



Second Quarterly Report

Ending November 30, 2004

EXECUTIVE ANALYSIS ON THE FINANCIAL SITUATION AND PRODUCTION RESULTS / EXECUTIVE COMMENTS AND ANALYSIS

This analysis is presented in order to provide the reader with an overview of the changes to the Neptune Technologies & Bioresources Inc. ("Neptune" or "the Company") financial situation between May 31, 2004 and November 30, 2004. It also includes a comparison between the operation results, the treasury flow and the financial situation for the 3-month period ending November 30, 2004 and those from the 3 month period ending November 30, 2003.

This analysis, completed on January 17, 2005, must be read in conjuncture with the Company's audited consolidated financial statements at May 31, 2004 and presented in the last annual report. Neptune financial statements were produced in accordance with Generally Accepted Accounting Principles (GAAP). Company results are published in Canadian dollars. All amounts appearing in this executive analysis are in Canadian dollars, unless indicated otherwise.

OVERVIEW

Neptune's second quarterly report ending November 30, 2004 was dedicated to the marketing of its products in North America and Asia. Neptune also deployed development initiatives in the European market. To accomplish this, the Company participated in various tradeshows in order to promote its products and maintain its level of excellence, established and developed since its foundation.

The Company maintained its clinical research initiatives. As a result, the Company can now take advantage of scientific results demonstrating the benefits of Neptune Krill Oil (NKO™) on various human conditions, such as those relating to skin cancer, premenstrual syndrome, elevated cholesterol levels and inflammation problems. Neptune is also pursuing clinical research aiming to demonstrate the benefits of NKO™ for people suffering from osteoarthritis and arteriosclerosis.

During the first two quarters of the May 31, 2005 year end, the Company has realised sales of 2,3M, surpassing the total sales of last year ending May 31, 2004. The Company expect to double its sales for the current year comparing to last years' total.

PRINCIPAL QUARTERLY FINANCIAL DATA

(In thousands of dollars, except per share data)

Fiscal Year Ending May 31, 2005

	Total	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Sales Figures	2,314	1,134	1,180		
EBITDA (before loss on foreign exchange)	270	151	119		
Net Loss	891	388	503		
Loss per Share	0.035	0.015	0.020		

Fiscal Year Ended May 31, 2004

	Total	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Sales Figures	2,262	643	956	602	61
EBITDA	(1,659)	(353)	(269)	(240)	(797)
Net Loss	3,534	799	744	717	1,274
Loss per Share	0.161	0.037	0.034	0.033	0.057

Fiscal Year Ended May 31, 2003

	Total	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
EBITDA	(2,402)	(653)	(982)	(265)	(502)
Net Loss	3,335	760	1,336	525	714
Loss per Share	0.213	0.049	0.085	0.034	0.045

During the second quarter ending November 30, 2004, the Company has decrease its loss by 32% compared to the quarter ending November 30, 2003 despite a loss on foreign exchange of \$ 93,631 for this quarter compared to a loss on foreign exchange of \$3,885 for the quarter ending November 30, 2003. This decrease is also due in part by an increase in sales by \$225,000 between the two quarters. The Company has also maintained a positive EBITDA for the second quarter in a row for a cumulative EBITDA of \$270,000 for the first semester. The Company also reduced its cost of sales and operating expenses by approximately \$109,000 even though the sales had increase between the two quarters.

TREASURY FLOW AND FINANCIAL SITUATION

Operating Activities

During the second quarter ending November 30, 2004, the Company's operations have generated an increase in liquidities of \$210,325 compared to a decrease of \$1,277,946 for the quarter ending November 30, 2003. This increase of 1.49M is due in large part by the changes in the working capital items from one quarter to the other. The changes in the working capital items for the second quarter ending November 30, 2004 are mainly due to a decrease in receivables for \$294,291, an increase in inventories for \$131,502 and an increase in accounts payable for \$114,497 compared to the previous quarter.

Financing Activities

During the second quarter, there was no financing activity except for the long term debt reimbursement.

