Years ended October 2015 and 2014

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") provides a review of the results of operations, financial condition and cash flows of Immunotec Inc. for the years ended October 31, 2015 and 2014. In this MD&A, the "Company", "Immunotec", "we", "us", "our" and the "Group" refer to Immunotec Inc. and its subsidiaries. This discussion and analysis should be read in conjunction with the Company's audited consolidated financial statements for the years ended October 31, 2015 and 2014.

All amounts in this MD&A are presented in thousands of Canadian dollars, except for the number of shares and options, or otherwise noted. Information contained herein includes all significant developments as at January 28, 2016, the date on which the MD&A was approved by the Company's Board of Directors. All percentages reflected herein are calculated on whole dollar 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 the Company is available on SEDAR at www.sedar.com.

1. DEVELOPMENTS DURING THE YEAR

- November 2014 – Immunotec and Institut de recherches cliniques de Montréal (IRCM) announced clinical results showing that Immunocal® had a statistical significant impact and performance benefit of approximately 10 per cent in muscle strength. This is very relevant for healthy aging, as the process is typically associated with a decrease in muscle strength that may contribute to disability in older age and to loss of quality of life.

- February and March 2015 – Immunotec hosted 3 conventions and used this opportunity to launch 2 new products; "Wholistics" addressing demand in the skin care market for Mexico and "Contralenta" targeting the renewing cartilage or healthy joints market for Canada and the United States.

- April 2015 – Immunotec was ranked 97th on the Direct Selling News sixth annual DSN Global 100 list. This list is an exclusive ranking of the top revenue-generating companies in the direct selling industry worldwide.

- May 2015 – Immunotec announced that Health Canada granted a new health claim specific to Immunocal's ability to help increase muscle strength and enhance performance when combined with regular exercise. This achievement is the fruition of over four decades of research at leading university hospitals in Canada and abroad.

- May 2015 - Immunotec welcomes Dr. Ronald Prussick, MD, FRCP(C) as a distinguished member of the Immunotec Scientific Advisory Board. Dr. Prussick currently serves as the medical director of The Washington Dermatology Center and Assistant Clinical Professor at George Washington University in Washington, DC. He will work with the Immunotec Product Development Committee (PDC) playing an integral role in the development of a new all-natural skin care line.

- July 2015 – Immunotec announced that it has obtained additional financing in the total amount of $2.8M, to support growth, activities of its Mexican subsidiaries and the modernization of its Canadian manufacturing infrastructure.

- July 2015 – Immunotec announced that it had reached a Conclusive Agreement ("the Agreement") with both tax authorities Procuraduria de la Defensa del Contribuyente ("PRODECON") and Servicio Administración Tributaria ("SAT") in regard to the Company's Mexican subsidiary's imports into Mexico (see note 28 to the consolidated financial statement).

2. FINANCIAL PERFORMANCE

Immunotec is a Canadian-based company that develops, manufactures, markets and sells research-driven nutritional products through direct-to-consumer sales channels in Canada, the United States, Mexico, Dominican Republic, United Kingdom and Ireland. The Company offers an extensive family of nutritional, skin care and wellness products targeting health, weight management, as well as energy and performance. The Immunocal family of products is supported by over 40 published articles and supporting science in medical and scientific literature. Immunotec is headquartered near Montreal, Canada and operates two manufacturing and warehousing facilities in Blainville, Canada and Toluca, Mexico. Immunotec also operates two customer service offices in Mexico City, Mexico and in Commerce, California, USA.

2.1 Financial condition

The condensed consolidated statements of financial position as at October 31, 2015 and 2014 are presented in the following table:

Financial condition

As at October 31, *(000's of C$)*	**2015**	**2014**
Cash and restricted cash	10,252	6,787
Inventories	5,907	6,218
Property, plant and equipment	6,188	5,994
Total assets	30,117	25,673
Long-term liabilities (including current portion)	2,941	2,530
Equity	14,448	10,282

Assets

The audited consolidated statement of financial position as at October 31, 2015 shows cash and restricted cash of $10.3M, an increase of $3.5M compared to $6.8M as at October 31, 2014. This increase results from operating activities, cash generated from improvement's in working capital components and from a new financing concluded at the end of July 2015.

2.2 Results of operations

The condensed consolidated statements of operations for the quarter and year ended October 31, 2015 compared to the same periods in 2014 are presented in the following table:

Results of operations

For the periods ended October 31, *('000s of C$, except for share and per share data)*	**Three-months 2015**	**Three-months 2014**	**Twelve-months 2015**	**Twelve-months 2014**
Revenues	24,804	23,310	84,758	80,790
Cost of sales	6,113	5,549	20,350	18,694
Margin before expenses	18,691	17,761	64,408	62,096
Expenses	16,819	17,577	59,194	63,288
Operating income (loss)	1,872	184	5,214	(1,192)
Net finance (income) expenses	(58)	(55)	137	539
Income taxes	215	191	1,035	961
Net profit (loss)	1,715	48	4,042	(2,692)
Total comprehensive income (loss)	1,626	84	4,006	(2,756)
Total basic and diluted net profit (loss) per common share	0.02	0.00	0.06	(0.04)
Weighted average number of common shares oustanding during the year				
Basic	69,287,627	69,015,039	69,152,836	69,015,039
Diluted	69,290,915	69,015,039	69,156,574	69,015,039

Revenues for the three- and twelve-month periods ended October 31, 2015 reached \$24.8M and \$84.8M compared to \$23.3M and \$80.8M during the same periods in the previous year, an increase of \$1.5M or 6.4% for the three-month period and an increase of \$4.0M or 4.9% for the twelve-month period. The growth in revenues resulted from the strengthening of the U.S. currency and increased Network sales in the United States partially offset by small declines in revenues in Mexico and Canada.

Margins before expenses, as a percentage of revenues, decreased from 76.2% in the three-month period ended October 31, 2014 to 75.4% for the three-month period ended October 31, 2015. For the twelve-month period ended October 31, 2015, margins before expenses as a percentage of revenue was 76.0% compared to 76.9% during the same periods in the previous year. The recent fluctuation in exchange rates of both the US dollar and the Mexican peso had some negative impact on margins as key ingredients in our products are sourced from US suppliers. Management anticipates that future quarterly earnings could be impacted further by the strengthening of the US dollars and is currently assessing several options to mitigate any negative impact this could create.

