NEPTUNE
technologies & bioressources

Second Quarterly Report
Ending Novembre 30, 2003

Comments and Management Analysis

The goal of the "Comments and Management Analysis" section is to facilitate the understanding and the evaluation of trends and important changes related to the production results and the financial situation of Neptune Technologies & Bioressources ("the Company"). Past results may not provide conclusive indication as to future performance. This analysis must be read in conjunction with the Company's consolidated financial statements as well as with the afferent notes.

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) Exploit its extraction process, develop and follow through with the improvement and optimization of its technological platform; III) Recruit and motivate competent personnel; IV) Follow up on the validation of the benefits provided by these products for the nutraceutical, cosmeceutical and biopharmaceutical industries; and V) Face the competition. 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 & Bioressources 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 second quarter ending November 30, 2003

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 shows and conventions and has received a great deal of interest from the European and Asian markets. It has continued to put effort into the North American market as well.

Also, since June 1st, 2003, the Company is no longer considered as a development-stage Company. The Company does no longer accumulate its start-up costs and has begun depreciating the capitalized costs as at May 31st, 2003.

The Company maintained its clinical research programs. The Company can rely on scientific results that demonstrate the benefits of krill oil with regards to various human conditions such as those related to skin cancer, premenstrual syndrome and high cholesterol. 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, despite a sustained sales progression, the Company had to face certain difficulties relatively to the return of damaged merchandise. Some softgels manufactured by the Company's Sub-contractors were leaking causing the rest of the boxes to be soaked in Krill oil. We evaluated different hypothesis that would have caused the softgels to leak and have corrected the situation with appropriate actions. This problem will have an effect on the results of the next quarter. Nevertheless, the Company is still very optimistic and look at the future with a lot of enthusiasm considering the positive response of the different markets and the consumers for its products.

Operating Results

During the second quarters ending November 30, 2003 and November 30, 2002, the Company recorded a net loss of $744,412 (or $0,034 per share) compared with $1,335,959 (or $0,085 per share) respectively.

During the second quarter ending November 30, 2003, the Company has considerably increased its sales following a very favorable response from the North American market. The Company's sales have reached $956,350 compared with $104,589 for the quarter ending November 30, 2002.

During the second quarter ending November 30, 2003, the cost of sales and the operating expenses amounted to $1,701,505 compared with $1,451,675 for the quarter ending November 30, 2002. This increase is due in large part to the increase in the cost of sales considering the large increase in sales between the two quarters. This increase is also caused by an increase in the financial charges, which went from $183,943 for the quarter ending November 30, 2002 to $236,842 for the quarter ending November 30, 2003, primarily due to interest on debentures. This increase was also due to the amortization of fixed assets that went from $169,703 for the quarter ending November 30, 2002 to $237,930 for the quarter ending November 30, 2003.

Balance Sheet

As of November 30 2003, total assets for the Company reached $9,250,491 compared with $9,134,087 as of May 31st 2003. This increase is mainly due to the increase in accounts receivable for an amount of $930,581. It is also caused by an increase in inventories for an amount of $244,205. This overall increase is partially offset by the decrease in cash and financing receivable for an amount of $926,367.

As of November 30, 2003, the Company showed working capital of $1,506,580 compared to $1,132,006 as of May 31st, 2003. This increase is due in large part to the increase in accounts receivable in view of the large increase in sales and the use of liquidities for the operations and to pay the accounts payables. This increase is partilly offset by the increase in the payment of the short term portion of the long term debt.

Outlook

Our primary challenge for the ongoing fiscal year will be to significantly penetrate the European market. In order to achieve this goal we will need the certification from “l’Agence Canadienne d’Inspection des Aliments” for our plant and for our “Plan de Gestion de la Qualité” in order to be conformed to the HACCP standards. This certification is the requirement needed to export to Europe and we should get the certification in the next quarter. We should also multiply our effort on the marketing of our products through natural supplements distributors covering the North American markets and continue our effort to penetrate the Asian markets. The marketing efforts will allow us to generate the funds necessary to self finance our harvesting activities and finance our research programs. These programs will be aimed at developing applications for our products and their components initially for the nutraceutical market and eventually for the cosmetics and biopharmaceutical markets as well as in support of the emerging field of nutrigenomics.

