Neptune Technologies & Bioressources Inc.
Form SUPPL
September 26, 2012
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of Form F-10;
File no: 333-183895

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

Information has been incorporated by reference in this Prospectus Supplement from documents filed with securities commissions or similar authorities in Canada. *Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of Neptune Technologies & Bioressources Inc. at 225, Promenade du Centropolis, Suite 200, Laval, Québec, H7T 0B3, telephone: 1 888 664-9166 and are also available electronically at www.sedar.com.*

Prospectus Supplement

(to the Short Form Base Shelf Prospectus dated September 19, 2012)

New Issue September 25, 2012

Neptune Technologies & Bioressources Inc.

US$30,003,800

7,318,000 Common Shares

Neptune Technologies & Bioressources Inc. (**we** , **us** , **our** , **Neptune** or the **Company**) is hereby qualifying the distribution of 7,318,000 common shares of Neptune (the **Common Shares**) at a price of US$4.10 per Common Share (the **Offering Price**) (the **Offering**). The Common Shares are being offered by RBC Dominion Securities Inc. and JMP Securities LLC (together, the **Joint Book-Running Managers**) and Byron Capital Markets Ltd. **(collectively with the Joint Book-Running Managers, the Underwriters**). The Offering Price of the Common Shares was determined by negotiation among the Company and the Joint Book-Running Managers. After the Underwriters have made reasonable efforts to sell the Common Shares at the Offering Price, the Underwriters may sell the Common Shares to the public at prices below the Offering Price. Any such reduction will not affect the proceeds received by the Company.

Price: US$4.10 per Common Share

	Public Offering Price	Underwriters Commission	Net Proceeds to the Company[1]
Per Common Share	US$4.10	US$0.246	US$3.854
Total Offering[2]	US$30,003,800	US$1,800,228	US$28,203,572

Notes:

(1) After deducting the Underwriters commission but before deducting the Company s expenses of this Offering, estimated at US$900,000 (including the reimbursement to the Underwriters for expenses related to the Offering up to $125,000), and a fee of US$300,000 (the **JTF Fee**) payable to John Thomas Financial, Inc. as compensation for certain financial advisory services, which, together with the Underwriters commission, will be paid from the proceeds of this Offering. See Plan of Distribution and Use of Proceeds .

(2) The Company has granted to the Underwriters an option (the **Over-Allotment Option**) to cover over-allotments, if any, and for market stabilization purposes. The Over-Allotment Option may be exercised by the Underwriters, in whole or in part, for a 30-day period following the date of the closing of the Offering and entitles the Underwriters to purchase up to an aggregate of 1,097,700 additional Common Shares at the Offering Price (being 15% of the aggregate number of Common Shares offered under this Prospectus Supplement). If the Over-Allotment Option is exercised in full, the public offering price, Underwriters commission and net proceeds to the Company, before expenses and the JTF Fee, will be US$34,504,370, US$2,070,262 and US$32,434,108, respectively. This Prospectus Supplement and the accompanying Prospectus also qualify the distribution of the Over-Allotment Option and any Common Shares that may be delivered upon the exercise of the Over-Allotment Option. See Plan of Distribution. A purchaser who acquires Common Shares forming part of the Underwriters over-allocation position acquires those securities under this Prospectus Supplement and the accompanying Prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

Underwriter s Position	Maximum Size or Number of Securities Available	Exercise Period	Exercise Price
Over-Allotment Option	1,097,700 Common Shares	Any time within 30 days after the Closing Date	US$4.10 per Common Share

The Common Shares are listed on the Toronto Stock Exchange (**TSX**) under the symbol NTB and on The Nasdaq Stock Market (**NASDAQ**) under the symbol NEPT. The closing price of the Common Shares on the TSX and NASDAQ on September 24, 2012, the latest practicable date prior to the filing of this Prospectus Supplement, was CDN$4.38 and US$4.47, respectively. The Company has applied to list the Common Shares distributed under this Prospectus Supplement on the TSX and NASDAQ. Listing will be subject to the Company fulfilling all of the listing requirements of the TSX and NASDAQ. The Underwriters may effect transactions which stabilize or maintain the market price of the Common Shares at levels other than those which might otherwise prevail in the open market in accordance with applicable market stabilization rules. See Plan of Distribution.

An investment in the Common Shares offered by this Prospectus Supplement and the accompanying Prospectus is speculative and bears certain risks. See Risk Factors in this Prospectus Supplement and the accompanying Prospectus.

This Offering is made by a Canadian issuer that is permitted, under a multijurisdictional disclosure system adopted by the United States and Canada, to prepare this Prospectus Supplement and the accompanying Prospectus in accordance with Canadian disclosure requirements. Prospective investors should be aware that such requirements are different from those of the United States. Financial statements included or incorporated by reference herein have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, and are subject to Canadian auditing and auditor independence standards, and thus may not be comparable to financial statements of United States companies.

Prospective investors should be aware that the acquisition of the Common Shares described herein may have tax consequences both in the United States and Canada. Such consequences for investors who are resident in, or citizens of, the United States may not be fully described herein.

The enforcement by investors of civil liabilities under United States federal securities laws may be affected adversely by the fact that we are incorporated or organized under the laws of Canada, that some or all of the Company s officers and directors are residents of Canada, that all or a substantial portion of the Company s assets and all or a substantial portion of the assets of said persons are located outside the United States and that some or all of the underwriters or experts herein may be residents of Canada.

THE COMMON SHARES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE SEC) NOR HAS THE SECURITIES COMMISSION OF ANY STATE OF THE UNITED STATES OR ANY CANADIAN SECURITIES REGULATOR APPROVED OR DISAPPROVED THE COMMON SHARES OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT OR THE ACCOMPANYING PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Common Shares will be issued and sold pursuant to an underwriting agreement dated September 25, 2012 between us and the Underwriters (the **Underwriting Agreement**). Delivery of the Common Shares is expected to be made on or about October 2, 2012 (the **Closing Date**), and in any event not later than October 9, 2012. **After the initial offering, the Offering Price may be changed by the Underwriters. See Plan of Distribution.**

The Underwriters, as principals, offer the Common Shares subject to prior sale if, as and when issued by Neptune and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement and subject to the approval of certain legal matters on behalf of Neptune by Osler, Hoskin & Harcourt LLP, with respect to Canadian and U.S. legal matters, and on behalf of the Underwriters by Stikeman Elliott LLP, with respect to Canadian legal matters, and by Morrison & Foerster LLP, with respect to U.S. legal matters. Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is anticipated that the Common Shares will be issued in book-entry only form and represented by a global certificate or certificates, or be represented by uncertificated securities, registered in the name of CDS Clearing and Depositary Services Inc. (**CDS**) or its nominee and The Depository Trust Company (**DTC**), as directed by the Underwriters, and will be deposited with CDS or DTC, as the case may be. Except in limited circumstances, no beneficial holder of Common Shares will receive definitive certificates representing their interest in Common Shares. Beneficial holders of Common Shares will receive only a customer confirmation from the Underwriters or other registered dealer who is a CDS or DTC participant and from or through whom a beneficial interest in the Common Shares is acquired. Certain other holders will receive definitive certificates representing their interests in Common Shares.

Our head and registered office is located at 225, Promenade du Centropolis, Suite 200, Laval, Québec, Canada, H7T 0B3.

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PROSPECTUS SUPPLEMENT

PROSPECTUS

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ABOUT THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS

This document is in two parts. The first part is this Prospectus Supplement, which describes the terms of the Offering and adds to and updates information in the accompanying Prospectus beginning on page 1 and the documents incorporated by reference therein. The second part is the accompanying Prospectus, which provides more general information, some of which may not apply to the Offering. This Prospectus Supplement is deemed to be incorporated by reference into the accompanying Prospectus solely for the purposes of this Offering. This Prospectus Supplement may add, update or change information contained in the accompanying Prospectus. Before investing, you should carefully read both this Prospectus Supplement and the accompanying Prospectus together with the additional information about Neptune to which we refer you in the sections of this Prospectus Supplement entitled Documents Incorporated by Reference and Where You Can Find More Information .

You should rely only on the information contained in or incorporated by reference into this Prospectus Supplement and the accompanying Prospectus. The Company has not authorized anyone to provide you with different information. The Company is not making an offer of the Common Shares in any jurisdiction where the Offering is not permitted. You should not assume that the information contained in this Prospectus Supplement or the accompanying Prospectus is accurate as of any date other than the date on the front of this Prospectus Supplement.

In this Prospectus Supplement, unless the context otherwise requires, references to Neptune , the Company , we , us , our or similar terms refer Neptune Technologies & Bioressources Inc. and its subsidiaries, references to Acasti refer to Acasti Pharma Inc. and references to NeuroBio refer to NeuroBioPharm Inc.

All references in this Prospectus Supplement to dollars , CDN$ and $ refer to Canadian dollars, and references to US$ refer to United States dollars, unless otherwise expressly stated. Potential purchasers should be aware that foreign exchange rate fluctuations are likely to occur from time to time and that the Company does not make any representation with respect to future currency values. Investors should consult their own advisors with respect to the potential risk of currency fluctuations. On September 24, 2012, the closing exchange rate for the Canadian dollar, expressed in United States dollars, as quoted by the Bank of Canada was CDN$1.00 = US$1.0217.

This Prospectus Supplement and the documents incorporated herein by reference contain company names, product names, trade names, trademarks and service marks of Neptune and other organizations, all of which are the property of their respective owners.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus Supplement, the accompanying Prospectus and the documents incorporated by reference herein and therein contain certain information that may constitute forward-looking information within the meaning of Canadian securities laws and forward-looking statements within the meaning of U.S. federal securities laws, both of which we refer to as forward-looking information. Forward-looking information can be identified by the use of terms such as may , will , should , expect , plan , anticipate , believe , intend , estimate , predict , potent similar expressions concerning matters that are not statements about the present or historical facts. Forward-looking statements in this Prospectus Supplement include, but are not limited to, statements about:

- Neptune s ability, and the ability of its distribution partners, to continue to successfully commercialize Neptune Krill Oil (NKO®) and ECOKRILL Oil (EKO), and the ability of Neptune s subsidiaries, Acasti and NeuroBio, to commercialize other product candidates, in the United States, Canada and internationally;

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plans of Neptune s subsidiaries, Acasti and NeuroBio, to conduct new clinical trials for product candidates, including the timing and results of these clinical trials;

the timing and cost of completion of the expansion project of Neptune s manufacturing facility in Sherbrooke, Québec, and the amount of increased production capacity for krill oil at the expanded facility;

Neptune s ability to maintain and defend its intellectual property rights in NKO® and EKO and in its product candidates;

Neptune s estimates of the size of the potential markets for NKO® and EKO and its product candidates and the rate and degree of market acceptance of EKO and NKO® and its product candidates;

the health benefits of NKO® and EKO and its product candidates as compared to other products in the nutraceutical and pharmaceutical markets; and

Neptune s expectations regarding its financial performance, including its revenues, expenses, gross margins, liquidity, capital resources and capital expenditures.