Investing Activities

The main variation in investing activities related to acquisitions of fixed assets and intangible assets for a total of \$17,394.

Overall, taking the treasury flow into account, the Company increased its cash by \$374,460 since May 31, 2004.

Financial Situation

The following table details the important changes to the balance sheets as at November 30, 2004 and May 31, 2004:

Accounts	Increase (Reduction) (In thousands of dollars)	Comments
Cash	375	See cash flow statement
Receivables	161	Directly linked to the increase of operation and sales activities
Inventory	(223)	Decrease in inventory related to increase in sales
Other assets	(222)	Amortisation of start-up costs
Accounts payable	(264)	Decrease in purchases of raw material and improvement in payment conditions
Convertible debenture	296	Addition of capitalises interest

PRIMARY ANNUAL FINANCIAL RATIOS

	Nov. 30, 2004	May 31, 2004	May 31, 2003
Working Capital Ratio	1.30	1.05	1.76
Solvency Ratio			
Debt Capital/Shareholder Equity*	1.23	1.31	0.65

* including convertible debentures

Most of the Company's financial ratios improved for the quarter ending November 30, 2004 compared to the year ended May 31, 2004, mostly because of the increase in sales and the private placement.

The Company's contractual obligations, including payments due during the next 5 reporting periods and the following ones, are presented in the following table:

Contractual Obligations	Required Payments per Period				
	Total	Less than one period	2 to 3 periods	4 to 5 periods	More than 5 periods
Long-term Debt (1)	3,699,534	692,868	1,472,000	1,452,000	82,666
Loans guaranteed by investments in rental contracts (2)	191,066	107,089	74,383	9,594	-
Total liabilities	3,890,600	799,957	1,546,383	1,461,594	82,666

(1) This amount does not consider the value of the warrants and stock issued.

(2) Including interest fees

Stock-based Compensation Plan

On November 26, 2004, the company has re-priced to \$0.25 a share, the exercise price of all stock option granted before October 5, 2004. This re-pricing of the exercise price of the options generates an additional charge of \$40,992. From that amount, \$19,398 has been recorded as at November 30, 2004, and \$21,594 will be affected at each date that the re-priced options will become exercisable.

Related Party Transactions

The transactions between related parties are described in note 2 "Related Party Transactions" of the Company's financial statements as at November 30, 2004.

Change in Accounting Policies

No changes in accounting policies since May 31, 2004.

Subsequent Events

There was no subsequent events of importance after November 30, 2004.

RISK FACTORS**Financial Risks**

Management intends to continue the careful management of risks relating to exports, foreign exchange, interest rates and sale prices for merchandise.

The majority of the Company's accounts receivables are 90% guaranteed by insurers. All export sales are completed in American funds. The exchange rate risks incurred by the Company are, at present, limited to those relating to the American dollar. Due to the fact that Company's raw materials are being purchased in American dollars and that the Company intends to maintain its matching policies, the Executive is not currently using financial instruments.

Product Liability

The Company acquires a \$5M-liability insurance policy to cover civil liability relating to its products on a yearly basis. The Company also maintains a quality-assurance process that is PGO certified by the Canadian Food Inspection Agency (CFIA). In addition, the Company has begun implementing the initiatives required to receive *Good Manufacturing Practices* accreditation by Health Canada.

Prospective Statements

This Executive Analysis contains prospective information. Prospective statements include a certain amount of risk and uncertainty, and it is possible that the actual future results of the Company may differ somewhat from those predicted. These risks include: the growth in demand for Company products, seasonal variations in customer orders, changes in price and availability for raw materials and changes to economic conditions in Canada, the United-States and Europe, including variations in exchange and interest rates.

The Company based its analysis on the prospective statement information available at the time of drafting. The inclusion of this information should not be considered a declaration by the Company that the predicted results have been achieved.

Additional Information

Updated and additional Company information is available from the SEDAR Website at: <http://www.sedar.com>.

