



First Quarterly Report
Ending August 31, 2005

Neptune Technologies & Bioresources inc.

Interim Consolidated Statement of Earnings (unaudited)

	Three months ended	
	August 31,	
	2005	2004
	\$	\$
Sales	1 821 741	1 134 284
Cost of sales and operating expenses (before amortization)	1 493 599	971 934
Research expenses	60 624	38 054
Financial expenses	302 967	251 109
Amortization of property and equipment	285 175	243 322
	2 142 365	1 504 419
Loss before other revenue (expenses)	320 624	370 135
Interest income	195	105
Exchange loss	(69 399)	(18 200)
Net loss	389 828	388 230
Basic and diluted loss per share	0,015	0,015
Weighted average number of shares outstanding	25 594 805	25 066 383

Neptune Technologies & Bioresources inc.

Interim Consolidated Statement of Deficit Interim Consolidated Contributed Surplus

(unaudited)

Interim Consolidated Statement of Deficit (unaudited)

	Three months ended	
	August 31,	
	2005	2004
	\$	\$
Balance, beginning of year	13 982 437	12 194 383
Net loss	389 828	388 230
Share issue expenses		20 469
Balance, end of year	14 372 265	12 603 082

Interim Consolidated Contributed Surplus (unaudited)

	Three months ended	
	August 31,	
	2005	2004
	\$	\$
Balance, beginning of year	345 387	187 754
Expired warrants		62 049
Stock-based compensation - employees	67 910	26 605
Stock-based compensation - non-employees	5 935	
Balance, end of year	419 232	276 408

Neptune Technologies & Bioresources inc.

Interim Consolidated Statement of Cash Flows (unaudited)

	Three months ended	
	August 31,	
	2005	2004
	\$	\$
OPERATING ACTIVITIES		
Net loss	(389 828)	(388 230)
Non-cash items		
Amortization of property and equipment	285 175	243 322
Amortization of deferred financing costs	6 282	6 282
Financial expenses	190 151	161 081
Stock-based compensation - employees	67 910	26 605
Stock-based compensation - non-employees	5 935	
Changes in working capital items	(123 653)	(480 823)
Cash flows from operating activities	41 972	(431 763)
INVESTING ACTIVITIES		
Intangible assets	(35 027)	(13 965)
Cash flows from investing activities	(35 027)	(13 965)
FINANCING ACTIVITIES		
Repayment of long-term debt	(57 563)	(38 714)
Issue of capital stock		370 839
Issue of warrants		340 092
Share issue expenses		(15 280)
Cash flows from financing activities	(57 563)	656 937
Increase (decrease) in cash and cash equivalents	(50 618)	211 209
Cash and cash equivalents, beginning of period	181 950	(46 955)
Cash and cash equivalents, end of period	131 332	164 254

Neptune Technologies & Bioresources inc.

Interim Consolidated Balance Sheets

	Unaudited August 31, 2005	Audited May 31 2005
	\$	\$
ASSETS		
Current assets		
Cash	106 332	181 950
Short-term investment, 1% interest	25 000	
Accounts receivable	1 361 119	1 154 379
Research tax credits receivable	75 613	61 198
Inventories	664 949	813 642
Prepaid expenses	63 672	62 673
	2 296 685	2 273 842
Property and equipment	3 764 935	3 881 552
Intangible assets	587 553	553 833
Other assets	479 535	588 118
	7 128 708	7 297 345
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities		
Company controlled by an officer and director	4 664	73 494
Other	1 015 583	996 945
Instalments on long-term debt	148 064	841 917
	1 168 311	1 912 356
LONG-TERM DEBT (Note 3)	3 577 768	2 868 780
LIABILITY COMPONENT OF CONVERTIBLE DEBENTURES (Note 4)	5 338 833	5 156 430
	10 084 912	9 937 566
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Capital stock and warrants (Note 5)	10 996 829	10 996 829
Contributed surplus	419 232	345 387
Deficit	(14 372 265)	(13 982 437)
	(2 956 204)	(2 640 221)
	7 128 708	7 297 345

Neptune Technologies & Bioresources inc.