Expenses for the three- and twelve-month periods ended October 31, 2015 amounted to $16.8M and $59.2M compared to $17.6M and $63.3M for the corresponding periods in the previous year, a reduction of $0.8M or 4.3% for the three-month period and $4.1M or 6.5% for the twelve-month-period. Field incentives, selling and general and administrative expenses were relatively stable for the three-month period and the twelve-month periods. On annual basis, expenses decreased over last year, as the Company recorded a $5.5M provision for commodity tax expense relating to uncertainties surrounding a negative verdict issued in September 2014 from the Mexican Taxation Tribunals, denying the Company's Mexican subsidiary's value added tax ("VAT") refund requests. The Company challenged this decision and appealed to the Mexican Supreme Court where, it received a negative verdict during the third quarter of fiscal 2014. For more information please refer to note 28 of the audited consolidated financial statements.

Net finance (income) expenses for the three- and twelve-month periods ended October 31, 2015 was ($0.1M) and $0.1M compared to ($0.1M) and $0.5M for the corresponding periods in 2014. The variation is due in part to the recent volatility in foreign exchange resulting from the strengthening of the US dollar against the Canadian dollar and Mexican Pesos. During fiscal year 2014, the Company decided not to pursue a public financing and the related financing fees and expenses were recorded as an expense during the third quarter of 2014.

Net profit (loss) for the three- and twelve-month periods ended October 31, 2015 was $1.7M and $4.0M compared to $0.05M and ($2.7M) for the same periods in the previous year. The improvement over 2014 can be attributed to certain expenses described above in 2014, not recurring in 2015.

Total comprehensive income (loss) for the three- and twelve-month periods ended October 31, 2015 was $1.6M and $4.0M compared of $0.1M and ($2.8M) for the corresponding periods in the previous year, reflecting the impact of the foreign currency translation of foreign subsidiaries.

Total basic and fully diluted net profit (loss) per common share for the three- and twelve-month periods ended October 31, 2015 was $0.02 and $0.06 compared to $0.00 and ($0.04) for the corresponding periods in previous year.

Revenues and sponsoring[1]

Revenues and sponsoring [1]

For the periods ended October 31, *('000s of C$)*	**Three-months 2015**	**Three-months 2014**	*Variation*	**Twelve-months 2015**	**Twelve-months 2014**	*Variation*
Network sales	22,707	21,590	*5.2%*	77,320	74,554	*3.7%*
Other revenue	2,097	1,720	*21.9%*	7,438	6,236	*19.3%*
	24,804	23,310	*6.4%*	84,758	80,790	*4.9%*
Network sales in key markets in local currency	**2015**	**2014**	*Variation*	**2015**	**2014**	*Variation*
Mexico *('000s of Mexican pesos)*	152,738	162,563	*-6.0%*	503,666	540,385	*-6.8%*
United States *('000s of US$)*	5,778	4,762	*21.3%*	20,049	16,136	*24.3%*
Canada *('000s of C$)*	2,936	3,101	*-5.3%*	11,312	11,784	*-4.0%*
Sponsoring[1] of new customers and consultants in key markets *(# of people)*	**2015**	**2014**	*Variation*	**2015**	**2014**	*Variation*
Mexico	17,432	18,368	*-5.1%*	55,515	63,982	*-13.2%*
United States	6,137	4,093	*49.9%*	18,747	13,712	*36.7%*
Canada	1,691	1,583	*6.8%*	6,291	5,839	*7.7%*
	25,260	24,044	*5.1%*	80,553	83,533	*-3.6%*

Network sales are the Company's most important performance indicator, as they are driven by product sales of our network of independent customers and consultants. Network sales for the three- and twelve-month periods ended October 31, 2015 reached $22.7M and $77.3M compared to $21.6M and $74.6M for the corresponding periods in the previous year, an increase of $1.1M or 5.2% for the three-month period and an increase of $2.7M or 3.7% during the twelve-month period. Excluding currency fluctuations, the Company recorded an increase in network sales in the United States of 24.3% for the twelve-month period, mitigating decreases of 6.8% in Mexico and 4.0% in Canada for the twelve-month period.

In the United States, the increase in network sales is the result of an increase in the sponsoring[1] of new consultants and customers. For the three- and twelve-month periods ended October 31, 2015, the number of new independent consultants and customers in the United States increased by 49.9% and 36.7% compared to the corresponding periods in the previous year. This increase primarily reflects the Company's continued success in attracting new customers and independent consultants throughout the United States. To support this growth, the Company opened a satellite office in Commerce, California, in October 2014.

During the three- and twelve-month periods ended October 31, 2015, in Mexico, sponsoring activities declined by 5.1% and 13.2% over the same period the

[1] Refer to the "NON-GAAP MEASURES" section.

previous year. As explained in previous quarters, this decline was the result of the 16% value added tax ("VAT") which the Company began charging on the sale of products in Mexico as of October 1st, 2014. Management has invested efforts in communications with its field leaders in Mexico to explain the reasons for this change. On March 26, 2015, the Secretariat of Finance and Public Credit of the Mexican PEÑA Government issued an official decree offering more clarity by confirming that all sales of dietary supplements are subject to VAT effective January 1st, 2015. We adopted this position last October and the Company is in conformity with this decree. For Immunotec, this presidential decree removes all significant retroactive risks and uncertainty as explained under note 28 of the audited consolidated financial statements.

In Canada, the number of new customers and independent consultants increase by 6.8% for the three-month period and by 7.7% for the twelve-month period compared to the same periods in the previous year. This increase was mostly from the Eastern provinces of Canada.

Other revenue, which includes revenues of products sold to licensees in countries where we do not have a network of independent consultants (export sales), shipping revenue and educational material purchased by our network of independent consultants, was $2.1M and $7.4M for the three- and twelve-month periods ended October 31, 2015. This compares to $1.7M and $6.2M for the corresponding periods in the previous year, an increase of 21.9% and 19.3% which is attributable to an increase in sales of educational material and in shipping revenues commensurate with an increase in network sales as well as an increase in export sales.

Geographic distribution of revenues

Geographic distribution of revenues

For the periods ended October 31,	**Three-months**			**Twelve-months**		
('000s of C$)	**2015**	**2014**	*Variation*	**2015**	**2014**	*Variation*
Mexico	12,631	13,740	*-8.1%*	42,473	46,417	*-8.5%*
Rest of North America	11,177	8,798	*27.0%*	38,893	31,571	*23.2%*
Other countries	996	772	*29.1%*	3,392	2,802	*21.1%*
	24,804	23,310	*6.4%*	84,758	80,790	*4.9%*

Mexico is the Company's largest market, representing 50.9% and 50.1% of revenues in the three- and twelve-month periods ended October 31, 2015, compared to 59.0% and 57.4% in the same period the previous year. Mexican revenues was $12.6M and $42.5M in the three- and twelve-month period ended October 31, 2015 compared to $13.7M and $46.4M during the corresponding periods in the previous year, a decrease of 8.1% and 8.5% respectively. As stated previously, this decrease was the result of the Company's decision to charge 16% VAT on the sale of its products. We expect the Mexican market to continue to slowly adapt to these new market conditions. The Presidential Decree should level the market conditions in this segment of the Industry.