On January 17, 2005, the total number of common shares issued by the Company and in circulation was 25,594,805 and Company common shares were being traded on the TSX stock exchange in Toronto under the listing NTB.



Henri Harland
President and CEO



André Godin
Vice-president, Administration & Finance

Neptune Technologies & Bioresources inc.

Interim Consolidated Statement of Earnings (unaudited)

	Three months ended November 30,		Six months ended November 30,	
	2004	2003	2004	2003
	\$	\$	\$	\$
Sales	1,179,546	956,350	2,313,830	1,599,622
Cost of sales and operating expenses (before amortization)	1,054,030	1,143,494	2,025,964	2,080,836
Research expenses	40,589	83,240	78,643	144,293
Financial expenses	250,866	232,956	501,975	434,321
Amortization of property and equipment	243,373	237,930	486,695	474,175
	1,588,858	1,697,620	3,093,277	3,133,625
Loss before other revenue (expenses)	409,312	741,270	779,447	1,534,003
Interest income	300	943	405	3,399
Foreign exchange loss	(93,631)	(3,885)	(111,831)	(12,970)
Net loss	502,643	744,212	890,873	1,543,574
Basic and diluted loss per share	0.020	0.034	0.035	0.071
Weighted average number of shares outstanding	25,594,805	21,905,206	25,330,594	21,833,807

Neptune Technologies & Bioresources inc.

Interim Consolidated Statement of Deficit Interim Consolidated Contributed Surplus

(unaudited)

Interim Consolidated Statement of Deficit (unaudited)

	Three months ended November 30,		Six months ended November 30,	
	2004	2003	2004	2003
	\$	\$	\$	\$
Balance, beginning of year	12,603,082	9,459,733	12,194,383	8,660,371
Net loss	502,643	744,212	890,873	1,543,574
Share issue expenses			20,469	
Balance, end of year	13,105,725	10,203,945	13,105,725	10,203,945

Interim Consolidated Contributed Surplus (unaudited)

	Three months ended November 30,		Six months ended November 30,	
	2004	2003	2004	2003
	\$	\$	\$	\$
Balance, beginning of year	276,408	133,415	187,754	4,005
Expired warrants			62,049	27,210
Stock-based compensation - employees	25,764	15,600	52,369	15,600
Stock-based compensation - non-employees	7,319		7,319	102,200
Balance, end of year	309,491	149,015	309,491	149,015

Neptune Technologies & Bioresources inc.

Interim Consolidated Statement of Cash Flows (unaudited)

	Three months ended November 30,		Six months ended November 30,	
	2004	2003	2004	2003
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net loss	(502,643)	(744,212)	(890,873)	(1,543,574)
Non-cash items				
Amortization of property and equipment	243,373	237,930	486,695	474,175
Amortization of deferred financing costs	6,277	5,552	12,559	10,746
Financial expenses	159,443	138,671	320,524	242,238
Stock-based compensation - employees	33,083	15,600	59,688	15,600
Changes in working capital items	270,792	(931,487)	(210,346)	(1,541,715)
Cash flows from operating activities	210,325	(1,277,946)	(221,753)	(2,342,530)
INVESTING ACTIVITIES				
Property and equipment	(2,015)	(13,466)	(2,015)	(13,964)
Intangible assets	(15,379)	(96,029)	(29,344)	(96,029)
Cash flows from investing activities	(17,394)	(109,495)	(31,359)	(109,993)
FINANCING ACTIVITIES				
Long-term debt		591,114		591,114
Repayment of long-term debt	(29,365)	(46,947)	(68,079)	(64,958)
Issue of convertible debentures		1,000,000		1,250,000
Issue of capital stock			370,839	
Issue of warrants			340,092	
Share issue expenses			(15,280)	
Cash flows from financing activities	(29,365)	1,544,167	627,572	1,776,156
Increase (decrease) in cash and cash equivalents	163,566	157,176	374,460	(676,367)
Cash and cash equivalents, beginning of period	164,254	101,454	(46,640)	934,997
Cash and cash equivalents, end of period	327,820	258,630	327,820	258,630

Neptune Technologies & Bioresources inc.