Although the forward-looking information is based upon what we believe are reasonable assumptions, no person should place undue reliance on such information since actual results may vary materially from the forward-looking information.

In addition, the forward-looking information is subject to a number of known and unknown risks, uncertainties and other factors, including those described under the heading Risk Factors in this Prospectus Supplement and the accompanying Prospectus, many of which are beyond our control, that could cause actual results and developments to differ materially from those that are disclosed in or implied by the forward-looking information, including, without limitation:

the Company s history of net losses and inability to achieve profitability;

the successful commercialization of NKO® and EKO ;

changes in regulatory requirements and interpretations of regulatory requirements;

the Company s reliance on third parties for the manufacture and distribution of its products and for the supply of raw materials;

the Company s reliance on a limited number of distributors;

the Company s ability to manage its growth efficiently;

the Company s ability to further penetrate core or new markets;

the Company s dependence on a single manufacturing facility;

the Company s ability to attract and retain skilled labor;

the Company s ability to attract, hire and retain key management and personnel;

the success of current and future clinical trials by the Company and its subsidiaries;

the Company s ability to achieve its publicly announced milestones on time or at all;

product liability lawsuits brought against the Company and its subsidiaries;

intense competition from other companies in the pharmaceutical and nutraceutical industry;

the Company s ability to secure and defend its intellectual property rights; and

the fact that the Company does not currently intend to pay any cash dividends on its common shares in the foreseeable future.

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Consequently, all the forward-looking information is qualified by this cautionary statement and there can be no guarantee that the results or developments that we anticipate will be realized or, even if substantially realized, that they will have the expected consequences or effects on our business, financial condition or results of operations. Accordingly, you should not place undue reliance on the forward-looking information. Except as required by applicable law, Neptune does not undertake to update or amend any forward-looking information, whether as a result of new information, future events or otherwise. These forward-looking statements are made as of the date of this Prospectus Supplement.

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus Supplement is deemed to be incorporated by reference into the accompanying Prospectus solely for the purposes of this Offering. Other documents are also incorporated, or are deemed to be incorporated, by reference into the accompanying Prospectus and reference should be made to the accompanying Prospectus for full particulars thereof.

Copies of the documents incorporated herein by reference may be obtained on request without charge from the secretary of Neptune at 225, Promenade du Centropolis, Suite 200, Laval, Québec, H7T 0B3, telephone: 1 888 664-9166. These documents are also available through the internet on SEDAR, which can be accessed online at www.sedar.com, and on EDGAR, which can be accessed online at www.sec.gov/edgar.shtml.

The following documents filed by Neptune with the SEC and/or securities commissions or similar authorities in the Provinces of Québec, Ontario, Manitoba, Alberta and British Columbia, as amended from time to time, are specifically incorporated by reference into, and form an integral part of, this Prospectus Supplement:

(a) revised annual information form of the Company dated September 11, 2012 for the fiscal year ended February 29, 2012;

(b) audited consolidated financial statements as at February 29, 2012, February 28, 2011 and March 1, 2010 and for the years ended February 29, 2012 and February 28, 2011, together with the notes thereto and the auditors report thereon, and with the management s discussion and analysis thereon;

(c) management information circular of the Company dated May 18, 2012 prepared in connection with the Company s annual meeting of shareholders held on June 21, 2012; and

(d) unaudited consolidated interim financial statements of the Company as at May 31, 2012 and for the three-month periods ended May 31, 2012 and 2011 (with the exception of the notice on the page preceding page 1 of such financial statements stating: These interim financial statements have not been reviewed by an auditor.), and with the management s discussion and analysis thereon.

Any annual information form, annual or quarterly financial statements, annual or quarterly management s discussion and analysis, management proxy circular, material change report (excluding confidential material change reports), business acquisition report, information circular or other disclosure document required to be incorporated by reference into a prospectus filed under National Instrument 44 101 *Short Form Prospectus Distributions* filed by Neptune with any securities commission or similar authority in Canada after the date of this Prospectus Supplement and prior to the termination of the Offering shall be deemed to be incorporated by reference into this Prospectus Supplement.

In addition, to the extent that any document or information incorporated by reference into this Prospectus Supplement pursuant to the foregoing paragraph is also included in any report filed with or furnished to the SEC by Neptune on Form 6-K or on Form 40-F (or any respective successor form) after the date of this Prospectus Supplement, it shall be deemed to be incorporated by reference as an exhibit to the registration statement of which this Prospectus Supplement forms a part. Further, we may incorporate by reference into the registration statement of which this Prospectus Supplement forms a part, any report on Form 6-K furnished to the SEC, including the exhibits thereto, if and to the extent provided in such report.

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Any statement contained in this Prospectus Supplement, the accompanying Prospectus or in a document incorporated or deemed to be incorporated by reference into this Prospectus Supplement or the accompanying Prospectus shall be deemed to be modified or superseded for the purposes of this Prospectus Supplement and the accompanying Prospectus to the extent that a statement contained in this Prospectus Supplement, or in any subsequently filed document which also is or is deemed to be incorporated by reference into this Prospectus Supplement or the accompanying Prospectus, modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified shall not constitute a part of this Prospectus Supplement or the accompanying Prospectus except as so modified. Any statement so superseded shall not constitute a part of this Prospectus Supplement or the accompanying Prospectus.

ELIGIBILITY FOR INVESTMENT

On the date of issue, provided that the Common Shares are listed at that time on a designated stock exchange (as defined in the Tax Act) (which currently includes the TSX and the NASDAQ), the Common Shares will be qualified investments under the *Income Tax Act* (Canada) and the *Income Tax Regulations* (collectively, the **Tax Act**) for trusts governed by registered retirement savings plans (**RRSP**), registered retirement income funds (**RRIF**), registered education savings plans, deferred profit sharing plans, registered disability savings plans and tax-free savings accounts (**TFSA**), and in the case of an RRSP, an RRIF or a TFSA, provided the annuitant of the RRSP or RRIF or the holder of the TFSA, as the case may be, deals at arm s length with the Company and does not have a significant interest (within the meaning of the Tax Act) in the Company or in a corporation, partnership or trust that does not deal at arm s length with the Company, will not be a prohibited investment under the Tax Act for such RRSP, RRIF or TFSA. The Department of Finance (Canada) has recently indicated that it is prepared to recommend further amendments to the prohibited investment rules contained in the Tax Act (**Tax Proposals**); however, no Tax Proposals have been released as at the date hereof.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights certain information about us, this Offering and selected information contained elsewhere in or incorporated by reference into this Prospectus Supplement or the accompanying Prospectus. This summary is not complete and does not contain all of the information that you should consider before deciding whether to invest in the Common Shares. For a more complete understanding of the Company and this Offering, we encourage you to read and consider carefully the more detailed information in this Prospectus Supplement and the accompanying Prospectus, including the information incorporated by reference in this Prospectus Supplement and the accompanying Prospectus, the information included in any free writing prospectus that the Company has authorized for use in connection with this Offering, and the information under the heading Risk Factors in this Prospectus Supplement on page S-9 *and in the accompanying Prospectus. All capitalized terms used in this summary refer to those definitions contained elsewhere in this Prospectus Supplement and/or the accompanying Prospectus, as applicable.*

Neptune Technologies & Bioressources Inc.

Our Business

Neptune is a biotechnology company engaged primarily in the development, manufacture and commercialization of marine-derived omega-3 polyunsaturated fatty acids, or PUFAs. Neptune produces omega-3 PUFAs through its patented process of extracting oils from Antarctic krill, which omega-3 PUFAs are then principally sold as bulk oil to Neptune s distributors who commercialize them under their private labels primarily in the U.S., European and Australian nutraceutical markets. Neptune s lead products, Neptune Krill Oil (NKO®) and ECOKRILL Oil (EKO), generally come in capsule form and serve as a dietary supplement to consumers.

Having commenced commercial krill oil production in 2002, Neptune pioneered the commercialization of omega-3 PUFAs extracted from krill for human health maintenance and it now continues to further progress its product development based on its proprietary technology. We believe that our ability to provide a safe and effective product is a key factor in building and sustaining our credibility with our distribution partners. In fiscal year 2012, we produced approximately 130,000 kilograms of krill oil, which at the time was our maximum production capacity at our manufacturing facility. We are in the process of completing an expansion of our facility that, when completed, is expected to enable us to produce approximately 300,000 kilograms of krill oil annually. We believe this increase in production capacity will help position us to meet growing market demand for Neptune s krill oil products.

Through Neptune s subsidiaries, Acasti and NeuroBio, in which Neptune respectively holds 57% and 99% of the voting rights, Neptune is also pursuing opportunities in the medical food and prescription drug markets. Neptune has granted licensing rights to both Acasti and NeuroBio which allow them to leverage the intellectual property, clinical data and know-how developed by Neptune to focus on, respectively, the research and development of safe and therapeutically effective compounds for highly prevalent atherosclerotic conditions, such as cardiometabolic disorders and cardiovascular diseases, and for neurodegenerative and inflammation related conditions. Following the payment of the dividend-in-kind described under Corporate Structure Corporate Structure Diagram in the accompanying Prospectus, it is expected that Neptune will control approximately 96% of the voting rights attached to the securities of NeuroBio.

Corporate Information

Neptune was incorporated on October 9, 1998 pursuant to a certificate of incorporation issued under Part 1A of the *Companies Act* (Québec) and is now governed by the *Business Corporations Act* (Québec). The

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Company s head office and registered office is located at 225, Promenade du Centropolis, Suite 200, Laval, Québec, Canada, H7T 0B3.

Neptune has two wholly-owned subsidiaries, Neptune Technologies & Bioressources USA Inc., or Neptune USA, and Neptune Technologies & Bioressources Hong Kong Limited, or Neptune Hong Kong, and two majority-owned subsidiaries, Acasti and NeuroBio.

The Common Shares of Neptune are listed on the TSX under the symbol NTB and on the NASDAQ under the symbol NEPT .

The common shares of Acasti are listed and posted for trading on the TSX Venture Exchange under the symbol APO .

