



Third Quarterly Report
Ending February 28, 2002

Management's Discussion and Analysis

The Management's Discussion and Analysis is intended to assist in the understanding and assessment of the trends and significant changes in the results of operations and financial condition of Neptune Technologies & Bioresources (the "Company"). Historical results may not be indicative of future performance. This review should be read in conjunction with the Company's financial statements and accompanying notes.

The Company has a limited operating history on which to base an evaluation of its business and prospects. Its prospects must be considered in light of the risks and uncertainties involved in any new emerging market. Such risks include an evolving and unpredictable business and management of potentially high growth. To address these risks, the Company must, among other things: i) continue to develop and improve its technology and its extraction processes; ii) pursue the validation of the benefits of its products in the nutraceutical, cosmeceutical and biopharmaceutical fields; iii) implement and execute its business strategy; iv) meet competition; and v) attract, retain and motivate qualified personnel. There can be no assurance that the Company will be successful in addressing such risks.

The Company

Neptune Technologies & Bioresources, founded in October 1998, develops, markets and exploits innovative high-yield technological processes in the production of value-added natural products and components from under-exploited marine biomasses such as krill, seal, fish residue and other marine biomasses. These extracts, especially those from krill, are rich in polyunsaturated fatty acids, phospholipids, antioxidants and other essential and highly desirable bioactive ingredients that contribute to improving human wellness and disease management. Through basic and applied research, strategic alliances and partnerships, the Company intends to demonstrate the high value of its products in various nutraceutical, cosmeceutical and biopharmaceutical applications, as well as position itself as a leading player in the emerging field of nutrigenomics.

Review of the nine-month period ended February 28th, 2002

During the first six-month period, the Company continued to put in place the administrative and financial structure required for the implementation of its business plan and proceeded with the preliminary stages of the industrialization of its extraction process to produce its krill oil "Neptune Krill Oil™" and its protein concentrate "Neptune Aquateine™". Accordingly, the Company has on one hand hired management and other key personnel and on the other hand started the industrialization of its extraction process "Neptune OceanExtract™".

In addition, in July 2001, the Company completed its initial public offering ("IPO") and listed its common shares on the Canadian Venture Exchange ("CDNX") under the ticker symbol NTB. The Company thus proceeded on July 5th with the closing of its IPO and issued five million units at \$1.00 per unit, each unit composed of one common share and one-half series "C" warrant. Each series "C" warrant entitles the holder to subscribe to one common share of the Company at \$1.50 per share, at any time until June 28, 2002. This investment generated net proceeds of \$4,151,901 net of the underwriter's remuneration of \$400,000 and issue expenses of \$448,099.

During the course of the third quarter, the Company, following the phase I of its industrialization plan, accomplished the following steps:

- The Company concluded with "Société Innovatech Sud du Québec" a \$2,0 million financing made of an issue of 500,000 common shares at \$1.00 each, with 100,000 warrants series "D" and a convertible debenture of \$1,500,000. Each warrant series "D" entitles the holder to purchase one common share at a price of \$1.00 and expires on January 28, 2004. The debenture of \$1,500,000 is convertible in three equal amounts of \$500,000 plus accrued interest of 15 % per year on July 29, 2002, January 28, 2003 and July 28, 2003. This financing generated net proceeds of \$1,901,122 after issues expenses of \$98,878.
- The Company signed a 5 year lease for a building in the industrial park of Sherbrooke at an annual rent of \$155,000, with an option to buy expiring on May 15, 2005 at a price of \$1,275,000.
- The Company is actually purchasing and installing the equipment in the Sherbrooke premises. The plant's operations are scheduled to begin next summer with a progressive production capacity of Neptune Krill Oil™ of 4,000 kg per month.

Operating results

During the nine-month periods which ended February 28, 2002 and 2001, the Company did not record any operating results and presented net losses per share of \$0.127 and \$0.087 respectively. Results for the last nine-month ended February 28, 2002 are explained by the fact that the Company, in collaboration with research institutes among which the University of Sherbrooke and the Quebec Industrial Research Centre (CRIQ), expedited the development of its extraction processes for the production of value-added products from seal and fish residue and is actively working on the industrialization of its process related to krill.

Comparison analysis of the quarterly operation results for the three-month ended February 28, 2002 and 2001 respectively.