Revenues in the rest of North America, which includes the combined Canadian and U.S. markets, amounted to $11.2M or 45.1% and $38.9M or 45.9% of total revenues for the three- and twelve-month periods ended October 31, 2015. This compares to $8.8M or 37.7% and $31.6M or 39.1% of total revenues in the corresponding periods in the previous year. The increase in total revenues from the rest of North America was a result of improved sponsorship in the U.S., especially in the Eastern U.S. and favourable currency fluctuations.

Revenues from other countries accounted for $1.0M or 4.0% and $3.4M or 4.0% compared to $0.8M or 3.3% and $2.8M or 3.5% in the corresponding periods in 2014. Revenues from other countries included two European countries and 15 countries in Asia and Latin America, where the Company does not have a network of independent consultants.

Key performance metrics[1]

Key performance metrics[1]

For the periods ended October 31, *('000s of C$)*	**Three-months**		**Twelve-months**	
	2015	**2014**	**2015**	**2014**
Revenues	24,804	23,310	84,758	80,790
Margin before expenses	18,691	17,761	64,408	62,096
as a % of Revenues	**75.4%**	**76.2%**	**76.0%**	**76.9%**
Selling, general and administrative	4,084	3,800	15,733	15,004
as a % of Revenues	**16.5%**	**16.3%**	**18.6%**	**18.6%**
Product revenues[1]	23,923	22,534	81,562	77,900
Cost of sales	6,113	5,549	20,350	18,694
as a % of Product revenues[1]	**25.6%**	**24.6%**	**25.0%**	**24.0%**
Network sales	22,707	21,590	77,320	74,554
Field incentives	12,528	12,790	42,596	42,074
as a % of Network sales	**55.2%**	**59.2%**	**55.1%**	**56.4%**

During the three- and twelve-month periods ended October 31, 2015, margin before expenses as a percentage of revenues amounted to 75.4% and 76.0% as compared to 76.2% and 76.9% in the same periods in the previous year. The decrease in the three-month period and the twelve-month period is due, in part, to the recent fluctuation in exchange rates of both the US dollar and the Mexican peso

[1] Refer to the "NON-GAAP MEASURES" section

which had an impact on margins as key ingredients used in our products are sourced from US suppliers.

During the three- and twelve-month periods ended October 31, 2015, the selling, general and administrative expenses as a percentage of revenues amounted to 16.5% and 18.6% as compared to 16.3% and 18.6% during the same periods in the previous year, reflecting a continued disciplined management of corporate expenses.

During the three- and twelve-month periods ended October 31, 2015, cost of sales as a percentage of product revenues[1] amounted to 25.6% and 25.0% as compared to 24.6% and 24.0% in the same periods in the previous year. As mentioned above, the strengthening of the US dollar has had an impact on the cost of goods sold. During the twelve-month period, management initiated a thorough review of its current manufacturing strategy in order to reduce the impact on margins of the increasing U.S. dollar. Management expect to initiate and implement some of these strategies during fiscal 2016 and beyond.

Field incentives is the Company's most significant expense and consists of commissions from product sales, performance bonuses and other promotional incentives provided to qualifying independent consultants. During the three- and twelve-month periods ended October 31, 2015, field incentives amounted to \$12.5M or 55.2% and \$42.6M or 55.1% of Network sales, compared to \$12.8M or 59.2% and \$42.1M or 56.4% during the same periods in the previous year. The reduction in field incentive percentages is mostly attributed to the reduction in sponsoring activities in Mexico during the first two quarters of this fiscal year.

Adjusted EBITDA[1] analysis

Calculation of adjusted EBITDA [1]

For the periods ended October 31,	**Three-months**		**Twelve-months**	
('000s of C$)	**2015**	**2014**	**2015**	**2014**
Net profit (loss)	1,715	48	4,042	(2,692)
Add (deduct):				
Depreciation, amortization and impairment	177	262	668	940
Net finance (income) expenses	(58)	(55)	137	539
Other expenses	30	725	197	5,270
Income taxes	215	191	1,035	961
Adjusted EBITDA	2,079	1,171	6,079	5,018
as a % of Revenues	*8.4%*	*5.0%*	*7.2%*	*6.2%*

[1] Refer to the "NON-GAAP MEASURES" section.

Adjusted EBITDA[1] for the three- and twelve-month periods ended October 31, 2015 amounted to $2.1M or 8.4% and $6.1M or 7.2% of revenues compared to $1.2M or 5.0% and $5.0M or 6.2% in the same periods the previous year. As mentioned previously, other expenses in 2014 were impacted by the commodity tax provision and the financing fees related to the decision of the Company not to pursue the preliminary short form prospectus. Also, in 2015, the fluctuation of the foreign exchange generated a small gain during the fourth quarter.

Net finance (income) expenses

Net finance (income) expenses

For the periods ended October 31,	Three-months		Twelve-months	
('000s of C$)	**2015**	**2014**	**2015**	**2014**
Interest expense	54	30	151	133
Financing fees	29	(29)	88	671
Net foreign exchange gain	(141)	(56)	(102)	(180)
Gain on disposal of an investment	-	-	-	(85)
Net finance (income) expenses	(58)	(55)	137	539

Net finance (income) expenses comprises interest on long-term debt and a finance lease obligation, financing fees, net foreign exchange gain as well as a gain on the disposal of an investment. For the three- and twelve-month periods ended October 31, 2015, the net finance (income) expenses amounted to ($0.1M) and $0.1M compared to ($0.1M) and $0.5M for the corresponding periods in the previous year. As mentioned previously, the Company recorded financing fees of $0.7M relating to the decision of the Company not to pursue the preliminary short term prospectus during the third quarter of 2014. The net foreign exchange gain is primarily a result of the strengthening of the US dollar against both the Canadian dollar and the Mexican Pesos.

[1] Refer to the “NON-GAAP MEASURES” section.

Previous eight quarters ended October 31, 2015

Summary of the last eight quarters (in 000's of C$, except per share data)

	Revenues	Adjusted EBITDA[1] (in $ and % of revenues)		Net profit (loss)	Basic & diluted net profit (loss) per share
31/Oct/15	24,804	2,079	8.4%	1,715	0.02
31/Jul/15	22,068	1,484	6.7%	1,152	0.02
30/Apr/15	19,968	1,394	7.0%	323	0.00
31/Jan/15	17,918	1,122	6.3%	852	0.01
31/Oct/14	23,310	1,171	5.0%	48	0.00
31/Jul/14	22,263	1,665	7.5%	(4,270)	(0.06)
30/Apr/14	19,062	1,419	7.4%	770	0.01
31/Jan/14	16,155	763	4.7%	759	0.01

The Company was able to record steady improvements in both revenues and Adjusted EBITDA[1] for the quarters up to October 2014. However, following the inclusion of an additional 16% of VAT for products sold in Mexico, which affected approximately 50% of our total sales, negatively impacted the sales of subsequent quarters. Since the decrease experienced in the first quarter of fiscal 2015, the Company has steadily recorded increases in revenues, these increases were fuelled mostly from the growth in the US market.

