

February 12, 2010

Management's Discussion and Analysis

For the years ended October 31, 2009 and 2008

Management's discussion and analysis provides a review of the performance of our Company and should be read in conjunction with the audited financial statements for the year ended October 31, 2009, and the related notes appearing elsewhere in this document. This discussion and analysis compares the performance for fiscal 2009 with that of 2008 and also discloses additional information to help better understand our business. This includes a review of the opportunities, issues, and risks that may impact future operations. Information contained herein includes any significant developments as at February 12, 2010, the date on which the MD&A was approved by the Company's Board of Directors.

The enclosed financial statements have been prepared in accordance with the Canadian generally accepted accounting principles (GAAP). All figures are in Canadian dollars unless otherwise indicated. Where "we", "us", "our", "Immunotec" or the "Company" are utilized, these mean Immunotec Inc. All percentages reflected herein are calculated on whole amounts as contained in the Company's financial records and financial statements and not on the rounded amounts as disclosed herein.

Additional information relating to our Company, including the Annual Information Form (AIF), is available on SEDAR at www.sedar.com.

Forward-Looking Statements

The discussion in this report contains forward-looking statements that involve risks and uncertainties, such as statements of the Company's plans, objectives, expectations, and intentions. The cautionary statements made in this report should be read as applying to all related forward-looking statements wherever they appear in this report. The Company's future results could differ materially from those discussed here. Factors that could cause or contribute to these differences include those discussed under "Risks and Uncertainties".

Selected Financial Information

The following tables summarize selected financial information from the Consolidated Statement of (Loss) Earnings and the Consolidated Balance Sheets regarding the operations of the Company.

Selected Annual Financial Information

For the twelve months ended October 31	2009	2008	2007
Revenues	\$ 44,724,704	\$ 38,060,394	\$ 35,967,247
Margin before expenses	\$ 12,332,153	\$ 13,050,743	\$ 12,688,029
(Loss) Earnings from continued operations	\$ (2,674,347)	\$ 941,801	\$ 884,785
Loss from discontinued operations (note 16)	\$ (1,870,689)	\$ -	\$ -
Net (loss) earnings and comprehensive (loss) income	\$ (4,545,036)	\$ 941,801	\$ 884,785
Total assets	\$ 18,746,232	\$ 22,663,400	\$ 20,354,606
Shareholders' Equity	\$ 13,927,038	\$ 18,111,213	\$ 16,485,206
<u>Net (loss) earnings per share (basic and diluted)</u>			
Continuing operations	(0.038)	0.013	0.013
Discontinued operations	(0.027)	-	-
<u>Weighted average number of common shares outstanding:</u>			
Basic	69,994,300	69,994,300	68,198,574
Diluted	69,994,300	70,034,549	69,573,727

Q4 Overview

The Company's consolidated revenues totalled \$10.8M for the fourth quarter of Fiscal 2009, as compared to \$9.8M in the same period last year, due primarily to increase network sales in North America. Margins before expenses and other items were 30% during the fourth quarter of Fiscal 2009 compared with 33% for the same period in 2008. The loss of 3% in margins, results from both an increase in costs of goods sold mitigated by the reduction in sales incentives paid to the network during the month of October, has a result of by certain modifications introduced by the Company.

During the fourth quarter, the Company underwent a minor reorganization of the corporate management team. The Company also announced the arrival of a new CFO. These actions were designed to reduce overhead prospectively and maximize profitability. Reorganization costs were provisioned at \$0.4M during the quarter. As well, management also provisioned for an investment previously capitalized under "other assets" for a value of \$0.7M. This investment in shares of a private company was received as part of the reverse takeover made in 2005 with the former entity Magistral Biotech Inc.

As a result of the failure to obtain the withdrawal of the Injunction in South Korea through negotiation with a former sub-licensee, Management is presenting under Discontinued Operations, as a separate component of the Consolidated Statement of (Loss) Earnings and Comprehensive Income, the costs associated with the operations of and closing of its South Korean subsidiary. As a result, all operational elements associated with the South Korean operations have been presented, net from their tax attribute, under a separate line item in the Consolidated Statement of (Loss) Earnings and Comprehensive (Loss) Income. Accordingly, prior period results have been restated to show the impact of the discontinued operation separately.