As laid out in our strategic development plan, the commercialization phase is critical to the short and medium term vision of the business in that the Company must attain break-even status prior to the end of the current fiscal year in order to expand its range of products and its market share.

Neptune Technologies & Bioressources inc.

Interim Consolidated Statement of Earnings
(unaudited)

	Three months ended		Six months ended	
	Novembre 30,		Novembre 30,	
	2003	2002	2003	2002
	$	$	$	$
Sales	**956,350**	104,589	1,599,622	104,589
Cost of sales and operating expenses	**1,143,494**	965,988	2,080,836	1,417,541
Research	**83,239**	132,041	144,293	345,060
Financial	**236,842**	183,943	447,291	280,403
Amortization of property and equipment	**237,930**	169,703	474,175	180,548
	1,701,505	1,451,675	3,146,595	2,223,552
Loss before interest income	**745,155**	1,347,086	1,546,973	2,118,963
Interest income	**943**	11,127	3,399	22,634
Net loss	**744,212**	1,335,959	1,543,574	2,096,329
Basic and diluted loss per share	**0.034**	0.085	0.071	0.134
Weighted average number of shares outstanding	**21,905,206**	15,640,000	21,833,807	15,640,000

Interim Consolidated Statement of Deficit
(unaudited)

	Three months ended		Six months ended	
	Novembre 30,		Novembre 30,	
	2003	2002	2003	2002
	$	$	$	$
Balance, beginning of period	**9,459,733**	5,919,933	8,660,371	5,159,563
Net loss	**744,212**	1,335,959	1,543,574	2,096,329
Balance, end of period	**10,203,945**	7,255,892	10,203,945	7,255,892

Neptune Technologies & Bioressources inc.

Interim Consolidated Statement of Cash Flows
(unaudited)

	Three months ended Novembre 30,		Six months ended Novembre 30,	
	2003	2002	2003	2002
	$	$	$	$
OPERATING ACTIVITIES				
Net loss	**(744,212)**	(1,335,959)	(1,543,574)	(2,096,329)
Non-cash items				
Amortization of property and equipment	**237,930**	169,703	474,175	180,548
Amortization of deferred financing costs	**5,552**		10,746	
Financial expenses	**138,671**	125,265	242,238	181,515
Options granted	**15,600**		15,600	
Changes in working capital items	**(931,487)**	894,651	(1,541,715)	763,633
Cash flows from operating activities	**(1,277,946)**	(146,340)	(2,342,530)	(970,633)
INVESTING ACTIVITIES				
Property and equipment	**(13,466)**	(354,100)	(13,964)	(2,032,344)
Other assets	**(96,029)**	(172,199)	(96,029)	(774,363)
Cash flows from investing activities	**(109,495)**	(526,299)	(109,993)	(2,806,707)
FINANCING ACTIVITIES				
Bank loan				(437,000)
Demand note				1,000,000
Long-term debt	**591,114**	291,160	591,114	1,620,660
Repayments of long-term debt	**(46,497)**	(59,629)	(64,958)	(66,794)
Issue of convertible debentures	**1,000,000**		1,250,000	
Deferred charges		(10,000)		(10,000)
Cash flows from financing activities	**1,544,617**	221,531	1,776,156	2,106,866
Increase (decrease) in cash and cash equivalents	**157,176**	(451,108)	(676,367)	(1,670,474)
Cash and cash equivalents, beginning of period	**101,454**	625,194	934,997	1,844,560
Cash and cash equivalents, end of period	**258,630**	174,086	258,630	174,086

Neptune Technologies & Bioressources inc.

