2008, and is assessing the effects this new standard will have on its consolidated financial statements.

RISKS

Credit risk

The Company provides credit to its international licensees and customers in the normal course of its operations. Generally, for its international licensees, an advance deposit with an order is required and the balance is paid before the next shipment. The Company maintains provisions for contingent credit losses.

For the other debts, the Company assesses, on a continual basis, probable losses and sets up a provision for losses based on their estimated realizable value.

Currency Risk

The Company realizes approximately 50% of its net sales in US dollars and accordingly is exposed to market risks related to foreign exchange fluctuations. These risks are partially offset by purchases and operating expenses incurred in US dollars.

Over the past three years, more than 50% of the Company's net sales have been generated outside of Canada and more than 65% of purchases are transacted in US dollars. Generally, the Company's financial results will be positively affected by a weakening Canadian dollar and negatively affected by a strengthening Canadian dollar.

Product Liability and Insurance

Immunotec currently has general liability insurance, including products liability and clinical trials liability. There is no guarantee that this insurance will cover all potential claims or be of a sufficient amount of coverage to protect against losses due to liability. In addition, a product liability claim or product recall could have a material adverse effect on the business.

Government Regulations

The Company is subject to direct regulation by domestic and foreign governmental agencies, particularly Health Canada and the U.S Food and Drug Administration. The Company's marketing objectives are contingent, in part, upon compliance with regulatory requirements and obtaining regulatory approvals where necessary for the sales of its product as a dietary supplement, functional food ingredient or pharmaceutical drug.

The Company is also subject to direct regulation by domestic and foreign governmental agencies in connection with the operation of its direct selling network marketing system.

In addition, the Company may also be subject to regulations under local, provincial, state and federal laws, including requirements regarding customs, duties, cross-border issues, occupational safety, laboratory practices, environmental protection and hazardous substance control, and may be subject to other present and future local, provincial, state, federal and foreign regulations.

Changes in government regulations could have an adverse effect on the business and financial condition of the Company.

Competition

The Company's market for its products is intensely competitive and subject to rapid technological change. Larger competitors with longer operating histories and greater financial, marketing and other resources may develop and market new products which could render our existing products less competitive.

Reliance on Key Suppliers

While the operations of the Company require relatively few resources, the business is heavily dependent on its key suppliers. If the Company were for any reason, to be unable to maintain a business relationship with its key suppliers, its business and financial condition may be materially adversely affected.

To date, the Company has not experienced any difficulty in obtaining adequate supplies from its suppliers. The Company attempts to assure the availability of many of its products by contracting in advance for its annual requirements. However, the inability of the Company's suppliers to provide the Company with sufficient quantities of supplies could have a material adverse effect on the Company's business and financial condition.

Technical Obsolescence & Product Development

The functional food industry is characterized by rapidly changing technology, shifting industry standards and frequent introduction of new products. The introduction of new products embodying new technologies and the emergence of new industry standards may render the Company's products obsolete or less marketable. The process of developing the Company's products is extremely complex and requires significant continuing development efforts. The Company's failure to develop new technologies and products and the obsolescence of existing technologies could adversely affect its business and financial condition. The Company has set up a Product Development Committee, headed by an experienced scientist and comprised of regulatory and marketing employees, to manage the development of products or applications.

Research and development in the industry in which the Company operates is highly speculative and involves a high degree of risk. The marketability of any products which may be developed by the Company will be affected by numerous factors beyond the Company's control, including:

- a) proprietary rights of third parties or competing products or technologies may preclude commercialization;
- b) requisite regulatory approvals may not be obtained; and
- c) other factors may become apparent during the course of research, upscaling or manufacturing which may result in the discontinuation of research and other critical projects.

Technology and Intellectual Property

The Company relies on the protection of its patents and intellectual property rights for its success. Policing unauthorized use of its patents and intellectual property is extremely difficult and expensive. There can be no assurance that the Company's patents would be held valid or enforceable by a court or that a competitor's product would be found to infringe such patents.

Payment of Dividends

The future payment of dividends on the Common Shares will be dependent upon the financial requirements of the Company to finance future growth, the financial condition of the Company and other factors which the Board of Directors of the Company may consider appropriate in the circumstances. The payment of dividends in the future is uncertain.

Financing Risks

Management believes that the financial resources of the Company will be at a sufficient level to cover all of its operating and financing costs in connection with the implementation of the short-term business plans of the Company. However, there can be no assurance that growth will be achieved at such levels or that additional financial resources may not be required due to unforeseen circumstances or a change in the business plans of the Company.

Conflict of Interest

Certain directors of the Company are or may become associated with other companies which may give rise to conflicts of interest. In accordance with the Canada Business Corporations Act, a director or officer who is a party to a material contract or proposed material contract or is a director or officer of or has a material interest in any entity who is a party to a material contract or a proposed material contract with the Company is required, subject to certain exceptions, to disclose that interest and generally to abstain from voting on any resolution to approve the contract. In addition, the directors are required to act honestly and in good faith with a view to the best interests of the Company. All of the outside directors of the Company have either other full-time employment or other business or time restrictions placed on them and accordingly, the Company will not constitute the only business interest of such directors.