Net Loss for the fourth quarter of 2009 totalled \$1.2M compared to a loss of \$0.3M in 2008. The total basic and fully diluted loss per share for the final quarter of Fiscal 2009 was (\$0.018), compared to a basic and fully diluted loss per share of (\$0.004) for the same period in Fiscal 2008.

Last Eight (8) Quarters Consolidated Results at a Glance

During the last twelve months, the Company implemented several changes in its business plan with the introduction of a new sales compensation plan introduced in the second quarter of 2009. These changes, despite additional costs reducing profitability, resulted in a significant improvement in recruitment rate and in the number of active distributors.

For the three months ended (expressed in millions of Canadian dollars)	2009			
	Q4 October 31,	Q3 July 31,	Q2 April 30,	Q1 January 31,
REVENUES				
Network sales	9.4	10.0	9.3	9.2
Other Revenues	1.4	2.0	2.0	1.5
	10.8	12.0	11.3	10.7
VARIABLE COSTS				
Cost of goods sold (excluding amortization) (note 4)	2.0	2.2	2.1	1.7
Sales incentives - Network	4.6	5.3	5.5	4.9
Other variable costs	1.0	1.1	1.1	1.0
	3.2	3.4	2.6	3.1
Margin before expenses	30%	28%	23%	29%
Expenses				
Administrative	1.9	1.8	1.6	1.6
Marketing and Selling	1.2	1.5	1.1	1.3
Quality and Development costs	0.2	0.2	0.3	0.2
	3.3	3.5	3.0	3.1
EBITDA* before impairment on other assets, restructuring charges and loss from discontinued operations	(0.1)	(0.1)	(0.4)	-
Other expenses:				
Amortization	0.3	0.2	0.3	0.3
Financial charges (revenues)	-	-	-	-
Impairment on other asset	0.7	-	-	-
Restructuring charges (note 17)	0.4	-	-	-
(Recovery of) Income taxes (note 15)	-	-	(0.2)	-
	(1.5)	(0.3)	(0.5)	(0.3)
(Loss) Earnings from continuing operations	(1.5)	(0.3)	(0.5)	(0.3)
Loss from discontinued operations (note 16)	0.4	(2.2)	(0.1)	-
Net (loss) earnings and comprehensive(loss) income	(1.1)	(2.5)	(0.6)	(0.3)
Net (loss) earnings per share (basic and diluted)				
Continuing operations	(0.02)	(0.00)	(0.01)	(0.00)
Discontinued operations	0.01	(0.03)	(0.00)	-
	(0.02)	(0.04)	(0.01)	(0.00)

	2008			
	Q4 October 31,	Q3 July 31,	Q2 April 30,	Q1 January 31,
For the three months ended (expressed in millions of Canadian dollars)				
REVENUES				
Network sales	8.2	7.9	8.0	7.7
Other Revenues	1.6	1.6	1.6	1.5
	9.8	9.5	9.6	9.2
VARIABLE COSTS				
Cost of goods sold (excluding amortization) (note 4)	1.5	1.5	1.7	1.6
Sales incentives - Network	4.2	4.0	3.7	3.5
Other variable costs	0.9	0.8	0.8	0.8
Margin before expenses	3.2 33%	3.2 34%	3.4 35%	3.3 36%
Expenses				
Administrative	1.6	1.4	1.4	1.4
Marketing and Selling	1.4	0.8	0.9	0.9
Quality and Development costs	0.1	0.2	0.2	0.2
	3.1	2.4	2.5	2.5
EBITDA* before impairment on other assets, restructuring charges and loss from discontinued operations	0.1	0.8	0.9	0.8
Other expenses:				
Amortization	0.3	0.3	0.3	0.2
Financial charges (revenues)	-	-	-	-
Impairment on other asset	-	-	-	-
Restructuring charges (note 17)	-	-	-	-
(Recovery of) Income taxes (note 15)	-	0.1	0.3	0.3
(Loss) Earnings from continuing operations	(0.2)	0.4	0.3	0.3
Loss from discontinued operations (note 16)	-	-	-	-
Net (loss) earnings and comprehensive (loss) income	(0.2)	0.4	0.3	0.3
Basic Net (loss) earnings per share				
Continuing operations	(0.00)	0.01	0.00	0.00
Discontinued operations	-	-	-	-
	(0.00)	0.01	0.00	0.00