Adjusted EBITDA[1] has steadily increased over the last four quarters and has maintained an average of 7.1% and a high of 8.4% attained in the quarter ended October 31, 2015.

The Company also been able to maintain its quarterly profitability over the last two years with the exception of the third quarter of the fiscal 2014, where the commodity tax provision was recorded, as described in previous sections.

[1] Refer to the "NON-GAAP MEASURES" section

Net profit (loss), comprehensive income (loss) and total basic and diluted net profit (loss) per share

Net profit (loss) for the three- and twelve-month periods ended October 31, 2015 totalled $1.7M and $4.0M as compared to $0.05M and ($2.7M) in the corresponding periods in the previous year.

Total comprehensive income (loss) for the three- and twelve-month periods ended October 31, 2015 totalled $1.6M and $4.0M compared to $0.1M and ($2.8M) in corresponding periods in the previous year, reflecting the impact of the foreign currency translation of foreign subsidiaries.

Total basic and fully diluted profit (loss) per common share for three- and twelve-month periods ended October 31, 2015 was $0.02 and $0.06 compared to $0.00 and ($0.04) in the corresponding periods a year earlier.

3. LIQUIDITY

As at October 31, 2015, the Company had a cash position of $10.3M, of which $0.6M was restricted as security against its long-term debt, compared to $6.8M as at October 31, 2014 where $0.5M was restricted cash.

Based on risk and uncertainties associated with its business model, the Company maintains a capital structure that allows it to finance its operations and development. The Company periodically monitors its capital structure which it defines as long-term debt and equity. The Company expects it will be able to meet its contractual obligations and continue to fund its planned activities for the next fiscal year.

It should be noted that the Company is currently involved in legal proceedings regarding Mexican importation taxation authorities as further discussed in the "Contingencies" section below.

The condensed consolidated statements of cash flows for the twelve-month period ended October 31, 2015 and the comparative period in 2014 are presented below:

Consolidated statements of cash flows

For the twelve-month periods ended October 31, *('000s of C$)*	**2015**	**2014**
Operating activities		
Net profit (loss)	4,042	(2,692)
Adjustments for items not affecting cash	(1,410)	6,469
Cash from operating activities prior to working capital variation	2,632	3,777
Net change in non-cash working capital	969	(1,817)
Net cash provided by operating activities	3,601	1,960
Investing activities	(865)	(598)
Financing activities	409	423
Net increase in cash during the year	3,145	1,785
Cash — Beginning of the year	6,787	4,706
Effect of foreign exchange rate fluctuations on cash	319	296
Cash — End of the year	10,251	6,787

Cash flows from operating activities

Net cash provided by operating activities amounted to $3.6M during the twelve-month period ended October 31, 2015 compared to $2.0M for the corresponding period in the previous year. The improvement is the result of increased profits for the period and better management of working capital items.

Cash flows used in investing activities

We invested $0.9M in 2015 related primarily to leasehold improvements and related investments in our new warehouse in Toluca, Mexico, which has been operational since February.

Cash flows from financing activities

During the year ended October 31, 2015, the Company completed its financing with the TD Bank and Export Development Corporation "EDC" and added an operating line of $1.5M to support the working capital requirements of the Mexican market. The new term facilities from TD Bank and EDC in the amount of $1.3M will be used for the acquisition of capital assets and the modernization of Immunotec's manufacturing infrastructure to support Immunotec's export activities. As at October 31, 2015, the Company had utilized $0.8M of its term loan. During the year ended October 31, 2015, the repayments on long-term liabilities were $0.3M compared to $0.2M in the same period the previous year.

Off-Balance sheet arrangements

To date, the Company has not had any relationships with unconsolidated entities or financial partnerships, such as those referred to as "structured finance" or "special purpose" entities, which are established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. Other than the Company's operating leases and the commitments disclosed in the annual consolidated financial statements, the Company has no other off-balance sheet transactions.

Related party transactions

For the three- and twelve-month periods ended October 31, 2015 and 2014, there were no transactions except normal wage and salaries with related parties. No guarantees have been given to or received from any related parties.

Normal course issuer bid

No shares were repurchased during the year ended October 31, 2015 as the Company did not renew its share repurchase program under the Normal course issuer bid when it expired on April 30, 2014.

During the twelve-month periods ended October 31, 2014, the Company purchased and cancelled 265,000 common shares at a weighted average price of $0.31 for cash consideration of $0.1M resulting in an excess purchase price over the stated capital amount of $0.1M, which was recorded as a reduction of contributed surplus.

4. CONTINGENCIES

In the normal course of business, the Company and its subsidiaries are subject of tax audits by government authorities in their respective countries. In certain of these audits, taxation authorities could propose different tax or commodity tax treatments which could result in additional amounts due, as well as related interest or penalties. The Company believes that the current tax treatments are correct and it has a reasonable defense for any allegations that additional amounts are owed. When appropriate, the Company contests notices of assessment and administrative or judicial decisions in this respect. At the moment, the Company is subject to the following taxation processes:

i. In December 2012 and January 2013, the Mexican Tax Administration Service ("MTAS") issued resolutions which denied the Company's Mexican subsidiary's refund requests for a number of favourable value added tax

"VAT" balances in aggregate, totaling approximately $0.5M. The denials were based on the MTAS's evaluation that the Immunocal and Immunocal Platinum products were not destined for nutritional purposes and that a VAT tax rate of 16% should have been applied on the sale of such products. The Company filed an annulment lawsuit (first stage lawsuit) in lower tax court against these resolutions. The annulment was denied and the Company proceeded to the next level of appeal in the Collegiate Tribunals. In September 2014, the Fifteenth Collegiate Tribunal in Administrative Matters of the First Circuit denied the Company's request for this refund. Immunotec has challenged this decision and filed an appeal with the Mexican Supreme Court (third stage of appeal) but the reimbursement was denied during this fiscal year. During the year ended October 31, 2014, the Company recorded a provision for commodity tax provision of approximately $5.5M which was partially offset by the related recoverable amounts from taxation authorities covering prior months which are related to the above-mentioned appeal to the Supreme Court.