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SUMMARY OF THE OFFERING

Issuer:	Neptune Technologies & Bioressources Inc.
Offering:	US$30,003,800 aggregate amount of Common Shares.
Offering Price:	US$4.10 per Common Share.
Common Shares offered by Neptune:	7,318,000 Common Shares.
Over-Allotment Option:	The Company has granted to the Underwriters an option to purchase up to 1,097,700 additional Common Shares to cover over-allotments, if any, and for market stabilization purposes. The Underwriters may exercise the Over-Allotment Option at any time within 30 days from the date of the Closing Date.
Closing Date:	On or about October 2, 2012.
Common Shares to be outstanding immediately after this Offering:	57,489,061 Common Shares. (58,586,761 Common Shares if the Over-Allotment Option is exercised in full)
Use of Proceeds:	Neptune estimates that the net proceeds from the Offering will be approximately US$27,003,572, after deducting the Underwriters commission of US$1,800,228, the JTF Fee of US$300,000 and the Company s estimated expenses of the Offering, which are estimated to be US$900,000. If the Over-Allotment Option is exercised in full, the net proceeds will be approximately US$31,234,108 after deducting the Underwriters commission, JTF Fee and estimated Company s expenses of the Offering. See Plan of Distribution . Neptune intends to allocate the net proceeds from the Offering as follows (i) for sales, marketing and krill inventory purchases for NKO® and EKO, (ii) to support Acasti in the development and validation of CaPre® and other product candidates, and to support NeuroBio in the development and validation of its product candidates, (iii) to fund the expansion of its Sherbrooke plant described under Business of the Company Manufacturing and Facilities in the accompanying Prospectus and that is intended to increase Neptune s annual production capacity to 500,000 kilograms of krill oil, (iv) to fund product development, clinical trials and regulatory affairs of Neptune (including management and protection of its intellectual property portfolio), and (v) for general corporate and other working capital purposes. See Use of Proceeds .

TSX symbol:	The Common Shares are listed on the TSX under the symbol NTB .
NASDAQ symbol:	The Common Shares are listed on the NASDAQ under the symbol NEPT .
Risk Factors:	You should carefully read and consider the information set forth in Risk Factors beginning on page S-9 of this Prospectus Supplement and page 21 of the accompanying Prospectus before investing in our Common Shares.

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Unless specifically stated otherwise, the information in this Prospectus Supplement:

- is based on the assumption that the Underwriters will not exercise the option to purchase additional Common Shares under the Over-Allotment Option;
- excludes 6,487,500 Common Shares reserved for issuance upon the exercise of options outstanding as of September 24, 2012;
- excludes 2,244,549 Common Shares reserved for issuance upon the exercise of warrants outstanding as of September 24, 2012.

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RISK FACTORS

An investment in the Common Shares offered hereby involves a high degree of risk. Prospective investors should carefully consider the following risks, as well as the other information contained in this Prospectus Supplement, the accompanying Prospectus and the documents incorporated by reference herein and therein before investing in the Common Shares. Prospective investors should carefully consider the factors set out under Risk Factors in the accompanying Prospectus, in the Company s revised annual information form for the year ended February 29, 2012 (which is incorporated by reference herein) and the factors set out below in evaluating Neptune and its business before making an investment in the Common Shares. If any of such risk factors actually occurs, the Company s business financial condition, liquidity, results of operations and prospects could be materially harmed. Additional risks and uncertainties not presently known to the Company or that the Company believes to be immaterial may also adversely affect the Company s business, financial condition, liquidity, results of operations and prospects.

The price of the Company s shares may fluctuate.

Market prices for securities in general, and that of pharmaceutical and nutraceutical companies in particular, tend to fluctuate. Factors such as the announcement to the public or in various scientific or industry forums of technological innovations, new commercial products, patents, exclusive rights obtained by the Company or others, results of pre-clinical and clinical studies by the Company or others, a change of regulations, publications, financial results, public concerns over the risks of pharmaceutical products and dietary supplements, future sales of securities by the Company or its shareholders and many other factors could have considerable effects on the price of the Company s securities. There can be no assurance that the market price of the Common Shares will not experience significant fluctuations in the future.

The Company may allocate the net proceeds from this offering in ways that you and other shareholders may not approve.

The Company currently intends to use the proceeds from this Offering as described under Use of Proceeds . Because of the number and variability of factors that will determine the Company s use of the proceeds from this Offering, its ultimate use may vary substantially from the use disclosed in this Prospectus Supplement. As such, management will have broad discretion in the application of the net proceeds from this Offering and could spend the proceeds in ways that ultimately do not improve the Company s operating results or enhance the value of its common shares. For a further description of the Company s intended use of the proceeds of the Offering, see Use of Proceeds .

You will experience immediate and substantial dilution in the shares that you purchase in this Offering because the per share price in this Offering is substantially higher than the net tangible book value of outstanding common shares.

If you purchase Common Shares in this Offering, you will pay more for your shares than the net tangible book value of outstanding Common Shares. As a result, you will experience an immediate and substantial dilution in the net tangible book value of your shares. The Company has previously granted options to certain officers, directors, consultants and other employees to acquire Common Shares at prices significantly below the Offering Price. To the extent these outstanding options are exercised in the future, you will incur further dilution. See Description of the Share Capital .

The Company does not currently intend to pay any cash dividends on its Common Shares in the foreseeable future.

The Company has never paid any cash dividends on its Common Shares. The Company does not anticipate paying any cash dividends on its Common Shares in the foreseeable future because, among other reasons, the

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Company currently intends to retain any future earnings to finance its business. The future payment of cash dividends will be dependent on factors such as cash on hand and achieving profitability, the financial requirements to fund growth, the Company s general financial condition and other factors the board of directors of the Company may consider appropriate in the circumstances. See Dividend Policy .

The Company does not expect that it will be a passive foreign investment company, or PFIC, for the current taxable, but PFIC classification is fundamentally factual in nature, determined annually and subject to change.

Based on the projected composition of its income and assets, the Company does not expect that it will be a PFIC for the current taxable year ending February 28, 2013. However, whether the Company is a PFIC depends on complex U.S. federal income tax rules whose application to the Company is uncertain, and, since the PFIC status of the Company will depend upon the composition of its income and assets and the fair market value of its assets from time to time and generally cannot be determined until the end of a taxable year, there can be no assurance that the Company will not be a PFIC for the current or subsequent taxable years. If the Company is a PFIC or if it were to become a PFIC in future taxable years while a U.S. Holder (as defined below under the heading Certain Income Tax Considerations United States Federal Income Tax Considerations) holds Common Shares, such U.S. Holder would generally be subject to adverse U.S. federal income tax consequences, including the treatment of gain realized on the sale of Common Shares as ordinary (rather than capital gain) income, potential interest charges on those gains and certain other distributions made by the Company and ineligibility for the preferential tax rates on dividends paid by qualified foreign corporations generally available to certain non-corporate U.S. Holders. For a more detailed discussion of the consequences of the Company being classified as a PFIC, including discussion of certain elections that (if available) could mitigate some of the adverse consequences described above, see below under the heading Certain Income Tax Considerations United States Federal Income Tax Considerations Passive Foreign Investment Company Rules .

Each U.S. purchaser is urged to consult its own tax advisor with respect to the U.S. federal, state, local and non-U.S. tax consequences of the acquisition, ownership, and disposition of the Common Shares as may be applicable to their particular circumstances.

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DIVIDEND POLICY

The Company has not declared or paid any cash dividends on its Common Shares since the date of its incorporation. The Company intends to retain its earnings, if any, to finance the growth and development of its business and does not expect to pay dividends or to make any other distributions in the near future. The Company s Board of Directors will review this policy from time to time having regard to the Company s financing requirements, financial condition and other factors considered to be relevant. On September 5, 2012, a prospectus qualifying the distribution of 2,000,000 Class A subordinate voting shares and 4,000,000 Series 2011-1 warrants of NeuroBio held by Neptune by way of a dividend-in-kind was filed with Canadian securities regulatory authorities. The dividend-in-kind is expected to be paid on October 31, 2012 to holders of record of Neptune s common shares at the close of business on October 15, 2012. See Corporate Structure Corporate Structure Diagram in the accompanying Prospectus.

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CONSOLIDATED CAPITALIZATION

Since May 31, 2012 to the date of this Prospectus Supplement, there have been no material changes in the share and loan capital of the Company other than the issuance of 363,968 common shares from the exercise of warrants and stock options for proceeds of $839,768, the grant of 360,000 stock options under the Company s stock option plan and the grant of 1,000,002 warrants.

The following table sets forth the share capital of the Company at May 31, 2012 (i) before giving effect to this Offering, and (ii) on a pro forma basis after giving effect to this Offering. The table should be read in conjunction with our unaudited consolidated interim financial statements as at May 31, 2012 and for the three-month periods ended May 31, 2012 and 2011 and with the management s discussion and analysis thereon, which are incorporated by reference in this Prospectus Supplement and the accompanying Prospectus.

		As at May 31, 2012[1]		As at May 31, 2012 after giving effect to this Offering[1][2]	
	Authorized	Outstanding	Book value in dollars	Outstanding	Book value in dollars[3][4]
Common Shares	Unlimited	49,807,093	$ 46,143,016	57,125,093	$72,573,056
Preferred Shares	Unlimited	nil	nil	nil	nil

Notes:

(1) Excluded from the amounts outstanding, and as at September 21, 2012, are a total of 6,487,500 stock options and 2,244,549 warrants. Each stock option and each warrant is exercisable into one Common Share.
(2) Without giving effect to the exercise of the Over-Allotment Option.
(3) After deducting the Underwriters commission of US$1,800,228, the JTF Fee of US$300,000 and the Company s expenses of the Offering, which are estimated to be US$900,000.
(4) After converting the gross proceeds of the Offering of US$30,003,800, the Underwriters commission of US$1,800,228, the JTF Fee of US$300,000 and the estimated Company s expenses of the Offering of US$900,000 into Canadian dollars at the exchange rate of CDN$1.00 = US$1.0217, which was the closing exchange rate for the Canadian dollar, expressed in United States dollars, on September 24, 2012 as quoted by the Bank of Canada.

USE OF PROCEEDS

Neptune estimates that the net proceeds from the Offering will be approximately US$27,003,572, after deducting the Underwriters commission of US$1,800,228, the JTF Fee of US$300,000 and the Company s expenses of the Offering, which are estimated to be US$900,000. If the Over-Allotment Option is exercised in full, the net proceeds will be approximately US$31,234,108 after deducting the Underwriters commission, JTF Fee and estimated Company s expenses of the Offering. See Plan of Distribution .