* EBITDA means "Earnings before taxes, depreciation and amortization". For more information please refer to the section "Non-GAAP & other measures" .

Corporate Overview and Business Model

Immunotec is a Network Marketing Company involved in the direct selling of scientifically validated natural health products and dietary supplements. The Company offers a lucrative business opportunity to its independent distributors.

At the end of fiscal 2009, the Company's network comprised 25,000 distributors. Immunotec's direct-sales business model, as opposed to the retail store channel, creates the ability to convey the benefits of our unique products person to person and because the

marketing and selling costs are largely variable, it is very cost effective and provides superior long term margin opportunities. Hence, management has determined that for Immunotec's product portfolio network marketing is the most effective business model to build recurrent cash flow and value for shareholders.

This business model provides Immunotec's network of people with an opportunity to earn a steady and recurring income, directly based on their level of involvement and performance. Individual distributors build their business by conveying product information and selling product to customers and by building teams of distributors to expand geographic penetration and market coverage to larger populations of customers.

Headquartered with manufacturing facilities near Montreal, Canada, the Company also subcontracts certain distribution logistics and capacity to support its activities in the United States, the Netherlands and Trinidad and Tobago.

Key Products

As of October 31, 2009, the Company's product line was comprised of 14 products which are for the most part considered natural health products in Canada and dietary supplements in the United States. The key products for the Company are:

Immunocal® and Immunocal Platinum®

The Company's unique flagship product representing 80% of its network sales revenues, Immunocal, is based on solid and ongoing research as well as documented efficacy in maintaining a strong immune system. Immunocal (NPN: 80004370) is recognized by Health Canada's Natural Product Directorate as a "natural source of the glutathione precursor cysteine for the maintenance of a strong immune system".

Immunocal Platinum is an enhanced form of Immunocal, targeted at the 50+ market, with added ingredients to reduce inflammation and body acidity, to supplement the product's immune enhancing properties.

Naturally Sourced Calcium

Immunotec's Naturally Sourced Calcium is a unique calcium supplement made from nature's most basic food, milk. Nutritionists agree that dairy products are the best source of calcium and Naturally Sourced Calcium is real calcium from milk. Naturally Sourced Calcium is actually a "milk mineral complex" containing not only calcium, but also a number of other essential minerals and vitamins. These include magnesium, phosphate, potassium, iron, copper, zinc and vitamin D. All of these nutrients have their own function in bone growth and many other health related roles in general.

Xtra Sharp®

Xtra Sharp is an all-natural blend of herbs and minerals designed to enhance vitality and energy.

Probiotic with Cranberry

Probiotic with Cranberry is a new product introduced in 2009 designed to improve mineral absorption and optimize the health of the digestive system, with antioxidant power for

stronger immune defense. Probiotic with Cranberry acts together with Immunocal® in complementary fashion.

Other Products

Other products sold include Concentrated Cherry Juice, Magistral®, PNT-200®, Vitamin/Mineral Supplement, Omega-3, Skin Perfecting Cream, Thermal Action, Toothpaste and the Immunotec F.I.T.T.™ Meal Replacement System.