The Company recorded net losses of \$736,537 (\$0.049 per share) during the quarter ended February 28, 2002 compared to net losses of \$454,948 (\$0.045 per share) during the quarter ended February 28, 2001 of the previous year.

During the last quarter that ended February 28, 2002, operating expenses increased by \$282,701 compared to operating expenses totalling \$465,099 for the quarter that ended February 28, 2001 the previous fiscal year and thus amount to a total of \$747,800 this increase is mainly attributable to higher administrative and research expenses which represent respectively 48 % and 33 % of the increase.

Administrative expenses amounted to \$255,780 during the three-month period ended February 28, 2002 compared to \$120,519 during the quarter that ended February 28, 2001. This increase is mainly attributable to increased salary expenses from hiring of new management employees as anticipated in the Company's business plan and new expenses related to the creation of a board of Directors as required by public corporations.

Research and development expenses for the three-month period ended February 28, 2002 totalled \$605,025 before tax credits of \$204,069 compared to \$307,016 for the three-month period ended February 28, 2001. These sums reflect the commitment of the Company to maintain its efforts in the matter of scientific research and development.

Comparison analysis of the nine-month period ended February 28, 2002 and 2001 respectively.

During the nine-month period ended February 28, 2002, operating expenses amounted to \$1,906,952 while they represented \$925,517 for the nine-month period ended February 28, 2001. This increase is mainly attributable to increased administrative expenses and those related to investor relations in accordance with the Company's business plan.

Administrative expenses for the nine-month period ended February 28, 2002 increased by \$644,399 to reach \$855,068. This increase as presented in the original business plan, shows the realisation of the steps included in the Company's plan of action. The salaries and fringe benefit and the professional fees amount respectively to \$377,034 and \$174,346 for the nine-month period ended February 28, 2002 and they represent respectively 44 % and 20 % of the total administrative expenses for the same period. The fees related to the closing of the financings explain most of the increase of the professional fees.

Research expenses totalled \$1,099,600 before tax credits of \$374,722 for the nine-month period ended February 28, 2002 compared to \$658,868 for 2001. Research salaries in the amount of \$249,933 and sub-contracting fees of \$797,821 related mainly to the development of our oil extraction process from marine biomasses, represent more than 95% of research expenses for the nine-month period ended February 28, 2002.

Balance sheets

The Company held assets totalling \$5,558,941 as of February 28, 2002 compared to \$1,320,224 as of May 31, 2001.

On February 28, 2002, the Company showed working capital of \$3,801,492 consisting mainly of cash totalling \$3,814,365 compared to \$156,136 as of May 31, 2001.

Accounts payable which stood at \$637,027 as of February 28, 2002, totalled \$1,080,597 as of May 31, 2001.

These variations are explained mainly by the proceeds and the use of funds related to the financing concluded during the period.

The Company also proceeded with the financing of its research tax credits through a bank loan in the amount of \$437,000 in June 2001.

Investment activities

During the first three-month period, the Company completed its IPO and began on July 11, 2001 trading its shares on the Canadian Venture Exchange (CDNX) under the ticker symbol NTB.

This IPO consisted in the issue of five million units at a price of \$1,00 per unit. Each unit consisted of one common share and one half Series "C" warrant. Each warrant allows its holder to acquire one additional share at a price of \$1.50 prior to June 28, 2002.

This initial public offering generated net proceeds of \$4,151,901, after deduction of brokerage fees in the amount of \$400,000 and issue expenses of \$448,099. During this period ended February 28, 2002 the Company filed for patent protection, an activity that required an expenditure of \$119,260.

The Company received \$2,0 million from a financing with "Société Innovatech Sud du Québec". The company issued 500,000 common shares at \$1,00 each, with 100,000 warrants series "D" and a convertible debenture of \$1,500,000. Each warrant series "D" entitles the holder to purchase one common share at a price of \$1.00 and expires on January 28, 2004. The debenture of \$1,500,000 is convertible in three equal amounts of \$500,000 plus accrued interest of 15 % per year on July 29, 2002, January 28, 2003 and July 28, 2003. This financing generated net proceeds of \$1,901,122 after issue expenses of \$98,878.