Interim Consolidated Balance Sheets

	Unaudited Novembre 30, 2003	Audited May 31, 2003
	$	$
ASSETS		
Current assets		
Cash	**258,630**	934,997
Financing receivable		250,000
Accounts receivable	**1,085,514**	154,933
Research tax credits receivable	**319,082**	274,576
Inventories	**1,168,834**	924,629
Prepaid expenses	**186,497**	89,003
	3,018,557	2,628,138
Property and equipment	**4,560,155**	4,713,829
Patents and licenses, at cost	**380,106**	358,941
Other assets	**1,291,673**	1,433,179
	9,250,491	9,134,087
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**1,013,313**	1,389,489
Instalments on long-term debt	**498,664**	106,643
	1,511,977	1,496,132
LONG-TERM DEBT (Note 4)	**3,198,361**	2,942,222
LIABILITY COMPONENT OF CONVERTIBLE DEBENTURES (Note 5)	**4,262,664**	3,043,030
	8,973,002	7,481,384
SHAREHOLDERS' EQUITY		
Capital stock and warrants (Note 6)	**10,332,419**	10,309,069
Contributed surplus	**149,015**	4,005
Deficit	**(10,203,945)**	(8,660,371)
	277,489	1,652,703
	9,250,491	9,134,087

Neptune Technologies & Bioressources inc.

Notes to Interim Financial Statements

November 30, 2003 (unaudited)

1 - INTERIM FINANCIAL INFORMATION

These interim consolidated financial statements as at November 30, 2003 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, 2003. These interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements and notes thereto in the Company's 2003 annual report.

Since June 1, 2003, the Company is no longer considered as a development-stage Company. The Company does no longer accumulate its start-up costs and has begun depreciating the capitalized cost as at May 31, 2003.

2 - CHANGE IN ACCOUNTING POLICIES

On June 1st, 2003, the Company adopted prospectively the recommandations of the Canadian Institute of Chartered Accountants Hanbook Section 3870, *Stock-based Compensation and Other Stock-based Payments*. This section defines notably recognition, measurement and disclosure standards for stock-based compensation to non-employees and employees. According to the new standards, stock-based payments should be recorded systematically in the financial statements of the Company.
These standards define a fair value-based method of accounting and encourage entities to adopt this method of accounting for its stock-based compensation plan. Under this method, compensation cost should be measured at the grant date based on the fair value of the award and should be recognized over the related service period.

3 - RELATED PARTY TRANSACTIONS

The Company has signed a service agreement with a shareholder (compagny controlled by an officer and director) wich is renewable annually. Under the terms of this agreement, the Company paid monthly service fees of $5,000 ($10,000 in 2002). A monthly amount of $2,000 was deducted for the use of the Company's premises by this shareholder. During the period, total fees amount is nil ($24,000 in 2002). As at November 30, 2003, the balance due to this shareholder is nil ($34,202 as at May 31, 2003).

The Company also entered into an agreement with this shareholder, as of June 1, 2002, calling for payments in semi-annual instalments of 1% of net annual sales, for an unlimited period, as royalties. A payment will be made only if it exceeds net earnings before interest, taxes and amortization. For the current period, total royalties amount to $9,563 ($1,046 as at November 30, 2002). As at November 30, 2003, the balance due to this shareholder amounts to $22,147 ($6,144 as at May 31,2003). 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 & Bioressources inc.

Notes to Interim Financial Statements
November 30, 2003 (unaudited)

4 - LONG-TERM DEBT

	Novembre 30, 2003	May 31, 2003
	$	$
Mortgage loan, $1,200,000 par value, secured by processing and laboratory equipment having an amortized cost of $3,279,773 in 2003, prime rate plus 6%, payable in monthly capital instalments of $20,000, with a moratorium up until May 2004, maturing in January 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%, payable in 60 monthly capital instalments of $16,333 beginning in September 2004, maturing in August 2009	**935,127**	928,335
Mortgage loan, $1,500,000 authorized amount (of which $158,886 will be received next quarter) less the net value of the issued shares, secured by the universality of property, weekly variable interest rate determined by the lender plus 2%, payable in 60 monthly capital instalments of $25,000 beginning in June 2004, maturing in May 2009	**1,227,498**	671,132
9% unsecured loan, payable in monthly blended instalments of $993, maturing in September 2005	**20,074**	25,000
Unsecured loan, without interest, maturing in June 2004	**70,000**	70,000
Obligations under capital leases, interest rates varying from 9.25% to 12.67%, payable in monthly instalments of $9,585, maturing at different dates up until December 2006	**304,326**	214,398
	3,697,025	3,048,865
Instalments due within one year	**498,664**	106,643
	3,198,361	2,942,222