Global Performance

Consolidated Statement of (Loss) Earnings and Comprehensive (Loss)Income		
For the twelve months ended October 31 (expressed in millions of Canadian dollars)	2009	2008
	\$	\$
REVENUES		
Network sales	37.9	31.8
Other Revenues	6.8	6.3
	44.7	38.1
VARIABLE COSTS		
Cost of goods sold(excluding amortization) (note 4)	8.0	6.3
Sales incentives - Network	20.2	15.4
Other variable costs	4.2	3.2
Margin before expenses	12.3	13.1
Expenses		
Administrative	6.9	5.8
Marketing and Selling	5.1	3.9
Quality and Development costs	0.9	0.8
	12.9	10.5
EBITDA* before impairment on other assets, restructuring charges and loss from discontinued operations	(0.6)	2.6
Other expenses		
Amortization	1.1	1.1
Financial charges (revenues)	0.0	(0.1)
Impairment on other asset	0.7	-
Restructuring charges (note 17)	0.4	-
(Recovery of) Income taxes (note 15)	(0.2)	0.7
(Loss) Earnings from continued operations	(2.7)	0.9
Loss from discontinued operations (note 16)	(1.9)	-
Net (loss) earnings and comprehensive (loss) income	(4.5)	0.9

** EBITDA means "Earnings before taxes, depreciation and amortization". For more information please refer to the section "Non-GAAP & other measures" .*

Network sales and other revenues

Network sales are the revenues driven by sales of product directly sold by the Network of distributors. Network sales represented 85% of the total revenues in 2009 (83% in fiscal 2008). They are the primary driver and performance indicators for the Company.

Network Revenues reached \$37.9M in 2009 compared to \$31.8 in 2008, a \$6.1M or 19.2% increase. This growth is directly attributed to the effort made during the year in recruitment of new distributors. As a result, we are reporting a 69.1% increase in the number of active distributors on October 31st 2009 compared to the previous year.

The Company was very active in developing new market opportunities and expending its global presence. During the year, the Company integrated three new markets; United Kingdom, Republic of Ireland (ROI) and South Korea. The first two markets UK and ROI experienced soft growth during their first year, as the Company was cautious in deploying a significant amount of capital to further penetrate the European Union.

After a successful launch, the company closed, in July 2009, the operation of its subsidiary located in South Korea (Immunotec (Korea) Inc.). because a former sub-licensee obtained an Executory Preliminary Injunction against Immunotec (Korea) Inc. Further information is provided below under "*Discontinued Operations*" and Note 16 of the Financial Statements.

Other Revenues include licensing revenues, freight and shipping, charge backs and educational material purchased by our network. Other Revenues reached \$6.8M in 2009 compared to \$6.3M in 2008, a \$0.5M or 8% increase.

The following provides Revenues by major Geographical jurisdictions, excluding revenues from discontinued operations in South Korea.

Geographic Distribution of Total Revenues

For the twelve months ended October 31	2009	2008
	\$	\$
<i>(expressed in millions of Canadian dollars)</i>		
Canada	21.1	19.0
United States	20.0	15.4
Other countries	3.6	3.7
Revenues	44.7	38.1

Canada remained the biggest segment at \$21.1M in total revenues with an increase of 11% over the preceding year. Not far behind, is the United States with \$20.0M in total revenues representing a 30% increase over the preceding year. The Company will position itself to pursue its growth in the United States during fiscal 2010 knowing that this market is approximately ten times larger than Canada.

Revenues from other countries remained stable year over year. Nevertheless, the Company will pursue international expansion in the next fiscal year by opening two new countries for customer sales in France and Germany, and slowly build a solid presence in the European continent.

Margins before Expenses

For the year ended October 31, 2009, margin before expenses, as a percentage of net sales was 27.5% compared to 34.3% for year 2008. The decrease this year of 6.8% in margins over 2008, is mostly attributed to the launch of a new sales incentive program during the second quarter in 2009 and recruitment expenses to stimulate positive activity from the Network.

Sales incentives are the largest operating expenses of the Company. The new program for Sales incentives - commissions reached 53% on average for the 2009 period, compared to 48% for 2008.

The Company launched, during its second quarter, a new compensation plan, included in sales incentives. This new plan resulted in significant increase in recruiting new distributors but paid out at a much higher than expected level of 59% in the second quarter and 53% in the third quarter. As a result of changes implemented in October, the fourth quarter moderated to a 49% compensation plan payout. Thus, while the compensation plan change helped to fuel the 19.2% sales increase for the year, the level of payout was unsustainable and the plan had to be modified to return operating margins to profitable levels.

