



First Quarterly Report
Ending August 31, 2004



NEPTUNE
technologies & bioresources

Management's Discussion and Analysis Of Financial Condition and Results of Operations

The following analysis explains the variations in the Company's results of operations, financial condition and cash flow. This discussion should be read in conjunction with the information contained in Neptune Technologies & Bioresources inc.'s interim financial statements and related notes for the three-month period ended on August 31, 2004 and 2003. All figures are in Canadian dollars.

There is limited historical data available to the Company upon which it may base an evaluation of its business and its outlook. Its outlook must be examined based on the risks and uncertainties associated with all companies and all new and emerging markets. Among the risk factors at play are those related to the progressive and uncharted nature of the business itself, to its financial situation and to the ongoing management of potentially strong growth. To counter these risks, the Company must, among others: I) Multiply its efforts with regards to the commercialization of its current product offerings for the nutraceutical and cosmeceutical markets; II) Recruit and motivate competent personnel; III) Exploit its extraction process, develop and follow through with the improvement and optimization of its technological platform; IV) Follow up on the validation of the benefits provided by these products for the nutraceutical, cosmeceutical and biopharmaceutical industries; V) Face the competition and VI) Improve its productivity. There is no guarantee that the Company will be able to manage these risks, however the Company acknowledges that it will do its best to meet these challenges.

The Company

Established in October 1998, Neptune Technologies & Bioresources is intent on pursuing its mission to develop and deploy powerful and innovative technological processes relating to the extraction and commercialization of value-added natural products rich in Omega-3 fatty acids, phospholipids and antioxidants, protein concentrates and amino acids as well as other substances extracted from marine or aquatic biomasses. Following its recent reorganization and the securing of its financing, the Company intends to continue the marketing programs it undertook in 2002-2003 targeting the nutraceutical and cosmeceutical sectors. Krill, zooplankton found in cold, deep waters, is the first marine species actively harvested by the Company.

Review of the three-month period ending August 31st 2004

During this quarter, the Company has continued its progress and its effort in the commercialization of its products. The Company has been present at different trade shows in Europe and North America.

The Company maintained its clinical research programs. The Company can rely on scientific results that demonstrate the benefits of Neptune krill oil with regards to various human conditions such as those related to skin cancer, premenstrual syndrome, high cholesterol and inflammatory problems. Neptune is also pursuing its clinical research programs aiming to demonstrate the benefits of krill oil with regards to people suffering from osteoarthritis and arteriosclerosis.

During this quarter, the Company got closer to its main short term objective which is the break even point for this fiscal year. The marketing strategy is starting to show good results which make the Management confident in reaching that objective.

Operating Results

During the first quarter ending August 31st 2004, the Company has reduced its loss for more than 50% compared to the quarter ending August 31st 2003. The net loss being \$388,230 (0,015 per share) compared with \$799,362 (\$0,037 per share) for the quarter ending August 31st, 2003.

During the first quarter ending August 31st, 2004, the Company has almost doubled its sales compared to quarter ending August 31st, 2003, the sales reaching \$1,134,284 compared to \$643,272 for the quarter ending August 31st, 2003. These sales were primarily recorded in Quebec and United States.

During the first quarter ending August 31st, 2004, the operating expenses amounted to \$1,522,619 compared with \$1,445,090 for the quarter ending August 31st, 2003. The Company has increased its operating expenses of only \$80,000 between these two quarters but managed to increase sales by more than \$500,000 between the two quarters ending August 31st, 2004 and 2003.

Balance Sheet

As of August 31st 2004, total assets for the Company reached \$7,958,531 compared with \$7,921,588 as of May 31st 2004. This increase is due in large part by an increase in accounts receivable for an amount of \$471,125. This increase is partially offset by a decrease in stocks for \$354,814.

As of August 31st 2004, the Company showed working capital of \$610,537 compared to \$97,602 as of May 31st, 2004. This increase is mainly due to the private placement of \$655,184 of July 2004.

Financing

On July 7, 2004, the Company issued 371,639 common shares at a price of \$0.15 per share in order to settle certain amounts owing to administrators (in the amount of \$40,476) and a creditor (in the amount of \$15,000). On July 13, 2004, the Company completed a private placement (in the amount of \$655,184), following the issue of 3,275,922 units at a price of \$0.20 each. Each unit includes a common share and a stock purchase warrant allowing the holder to obtain a common share at a price of \$0.25 for a 24-month period.

Outlook

The Company is determined to reach the break even point before the end of the ongoing fiscal year. In order to achieve this goal, the Company will have to pursue its marketing efforts initiated in the previous fiscal year in North America and increase its efforts for the Asian and European Markets. The Company is now taking the necessary steps in order to obtain the regulatory authorizations to sell its products in Europe and Asia. The products need to be approved by the authorities in order to commercialize the products.

Also, the Company, in a joint effort with the “Université de Sherbrooke”, is proceeding with the exercise of the option to acquire the exploited intellectual property.

Finally, the Company is always working at improving its productivity at its Sherbrooke plant and is presently finalizing its request to obtain from Health Canada the General Manufacturing Practice certification.