Neptune intends to allocate the net proceeds from the Offering as follows (i) approximately US$9,000,000 for sales, marketing and krill inventory purchases for NKO® and EKO, (ii) approximately US$8,000,000* to support Acasti in the development and validation of CaPre® and other product candidates, and to support NeuroBio in the development and validation of its product candidates, (*iii) approximately US$5,000,000 to fund the expansion of its Sherbrooke plant described under Business of the Company Manufacturing and Facilities in the accompanying Prospectus and that is intended to increase Neptune s annual production capacity to 500,000 kilograms of krill oil, (iv) approximately US$3,000,000 to fund product development, clinical trials and regulatory affairs of Neptune (including management and protection of its intellectual property portfolio), and (v) the balance for general corporate and other working capital purposes.

Neptune intends to use the net proceeds as outlined above. The actual amount that the Company spends in connection with each of the intended uses of proceeds will depend on a number of factors, including those listed under Risk Factors in or incorporated by reference in this Prospectus Supplement and the accompanying Prospectus. Pending the application of the net proceeds, Neptune intends to invest the net proceeds in investment-grade, short term, interest-bearing securities, the primary objectives of which are liquidity and capital preservation.

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DESCRIPTION OF THE SHARE CAPITAL

The authorized share capital of the Company is comprised of an unlimited number of Common Shares and an unlimited number of Preferred Shares, issuable in one or more series. By way of by-law, in accordance with its articles of incorporation, the Company created the Series A Preferred Shares , which are non-voting shares.

As at September 21, 2012, there were a total of (i) 50,171,061 Common Shares and no Preferred Shares issued and outstanding, (ii) 2,244,549 warrants to purchase Common Shares issued and outstanding, and (iii) 6,487,500 options to purchase Common Shares issued and outstanding.

DESCRIPTION OF THE COMMON SHARES

Voting Rights

Each Common Share entitles its holder to receive notice of, and to attend and vote at, all annual or special meetings of the shareholders of the Company. Each Common Share entitles its holder to one vote at any meeting of the shareholders, other than meetings at which only the holders of a particular class or series of shares are entitled to vote due to statutory provisions or the specific attributes of this class or series.

Dividends

Subject to the prior rights of the holders of Preferred Shares ranking before the Common Share as to dividends, the holders of Common Shares are entitled to receive dividends if and as declared by the board of directors of the Company from the Company s funds that are duly available for the payment of dividends.

Winding-up and Dissolution

In the event of the Company s voluntary or involuntary winding-up or dissolution, or any other distribution of the Company s assets among its shareholders for the purposes of winding up its affairs, the holders of Common Shares shall be entitled to receive, after payment by the Company to the holders of Preferred Shares ranking prior to Common Share regarding the distribution of the Company s assets in the case of winding-up or dissolution, share for share, the remainder of the property of the Company, with neither preference nor distinction.

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MARKET FOR SECURITIES

The Company s Common Shares are listed and posted for trading on (i) the TSX under the symbol NTB , and (ii) the NASDAQ under the symbol NEPT . The price ranges and trading volume of the Common Shares for the twelve-month period before the date of this Prospectus Supplement on the TSX and the NASDAQ was as follows:

	TSX (CDN$)			NASDAQ (US$)		
Period	High	Low	Volume (daily average)	High	Low	Volume (daily average)
September 2012 (until September 24)	4.88	4.01	51,767	5.04	4.07	290,385
August 2012	4.99	4.26	55,765	5.08	4.30	253,685
July 2012	5.05	4.37	95,912	5.14	4.26	429,858
June 2012	4.99	3.30	110,392	4.88	3.18	393,327
May 2012	4.02	2.95	68,685	3.95	2.70	240,637
April 2012	3.53	2.82	27,979	3.64	2.81	126,144
March 2012	3.20	2.78	30,145	3.25	2.80	59,211
February 2012	3.25	2.44	52,924	3.29	2.46	84,480
January 2012	2.89	2.29	32,937	2.86	2.25	54,102
December 2011	3.10	2.25	22,345	3.05	2.18	44,001
November 2011	3.17	2.55	27,824	3.10	2.51	47,242
October 2011	2.84	2.10	50,361	2.86	2.02	115,447
September 2011	3.74	2.60	71,901	3.78	2.46	102,372

PRIOR SALES

In the 12 months preceding the date hereof, we issued the following Common Shares and granted the following Common Share purchase warrants and stock options under our stock option plan:

Date of Issuance	Number of Common Shares Issued	Issue Price per Common Share
September 22, 2011	10,000	$ 1.50
September 22, 2011	13,500	$ 2.50
September 30, 2011	22,002	$ 2.14
October 9, 2011	1,685	$ 1.50
October 9, 2011	22,053	$ 2.08
October 9, 2011	11,027	$ 2.14
October 9, 2011	20,430	$ 2.00
October 9, 2011	143,282	$ 2.19
October 17, 2011	27,027	$ 2.15
March 23, 2012	10,000	$ 2.50
March 27, 2012	1,250	$ 2.65
April 5, 2012	50,000	$ 1.50
April 25, 2012	15,000	$ 1.50
May 17, 2012	9,000	$ 2.50
May 25, 2012	20,000	$ 2.25
May 29, 2012	5,000	$ 1.50
May 29, 2012	8,000	$ 2.50
June 28, 2012	9,000	$ 1.50
June 29, 2012	27,778	$ 2.75
July 4, 2012	7,500	$ 2.50

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Date of Issuance	Number of Common Shares Issued	Issue Price per Common Share
July 12, 2012	6,000	$ 2.50
July 13, 2012	116,890	$ 2.65
July 14, 2012	25,000	$ 2.50
July 16, 2012	6,000	$ 2.25
July 18, 2012	50,000	$ 1.50
July 20, 2012	5,800	$ 2.65
July 24, 2012	10,000	$ 1.50
July 27, 2012	20,000	$ 1.50
August 10, 2012	25,000	$ 2.65
August 14, 2012	10,000	$ 2.50
August 20, 2012	10,000	$ 1.50
August 29, 2012	25,000	$ 2.75
September 13, 2012	5,000	$ 1.50
September 17, 2012	5,000	$ 2.50

Date of Grant	Number of Common Shares Purchase Warrants Granted	Exercise Price per Warrant
June 15, 2012	1,000,002	$ 5.00

Date of Grant	Number of Stock Options Granted	Exercise Price per Stock Option
September 16, 2011	150,000	$ 3.50
November 1, 2011	125,000	$ 2.75
November 28, 2011	55,000	$ 3.15
December 1, 2011	250,000	$ 3.00
December 19, 2011	15,000	$ 2.70
December 20, 2011	400,000	$ 3.00
January 1, 2012	250,000	$ 3.00
January 4, 2012	40,000	$ 2.50
February 1, 2012	25,000	$ 3.00
February 6, 2012	15,000	$ 2.50
March 26, 2012	750,000	$ 3.05
March 26, 2012	150,000	$ 3.15
April 2, 2012	100,000	$ 3.15
April 11, 2012	1,680,000	$ 3.15
April 16, 2012	5,000	$ 3.05
July 9, 2012	5,000	$ 4.50
August 28, 2012	350,000	$ 5.00
September 4, 2012	5,000	$ 5.00

REGISTRATION AND TRANSFER

In the case of book-entry-only securities, the securities may be represented by one or more global certificates or be represented by uncertificated securities and may be held by a designated depository for its participants. The securities must be purchased or transferred through such participants, which includes securities brokers and dealers, banks and trust companies. The depository will establish and maintain book-entry accounts for its participants acting on behalf of holders of the securities. The interests of such holders of securities will be represented by entries in the records maintained by the participants. Holders of securities issued in book-entry-only form will not be entitled to receive a certificate or other instrument evidencing their ownership thereof, except in limited circumstances. Each holder will receive a customer confirmation of purchase from the participants from which the securities are purchased in accordance with the practices and procedures of that participant.

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ENFORCEABILITY OF CIVIL LIABILITIES

Neptune is a company incorporated under and governed by the *Business Corporations Act* (Québec). A majority of the directors and officers of Neptune, and some of the experts named in this Prospectus Supplement, are residents of Canada or otherwise reside outside the United States and all or a substantial portion of their assets, and substantially all of Neptune s assets, are located outside the United States. Neptune has appointed an agent for service of process in the United States, but it may be difficult for holders of Common Shares who reside in the United States to effect service within the United States upon those directors, officers and experts of Neptune who are not residents of the United States. It may also be difficult for holders of Common Shares who reside in the United States to realize in the United States upon judgments of courts of the United States predicated upon the Company s civil liability and the civil liability of the directors and officers of Neptune and experts under U.S. federal securities laws.

Neptune has been advised by its Canadian counsel, Osler, Hoskin & Harcourt LLP, that a judgment of a U.S. court predicated solely upon civil liability under U.S. federal securities laws may, subject to certain limitations, be enforceable in Canada if the U.S. court in which the judgment was obtained has a basis for jurisdiction in the matter that would be recognized by a Canadian court for the same purposes. Neptune has also been advised by Osler, Hoskin & Harcourt LLP, however, that there is substantial doubt whether an action could be brought in Canada in the first instance on the basis of liability predicated solely upon U.S. federal securities laws.

Concurrently with filing our registration statement on Form F-10, Neptune made an appointment of agent for service of process on Form F-X. Under the Form F-X, Neptune appointed CT Corporation as our agent for service of process in the United States in connection with any investigation or administrative proceeding conducted by the SEC, and any civil suit or action brought against or involving us in a U.S. court arising out of or related to or concerning the offering of the Securities under this Prospectus Supplement and the accompanying Prospectus.

CERTAIN INCOME TAX CONSIDERATIONS

Canadian Income Tax Considerations

The following is a summary of the principal Canadian federal income tax considerations under the *Income Tax Act* (Canada) and the *Income Tax Regulations* (collectively, the **Tax Act**) generally applicable to a purchaser who acquires beneficial ownership of Common Shares pursuant to the Offering. This summary only applies to a purchaser who, for the purposes of the Tax Act, at all relevant times: (i) deals at arm s length and is not affiliated with the Company; and (ii) holds the Common Shares as capital property (a **Holder**). Common Shares will generally be considered to be capital property to a Holder unless they are acquired or held in the course of carrying on a business or as part of an adventure or concern in the nature of trade.

This summary is based upon: (i) the current provisions of the Tax Act; and (ii) an understanding of the current administrative policies and assessing practices of the Canada Revenue Agency (the **CRA**) published in writing prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act that have been publicly announced by, or on behalf of, the Minister of Finance (Canada) prior to the date hereof (the **Proposed Amendments**) and assumes that all Proposed Amendments will be enacted in the form proposed. No assurance can be given that the Proposed Amendments will be enacted or otherwise implemented in their current form, or at all. This summary does not otherwise take into account or anticipate any changes in law or the administrative policy or assessing practice of the CRA, whether by legislative, administrative or judicial action, nor does it take into account the tax laws of any province or territory of Canada or of any jurisdiction outside of Canada which may differ from those discussed herein.