For the period ended (expressed in millions of Canadian dollars)	2009				
	Total 12 mts	Q4 October 31	Q3 July 31	Q2 April 30	Q1 January 31
Revenues	44.7	10.8	12.0	11.3	10.7
Margin before expenses	12.3	3.2	3.4	2.6	3.1
Margin before expenses as a % of revenues	28%	30%	28%	23%	29%
Network sales	37.9	9.4	10.0	9.3	9.2
Sales incentives - Network	20.2	4.6	5.3	5.5	4.9
Sales incentives - Network as a % of Network sales	53%	49%	53%	59%	53%

For the period ended (expressed in millions of Canadian dollars)	2008				
	Total 12 mts	Q4 October 31	Q3 July 31	Q2 April 30	Q1 January 31
Revenues	38.1	9.8	9.5	9.6	9.2
Margin before expenses	13.1	3.2	3.2	3.4	3.3
Margin before expenses as a % of revenues	34%	33%	34%	35%	36%
Network sales	31.8	8.2	7.9	8.0	7.7
Sales incentives - Network	15.4	4.2	4.0	3.7	3.5
Sales incentives - Network as a % of Network sales	48%	51%	51%	46%	45%

Expenses

Expenses defined below as being the cumulative amounts of Administration, Marketing, Sales, Quality Control and Research & Development expenses were \$12.9M for the twelve-month period ended October 31, 2009 representing 29% of total revenues. When compared to the previous year and despite a small increase in spending, we notice that these expenses remained stable as a percentage of total revenues. Management will focus on maintaining overhead spending below 30% in order to achieve profitability.

Expenses as a percentage (%) of total revenues

	2009		2008	
For the twelve months ended October 31				
(expressed in millions of Canadian dollars)	\$		\$	
Revenues	44.7	100%	38.1	100%
Expenses				
Administrative	6.9	15%	5.8	15%
Marketing and Selling	5.1	11%	3.8	10%
Quality and Development costs	0.9	2%	0.8	2%
	12.9	29%	10.4	27%

Non-GAAP Financial Measures

This MD&A contains certain information that is not financial measures prescribed under GAAP. For example, we use earnings before interest, taxes, depreciation and amortization ("EBITDA") as this measure allows management to evaluate the operational performance of the Company and the performance of its assets. EBITDA do not have any meaning prescribed by GAAP, and are not designed to replace other measures of financial performance or the statement of cash flows as an indicator of liquid assets. These measures do not represent the funds available for the repayment of debt, the payment of dividends, reinvestment or other discretionary uses, and should not be considered in isolation or as substitutes for other measures of performance calculated according to GAAP.

These measures are used by the Company because management believes they provide useful information regarding performance. They are tools frequently used in the business world to analyze and compare the performance of businesses in the sectors in which the Company and its subsidiaries operate. The definitions of the measures that we adopted may differ from those of other businesses.

EBITDA before impairment of other assets, restructuring charges and loss from discontinued operations

Management is introducing a non-GAAP measure that is designed to provide additional information on its performance. Management believes that this metric is necessary in order to present separately its true performance and isolate the commercial operations from certain non-cash costs and exceptional events.

For the period ended (expressed in millions of Canadian dollars)	2009				
	Total 12 months	Q4	Q3	Q2	Q1
		October 31	July 31	April 30	January 31
Revenues	44.7	10.8	12.0	11.3	10.7
EBITDA* before impairment on other assets, restructuring charges and loss from discontinued operations	(0.6)	(0.1)	(0.1)	(0.4)	-
as a % of revenues	-1%	-1%	-1%	-4%	0%

For the period ended (expressed in millions of Canadian dollars)	2008				
	Total 12 months	Q4	Q3	Q2	Q1
		October 31	July 31	April 30	January 31
Revenues	38.1	9.8	9.5	9.6	9.2
EBITDA* before impairment on other assets, restructuring charges and loss from discontinued operations	2.6	0.1	0.8	0.9	0.8
as a % of revenues	7%	1%	8%	9%	9%

* EBITDA means "Earnings before taxes, depreciation and amortization". For more information please refer to the section "Non-GAAP & other measures" .