Competition

Our main challenges in fiscal 2002 and 2003 will be to industrialize our krill oil extraction process, market the product and generate operating cash flow, while continuing to fund the advancement of our research projects on the nutraceutical, cosmeceutical and biopharmaceutical applications of our products and their components, as we move forward towards the field of nutrigenomics.

The nutraceutical, cosmeceutical and biopharmaceutical industries are highly competitive. Numerous companies conduct similar activities as the Company, including the research and development of applications intended for human health. More specifically, competitors developing new nutraceutical products are focusing on cosmeceutical and biopharmaceutical applications based on the specific properties of their products. A good number of these companies have greater financial resources, research and development capabilities, manufacturing facilities and marketing capabilities than the Company. Moreover, teaching institutions, government agencies and other research bodies are conducting research in the same sectors as the Company. They are also capable of marketing products, either by their own means or through collaboration agreements.

The Company expects to face stiff competition with respect to the nutraceutical products it intends to develop. In addition, certain biomedical and biotechnology companies, including large biopharmaceutical companies, have announced that they are working in the field of nutraceutical-based therapies. The Company is aware that other companies or institutions are developing new nutraceutical-based therapies that are directly targeting the applications for which the Company is developing its own nutraceutical products.

According to its review of the industry, the Company is unaware of any other company using a krill oil extraction process. Preserving the biological ingredients, which can keep intact all the components. However, an emerging Quebec company is focused on producing lyophilised krill in powder and capsule form as a food supplement. The Company expects that its technological platform for the exploitation of krill will attract the attention of other significant competitors over the years.

Neptune Technologies & Bioresources inc.

(A development-stage company)

Interim Consolidated Statement of Earnings (unaudited)

	Three months ended		Nine months ended		Cumulative from October 9, 1998 to February 28, 2002
	February 28,		February 28,		
	2002	2001	2002	2001	
	\$	\$	\$	\$	\$
Operating expenses					
Research (note 3)	400,956	307,016	724,878	658,868	1,646,989
Marketing	34,240	5,257	95,812	23,673	114,003
Administration (note 4)	255,780	120,519	855,068	210,669	1,409,585
Financial communications	46,503	30,386	205,613	30,386	234,603
Depreciation of fixed assets	10,321	1,921	25,581	1,921	34,451
Loss before interest income	747,800	465,099	1,906,952	925,517	3,439,631
Interest income	11,263	10,151	69,216	42,141	115,468
Net loss	736,537	454,948	1,837,736	883,376	3,324,163
Net loss per share	0.049	0.045	0.127	0.087	
Weighted average number of shares outstanding	15,130,000	10,100,000	14,475,128	10,100,000	

Interim Consolidated Statement of Deficit (unaudited)

	Three months ended		Nine months ended	
	February 28,		February 28,	
	2002	2001	2002	2002
	\$	\$	\$	\$
Balance, beginning of year	3,611,725	914,446	1,662,427	486,018
Net loss	736,537	454,948	1,837,736	883,376
Share issue expenses	98,878		946,977	
Balance, end of year	4,447,140	1,369,394	4,447,140	1,369,394

Neptune Technologies & Bioresources inc.

(A development-stage company)

Interim Consolidated Statement of Cash Flows (unaudited)

	Three months ended February 28,		Nine months ended February 28,		Cumulative from October 9, 1998 to February 28, 2002
	2002	2001	2002	2001	2002
	\$	\$	\$	\$	\$
OPERATING ACTIVITIES					
Net loss	(736,537)	(454,948)	(1,837,736)	(883,376)	(3,324,163)
Non-cash items					
Depreciation of fixed assets	10,321	1,921	25,581	1,921	34,451
Changes in working capital items	(25,231)	121,390	(818,702)	181,416	(439,637)
Cash flows from operating activities	(751,447)	(331,637)	(2,630,857)	(700,039)	(3,729,349)
INVESTING ACTIVITIES					
Fixed assets	(203,487)	(111,917)	(250,215)	(111,917)	(386,108)
Patents	(14,820)	(14,614)	(119,260)	(14,614)	(184,461)
Deferred charges	(147,304)		(147,304)		(147,304)
Cash flows from investing activities	(365,611)	(126,531)	(516,779)	(126,531)	(717,873)
FINANCING ACTIVITIES					
Bank loan			437,000		437,000
Due to a company controlled by an officer and director				(15,510)	116,510
Issue of convertible debenture	1,500,000		1,500,000		1,500,000
Issue of capital stock	500,000		5,530,000		7,230,054
Issue expenses	(98,878)	(58,000)	(946,977)	(58,000)	(1,021,977)
Deferred charges			283,842		
Cash flows from financing activities	1,901,122	(58,000)	6,803,865	(73,510)	8,261,587
Net increase (decrease) in cash and cash equivalents	784,064	(516,168)	3,656,229	(900,080)	3,814,365
Cash and cash equivalents, beginning of period	3,030,301	1,139,452	158,136	1,523,364	
Cash and cash equivalents, end of period	3,814,365	623,284	3,814,365	623,284	3,814,365