Subject to certain exceptions that are not discussed in this summary, for the purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of the Common Shares must be determined in

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Canadian dollars based on the exchange rates as determined in accordance with the Tax Act. The amount of dividends required to be included in the income of, and capital gains or capital losses realized by, a Holder may be affected by fluctuations in the Canadian / U.S. dollar exchange rate.

This summary is of a general nature only, is not exhaustive of all possible Canadian federal income tax considerations and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder. Accordingly, Holders should consult their own tax advisors with respect to their particular circumstances.

Holders Resident in Canada

This section of the summary applies to a Holder who, at all relevant times, is, or is deemed to be, resident in Canada for the purposes of the Tax Act (a **Resident Holder**). Certain Resident Holders whose Common Shares might not otherwise qualify as capital property may be entitled to make the irrevocable election provided by subsection 39(4) of the Tax Act the effect of which may be to deem any Common Shares and every other Canadian security (as defined in the Tax Act) owned by such Resident Holder in the taxation year in which the election is made and in all subsequent taxation years to be capital property. Resident Holders whose Common Shares might not otherwise be considered capital property should consult their own tax advisors concerning this election.

This section of the summary is not applicable to a Resident Holder: (i) that is a financial institution for the purposes of certain rules (referred to as the mark-to-market rules) applicable to securities held by financial institutions; (ii) that is a specified financial institution ; (iii) that reports its Canadian tax results in a currency other than Canadian currency; or (iv) an interest in which is a tax shelter investment , each as defined in the Tax Act. Such purchasers should consult their own tax advisors.

Dividends

A Resident Holder will be required to include in computing its income for a taxation year any taxable dividends received or deemed to be received on the Common Shares. In the case of a Resident Holder that is an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules applicable to taxable dividends received from taxable Canadian corporations. Taxable dividends received from a taxable Canadian corporation which are designated by such corporation as eligible dividends will be subject to an enhanced gross-up and dividend tax credit regime in accordance with the provisions of the Tax Act. In the case of a Resident Holder that is a corporation, the amount of any such taxable dividend that is included in its income for a taxation year will generally be deductible in computing its taxable income for that taxation year.

A Resident Holder that is a private corporation or a subject corporation , as defined in the Tax Act, will generally be liable to pay a refundable tax of 33 1/3% under Part IV of the Tax Act on dividends received on the Common Shares to the extent such dividends are deductible in computing the Resident Holder s taxable income for the year.

Taxable Capital Gains and Losses

A Resident Holder who disposes of or is deemed to have disposed of a Common Share will generally realize a capital gain (or capital loss) in the taxation year of the disposition equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, are greater (or are less) than the adjusted cost base to the Resident Holder of the Common Share immediately before the disposition or deemed disposition. The adjusted cost base to a Resident Holder of Common Shares acquired pursuant to this Offering will be determined by averaging the cost of such Common Shares with the adjusted cost base of all other Common Shares (if any) held by the Resident Holder as capital property immediately before the time of acquisition.

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A Resident Holder will generally be required to include in computing its income for the taxation year of disposition, one-half of the amount of any capital gain (a **taxable capital gain**) realized in such year. Subject to and in accordance with the provisions of the Tax Act, a Resident Holder will generally be required to deduct one- half of the amount of any capital loss (an **allowable capital loss**) against taxable capital gains realized in the taxation year of disposition. Allowable capital losses in excess of taxable capital gains for the taxation year of disposition generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances specified in the Tax Act.

The amount of any capital loss realized on the disposition or deemed disposition of Common Shares by a Resident Holder that is a corporation may, in certain circumstances, be reduced by the amount of dividends received or deemed to have been received by it on such Common Shares to the extent and under the circumstances specified in the Tax Act. Similar rules may apply where a Common Share is owned by a partnership or trust of which a corporation, partnership or trust is a member or a beneficiary.

Additional Refundable Tax

A Resident Holder that is throughout the relevant taxation year a Canadian-controlled private corporation (as defined in the Tax Act) may be liable to pay a refundable tax of 6 2/3% on its aggregate investment income (as defined in the Tax Act) for the year, including taxable capital gains realized on the disposition of Common Shares.

Holders Not Resident in Canada

This portion of the summary is generally applicable to a Holder who, at all relevant times, for purposes of the Tax Act: (i) is not, and is not deemed to be, resident in Canada; and (ii) does not use or hold the Common Shares in connection with carrying on a business in Canada (a **Non-Resident Holder**). This summary does not apply to a Non-Resident Holder that carries on, or is deemed to carry on, an insurance business in Canada and elsewhere and such holders should consult their own tax advisors.

Dividends

Dividends paid or credited or deemed under the Tax Act to be paid or credited by the Company to a Non- Resident Holder on the Common Shares will generally be subject to Canadian non-resident withholding tax at the rate of 25%, subject to any reduction in the rate of withholding to which the Non-Resident Holder is entitled under any applicable income tax convention between Canada and the country in which the Non-Resident Holder is resident. For example, where the Non-Resident Holder is a resident of the United States, is fully entitled to the benefits under the Canada-United States Income Tax Convention (1980) and is the beneficial owner of the dividends, the applicable rate of Canadian withholding tax is generally reduced to 15%.

Dispositions

A Non-Resident Holder will not be subject to tax under the Tax Act in respect of any capital gain realized on a disposition or deemed disposition of a Common Share unless the Common Share is or is deemed to be taxable Canadian property of the Non-Resident Holder for the purposes of the Tax Act and the Non-Resident Holder is not entitled to an exemption under an applicable income tax convention between Canada and the country in which the Non-Resident Holder is resident.

Generally, provided that the Common Shares are listed on a designated stock exchange for purposes of the Tax Act (which currently includes the TSX and the NASDAQ), the Common Shares will not be taxable Canadian property to a Non-Resident Shareholder unless (i) at any time during the 60-month period that ends at the time of the disposition of the Common Shares, the Non-Resident Holder, persons with whom the Non-Resident Holder

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did not deal at arm s length (within the meaning of the Tax Act), or any combination thereof, owned 25% or more of the issued shares of any class or series of the capital stock of the Company, and (ii) at such time, more than 50% of the fair market value of the Common Shares was derived directly or indirectly from one or any combination of (a) real or immovable property situated in Canada, (b) Canadian resource properties (as defined in the Tax Act), (c) timber resource properties (as defined in the Tax Act), or (d) options in respect of, or interests in, or, for civil law, rights in, any of the foregoing property, whether or not the property exists. Non-Resident Holders whose Common Shares may constitute taxable Canadian property should consult their own tax advisors.

United States Federal Income Tax Considerations

The following is a summary of the material U.S. federal income tax consequences to a U.S. Holder (as defined below) arising from and relating to the acquisition, ownership, and disposition of the Common Shares acquired pursuant to this Prospectus Supplement that hold such Common Shares as capital assets.

This summary provides only general information and does not purport to be a complete analysis or listing of all potential U.S. federal income tax consequences that may apply to a U.S. Holder as a result of the acquisition, ownership, and disposition of the Common Shares. In addition, this summary does not take into account the individual facts and circumstances of any particular U.S. Holder that may affect the U.S. federal income tax consequences applicable to such U.S. Holder. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any U.S. Holder. Each U.S. Holder should consult its own tax advisor regarding the U.S. federal, U.S. state and local, and non-U.S. tax consequences arising from or relating to the acquisition, ownership, and disposition of the Common Shares.

No legal opinion from U.S. legal counsel or ruling from the Internal Revenue Service (**IRS**) has been requested, or will be obtained, regarding the U.S. federal income tax consequences to U.S. Holders of the acquisition, ownership, and disposition of the Common Shares. This summary is not binding on the IRS, and the IRS is not precluded from taking a position that is different from, and contrary to, the positions taken in this summary. In addition, because the authorities on which this summary is based are subject to various interpretations, the IRS and the U.S. courts could disagree with one or more of the positions taken in this summary.

U.S. IRS Circular 230: To ensure compliance with IRS Circular 230, prospective investors are hereby notified that: (i) any discussion of U.S. federal tax issues in this Prospectus Supplement (including any attachments) is not intended or written to be relied upon, and cannot be relied upon, for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code of 1986, as amended (the Code); (ii) such discussion is written in connection with the promotion or marketing of the transactions or matters addressed herein; and (iii) each investor should seek advice based on its particular circumstances from its own tax advisor.

Scope of this Disclosure

Authorities

This summary is based on the Code, U.S. Treasury Regulations promulgated thereunder, published IRS rulings, judicial decisions, published administrative positions of the IRS, and the Convention between Canada and the United States of America with Respect to Taxes on Income and on Capital, signed September 26, 1980, as amended (the **Canada-U.S. Tax Treaty**), in each case, as in effect and available, as of the date of this Prospectus Supplement. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive basis. Unless otherwise discussed herein, this summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation or regulations.

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U.S. Holders

For purposes of this summary, a U.S. Holder is a beneficial owner of Common Shares that, for U.S. federal income tax purposes, is (a) an individual who is a citizen or resident of the U.S., (b) a corporation, or other entity classified as a corporation for U.S. federal income tax purposes, that is created or organized in or under the laws of the U.S., any state in the U.S. or the District of Columbia, (c) an estate if the income of such estate is subject to U.S. federal income tax regardless of the source of such income, or (d) a trust if (i) such trust has validly elected to be treated as a U.S. person for U.S. federal income tax purposes or (ii) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of such trust.

U.S. Holders Subject to Special U.S. Federal Income Tax Rules Not Addressed

This summary does not address the U.S. federal income tax consequences applicable to U.S. Holders that are subject to special provisions under the Code, including the following U.S. Holders: (a) U.S. Holders that are tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts; (b) U.S. Holders that are financial institutions, insurance companies, real estate investment trusts, or regulated investment companies; (c) U.S. Holders that are dealers in securities or currencies or U.S. Holders that are traders in securities that elect to apply a mark-to-market accounting method; (d) U.S. Holders that have a functional currency other than the U.S. dollar; (e) U.S. Holders subject to the alternative minimum tax provisions of the Code; (f) U.S. Holders that own the Common Shares as part of a straddle, hedging transaction, conversion transaction, integrated transaction, constructive sale, or other arrangement involving more than one position; (g) U.S. Holders that acquired the Common Shares through the exercise of employee stock options or otherwise as compensation for services; (h) U.S. Holders that hold the Common Shares other than as a capital asset within the meaning of Section 1221 of the Code; (i) U.S. Holders that beneficially own (directly, indirectly or by attribution) 10% or more of the Company s voting securities; and (j) U.S. expatriates. U.S. Holders that are subject to special provisions under the Code, including U.S. Holders described above, should consult their own tax advisor regarding the U.S. federal, U.S. state and local, and non-U.S. tax consequences arising from and relating to the acquisition, ownership, and disposition of the Common Shares.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds Common Shares, the U.S. federal income tax consequences to such partnership and the partners of such partnership generally will depend on the activities of the partnership and the status of such partners. Partners of entities that are classified as partnerships for U.S. federal income tax purposes should consult their own tax advisors regarding the U.S. federal income tax consequences arising from and relating to the acquisition, ownership and disposition of the Common Shares.