For the year ended October 31, 2009, EBITDA before impairment of other assets, restructuring charges and loss from discontinued operations totalled a negative (\$0.6)M compared to \$2.6M for Fiscal 2008.

The negative performance is largely attributable to the introduction of the new compensation program during the year and certain promotional costs for recruitment associated with this program. The implementation of this new program by Distributors was more expensive than originally estimated. Realizing this situation, Management provided certain adjustments to this program with the goal of containing the total variable costs below 50% of total revenues while attempting to monitor the motivational aspect to sustain growth.

Restructuring Charges

During fiscal 2009, the company reorganized its operations and downsized its corporate overhead. Costs associated with these activities were fully provisioned during this year-end but will be paid over the next twelve months.

Discontinued Operations and Contingency

The company closed, in July 2009, the operations of its subsidiary located in South Korea. The net operating loss incurred from March 20, 2009 to October 31, 2009 from the operations related to South Korea amounted to \$1.9M, net of future income tax of

\$0.2M and have been recorded in the consolidated financial statements. The total revenues for this period amounted to \$2.8M.

A former sub-licensee obtained from the Seoul Central District Court the issuance of an Executory Preliminary Injunction on July 13, 2009 against Immunotec (Korea) Inc., a subsidiary of the Company, ordering such subsidiary to cease selling Immunocal products in South Korea. As described in note 18 of the financial statements, the Company also received. On October 20, 2009, a former sub-distributor filed an action in damages for approximately \$1M against Immunotec (Korea) Inc., a subsidiary of the Company, alleging violation by the subsidiary of the sub-distributor's exclusive distributorship of Immunocal products in South Korea. The subsidiary has filed a defense and is contesting the claim, but the outcome of these proceedings cannot be determined at this time. Based on the information available at this time, the Company believes that the resolution of the foregoing proceedings will not have a material effect on the Company's consolidated financial position.

Net (Loss) Earnings and Comprehensive (Loss) Income

Net (loss) earnings and comprehensive (loss) income were (\$4.5)M for the year ended October 31, 2009, compared to \$0.9M for 2008. The decrease in net earnings is predominantly due to non-recurring loss experienced in closing the South Korean operations and the decrease in operating margins created from the introduction of the new compensation plan, a non-recurring provision on impairment from other assets and restructuring charges.

Balance Sheets

Assets

Total assets were \$18.7M as at October 31, 2009, compared with \$22.6M as at October 31, 2008. This reduction essentially stems from a decrease in cash liquidities used to fund certain losses and capital expenditures including the loss associated with the discontinued Korean operations.

Liabilities

As at October 31, 2009, the Company's total liabilities were \$4.8M, up from \$4.6M as at October 31, 2008. The \$0.2 million increase stems from current liabilities following additional provisions at year-end.

Cash Flow Statement Highlights

Cash flow from operating activities

The Company, for one of the first times in its history, consumed \$0.7M in cash from operating activities for the year ended October 31, 2009, compared to generating positive cash flow of \$3.1M for the corresponding period of 2008. The decrease for this year results mainly from the loss in Korea and the introduction of the new sales incentives program as explained above. In the fourth quarter, Management went through a reorganization to decrease certain overhead costs in order to reposition the Company for the next fiscal year.

Cash flow from investing activities

The increase in investing activities for the year October 31, 2009 resulted in a cash outflow of \$1.1M compared to a cash outflow of \$0.9M for the corresponding periods of 2008. During the year, the Company sold a property for \$0.52M and recorded a gain net of commission of \$0.015M

Cash situation

As at October 31, 2009, the Company had a cash position of \$2.3M compared to \$6.1M as at October 31, 2008. The Company believes that cash requirements in the ordinary course of business for next year can be met with its available cash and cash flow generated from its operating activities. The Company currently has access to an operating credit facility of \$2M which has not been drawn to date.