FTC Proposed Business Opportunity Rule

In the 1970s, the FTC promulgated a trade regulation rule known as the “Franchise Rule” to address deceptive and unfair practices in the sale of franchises and business opportunity ventures. On April 12, 2006, the FTC published notice of its intention to enact a Business Opportunity Rule covering business opportunities not covered by the Franchise Rule. The DSA has stated that the proposed rule, in its current form, would have negative consequences for the direct selling industry by “drastically altering the means in which our sellers and direct selling companies do business”. The proposed rule would impose on direct selling companies a number of burdensome requirements such as a seven day waiting period to enroll new distributors, the furnishing of an “Earnings Claim Statement” to prospective distributors and the introduction of a US\$500 threshold to start a business. Today, without the threshold, a new distributor can establish his business with an investment of US\$ 30. The US\$500 required investment and other proposed requirements will discourage prospective distributors from starting a business. The FTC has advised the DSA that the rulemaking process may take one to several years to complete; in the meantime, the proposed rule is being vigorously contested by the affected stakeholders. Should this Business Opportunity Rule be implemented as proposed, it could have an adverse effect on the business and financial condition of the Company.

Key Personnel

The future success of the Company will depend in large part upon its ability to retain its key management personnel to attract and retain additional qualified marketing, sales and technical personnel, as well as independent distributors to form part of its network marketing system. The Company may not be able to enlist, train, retain, motivate and manage the required personnel. Competition for these types of personnel is intense. Failure to attract and retain personnel, particularly marketing, sales and technical personnel as well as independent distributors, could make it difficult for the Company to manage its business and meet its objectives.

LEGAL PROCEEDINGS OF THE COMPANY

In the normal course of business, the Company is presently involved in legal proceedings with a consulting firm. We believe this current claim is ill-founded in fact and in law and the resolution thereof will not have a material effect on our financial situation.

FUTURE DEVELOPMENTS

Immunotec benefits from a solid balance sheet, skilled and motivated employees, well established suppliers, repeat customers and a dedicated network of distributors. Management believes that the new measures and sales and marketing initiatives being implemented will help increase sales in the next year.

Management is of the opinion that its investment in current research in such areas as cancer cachexia, prostate health, aging and aging related conditions will enable Immunotec to produce and bring to market more value added products which will continue to differentiate its products from competing products.

Immunotec, following recommendations from its Product Development Committee, is constantly developing new products that are appropriate for its health and wellness markets.

RELATED PARTIES

The Company entered into a consulting agreement with a company controlled by Mr. Dieter Beer, a director of the Company, for administrative services to be rendered for the year ended October 31, 2007. This agreement occurred in the normal course of operations and measured at the exchange amount, which is the amount of the consideration established and agreed upon by the related parties. This consulting agreement was not renewed.

DESCRIPTION OF SECURITIES

Capital Stock

The following description of the Common and Preferred shares of the Company is a brief summary of their material attributes and characteristics.

a) Authorized – in unlimited number

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

First preferred shares and 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.

b) Issued

As at February 12, 2008 there are 70,026,558 common shares including 32,258 common shares held by the company for sale.

Escrow Shares

In accordance with the policies of the Exchange, a portion of the Payment Shares received by the shareholders of Immunotec Research Ltd. (Insiders), aggregating 55,766,459 Common Shares (after giving effect to the Share Consolidation), were placed in escrow as RTO Value Escrow Shares pursuant to the RTO Escrow Agreement.

As at February 12, 2008, 13,941,615 represents the balance of the RTO Value Escrow Shares. These shares will be released in July 2008.

Stock option plan

As at January 31, 2008, the Company had 2,315,000 options outstanding. Each option entitles the holder to acquire one common share of the Company at the following exercise price; 1,607,500 options at \$1.13; 700,000 options at \$0.66 and 7,500 at \$1.00.

On November 5, 2007, the Company granted 700,000 options to its new President and Chief Executive Officer under a management contract with the Company effective as at this date. Each unit entitles the holder to acquire one common share of the Company at a price of \$0.66 per share. The options will be exercisable at a rate of 1/3 per year, starting November 5, 2008 and will expire November 5, 2012.

ONGOING INFORMATION AND CONTROLS RELATED TO THE COMMUNICATION OF INFORMATION

Disclosure controls and procedures

Disclosure controls and procedures have been established by the Company to ensure that financial information disclosed by the Company in this MD&A, the related consolidated financial statements and its annual filings are properly recorded, processed, summarized and reported to its Audit Committee and the Board of Directors.

Internal controls over financial reporting

During Q4 2007, the Company evaluated the design of internal control over financial reporting in accordance with the guidelines of NI 52-109. This evaluation allowed the CEO and CFO to conclude that internal controls over financial reporting was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian generally accepted accounting principles.

In addition, this work allowed determining that, during the quarter ended October 31, 2007, no change to internal controls over financial reporting has occurred that has materially affected, or is reasonably likely to have materially affected, such controls.

Additional Information

The Company files its consolidated financial statements, its management and discussion analysis report, its press releases and such other required documents on the SEDAR database at www.sedar.com. The common shares of the Company are listed on the TSX Venture Exchange under the ticker symbol IMM.

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