5 - LIABILITY COMPONENT OF CONVERTIBLE DEBENTURES

	Novembre 30, 2003	May 31, 2003
	$	$
Unsecured convertible debenture (a face amount of $1,500,000, bearing interest at 15%)	**1,893,750**	1,781,250
Secured convertible debenture (a face amount of $1,261,780, bearing interest at 15%)	**1,356,414**	1,261,780
Unsecured convertible debenture (a face amount of $1,000,000, bearing interest at 15%)	**1,012,500**	
	4,262,664	3,043,030

Neptune Technologies & Bioressources inc.

Notes to Interim Financial Statements
November 30, 2003 (unaudited)

5 - LIABILITY COMPONENT OF CONVERTIBLE DEBENTURES (continued)

(a) On October 20th 2003, the Company issued a non-secured debenture for an amount of $1,000,000 bearing interest at 15%. This debenture is redeemable in whole or in part and convertible by its holder in Neptune's Common shares at the highest of $0.35 and the market price on the date of the conversion.

The Company can reimburse the debenture in whole or in part before October 20th 2008, date that the debenture and the interest will become due. In the case of an anticipated reimbusment, the holder will have a 30 days delay to decide to convert the debenture and the accrued interest. If the antipated reimbursment is taking place before October 20th 2005, the premium will be 30% less the accrued interest on the reimbursed capital at that date.

6 - CAPITAL STOCK AND WARRANTS

	Novembre 30, 2003	May 31, 2003
	$	$
Issued and fully paid		
21,908,416 (2003-05-31 : 21,763,960) common shares	**10,270,368**	10,219,808
100,000 series "D" warrants	**1**	1
196,000 series "E" warrants	**62,049**	62,049
100,000 series "F" warrants		27,210
250,000 series "G" warrants	**1**	1
	62,051	89,261
	10,332,419	10,309,069

On September 3rd 2003, the Company has issued 144 456 Common shares when awarded a portion of the second disbursement of the $1,500,000 autorized loan. These Common shares are evaluated at $0.35 per share for a total of $50 560.

7 - STOCK-BASED COMPENSATION PLAN

Activities within the plan are detailed as follows:

	Novembre 30, 2003		31 mai 2003	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
		$		$
Options outstanding, beginning of period	**1,930,000**	**0.91**	1,426,000	1.00
Attributed	**590,000**	**0.75**		
Exercised				
Cancelled	**(15,000)**	**0.75**	(166,000)	1.00
Options outstanding, end of period	**2,505,000**	**0.88**	1,260,000	1.00
Exercisable options, end of period	**1,260,000**	**1.00**	1,202,500	1.00

Neptune Technologies & Bioressources inc.

Notes to Interim Financial Statements
November 30, 2003 (unaudited)

7 - STOCK-BASED COMPENSATION PLAN (continued)

					2003
	Options outstanding			Exercisable options	
	Weighted average price	Weighted remaining contractual life outstanding	Number of options outstanding as at Nov. 30, 2003	Number of options exercisable as at Nov. 30, 2003	Weighted average price
	$				$
	1.00	2.53	1,260,000	1,260,000	1.00
	0.75	4.5	655,000	–	0.75
	0.75	4.75	340,000	–	0.75
	0.75	4.92	250,000	–	0.75
	0.91	3.46	2,505,000	1,260,000	1.00

On August 28, 2003, the Company granted 340,000 stock options to employees at an exercise price of $0,75 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	0.47 $
ii)	Risk-free interest rate	4.18 %
iii)	Estimated life	4 years
iv)	Expected volatility	106 %

The fair value of the options granted is $0.3130 .

On October 30, 2003, the Company granted 250,000 stock options to employees and to non-employees at an exercise price fo $0,75 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	0.44 $
ii)	Risk-free interest rate	4.04 %
iii)	Estimated life	4,50 years
iv)	Expected volatility	106 %

The fair value of the options granted is $0.3041 .

The value of the options granted have been accounted for in the financial statements

8 - COMPARATIVE FIGURES

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