Working capital

As at October 31, 2009, the Company showed a working capital of \$2.2M for a ratio of 1.5 compared to a working capital of \$7.0M with a ratio of 2.5 as at October 31, 2008. The decrease in working capital ratio is consistent with the above explanations associated with self-generated funds used to finance the South Korean activities and the decrease in cash flows from the operations in 2009.

For the twelve months ended October 31	2009	2008
	\$	\$
<i>(expressed in millions of Canadian dollars)</i>		
Current Assets	7.0	11.6
Current Liability	4.8	4.6
Working Capital Ratio	1.5	2.5

Related parties

The Company did not enter into any related party transactions during the year.

Risks and Uncertainties

Investors in the Company's common shares should carefully consider the following risks, as well as the other information contained in this Management's Discussion and Analysis, the Management Proxy Circular and the Consolidated Financial Statements for the fiscal year ended October 31, 2009. If any of the following risks actually occurs, the Company's business could be materially harmed. The risks and uncertainties described below are not the only ones the Company faces. Additional risks and uncertainties, including those of which the Company is currently unaware or the Company currently deems immaterial, may also adversely affect the Company's business.

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 Company's 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 sale of its products as a dietary supplements, functional food ingredients or pharmaceutical drugs.

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 changes. Larger competitors with longer operating histories and greater financial, marketing and other resources could 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, namely for the provision of raw materials, for contract manufacturing services as well as for other services such as information technology support. If the Company were, for any reason, to be unable to maintain a business relationship with one or more of its key suppliers, its business and financial

condition could be materially adversely affected. To date, the Company has not experienced any difficulty in obtaining adequate supplies or services from its key 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 or to offer its services to the Company 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.

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 product which may be developed by the Company could 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, up scaling 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, that a competitor's product could not be found to infringe such patents.

Financing Risks

Management believes that the financial resources of the Company will be sufficient 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.

Key Personnel and Independent Distributors

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.

As the Company's sales of products are made through a network marketing system comprised of approximately 25,000 independent distributors, the Company does not have control over the business practices of such independent distributors. While the Company offers information and guidelines to its independent distributors relating to the sale of the Company's products, should one or more independent distributors demonstrate inadequate or illegal business practices, this could materially affect the financial condition and reputation of the Company.

Clinical trials

Certain products under research have not yet received regulatory approval. The Company may not be able to market those products in any jurisdiction until they have completed thorough clinical trials, and regulatory approval. The Company's failure to develop safe, commercially viable products would substantially impair its ability to generate revenues and sustain its operations and would materially harm its business and adversely affect its share price.

Manufacturing Facilities

The Company relies on having properly validated, fully functioning, manufacturing facilities of sufficient size in which to produce its products for market. Should systems fail, or a disaster strike, the ability to produce products would be negatively affected which, in turn, would affect revenue generation. The Company does not currently have backup manufacturing capacity for some of its key products. As a result, it would be forced to turn to external manufacturers should an unexpected event as described above occur.

Volatility of Share Prices

Share prices are subject to change because of numerous different factors related to Company activity, including reports of new information, changes in the Company's financial situation, the sale of shares in the market, an announcement by the Company or any of its competitors concerning technological innovation, etc. During the past few years, shares of Immunotec Inc., and other industry related public companies, and the capital market in general have been subjected to extreme fluctuations that were unrelated to the operational results of the companies affected. There is no guarantee that the market price of Company shares will be protected from any such fluctuations in the future.

OTHER RISKS AND UNCERTAINTIES

If any of the following risks occur, the Company's business results of operations or financial condition could be materially adversely affected.

- The Company is indirectly subject to price regulation in certain countries and this could affect its gross margin.
- The Company may not achieve its projected development goals in the timeframes it announces and expects.
- Even if the Company obtains marketing approval, its products will be subject to ongoing regulatory review.
- The Company's products, if approved, may fail to achieve market acceptance.

- The development of products can be costly and require years of research and development activities.
- The Company is doing business in foreign countries and has international operations that expose it to additional business risks.

The Company is subject to the risk of product liability claims, for which it may not have, or be able to obtain, adequate insurance coverage.