ii. During the fourth quarter of fiscal 2014 the MTAS requested information related to 134 of the Company's Mexican subsidiary's imports, essentially 100% of entries associated with Immunocal and Immunocal Platinum products, into Mexico between June 2011 and July 2013. After discussions with the MTAS Auditors, on June 1st, 2015, IMM decided to file a request for a conclusive agreement before the Mexican Tax Ombudsman (PRODECON as per its acronym in Spanish), proposing a settlement of the audit, under the following terms: (i)IMM would pay the VAT over all of the imports under questioning by the MTA, plus inflation adjustments and surcharges; and (ii) Since this is the first time IMM entered into a conclusive agreement, it should have the right to amnesty over 100% of the associated penalties, pursuant to Article 69-G of the Mexican Federal Tax Code. The MTA was officially notified of the request for conclusive agreement and accepted the proposal for conclusive agreement subject to the confirmation of certain elements. Following this acceptance in July 2015, Immunotec paid, an amount of $2.7M (34.3M MXP) affecting the financial statements as follow: (i) the Inflation surcharge and interest for a total of $1.0M (12.1M MXP) offset by the reversal of a portion of the 2014 provision for $1.0M (12.7M MXP) resulting in net gain of $0.05M (0.6M MXP) see note 18; (ii) and the recognition of a recoverable amount from foreign taxation of $1.8M (22.3M MXP). The Company and its legal advisors believe that the conclusive agreement will be finalized as proposed during fiscal 2016. If the Company is incorrect in its assessment, it will pursue alternative means, which could include legal challenges, to resolve the situation with a similar economic outcome. Ultimately, if the Company cannot resolve the situation with the expected outcome, the amounts the Company could be required to pay could have a material impact on the financial situation of the Company and, in particular a Mexican subsidiary (Imm- Research Mexico, S.A. de C.V.).

On March 26, 2015, a Presidential Decree was published in the Official Gazette, which grants amnesty of VAT triggered over the sale of nutritional supplements for all periods preceding January 2015, insofar as taxpayers comply mainly with two requirements: (i) that taxpayers charge VAT over the sale of nutritional supplements as of January of 2015; and (ii) that taxpayers file an official form detailing the amount of nutritional supplements sold during those years preceding 2015. Immunotec did file the official form requested and started charging VAT in October 2014. The Company is therefore in compliance with this taxation position. As a result of this presidential decree, the Company believes that no retroactive liabilities could be incurred.

iii. During the years ended October 31, 2013 and 2012, the Company received notices and administrative assessments from the Mexican Customs Authority ("MCA") which allege a misclassification for importation and VAT purposes of certain of the Company's products imported in the normal course of operations during fiscal 2012 and 2013. The Company initiated two formal administrative appeal processes. A third assessment was challenged in the Metropolitan Regional Chamber of the Federal Court of Tax and Administrative Justice. As required under the appeal processes, the Company paid the assessed amounts and related penalties prior to filing its appeals. These amounts, which have been recorded as expense in prior years, total approximately $0.8M.

In December 2013, the Metropolitan Regional Chamber of the Federal Court of Tax and Administrative Justice revoked in favour of the Company a misclassification for importation charges that took place in January 2012. In September 2014, the Company received $0.3M (3.4M MXP) a reimbursement of the assessment paid.

5. RISKS AND UNCERTAINTIES

The Company is subject to certain risks and uncertainties inherent in the operation of its business. The Company attempts to mitigate these risks through a combination of risk management practices, insurance, quality control programs and systems of internal control.

Key operational risks and uncertainties include, but are not limited to, those listed below. Potential investors should carefully consider the risks described below, together with all of the information in Immunotec's publicly filed documents, before making an investment decision. If any of the following risks actually occurs, Immunotec's business, financial condition or results of operations could be adversely affected.

Investors in the Company common shares should carefully consider the following risks, as well as the other information contained in the MD&A, the management proxy circular and the consolidated financial statements for the year ended October 31, 2015. 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 currently deems immaterial, may also adversely affect the Company's business.

Regulatory and taxation matters, including VAT, transfer pricing, customs duties, and similar regulations and changes thereto

As a multinational corporation, the Company is subject to tax and regulatory compliance in the jurisdictions in which it operates. These include those related to collection and payment of VAT at appropriate rates and the appropriate application of VAT to each of our products, those designed to ensure that appropriate levels of customs duties are assessed on the importation of its products, and transfer pricing and other tax regulations designed to ensure that its intercompany transactions are consummated at prices that have not been manipulated to produce a desired tax result, that appropriate levels of income are reported as earned, and that it is taxed appropriately on such transactions. The Company may be subject to audits that are at various levels of review, assessment or appeal in a number of jurisdictions involving various aspects of VAT, customs duties, transfer pricing, income taxes, withholding taxes, sales and use and other taxes and related interest and penalties in material amounts. In some circumstances, additional taxes, interest and penalties are assessed and required to be paid in order to challenge the assessments. The Company reserves in the consolidated financial statements an amount that it believes represents a likely outcome estimate at this time of a possible resolution from a potential disputes, but if it is incorrect in its interpretation, it may have to pay a different amount which could potentially be material. Ultimate resolution of these matters can take several years, and the outcome is uncertain. If the taxation authorities in any of the jurisdictions in which the Company operates were to successfully challenge its transfer pricing practices or its positions regarding the payment of income taxes, customs duties, value-added taxes, withholding taxes, sales and use, and other taxes, it could become subject to higher taxes and its revenue and earnings could be adversely affected.

Furthermore, the imposition of new taxes, even pass-through taxes such as VAT, could have an impact on the Company' product pricing and could therefore have a potential negative impact on its business.

A change in applicable tax laws, treaties or regulations or their interpretation could result in a higher effective tax rate on the Company's worldwide earnings, and such change could materially affect its financial results.

Adverse publicity and product liability insurance

The size of the Company's distribution force and the results of its operations may be significantly affected by the public's perception of the Company and similar companies. This perception is dependent upon opinions concerning:

- the safety and quality of its products and ingredients;
- its independent consultants;
- its selling program; and
- the Direct Selling business model generally.

Adverse publicity concerning any actual or purported failure of the Company or of its independent consultants to comply with applicable laws and regulations regarding product claims and advertising, good manufacturing practices, the regulation of its Direct to consumer marketing material, the licensing of its products for sale in its target markets or other aspects of its business, whether or not resulting in enforcement actions or the imposition of penalties, could have an adverse effect on the goodwill of the Company and could negatively affect its ability to attract, motivate and retain independent consultants, which would negatively impact its ability to generate revenue. The Company cannot ensure that all of its independent consultants will comply with applicable legal requirements relating to the advertising, labelling, licensing or distribution of its products.

Adverse publicity relating to the Company, its products or its operations, including its Direct Selling business model or the attractiveness or viability of the financial opportunities provided thereby could have a negative effect on its ability to attract, motivate and retain independent consultants, and its financial condition and operating results could be materially affected.