Notes to Interim Financial Statements

August 31, 2005 (unaudited)

1 - INTERIM FINANCIAL INFORMATION

These interim consolidated financial statements as at August 31, 2005 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, 2005. These interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements and notes thereto in the Company's 2005 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 \$16,200 (\$9,992 in 2004). As at August 31, 2005, the balance due to this shareholder amounts to \$4,664 (\$73,494 as at May 31, 2005). 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

August 31, 2005 (unaudited)

3 - LONG TERM DEBT

	August 31, 2005	May 31 2005
	\$	\$
Mortgage loan, \$1,200,000 par value, secured by processing and laboratory equipment having an amortized cost of \$2,853,570 in 2005, prime rate plus 6.25% (12.5% as at August 31, 2005 and as at May 31, 2005), payable in monthly capital instalments of \$20,000, with a moratorium up until September 2006, maturing in May 2011	1 120 000	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% (7% as at August 31, 2005 and as at May 31, 2005), payable in 60 monthly capital instalments of \$16,333, with a moratorium up until September 2006, maturing in September 2011	953 364	951 726
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% (8% as at August 31, 2005 and as at May 31, 2005), payable in 60 monthly capital instalments of \$25,000, with a moratorium up until September 2006, maturing in September 2011	1 426 920	1 420 810
9% unsecured loan, payable in monthly blended instalments of \$993, maturing in September 2005	986	3 900
Unsecured loan, without interest, matured	70 000	70 000
Obligations under capital leases, interest rates varying from 0.00% to 15.46%, payable in monthly instalments of \$7,235, maturing at different dates until August 2010	154 562	124 261
	3 725 832	3 710 697
Instalments due within one year	148 064	841 917
	3 577 768	2 868 780

4 - LIABILITY COMPONENT OF CONVERTIBLE DEBENTURES

	August 31, 2005	May 31 2005
	\$	\$
Unsecured convertible debenture (a face amount of \$2,195,342, bearing interest at 15%)	2 332 552	2 250 226
Secured convertible debenture (a face amount of \$1,261,780, bearing interest at 15% compounded annually)	1 731 281	1 668 704
Unsecured convertible debenture (a face amount of \$1,000,000, bearing interest at 15%)	1 275 000	1 237 500
	5 338 833	5 156 430

Neptune Technologies & Bioresources inc.

Notes to Interim Financial Statements

August 31, 2005 (unaudited)

5 - CAPITAL STOCK AND WARRANTS

	August 31, 2005	May 31 2005
	\$	\$
Issued and fully paid		
25,594,805 common shares (25,594,805 common shares as at May 31, 2005)	10 656 737	10 656 737
3,025,922 series "H" warrants	302 592	302 592
250,000 series "I" warrants	37 500	37 500
	340 092	340 092
	10 996 829	10 996 829

6 - STOCK-BASED COMPENSATION PLAN

Activities within the plan are detailed as follows:

	August 31, 2005		May 31, 2005	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Options outstanding, beginning of period	2 926 000	0,25	2 280 000	0,88
Awarded	1 880 000	0,25	1 129 000	0,25
Cancelled	(820 000)	0,25	(483 000)	0,80
Exercise price amendment				
Former price			(1 920 000)	0,85
New price			1 920 000	0,25
Options outstanding, end of period	3 986 000	0,25	2 926 000	0,25
Exercisable options, end of period	760 000	0,25	1 430 000	0,25

	August 31, 2005				
	Options outstanding			Exercisable options	
	Weighted average exercise price	Weighted remaining contractual life outstanding	Number of options outstanding as at 2005-08-31	Number of options exercisable as at 2005-08-31	Weighted average exercise price
	\$				\$
	0,25	4,07	3 986 000	760 000	0,25

Neptune Technologies & Bioresources inc.

Notes to Interim Financial Statements

August 31, 2005 (unaudited)

6 - STOCK-BASED COMPENSATION PLAN (continued)

On June 14, 2005, the Company granted 690,000 stock options to employees and 250,000 stock options to non-employees at an exercise price of \$0.25 per share. The fair value of each option granted has been estimated according to the Black-Scholes option pricing model using the following assumptions:

- i) Fair value of the common shares at \$0.23
- ii) Risk-free interest rate of 3.28%
- iii) Estimated life of four and a half years
- iv) Expected volatility of 118%

The fair value of the options granted is \$0.1831 per option.

On June 14, 2005, the Company granted 940,000 stock options to employees at an exercise price of \$0.25 per share. The fair value of each option granted has been estimated according to the Black-Scholes option pricing model using the following assumptions:

- i) Fair value of the common shares at \$0.23
- ii) Risk-free interest rate of 3.22%
- iii) Estimated life of four years
- iv) Expected volatility of 118%

The fair value of the options granted is \$0.1765 per option.

During the period ended August 31, 2005, an amount of \$67,910 (\$26,605 in 2004) representing employees' vested interests during the period was expensed as compensation. An amount of \$5,935 (nil in 2004) representing non-employees' vested interests during the period was expensed.

7 - COMPARATIVE FIGURES

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