Transition to International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board confirmed that Canadian generally accepted accounting principles for accountable public companies will be replaced with IFRS. For our company, IFRS will be effective for interim and annual periods commencing November 1, 2011, including the preparation of comparative figures.

The Company will be assessing the impact of the significant accounting differences between IFRS and Canadian GAAP, including analyzing the impact to business processes, systems and internal control over financial reporting. We are currently in the diagnostic phase of the conversion of our consolidated financial statements to IFRS. This phase includes identifying the differences between existing Canadian GAAP and IFRS standards and evaluating their impact on business processes and information systems, as well as assessing resource requirements for the conversion. We have and continue to provide training to our staff. We expect to complete our analysis during the next fiscal year.

Management expects to complete the diagnostic phase and the detailed conversion plan by the end of fiscal 2010 and thereafter begin execution of this plan. It is currently not possible to fully determine the impact of conversion to IFRS on the consolidated financial statements and any potential business impacts, as our diagnostic phase is not complete and as accounting standards and related interpretations continue to change.

Financial Instruments

Classification of the financial instruments

Cash is classified as “financial assets held for trading”. Accordingly, it is carried at fair value, with any gains or losses arising from the revaluation at each period-end being included in consolidated earnings (loss).

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

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

method. Given the composition of the Company's accounts payable, the amortized cost generally approximates fair value because of their short terms to maturity.

Fair value

The Company has determined the fair value of its financial instruments based on estimates and assumptions. The fair value of current financial assets and financial liabilities, which include cash, accounts receivable, accounts payable, accrued liabilities and customer deposits, is comparable to their carrying values due to their relatively short terms to maturity.

Currency risk

The Company is exposed to currency risks as transactions with customers outside Canada are predominantly denominated in US dollars. These risks are partially offset by purchases and operating expenses incurred in US dollars. As at October 31, 2009, the net exposure of the financial instruments are denominated in each currency.

	US dollars	Euros	Sterling Pounds
Net exposure	(99,470)	9,568	(31,920)
Equivalence CAD	107,816	15,209	56,669

Credit risk

Financial instruments which potentially subject the Company to credit risk include cash and accounts receivable, with respect to which management believes there was no significant concentration of credit risk as at October 31, 2009 and 2008. The Company deals only with highly rated financial institutions and continually monitors its clients' credit and establishes its provision for doubtful accounts based on the credit risk applicable to each client.

Interest rate risk

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

Future Developments in Accounting Standards

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

- i) Section 1582, "Business Combinations", which replaces Section 1581, "Business Combinations". The Section establishes standards for the accounting for a business combination. It provides the Canadian equivalent to the IFRS standard, IFRS 3 (Revised), "Business Combinations". The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier application is

permitted. The Company is currently evaluating the impact of the adoption of this new Section on the consolidated financial statements.

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

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.

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.

Issued

As at February 12, 2009 there are 69,994,300 common shares including 32,258 common shares held by the Company for sale.

Internal Controls Over Financial Reporting

The Company, being an Issuer on the TSX Venture Exchange, is no longer required to certify that we have designed and evaluated the effectiveness of disclosure controls and procedures and internal controls over financial reporting. We have instead filed a Certificate of Annual Filings – Venture Issuer Basic Certificate that certifies the performance of a review of the information, no knowledge of misrepresentations and the fair presentation of the information in the annual filings.

During the year, management identified a material weakness in the internal control process relating to the financial reporting of its Korean subsidiary. It became apparent that supporting documentation pertaining to the Korean operations was not subject to the review and approval procedures and controls as originally designed. Because of the pervasive nature of this deficiency and its impact on the financial statement close process,

it is a material weakness. The possibility that a material misstatement could have arisen from this material weakness has been mitigated by additional corroboration test performed on all commercial transactions during the period and by reviewing all original bank records.

Other Information about the Company

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.

A handwritten signature in blue ink, appearing to read "Patrick Montpetit".

Patrick Montpetit, CA, CF
Vice-President, Finance and Chief Financial Officer
February 12, 2010