Neptune Technologies & Bioresources inc.

(A development-stage company)

Interim Consolidated Balance Sheets

	Unaudited February 28, 2002 \$	Audited May 31, 2001 \$
ASSETS		
Current assets		
Cash	1,984,365	158,136
Short-term investments	1,830,000	
Accounts receivable	138,869	113,596
Research tax credits receivable	889,336	559,269
Stock	13,207	
Prepaid expenses	19,742	13,157
	4,875,519	844,158
Fixed assets		
Patents	351,657	127,023
Deferred charges	184,461	65,201
	147,304	283,842
	5,558,941	1,320,224
LIABILITIES		
Current liabilities		
Bank loan	437,000	
Accounts payable and accrued liabilities		
Company controlled by an officer and director		99,095
Others	637,027	981,502
	1,074,027	1,080,597
LONG-TERM DEBT (note 5)	1,500,000	
SHAREHOLDERS' EQUITY		
Capital stock and warrants (note 6)	7,432,054	1,902,054
Deficit	(4,447,140)	(1,662,427)
	2,984,914	239,627
	5,558,941	1,320,224

Neptune Technologies & Bioresources inc.

(A development-stage company)

Notes to Interim consolidated Financial Statements

February 28, 2002 (unaudited)

1 - INTERIM FINANCIAL INFORMATION

These interim consolidated financial statements are prepared in accordance with generally accepted accounting principles in Canada and use the same accounting policies and methods in the preparation of the company's most recent annual consolidated financial statements. All disclosures required for annual financial statements have not been included in these financial statements. These interim consolidated financial statements should be read in conjunction with the company's most recent annual consolidated financial statements.

2 - RELATED PARTY TRANSACTIONS

The Company has signed a service agreement with a shareholder (company controlled by an officer and director) which is renewable annually. Under the terms of this agreement, the Company pays monthly service fees of \$10,000 (\$10,000 in 2001). A monthly amount of \$2,000 has been deducted for the use of the Company's premises by this shareholder. This shareholder also charges back costs incurred for the Company. During the period, the total lump sum consideration and costs invoiced represent \$24,000 (\$39,117 in 2001). The \$24,000 costs include \$15,000 in management fees, \$15,000 in research fees and we deducted from the the total amount \$6,000 as a rent reduction for the use of our premises by this shareholder. As at February 28, 2002, nothing was due to this shareholder (\$24,095 at May 31, 2001), including taxes. The amount is shown on the balance sheets under accounts payable and accrued liabilities.

Moreover, a service agreement effective October 1, 1999 and for a term of 40 weeks ending July 6, 2000 had been signed with another shareholder (another company controlled by an officer and director). Under this agreement the Company was entitled to receive lump sum fees of \$650 per week, for a total of \$26,000, and 10% of the added value to the Company resulting from the conclusion of strategic alliances or any financing identified and negotiated by this company for the benefit of the Company. As at May 31, 2000, in exchange for financing and services obtained under the service agreement, the Company has issued \$101,000 in shares and has recognized a debt of \$75,000 as at May 31, 2001. This amount was shown on the balance sheets under accounts payable and accrued liabilities. The service agreement is no longer in effect.

The Company has also entered into an agreement calling for payments, as of June 1, 2002, in 'semi-annual instalments, of 1% of net annual sales, for an unlimited period, as royalties, to a maximum of net earnings before taxes, interest and depreciation.

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.

(A development-stage company)

Notes to Interim consolidated Financial Statements

February 28, 2002 (unaudited)

3 - INFORMATION REGARDING RESEARCH PROJECTS IN PROGRESS

The Company has a worldwide license for an extraction process allowing it to obtain oil from krill and other crustaceans in order to extract concentrates and ingredients with various beneficial biological properties. The Company entered into a research agreement with a Canadian university to adapt the extraction process for use with seals. This university also granted a licensing option to the Company on the results of the research agreement applicable to the seal and other marine mammals.