Immunotec currently has general liability insurance, including product liability and clinical trial liability insurance. 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. Moreover, liability claims arising from a serious adverse event could increase its costs through higher insurance premiums and deductibles, and could make it more difficult to secure adequate insurance coverage in the future. A product liability claim or product recall could have a material adverse effect on the Company's business and financial condition.

Relationship with and ability to influence independent consultants

The Company depends upon independent consultants for a significant portion of its sales. To increase its revenue, the Company must increase the number of, or the productivity of, its independent consultants. Therefore, its success depends in significant part upon its ability to attract, retain and motivate a large base of independent Consultants. The loss of a significant number of them for any reason could negatively impact sales of its products and could impair its ability to attract new ones. In its efforts to attract and retain independent consultants, the Company competes with other Direct to consumer organizations. The Company's operating results could be harmed if it's existing and new business opportunities and products do not generate sufficient interest to retain existing and attract new independent consultants.

The turnover rate of its independent consultants, and its operating results, can be adversely impacted if the Company, and its senior distributor leadership, do not provide the necessary mentoring, training and business support tools to become successful.

The Company's independent consultants, including its sales leaders, may voluntarily terminate their business relationship with it at any time. The loss of a group of leading sales leaders, together with their down-line sales organizations, or the loss of a significant number of consultants for any reason, could negatively impact sales of its products, impair its ability to attract new consultants, and harm its financial condition and operating results.

As the Company's sales of products are made through a Direct to consumer business model comprised of many thousands of independent consultants, the Company does not have full control over some of the business practices potentially done of such independent consultants. Accordingly, the Company is not in a position to directly provide the same direction, motivation and oversight as it would if consultants were its own employees. As a result, there can be no assurance that its consultants will participate in its marketing strategies or plans, accept its introduction of new products, or comply with its distributor policies and procedures.

While the Company has prepared and provided information and guidelines designed to govern the conduct of its independent consultants and to protect the goodwill associated with its business, it can be difficult to enforce these policies and procedures because of the large number of consultants and their independent status. Violations by its independent consultants of applicable law or of its policies and procedures in dealing with customers could reflect negatively on its products and operations and harm its business reputation.

International operational risks, including compliance and foreign exchange risk

Approximately 86% of the Company's revenues for the twelve-month period ended October 31, 2015 were generated outside of Canada, exposing its business to risks associated with foreign operations. For example, a foreign government could impose trade or foreign exchange restrictions or increased tariffs, or otherwise limit or restrict its ability to import products into a country, any of which could negatively impact its operations. The Company is also exposed to risks associated with foreign currency fluctuations. From time to time, management may engage in transactions to protect a portion of its liquidities against risks associated with foreign currency fluctuations. The Company cannot be certain that any hedging activity which may be undertaken or any expected natural hedges will effectively reduce its exchange rate exposure. Additionally, Company may be negatively impacted by conflicts with or disruptions caused or faced by its third party importers, as well as conflicts between such importers and local governments or regulating agencies. The Company's operations in some markets also may be adversely affected by political, economic and social instability in foreign countries. As the Company continues to focus on expanding its existing international operations, these and other risks associated with international operations may increase, which could harm its financial condition and operating results. Finally, the Company's foreign subsidiaries are subject to foreign currency fluctuations on their net earnings and working capital items.

The Company is subject to direct regulation by domestic and foreign governmental agencies in countries where the Company has network sales. The Company's marketing objectives are contingent, in part, upon compliance with regulatory requirements and obtaining regulatory approvals where necessary for the sale of certain of its products.

The Company is also subject to direct regulation by domestic and foreign governmental agencies in connection with the operation of its Direct Selling program.

In addition, the Company may be subject to regulations and taxes 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 and foreign regulations.

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

Dependence on increased penetration of existing markets

The success of the Company's business is to a large extent contingent on its ability to further penetrate existing markets and to a much less extent enter into new markets. The Company's ability to further penetrate existing markets or to expand its business into additional countries, to the extent it believes that it has identified attractive geographic expansion opportunities in the future, is subject to numerous factors, many of which are beyond its control.

In addition, government regulations in both its domestic and international markets can delay or prevent the introduction, or require the reformulation or withdrawal, of some of its products, which could negatively impact its business, financial condition and results of operations.

The Company's growth will depend upon improved training and other activities that enhance the retention of independent consultants in its markets. While the Company has recently experienced significant growth in certain of its markets, it cannot guarantee that such growth levels will continue in the immediate or long-term future. If the Company is unable to continue to expand into new markets or further penetrate existing markets, its operating results could suffer.

Compensation plan payout increases with increased product sales

Total compensation payout to consultants, as a percentage of the Company's revenues, is subject to volatility due to a number of factors, but mostly due to bonuses associated with sponsorship ("Business Builder" bonuses) and moving up bonuses ("Rank Advancement") as provided for in the sales incentive program. Although difficult to forecast, these bonuses are key to maintaining the momentum of the business. Consequently, margins may be adversely affected as sales increase.

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 its existing products less competitive.

Due to the high level of competition in the Company's industry, it might fail to retain its customers and independent consultants, which would harm its financial condition and operating results. In addition, because the industry in which it operates is not particularly capital intensive or otherwise subject to high barriers to entry, it is relatively easy for new competitors to emerge who could compete with it for its independent consultants and customers. In addition, the fact that its independent consultants may easily enter and exit its Direct Selling program contributes to the level of competition that it faces. The Company's ability to remain competitive therefore depends, in significant part, on its success in attracting and retaining independent consultants through an attractive compensation plan, the maintenance of an attractive product portfolio, and other incentives and a stable working relationship with the Company and its employees. The Company cannot ensure that its programs will be successful, and if they are not, its financial condition and operating results could be materially affected.

Changing consumer preferences and demands

The Company's business is subject to changing consumer trends and preferences. The Company's continued success depends in part on its ability to anticipate and respond to these changes, and it may not respond in a timely or commercially appropriate manner to such changes. Furthermore, its industry is characterized by rapid and frequent changes in demand for products and new product introductions and enhancements. The Company's failure to accurately predict these trends could negatively impact consumer opinion of its products, which in turn could harm its customer and distributor relationships and cause the loss of sales. The success of its new product offerings and enhancements depends upon a number of factors, including its ability to:

- accurately anticipate customer needs;
- innovate and develop new products or product enhancements that meet these needs;
- successfully commercialize new products or product enhancements in a timely manner;
- price its products competitively;

- manufacture and deliver its products in sufficient volumes and in a timely manner; and
- differentiate its product offerings from those of its competitors.

If the Company does not introduce new products or make enhancements to meet the changing needs of its customers in a timely manner, some of its products could be rendered obsolete, which could negatively impact its revenues, financial condition and operating results.