Interim Consolidated Balance Sheets

	Unaudited November 30, 2004	Audited 31 May 2004
	\$	\$
ASSETS		
Current assets		
Cash	327,820	
Accounts receivable	746,919	585,558
Research tax credits receivable	115,369	87,638
Inventories	1,024,470	1,247,782
Prepaid expenses	52,280	60,837
	2,266,858	1,981,815
Property and equipment	4,154,470	4,425,784
Intangible assets	514,233	486,367
Other assets	805,276	1,027,622
	7,740,837	7,921,588
LIABILITIES		
Current liabilities		
Bank overdraft		46,640
Accounts payable and accrued liabilities		
Company controlled by an officer and director	51,233	29,445
Directors	30,581	42,000
Other	863,515	1,127,007
Instalments on long-term debt	792,608	639,121
	1,737,937	1,884,213
LONG-TERM DEBT (Note 3)	2,961,178	3,151,258
LIABILITY COMPONENT OF CONVERTIBLE DEBENTURES (Note 4)	4,841,125	4,544,797
	9,540,240	9,580,268
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Capital stock and warrants (Note 5)	10,996,831	10,347,949
Contributed surplus	309,491	187,754
Deficit	(13,105,725)	(12,194,383)
	(1,799,403)	(1,658,680)
	7,740,837	7,921,588

Neptune Technologies & Bioresources inc.

Notes to Interim Financial Statements

30 novembre 2004 (not audited)

1 - INTERIM FINANCIAL INFORMATION

These interim consolidated financial statements as at Novembre 30, 2004 are unaudited. They have been prepared by the Company in accordance with generally accepted accounting principles in Canada for interim information and use the same accounting policies and methods of computation as the consolidated financial statements for the fiscal year ended May 31, 2004. These interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements and notes thereto in the Company's 2004 annual report.

2 - RELATED PARTY TRANSACTIONS

The Company entered into an agreement with a shareholder (a company controlled by an officer and director), as of June 1, 2002, calling royalties to be paid in semi-annual instalments of 1% of net annual sales, for an unlimited period. The amount paid cannot exceed net earnings before interest, taxes and amortization. For the current period, total royalties amount to \$11,795 (\$9,563 in 2003). As at November 30, 2004, the balance due to this shareholder amounts to \$51,233 (\$29,445 as at May 31, 2004). This amount is shown on the balance sheet under accounts payable and accrued liabilities.

These transactions occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration determined and accepted by the parties involved.

Neptune Technologies & Bioresources inc.

Notes to Interim Financial Statements

30 novembre 2004 (not audited)

3 - LONG TERM DEBT

	November 30, 2004	31 May 2004
	\$	\$
Mortgage loan, \$1,200,000 par value, secured by processing and laboratory equipment having an amortized cost of \$3,060,611 in 2004, prime rate plus 6.25% , payable in monthly capital instalments of \$20,000, maturing in June 2009	1,140,000	1,140,000
Mortgage loan, \$980,000 par value less the net value of series "E" warrants, secured by the universality of property, weekly variable interest rate determined by the lender plus 1.25%, payable in 60 monthly capital instalments of \$16,333 beginning in January 2005, maturing in December 2009	947,843	941,623
Mortgage loan, \$1,500,000 par value less the net value of the issued shares, secured by the universality of property, weekly variable interest rate determined by the lender plus 2.25%, payable in 60 monthly capital instalments of \$25,000 beginning in October 2004, maturing in September 2009	1,407,530	1,389,555
9% unsecured loan, payable in monthly blended instalments of \$993, maturing in September 2005	9,534	14,922
Unsecured loan, without interest, maturing in June 2004	70,000	70,000
Obligations under capital leases, interest rates varying from 0.00% to 12.67%, payable in monthly instalments of \$9,883, maturing at different dates up until September 2009	178,879	234,279
	3,753,786	3,790,379
Instalments due within one year	792,608	639,121
	2,961,178	3,151,258