Moreover the company is pursuing applied medical researches. The company is pursuing research on medical applications for these 5 clinical trials : cardiovascular diseases, neoplastic diseases, rheumatoid arthritis, facial wrinkles and transdermal absorption.

Costs incurred for research projects in progress are detailed as follows:

	Three months ended		Nine months ended		Cumulative from October 9, 1998 to February 28, 2002
	February 28,		February 28,		
	2002	2001	2002	2001	
	\$	\$	\$	\$	\$
Service fees	15,000	15,000	45,000	45,000	205,000
Salaries and employee benefits	105,205	114,148	249,933	166,874	555,882
Subcontracting	480,759	177,868	797,821	429,154	1,786,193
General and study expenses	752		1,345		31,697
Travel and entertainment expenses	3,309		5,501	17,840	46,020
	605,025	307,016	1,099,600	658,868	2,624,792
Research tax credits	(204,069)		(374,722)		(977,803)
Research expenses	400,956	307,016	724,878	658,868	1,646,989

Research tax credits recorded by the Company must be reviewed and approved by the tax authorities; accordingly, amounts granted may differ from amounts recorded.

Neptune Technologies & Bioresources inc.

(A development-stage company)

Notes to Interim consolidated Financial Statements

February 28, 2002 (unaudited)

4 - INFORMATION REGARDING ADMINISTRATION COST

	Three months ended		Nine months ended		Cumulative from October 9, 1998 to February 28, 2002
	February 28,		February 28,		
	2002	2001	2002	2001	
	\$	\$	\$	\$	\$
Royalties					2,500
Salaries and fringe benefits	128,710	27,546	377,034	28,156	625,566
Board of committee	17,500		52,500		52,500
Travelling and entertainment	9,452	8,186	49,913	8,797	78,361
Rent	19,944	14,728	58,671	14,728	92,828
Maintenance and repairs	6,643	3,529	14,409	4,265	22,219
Insurance	2,857	288	10,814	288	16,293
Communication	3,225	2,883	10,117	4,655	18,051
Taxes and license	4,579	(781)	13,838	1,050	27,321
Office supplies	7,243	5,623	21,133	9,433	40,683
Professional fees	30,047	43,441	174,346	94,130	300,653
Management fees	15,000	15,000	45,000	45,000	105,000
Financial expenses	10,580	76	27,293	167	27,610
	255,780	120,519	855,068	210,669	1,409,585

5 - LONG-TERM DEBT

	February 28, 2002	May 31, 2001
	\$	\$
Convertible debenture at a nominal amount of \$1,500,000, bearing interest at 15%, convertible into common shares in 3 equal amounts of \$500,000 plus accrued interests, at market price at July 29, 2002, January 28, 2003 and July 28, 2003.	1,500,000	

Neptune Technologies & Bioresources inc.

(A development-stage company)

Notes to Interim consolidated Financial Statements

February 28, 2002 (unaudited)

5 - CAPITAL STOCK AND WARRANTS

On July 5, 2001, the Company concluded its initial public offering for the issuance of 5,000,000 units for \$1 per unit composed of one common share and one-half of a series "C" warrants. The net proceeds of this investment are \$4,151,901, net of the underwriter's remuneration of \$400,000 and issue expenses of \$448,099.

On October 4, 2001, the company received \$30,000 from the exercise of 30,000 option at \$1.00 each.

On February 28, 2002, the company issued 500,000 common shares at \$1 per unit and 100,000 series "D" warrants for a total amount of \$500,000. The net proceeds of this investment are \$401,122, net of the issue expenses of \$98,878.

	February 28, 2002	May 31, 2001
	\$	\$
Issued and fully paid		
15,630,000 (2001-05-31 : 10,100,000) common shares	7,428,050	1,898,050
4 050 000 Series "A" warrants	4,003	4,003
1 000 000 Series "B" warrants	1	1
2 500 000 (2001-05-31 : 0) Series "C" warrants		
100 000 (2001-05-31 : 0) Series "D" warrants		
	4,004	4,004
	7,432,054	1,902,054