Product concentration

The Company's Immunocal products constitute a significant portion of its revenues. If consumer demand for this product decreases significantly, or if it ceases offering this product without a suitable replacement, then its financial condition and operating results will be materially affected.

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 consultants to form part of its Direct Selling program. 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 consultants, could make it difficult for the Company to manage its business and meet its objectives.

Reliance on key suppliers

The Company's business is heavily dependent upon its key suppliers, for the provision of raw materials (see note 25 of the financial statements), 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; however, it cannot assure that it's outside contract manufacturers and suppliers will continue to reliably supply products and services at the levels of quality and quantity which it requires.

Information technology infrastructure

The Company's ability to provide products and services to its customers and independent consultants depends on the performance and availability of its core transactional systems. While the Company continues to invest in its information technology infrastructure, there can be no assurance that there will not be any significant interruptions to such systems or that the systems will be adequate to meet all of its future business needs.

The most important aspect of the Company's information technology infrastructure is the system through which it records and tracks the sales of its independent consultants and the various incentives earned. The Company may encounter errors in its software or inadequacies in the software and services supplied by its vendors, although to date none of these errors or inadequacies has had a meaningful adverse impact on its business. Any such errors or inadequacies which the Company may encounter in the future could result in substantial interruptions to its services and could damage its relationships with, or cause it to lose, its independent consultants if the errors or inadequacies impair its ability to track sales and pay incentives, which could materially harm its financial condition and operating results. Such errors may be expensive or difficult to correct in a timely manner, and the Company could have little or no control over whether any inadequacies in software or services supplied to it by third parties are corrected, if at all.

Anyone that is able to circumvent the Company's security measures could misappropriate confidential or proprietary information, including that of third parties such as its independent consultants, cause interruption in its operations, damage its computers or otherwise damage its reputation and business. The Company could need to expend significant resources to protect against security breaches or to address problems caused by such breaches. Any actual security breaches could damage the Company's reputation and expose it to a risk of loss or litigation and possible liability under various laws and regulations. In addition, employee error or malfeasance or other errors in the storage, use or transmission of any such information could result in a disclosure to third parties. If this should occur, the Company could incur significant expenses addressing such problems. These risks are heightened by the fact that the Company collects and stores distributor and vendor information.

Compliance with laws and governmental regulations

In the Company's domestic and foreign markets, the formulation, manufacturing, packaging, labelling, distribution, importation, exportation, licensing, sale and storage of its products may be affected by extensive laws, governmental regulations, administrative determinations, court decisions and similar constraints. There can be no assurance that the Company or its independent consultants are in compliance with all of these regulations. The failure to comply with these regulations or new regulations could disrupt the sale of the Company's products, or lead to the imposition of significant penalties or claims and could negatively impact its business. In addition, the adoption of new regulations or changes in the interpretations of existing regulations may result in significant compliance costs or discontinuation of product sales and may negatively impact the marketing of the Company's products, resulting in significant loss of sales revenues.

Governmental regulations in countries where the Company plans to commence or expand operations may prevent or delay entry into those markets. In addition, the Company's ability to sustain satisfactory levels of sales in its markets may depend in significant part on its ability to introduce additional products into such markets. However, governmental regulations in the Company's markets, both domestic and international, can delay or prevent the introduction, or require the reformulation or withdrawal, of certain of its products. Any such regulatory action, whether or not it results in a final determination adverse to it, could create negative publicity, with detrimental effects on sales.

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 or trademarks would be held valid or enforceable by a court, or that a competitor's product could be found to infringe such patents or trademarks.

The worldwide financial and economic environment

Various aspects of the current worldwide financial and economic environment could potentially impact on the Company, its liquidity, its access to capital, its operations and its overall financial condition. The notes that economic and financial markets are fluid and that it cannot ensure that there will not be in the near future a material deterioration in its sales or liquidity. While the Company's current credit facility can also be used to support its current liquidity requirements, increases in interest rates could negatively affect the cost of financing its operations if its future borrowings were to be undertaken.

Technical obsolescence and product development

The Company's industry is characterized by rapidly changing technology, shifting industry standards and the 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:

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

Legal Challenges to the Direct Selling Program

The Company's Direct Selling program is subject to a number of regulations administered in Canada and in each of the foreign markets in which it operates. The Company is subject to the risk that, in one or more markets, its Direct Selling program could be found not to be in compliance with applicable laws or regulations. Regulations applicable to Direct Selling organizations generally are directed at preventing fraudulent or deceptive schemes, often referred to as "pyramid" or "chain sales" schemes, and focusing on the sale of products to end consumers. The ambiguity surrounding these laws can also affect the public perception of the Company. The failure of its Direct Selling program to comply with the applicable laws and regulations could negatively impact its business in a particular market or in general and could adversely affect its share price. The failure of other Direct Selling companies could negatively impact the perception of its business or industry in general and could adversely impact its share price.

Taxation relating to independent consultants

The Company's independent consultants are typically subject to taxation in their respective jurisdictions, and in some instances, legislation or governmental agencies could impose an obligation on it to collect taxes, such as VAT and social contributions, and to maintain appropriate records. In addition, the company is subject to the risk, in some jurisdictions, of being responsible for social security, withholding or other taxes with respect to payments to its consultants.

In addition, in the event that local laws and regulations or the interpretation of local laws and regulations change to require the Company to treat its independent consultants as employees, or that they are deemed by local regulatory authorities in one or more of the jurisdictions in which the Company operates to be its employees rather than independent consultants under existing laws and regulations, it may be held responsible for social contributions, withholding and related taxes in those jurisdictions plus any related assessments and penalties, which could harm its financial condition and operating results.

Manufacturing facilities

The Company in part 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 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 and an announcement by the Company or any of its competitors concerning technological innovation. There is no guarantee that the market price of Company's shares will be protected from material share price fluctuations in the future.

6. NON-GAAP MEASURES

This MD&A contains non-GAAP measures which do not have a standardized meaning under International Financial Reporting Standards ("IFRS"). We use earnings before interest, taxes, depreciation and amortization ("EBITDA"), as this measure allows management to evaluate the operational performance of the Company. EBITDA does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. EBITDA should not be considered an alternative to profit (loss) in measuring the Company's performance, nor should it be used as an exclusive measure of cash flow. This measure does 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 IFRS.

The Company uses these non-GAAP measures because they provide additional information on the performance of its commercial operations. Such tools are frequently used in the business world to analyze and compare the performance of businesses; however, the Company's definition of these metrics may differ from those of other businesses.

Adjusted EBITDA, Product revenues and Sponsoring

Adjusted EBITDA corresponds to EBITDA as defined above less elements that management considers to be outside the scope of its normal activities and therefore not reflective of how management views performance measurement. Management believes that this metric is necessary in order to isolate commercial operations from items which it believes merit separate examination when assessing performance. Consistent improvement in adjusted EBITDA is one of management's primary objectives.