Tax Consequences Other than U.S. Federal Income Tax Consequences Not Addressed

This summary does not address the U.S. estate, state, local or non-U.S. tax consequences to U.S. Holders of the acquisition, ownership, and disposition of the Common Shares. Each U.S. Holder should consult its own tax advisor regarding the U.S. estate, state, local and foreign tax consequences arising from and relating to the acquisition, ownership, and disposition of the Common Shares.

U.S. Federal Income Tax Consequences of the Acquisition, Ownership, and Disposition of Common Shares

Distributions on Common Shares

Subject to the possible application of the passive foreign investment company (**PFIC**) rules described below (see more detailed discussion below at Passive Foreign Investment Company Rules), a U.S. Holder that receives a distribution, including a constructive distribution or a taxable stock distribution, with respect to the Common Shares generally will be required to include the amount of such distribution in gross income as a dividend (without reduction for any Canadian income tax withheld from such distribution) to the extent of the

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current or accumulated earnings and profits of the Company (as computed for U.S. federal income tax purposes). To the extent that a distribution exceeds the current and accumulated earnings and profits of the Company, such excess amount will be treated (a) first, as a tax-free return of capital to the extent of a U.S. Holder s adjusted tax basis in the Common Shares with respect to which the distribution is made (resulting in a corresponding reduction in the tax basis of such Common Shares) and, (b) thereafter, as gain from the sale or exchange of such Common Shares (see more detailed discussion at Disposition of Common Shares below). The Company does not intend to calculate its current or accumulated earnings and profits for U.S. federal income tax purposes and, therefore, will not be able to provide U.S. Holders with such information. U.S. Holders should consult their own tax advisors regarding whether distributions from the Company should be treated as dividends for U.S. federal income tax purposes. Dividends paid on the Common Shares generally will not be eligible for the dividends received deduction allowed to corporations under the Code with respect to dividends received from U.S. corporations.

Under current law, which is scheduled to expire on December 31, 2012 unless legislation providing otherwise is enacted, a dividend paid by the Company generally will be taxed at the preferential tax rates applicable to long-term capital gains if, among other requirements, (a) the Company is a qualified foreign corporation (as defined below), (b) the U.S. Holder receiving such dividend is an individual, estate, or trust, and (c) such dividend is paid on Common Shares that have been held by such U.S. Holder for at least 61 days during the 121-day period beginning 60 days before the ex-dividend date (i.e., the first date that a purchaser of such Common Shares will not be entitled to receive such dividend). Unless the preferential tax rate provision is extended or made permanent by subsequent legislation, for tax years beginning on or after January 1, 2013, dividends will be taxed at ordinary income rates.

For purposes of the rules described in the preceding paragraph, the Company generally will be a qualified foreign corporation (a **QFC**) if (a) the Company is eligible for the benefits of the Canada-U.S. Tax Treaty, or (b) the Common Shares are readily tradable on an established securities market in the U.S., within the meaning provided in the Code. However, even if the Company satisfies one or more of such requirements, it will not be treated as a QFC if it is classified as a PFIC (as discussed below) for the taxable year during which the Company pays the applicable dividend or for the preceding taxable year. The dividend rules are complex, and each U.S. Holder should consult its own tax advisor regarding the application of such rules to them in their particular circumstances.

The amount of a distribution paid in Canadian dollars will be equal to the U.S. dollar value of such currency on the date of receipt. If any Canadian dollars received with respect to the Common Shares are later converted into U.S. dollars, U.S. Holders may realize gain or loss on the conversion. Any gain or loss generally will be treated as ordinary income or loss and generally will be from sources within the U.S. for U.S. foreign tax credit purposes. **Each U.S. Holder should consult its own tax advisor concerning the possibility of foreign currency gain or loss if any such currency is not converted into U.S. dollars on the date of receipt.**

Disposition of Common Shares

Subject to the possible application of the PFIC rules described below (see more detailed discussion below at Passive Foreign Investment Company Rules), a U.S. Holder will recognize gain or loss on the sale or other taxable disposition of Common Shares (that is treated as a sale or exchange for U.S. federal income tax purposes) equal to the difference, if any, between (a) the U.S. dollar value of the amount realized on the date of such sale or disposition and (b) such U.S. Holder s adjusted tax basis (determined in U.S. dollars) in the Common Shares sold or otherwise disposed of. Any such gain or loss generally will be capital gain or loss, which will be long-term capital gain or loss if such Common Shares are held for more than one year. **Each U.S. Holder should consult its own tax advisor as to the tax treatment of dispositions of Common Shares in exchange for Canadian dollars.**

For taxable years beginning before January 1, 2013, preferential tax rates apply to long-term capital gains of a U.S. Holder that is an individual, estate, or trust. The special tax rate applicable to long-term capital gains is set

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to increase for taxable years beginning on or after January 1, 2013, unless legislation providing otherwise is enacted. There are currently no preferential tax rates for long-term capital gains of a U.S. Holder that is a corporation. Deductions for capital losses are subject to complex limitations.

Foreign Tax Credit

Subject to certain limitations, a U.S. Holder who pays (whether directly or through withholding) Canadian or other foreign income tax with respect to the Common Shares may be entitled, at the election of such U.S. Holder, to receive either a deduction or a credit for such Canadian or other foreign income tax paid. Dividends paid on Common Shares generally will constitute income from sources outside the United States. The foreign tax credit rules are complex, and each U.S. Holder should consult its own tax advisor regarding the foreign tax credit rules, having regard to such holder s particular circumstances.

Passive Foreign Investment Company Rules

Special, generally unfavorable, rules apply to the ownership and disposition of the stock of a PFIC. For U.S. federal income tax purposes, a foreign corporation is classified as a PFIC for each taxable year in which either:

- at least 75% of its gross income is passive income (referred to as the income test); or
- at least 50% of the average value of its assets is attributable to assets that produce passive income or are held for the production of passive income (referred to as the asset test).

Passive income includes the following types of income:

- dividends, royalties, rents, annuities, interest, and income equivalent to interest; and
- net gains from the sale or exchange of property that gives rise to dividends, interest, royalties, rents, or annuities and certain gains from the commodities transactions.

In determining whether it is a PFIC, the Company will be required to take into account a pro rata portion of the income and assets of each corporation in which it owns, directly or indirectly, at least 25% by value.

Based on the composition of its income and assets, the Company believes that it was not a PFIC for the taxable year ended February 29, 2012, and, based on the projected composition of its income and assets, the Company does not expect that it will be a PFIC for the current taxable year ending February 28, 2013. However, whether the Company is a PFIC depends on complex U.S. federal income tax rules whose application to the Company is uncertain. Further, since the PFIC status of the Company will depend upon the composition of its income and assets and the fair market value of its assets from time to time (including whether the Company owns, directly or indirectly, at least 25% by value, of the stock of any subsidiary) and generally cannot be determined until the end of a taxable year, there can be no assurance that the Company will not be a PFIC for the current taxable year. In addition, the Company cannot predict whether the composition of its income and assets (including income and assets held indirectly) or the fair market value of its assets from time to time may result in it being treated as a PFIC in any future taxable year. Accordingly, no assurance can be given that the Company will not become a PFIC in subsequent taxable years.

Generally, if the Company is or has been treated as a PFIC for any taxable year during a U.S. Holder s holding period of Common Shares, any excess distribution with respect to the Common Shares would be allocated rateably over the U.S. Holder s holding period. The amounts allocated to the taxable year of the excess distribution and to any year before the Company became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations in such taxable year, as appropriate, and an interest charge would be imposed on the amount allocated to that taxable year. Distributions made in respect of Common Shares during a taxable year will be excess distributions to the extent they exceed 125% of the average of the annual distributions on Common Shares received by the U.S. Holder during the preceding three taxable years or the U.S. Holder s holding period, whichever is shorter.

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Generally, if the Company is treated as a PFIC for any taxable year during which a U.S. Holder owns Common Shares, any gain on the disposition of the Common Shares would be treated as an excess distribution and would be allocated rateably over the U.S. Holder s holding period and subject to taxation in the same manner as described in the preceding paragraph.

Certain elections may be available (including a mark-to-market or qualified electing fund election) to U.S. Holders that may mitigate the adverse consequences resulting from PFIC status, particularly if they are made in the first taxable year during such holder s holding period in which the Company is treated as a PFIC.

If the Company were to be treated as a PFIC in any taxable year, a U.S. Holder may be required to file an annual report with the IRS containing such information as the U.S. Treasury Department may require.

Each U.S. Holder should consult its own tax advisor regarding the status of the Company as a PFIC, the possible effect of the PFIC rules to such holder and information reporting required if the Company were a PFIC, as well as the availability of any election that may be available to such holder to mitigate adverse U.S. federal income tax consequences of holding shares in a PFIC.

Information Reporting; Backup Withholding

Generally, information reporting and backup withholding will apply to distributions on the Common Shares and the payment of proceeds from the sale or other taxable disposition of the Common Shares unless (i) the U.S. Holder is a corporation or other exempt entity, or (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that such U.S. Holder is not subject to backup withholding.

Backup withholding is not an additional tax. Any amount withheld generally will be creditable against a U.S. Holder s U.S. federal income tax liability or refundable to the extent that it exceeds such liability provided the required information is provided to the IRS in a timely manner.

In addition, certain categories of U.S. Holders must file IRS Form 8938 with respect to certain specified foreign financial assets (such as the Common Shares) with an aggregate value in excess of US$50,000 (and, in some circumstances, a higher threshold). Failure to do so could result in substantial penalties and in the extension of the statute of limitations with respect to such holder s U.S. federal income tax returns. Each U.S. Holder should consult its own tax advisor regarding application of the information reporting and backup withholding rules to it.

Medicare Contribution Tax

For taxable years beginning after December 31, 2012, U.S. Holders that are individuals, estates or certain trusts generally will be subject to a 3.8% Medicare contribution tax on, among other things, dividends on, and capital gains from the sale or other taxable disposition of, the Common Shares, subject to certain limitations and exceptions. Each U.S. Holder should consult its own tax advisor regarding possible application of this additional tax to income earned in connection with an investment in the Common Shares.