4 - LIABILITY COMPONENT OF CONVERTIBLE DEBENTURES

	November 30, 2004	31 May 2004
	\$	\$
Unsecured convertible debenture (a face amount of \$1,500,000, bearing interest at 15%)	2,118,750	2,006,250
Secured convertible debenture (a face amount of \$1,261,780, bearing interest at 15% compounded annually)	1,559,875	1,451,047
Unsecured convertible debenture (a face amount of \$1,000,000, bearing interest at 15%)	1,162,500	1,087,500
	4,841,125	4,544,797

Neptune Technologies & Bioresources inc.

Notes to Interim Financial Statements

30 novembre 2004 (not audited)

5 - CAPITAL STOCK AND WARRANTS

	November 30, 2004	31 May 2004
	\$	\$
Issued and fully paid		
25,594,805 common shares (21,947,244 common shares as at May 31, 2004)	10,656,738	10,285,899
- series "E" warrants (196,000 warrants as at May 31, 2004)		62,049
250,000 series "G" warrants	1	1
3,025,922 series "H" warrants	302,592	
250,000 series "I" warrants	37,500	
	340,093	62,050
	10,996,831	10,347,949

6 - STOCK-BASED COMPENSATION PLAN

Activities within the plan are detailed as follows:

	November 30, 2004		May 31, 2004	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Options outstanding, beginning of period	1,930,000	0.85	1,260,000	1.00
Attributed	1,079,000	0.25	1,260,000	0.75
Cancelled	(10,000)	1.00	(240,000)	0.88
Re-pricing				
Old price	(1,920,000)	0.85		
New price	1,920,000	0.25		
Outstanding options, end of period	2,999,000	0.25		
Exercisable options, end of period	1,330,000	0.25	1,540,000	0.94

Neptune Technologies & Bioressources inc.

Notes to Interim Financial Statements

30 novembre 2004 (not audited)

6 - STOCK-BASED COMPENSATION PLAN (continued)

					2004
Options outstanding			Exercisable options		
Weighted average exercise price	Weighted remaining contractual life outstanding	Number of options outstanding as at 30-11-2004	Number of options exercisable as at 30-11-2004	Weighted average exercise price	
\$				\$	
0.25	3.51	2,999,000	1,330,000	0.25	

On October 5, 2004, the company granted 1,029,000 stock options to employees and 50,000 to non employees at an exercise price of \$0.25 per share. The fair value of each granted option has been estimated according to the Black - Scholes model and using the following assumptions:

- i) Fair value of the common shares at \$0.15
- ii) Risk-free interest rate of 4.05%
- iii) Estimated life of four years and half
- iv) Expected volatility of 103%

The fair value of the options granted is \$0.1018 per option.

On November 26, 2004, the company has re-priced to \$0.25 a share, the exercise price of all stock option granted before October 5, 2005. This re-pricing as adjusted the fair value of the issued option based on the adoption of the Canadian Institute of Chartered Accountants Section 3870, entitled *Stock-based Compensation and other Stock-based Payments*. The fair value of each modified option has been estimated according to the Black - Scholes model and using the following assumptions:

	Old price	New price
i) Exercise price	\$0.75 à \$1.00	\$0.25
ii) Fair value of the common shares	\$0.17	\$0.17
iii) Risk-free interest rate	3.17%	3.17%
iv) Estimated life in years	2.5 to 3.5	2.5 to 3.5
v) Expected volatility	102%	102%
Average fair value per option	\$0.0609	\$0.0975

This re-pricing of the exercise price of the options generates an additional charge of \$40,992. From that amount, \$19,398 has been recorded as at November 30, 2004, and \$21,594 will be affected at each date that the re-priced options will become exercisable.

During the period, a \$13,685 (\$15,600 in 2003) charge representing employees' acquired rights during the year was recorded to expenses as compensation.

7 - COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted in the current period.