



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
<b>Working Capital Ratio</b>	<b>1.30</b>	<b>1.05</b>	<b>1.76</b>
<b>Solvency Ratio</b>			
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	Total	Required Payments per Period			More than 5 periods
		Less than one period	2 to 3 periods	4 to 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	-
<b>Total liabilities</b>	<b>3,890,600</b>	<b>799,957</b>	<b>1,546,383</b>	<b>1,461,594</b>	<b>82,666</b>

(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