Product revenues are total revenues less shipping revenues of $0.9M and $3.2M for the three- and twelve-month periods ended October 31, 2015 ($0.8M and $2.9M in the previous year). Improving the ratio of product revenues to cost of sales is also one of management's primary objectives.

Sponsoring means the activity in which independent Consultants sponsor new Consultants and Customers; the sponsored Consultants themselves may sponsor new Consultants or Customers and so forth. This is referred to as a Consultant's "organization" or "downline". The Consultants are compensated for sales generated by their organization, based on their qualification and rank. Successful Independent

Consultants assume the responsibility to train, support and communicate with their downline.

7. FINANCIAL INSTRUMENTS

Interest rate risk

The Company is exposed to interest rate risk on its cash, restricted cash and long-term debt and does not currently hold any financial instruments to mitigate this risk.

Currency risk

The Company is exposed to currency risks as transactions with customers outside Canada are predominantly denominated in U.S. dollars and Mexican pesos. These risks are partially offset by purchases and operating expenses incurred in U.S. dollars and in Mexican pesos. The Company's foreign subsidiaries are subject to foreign currency fluctuations on their net earnings and working capital items.

Liquidity risk

Liquidity risk is defined as the potential to be unable to meet a demand for cash or meet financial obligations as they become due. This risk is managed by establishing detailed cash forecasts, as well as operating and strategic plans. The Company's consolidated liquidity requires constant monitoring of expected cash inflows and outflows, which is achieved through detailed forecasts which assess the adequacy of cash resources to meet financial obligations as they come due. Liquidity adequacy is assessed in view of growth requirements and capital expenditures. Liquidity risk is managed to maintain sufficient liquid financial resources to fund the Company's operations and meet its commitments and obligations. In managing liquidity risk, the Company has access to its operating credit facilities.

8. DESCRIPTION OF SECURITIES

Capital stock

During the year ended October 31, 2015, the Company issued 352,072 shares to selected management employees and officers in partial payment of bonuses for the year ended October 31, 2014 pursuant to the Company's incentive plan. The fair value of these shares was $0.1M.

During the year ended October 31, 2015, the Company granted 1,125,000 options to directors, officers, managers and a consultant at a weighted average exercise price of $0.30 pursuant the Stock Option Plan of the Company.

YEARS ENDED OCTOBER 2015 AND 2014

Issued and outstanding

As at January 28, 2016, there are 69,287,627 common shares and 2,370,000 options to purchase common shares issued and outstanding.

9. ACCOUNTING ESTIMATES AND POLICIES

Critical accounting estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Significant changes in the underlying assumptions could result in significant changes to these estimates. Consequently, management reviews these estimates on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about these significant judgments, assumptions and estimates that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are disclosed in note 2 c) of the audited consolidated financial statements for the year ended October 31, 2015.

Significant accounting policies

The preparation of consolidated financial statements in accordance with IFRS requires management to adopt accounting policies and to make certain estimates and assumptions that the Company believes are reasonable based upon the information available at the time these decisions are made. In preparing these condensed consolidated financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are the same as those applied in note 3 of the audited consolidated financial statements for the year ended October 31, 2015 for discussions on accounting policies that are the most important in assisting, understanding and evaluating the Company's consolidated financial statements.

The following new standards were applied starting November 1, 2014:

IFRS 7, Financial Instruments Disclosures

IFRS 7 requires disclosure of both gross and net information about financial instruments eligible for offset in the balance sheet and financial instruments subject to master netting arrangements. Concurrent with the amendments to IFRS 7, the IASB also amended IAS 32, Financial Instruments: Presentation to clarify the existing requirements for offsetting financial instruments in the balance sheet. The amendments are effective from annual periods beginning on or after January 1, 2014, with early adoption permitted. The adoption of this standard did not impact the Company's consolidated financial statements.

IAS 36, Impairment Assets of non-financial assets

In May 2013, the IASB amended IAS 36, regarding disclosures for non-financial assets. This amendment removed certain disclosures related to the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendments are effective for annual periods beginning on or after January 1, 2014 with early adoption permitted. The adoption of this standard did not impact the Company's consolidated financial statements.

Future accounting changes

A number of new standards, interpretations and amendments to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory but not yet effective for the period ended October 31, 2015, and have not been applied in preparing the consolidated financial statements.

Refer to note 3 of the audited consolidated financial statements for the year ended October 31, 2015 for discussions on future accounting changes that were issued but not yet adopted by the Company as at October 31, 2015.

Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements.

10. 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 annual consolidated financial statements and its interim filings are properly recorded, processed, summarized and reported to its Audit Committee, its Board of Directors and its shareholders.

Internal controls over financial reporting

As an issuer on the TSX Venture Exchange, the CEO and the CFO are not required to certify that they have designed and evaluated the effectiveness of disclosure controls and procedures and internal controls over financial reporting. Instead, the Company files a Certification 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.

About forward-looking statements

This document contains forward-looking statements, which reflect our current expectations regarding future events. Forward-looking statements may include words such as "anticipate", "believe", "could", "expect", "foresee", "goal", "guidance", "intend", "may", "objective", "outlook", "plan", "seek", "should", "strive", "target", and "will". 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 the "Risks and Uncertainties" section above. Given these uncertainties and risk factors, readers are cautioned not to place undue reliance on any forward-looking statement. We disclaim any obligation to update any such factors or to publicly announce any revisions to any of the forward-looking statements contained herein to reflect future results, events or development, unless required to do so by a governmental authority or by applicable law.

About material information

This MD&A includes information that we believe to be material to investors after considering all circumstances, including potential market sensitivity. We consider information and disclosures to be material if they result in, or would reasonably be expected to result in, a significant change in the market price or value of our securities, or where it is likely that a reasonable investor would consider the information and disclosures to be important in making an investment decision. The Company is a reporting issuer under the securities legislation of all of the provinces of Canada. The Company is therefore required to file or provide continuous disclosure information such as interim and annual financial statements, MD&A's, proxy circulars, annual reports, material change reports and press releases with the appropriate securities regulatory authorities. Copies of these documents may be obtained free of charge upon request from the office of the CFO of the Company, or on the Company's website at www.immunotec.com, or on the SEDAR database at www.sedar.com.

Other information on the Company

The Company files its consolidated financial statements, its reports, its press releases and such other required documents on the SEDAR database and on the Company's website at www.immunotec.com. The common shares of the Company are listed on the TSX Venture Exchange under the ticker symbol IMM.

Patrick Montpetit CPA, CA, CF

Vice-President and Chief Financial Officer

January 28, 2016