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PLAN OF DISTRIBUTION

General

Under the terms and subject to the conditions of the Underwriting Agreement, the Underwriters named below, for whom the Joint Book-Running Managers are acting as representatives, have severally (and not jointly nor jointly and severally) agreed to purchase, and the Company has agreed to sell to them, the number of Common Shares indicated in the following table at the Offering Price, payable in cash to the Company against delivery of such Common Shares on the Closing Date:

Underwriter	Number of Common Shares
RBC Dominion Securities Inc.	3,228,529
JMP Securities LLC	3,228,529
Byron Capital Markets Ltd.	860,942
Total	**7,318,000**

The Underwriting Agreement provides that the obligations of the Underwriters to purchase the Common Shares included in this Offering may be terminated upon the occurrence of certain stated events. The Underwriters are obligated to purchase all the Common Shares (other than those covered by the Over-Allotment Option described below), subject to prior sale, if, as and when issued to and accepted by them, subject to approval of certain legal matters, including the conditions contained in the Underwriting Agreement.

The Offering is being made concurrently in the United States and in the Provinces of Québec, Ontario, Manitoba, Alberta and British Columbia pursuant to the multi-jurisdictional disclosure system implemented by the SEC and the securities regulatory authorities in Canada. The Common Shares will be offered in the United States and Canada through the Underwriters either directly or through their respective United States or Canadian broker-dealer affiliates or agents, as applicable. No Common Shares will be offered or sold in any jurisdiction except by or through brokers or dealers duly registered under the applicable securities laws of that jurisdiction, or in circumstances where an exemption from such registered dealer requirements is available.

The Offering Price of the Common Shares for all investors will be payable in United States dollars, unless the Underwriters otherwise agree. All of the proceeds of the Offering will be paid to the Company by the Underwriters in United States dollars.

The accompanying Prospectus as supplemented by this Prospectus Supplement in electronic format may be made available on websites or through other online services maintained by one or more of the Underwriters or by their respective affiliates. Other than the Prospectus in electronic format, the information on any Underwriter s website and any information contained in any other website maintained by any underwriter or its affiliates is not part of the Prospectus or registration statement of which this Prospectus Supplement forms a part, has not been approved and/or endorsed by the Company or the Underwriters and should not be relied upon by investors.

Over-Allotment Option

The Company has granted to the Underwriters the Over-Allotment Option, exercisable in whole or in part at any time until 30 days from the date of the Closing Date, to purchase up to 1,097,700 additional Common Shares at the Offering Price less the Underwriters commission. The Underwriters may exercise the Over-Allotment Option solely for the purpose of covering over-allotments, if any, and for market stabilization purposes in connection with this Offering. To the extent the Over-Allotment Option is exercised, each Underwriter must purchase a number of additional Common Shares proportionate to that Underwriter s initial purchase commitment. Under applicable Canadian securities laws, this Prospectus Supplement and the accompanying Prospectus also qualify the grant of the Over-Allotment Option and the distribution of the additional Common Shares issuable on exercise of the Over-Allotment Option. A purchaser who acquires Common Shares forming part of the

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Underwriters over-allocation position acquires those Common Shares under this Prospectus Supplement, regardless of whether the Underwriters over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchasers.

Underwriters Commission

The Company has agreed to pay a cash fee to the Underwriters in the amount equal to 6.0% (US$0.246 per Common Share sold) of the gross proceeds of the sale of the Common Shares, including gross proceeds realized on the sale of Common Shares issuable upon exercise of the Over-Allotment Option, if any. The Underwriters propose to offer the Common Shares initially at the price specified on the cover of this Prospectus Supplement. After the Underwriters have made a reasonable effort to sell all of the Common Shares at the price specified on the cover page, the price may be decreased and may be further changed from time to time to an amount not greater than that set out on the cover page, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Common Shares is less than the gross proceeds paid by the Underwriters to the Company.

In addition, Roth Capital Partners, LLC (**Roth**) has acted as financial advisor to the Company in consideration for a fee of US$100,000 (the **Roth Fee**). The Underwriters shall pay the Roth Fee to Roth out of aggregate Underwriters commission received by the Underwriters on the Closing Date.

Price Stabilization and Short Positions

Until the distribution of the Common Shares is completed, SEC rules may limit the Underwriters from bidding for and purchasing Common Shares. However, the Underwriters may engage in transactions that stabilize, maintain or otherwise affect the market price of the Common Shares, such as bids or purchases to peg, fix or maintain that price in accordance with Regulation M under the U.S. Exchange Act.

Pursuant to rules and policy statements of certain Canadian provincial securities regulatory authorities, the Underwriters may not, at any time during the period ending on the date the selling process for the Common Shares ends and all stabilization arrangements relating to the Common Shares are terminated, bid for or purchase Common Shares for their own account or for accounts over which they exercise control or direction. The foregoing restrictions are subject to certain exceptions, on the condition that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Common Shares. These exceptions include bids or purchases permitted under the Universal Market Integrity Rules for Canadian Marketplaces administered by the Investment Industry Regulatory Organization of Canada relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Subject to the foregoing, in connection with this Offering, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Common Shares at levels which might not prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

If the Underwriters create a short position in the Common Shares in connection with the Offering (i.e., if they sell more Common Shares than are listed on the cover of this Prospectus Supplement), the Underwriters may reduce that short position by purchasing Common Shares in the open market. A short sale is covered if the short position is no greater than the number of Common Shares available for purchase by the Underwriters under the Over-Allotment Option. The Underwriters can close out a covered short sale by exercising the Over-Allotment Option or purchasing Common Shares in the open market. In determining the source of Common shares to close out a covered short sale, the Underwriters will consider, among other things, the open market price of the Common Shares compared to the price available under the Over-Allotment Option. The Underwriters may also sell Common Shares in excess of the Over-Allotment Option, creating a naked short position. The Underwriters must close out any naked short position by purchasing Common Shares in the open market. A naked short position is more likely to be created if the Underwriters are concerned that there may be downward pressure on the price of the Common Shares in the open market after pricing that could adversely affect investors who purchase in the offering. Purchases of Common Shares to stabilize the price or to reduce a short position may cause the price of the Common Shares to be higher than it might otherwise be in the absence of such purchases. No representation is made as to the magnitude or effect of any such stabilization or other activities. The Underwriters are not required to engage in these activities.

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Lock Up Arrangements

Pursuant to the Underwriting Agreement, the Company has agreed, subject to certain exceptions, not to directly or indirectly issue or agree to issue any Common Shares or securities or other financial instruments convertible into or having the right to acquire Common Shares, or disclose to the public any intention to do so, for a period from the date of the Underwriting Agreement until 90 days following the Closing Date without the prior written consent of the Underwriters, which consent will not be unreasonably withheld. In addition, the Company shall procure agreements from its officers and directors prior to closing of the Offering, pursuant to which each such officer and director will agree, subject to certain exceptions, not to sell or agree to sell any Common Shares or securities or other financial instruments convertible into or having the right to acquire Common Shares, or to disclose to the public any intention to do so, for a period from the date of the Underwriting Agreement until 90 days following the Closing Date without the prior written consent of the Underwriters, which consent will not be unreasonably withheld.

Indemnity and Contribution

The Company has agreed to indemnify the Underwriters, and certain related parties, against certain liabilities and expenses and to contribute to payments that the Underwriters may be required to make in respect thereof that are directly or indirectly based on or resulting from the Offering.

Stock Exchange Listing

The Common Shares are listed on the TSX and the NASDAQ. The Company has applied to list the Common Shares distributed under this Prospectus Supplement on the TSX and NASDAQ. Listing will be subject to the Company fulfilling all of the listing requirements of the TSX and NASDAQ.

Selling Restrictions Outside of Canada and the United States

Other than in the United States and the Provinces of Québec, Ontario, Manitoba, Alberta and British Columbia, no action has been taken by the Company or the Underwriters that would permit a public offering of the Common Shares offered by this Prospectus Supplement in any jurisdiction where action for that purpose is required. The Common Shares offered by this Prospectus Supplement may not be offered or sold, directly or indirectly, nor may this Prospectus Supplement or any other offering material or advertisements in connection with the offer and sale of any Common Shares be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this Prospectus Supplement comes are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this Prospectus Supplement. This Prospectus Supplement does not constitute an offer to sell or a solicitation of an offer to buy any Common Shares offered by this Prospectus Supplement in any jurisdiction in which such an offer or a solicitation is unlawful.

Relationships with the Company

Certain of the Underwriters or their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory, investment banking or commodities trading services for the Company for which they received or will receive customary fees and expenses.

We expect that delivery of the common shares will be made against payment therefor on or about the fifth business day following the date of pricing of the common shares (this settlement cycle being referred to as

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T+5). Under Rule 15c6-1 of the U.S. Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the common shares on the trade date will be required, by virtue of the fact that each common share initially will settle in five business days (T+5), to specify alternative settlement arrangements to prevent a failed settlement.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment, irrespective of the determination at a later date of the purchase price of the securities distributed if offered on a non-fixed price basis. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus, the accompanying prospectus supplement relating to securities purchased by a purchaser and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser s province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser s province for the particulars of these rights or consult with a legal advisor. Rights and remedies may also be available to purchasers under U.S. laws. Purchasers may wish to consult with a U.S. lawyer for particulars of these rights.

WHERE YOU CAN FIND MORE INFORMATION

The Company has filed with the SEC a registration statement on Form F-10 relating to the securities described in this Prospectus Supplement and the accompanying Prospectus. This Prospectus Supplement, which constitutes a part of the registration statement, does not contain all of the information contained in the registration statement, certain items of which are contained in the exhibits to the registration statement as permitted by the rules and regulations of the SEC. Statements included or incorporated by reference in this Prospectus Supplement about the contents of any contract, agreement or other documents referred to are not necessarily complete, and in each instance, you should refer to the exhibits for a more complete description of the matter involved. Each such statement is qualified in its entirety by such reference.

The Company is required to file with the securities commission or authority in each of the applicable provinces of Canada annual and quarterly reports, material change reports and other information. In addition, the Company is subject to the informational requirements of the U.S. Securities Exchange Act of 1934, as amended (the **U.S Exchange Act**), and, in accordance with the U.S. Exchange Act, the Company also files reports with, and furnishes other information to, the SEC. Under a multijurisdictional disclosure system adopted by the United States, such reports and other information (including financial information) may be prepared in accordance with the disclosure requirements of Canada, which differ in certain respects from those in the United States. As a foreign private issuer, the Company is exempt from the rules under the U.S. Exchange Act prescribing the filing and content of proxy statements, and Neptune s officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the U.S. Exchange Act. In addition, the Company may not be required to publish financial statements as promptly as U.S. companies.

You may read any document the Company files with or furnishes to the securities commissions and authorities of the provinces of Canada through SEDAR and any document the Company files with or furnishes to the SEC at the SEC s public reference room at Station Place, 100 F Street, N.E., Washington, D.C. 20549. You may also obtain copies of the same documents from the public reference room of the SEC at 450 Fifth Street, N.W., Washington D.C. 20549 by paying a fee. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. The SEC maintains an Internet site at www.sec.gov/edgar.shtml that contains

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reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC and the Company s SEC filings are also available at such website. This website address is included in this document as an inactive textual reference only.

LEGAL MATTERS

Certain legal matters relating to the Offering and to the Common Shares to be distributed pursuant to this Prospectus Supplement will be passed upon on our behalf by Osler, Hoskin & Harcourt LLP, our Canadian and U.S. counsel, and on behalf of the Underwriters by Stikeman Elliott LLP, with respect to Canadian legal matters, and by Morrison & Foerster LLP, with respect to U.S. legal matters. As of the date of this Prospectus Supplement, the partners and associates of each of (i) Osler, Hoskin & Harcourt LLP, (ii) Stikeman Elliott LLP and (iii) Morrison & Foerster LLP, beneficially own, directly or indirectly, less than 1% of outstanding securities of any class issued by the Company.

AUDITORS, REGISTRAR AND TRANSFER AGENT

The Company s independent auditors are KPMG LLP, Chartered Professional Accountants (**KPMG**), 1500-600 de Maisonneuve Boulevard West, Montréal, Québec, Canada, H3A 0A3. KPMG is independent with respect to the Company within the rules of the Code of Ethics of the Chartered Professional Accountants of Québec. The audited consolidated financial statements of the Company as at February 29, 2012, February 28, 2011 and March 1, 2010, and for the years ended February 29, 2012 and February 28, 2011 incorporated in this Prospectus Supplement by reference, have been audited by KPMG as stated in their report, which is incorporated herein by reference.

The transfer agent and registrar for the Common Shares in Canada is Computershare Investor Services Inc. at its principal offices in Montréal, Québec. The co-transfer agent and registrar for the Common Shares in the United States is Computershare Trust Company, N.A. at its office in Denver, Colorado.

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No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

This short form prospectus has been filed under legislation in securities regulatory authorities in the provinces of Québec, Ontario, Manitoba, Alberta and British Columbia that permits certain information about these securities to be determined after this prospectus has become final and that permits the omission from this prospectus of that information. The legislation requires the delivery to purchasers of a prospectus supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities.

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. *Copies of the documents incorporated herein by reference may be obtained on request without charge from the secretary of Neptune Technologies & Bioressources Inc. at 225, Promenade du Centropolis, Suite 200, Laval, Québec, H7T 0B3, telephone: 1 888 664-9166 and are also available electronically at www.sedar.com.*

Short Form Base Shelf Prospectus

New Issue September 19, 2012

Neptune Technologies & Bioressources Inc.

US$100,000,000

Common Shares

Warrants

Units

Neptune Technologies & Bioressources Inc. (**we** , **us** , **our** , **Neptune** or the **Company**) may offer and issue from time to time common shares the Company (**Common Shares**), warrants to purchase Common Shares (**Warrants**), any combination of Common Shares and Warrants (**Units**) or any combination thereof (all of the foregoing collectively, the **Securities**) up to an aggregate initial offering price of US$100,000,000 (or the equivalent thereof if the Securities are denominated in any other currency or currency unit) during the 25-month period that this short form base shelf prospectus (the **Prospectus**), including any amendments hereto, remains effective. Securities may be offered in amounts, at prices and on terms to be determined based on market conditions at the time of sale and set forth in one or more accompanying prospectus supplements (collectively or individually, as the case may be, a **Prospectus Supplement**).

All information permitted under applicable laws to be omitted from this Prospectus will be contained in one or more Prospectus Supplements that will be delivered to purchasers together with this Prospectus. Each Prospectus Supplement will be incorporated by reference into this Prospectus for the purposes of securities legislation as of the date of the Prospectus Supplement and only for the purposes of the distribution of the Securities to which the Prospectus Supplement pertains.

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The outstanding Common Shares are listed and posted for trading on the Toronto Stock Exchange (**TSX**) under the symbol NTB and on The Nasdaq Stock Market (**NASDAQ**) under the symbol NEPT . Unless otherwise specified in the applicable Prospectus Supplement, Securities other than Common Shares will not be listed on any securities exchange. **There is no market through which the Securities, other than the Common Shares, may be sold and purchasers may not be able to resell such Securities purchased under this Prospectus and any applicable Prospectus Supplement. This may affect the pricing of such Securities in the secondary market, the transparency and availability of trading prices, the liquidity of the Securities, and the extent of issuer regulation. See Risk Factors .** Certain legal matters related to the offering of Securities hereunder will be passed upon by Osler, Hoskin & Harcourt LLP with respect to Canadian and U.S. legal matters.

Investing in the Securities involves significant risks. Investors should carefully read the Risk Factors section in this Prospectus beginning on page 23, in the documents incorporated by reference herein and in the applicable Prospectus Supplement.

This offering is made by a Canadian issuer that is permitted, under a multijurisdictional disclosure system (MJDS) adopted by the United States and Canada, to prepare this Prospectus in accordance with Canadian disclosure requirements. Investors should be aware that such requirements are different from those of the United States. The annual and interim financial statements incorporated herein have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and are subject to Canadian auditing and auditor independence standards and thus may not be comparable to financial statements of United States companies.

The enforcement by investors of civil liabilities under United States federal securities laws may be affected adversely by the fact that we are incorporated or organized under the laws of Canada, that some or all of the Company s officers and directors are residents of Canada, that all or a substantial portion of the Company s assets and all or a substantial portion of the assets of said persons are located outside the United States and that some or all of the underwriters or experts identified herein or in any Prospectus Supplement may be residents of Canada.

THE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (SEC) NOR HAS THE SECURITIES COMMISSION OF ANY STATE OF THE UNITED STATES OR ANY CANADIAN SECURITIES REGULATOR APPROVED OR DISAPPROVED THESE SECURITIES OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The specific terms of the Securities with respect to a particular offering will be set out in the applicable Prospectus Supplement and may include, where applicable: (i) in the case of Common Shares, the number of shares offered, the offering price, the currency and any other terms specific to the Common Shares being offered; (ii) in the case of Warrants, the designation, number and terms of the Common Shares issuable upon exercise of the Warrants, the offering price, the currency, any procedures that will result in the adjustment of these numbers, the exercise price, dates and periods of exercise, and any other terms specific to the Warrants being offered, and (iii) in the case of Units, the designation, number of Common Shares and Warrants comprising the Units, the offering price, the currency and any other terms specific to the Units being offered. A Prospectus Supplement may include specific terms pertaining to the Securities that are not within the alternatives and parameters set forth in this Prospectus. Where required by statute, regulation or policy, and where Securities are offered in currencies other than Canadian dollars, appropriate disclosure of foreign exchange rates applicable to the Securities will be included in the Prospectus Supplement describing the Securities.

Prospective investors should be aware that the acquisition of the Securities described herein may have tax consequences both in the United States and Canada. This Prospectus does not discuss U.S. or Canadian

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tax consequences and any applicable Prospectus Supplement may not describe these tax consequences fully. Prospective investors should read the tax discussion in any applicable Prospectus Supplement.

No underwriter has been involved in the preparation of this Prospectus nor has any underwriter performed any review of the contents of this Prospectus.

This Prospectus constitutes a public offering of Securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell the Securities. The Company may offer and sell Securities to, or through, underwriters and also may offer and sell certain Securities directly to other purchasers or through agents pursuant to exemptions from registration or qualification under applicable securities laws. A Prospectus Supplement relating to each issue of Securities offered thereby will set forth the names of any underwriters or agents involved in the offering and sale of the Securities and will set forth the terms of the offering of the Securities, the method of distribution of the Securities including, to the extent applicable, the proceeds to the Company and any fees, discounts or any other compensation payable to underwriters or agents and any other material terms of the plan of distribution.

In connection with any offering of the Securities (unless otherwise specified in a Prospectus Supplement), the underwriters or agents may over-allot or effect transactions which stabilize or maintain the market price of the Securities offered at a higher level than that which might exist in the open market. Such transactions, if commenced, may be interrupted or discontinued at any time. See Plan of Distribution .

Our head and registered office is located at 225, Promenade du Centropolis, Suite 200, Laval, Québec, Canada, H7T 0B3.

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ABOUT THIS PROSPECTUS

The Company is subject to the information requirements of the United States Securities Exchange Act of 1934, as amended, or the U.S. Exchange Act, and applicable Canadian securities legislation, and in accordance therewith files reports and other information with the SEC and with the securities regulators in Canada. Under a multijurisdictional disclosure system adopted by the United States and Canada, documents and other information that the Company files with the SEC may be prepared in accordance with the disclosure requirements of Canada, which are different from those of the United States. As a foreign private issuer, the Company is exempt from the rules under the U.S. Exchange Act prescribing the filing, delivery and content of proxy statements, and its officers, directors and principal shareholders are exempt from the insider reporting and short-swing profit recovery provisions contained in Section 16 of the U.S. Exchange Act. In addition, the Company may not be required to publish financial statements as promptly as a comparable U.S. company.

You may read any document that the Company has filed with the SEC at the SEC s public reference room in Washington, D.C. You may also obtain copies of those documents from the public reference room of the SEC at 100 F Street, N.E., Washington, D.C. 20549 by paying a fee. You should call the SEC at 1-800-SEC-0330 or access its website at www.sec.gov for further information about the public reference room. You may read and download some of the documents the Company has filed with the SEC s Electronic Data Gathering and Retrieval (EDGAR) system at www.sec.gov/edgar.shtml. You may read and download any public document that the Company has filed with the Canadian securities regulatory authorities at www.sedar.com.

This Prospectus and the documents incorporated by reference contain company names, product names, trade names, trademarks and service marks of Neptune and other organizations, all of which are the property of their respective owners.

Market data and industry forecasts in or incorporated by reference into this Prospectus were obtained from various publications. Although we believe that these independent sources are generally reliable, the accuracy and completeness of such information is not guaranteed and has not been independently verified.

In this Prospectus and in any Prospectus Supplement, unless the context otherwise requires, references to Neptune , the Company , we , us , our similar terms refer to Neptune Technologies & Bioressources Inc. and its subsidiaries, references to Acasti refer to Acasti Pharma Inc. and references to NeuroBio refer to NeuroBioPharm Inc.

EXCHANGE RATE INFORMATION

The financial information of the Company contained in the documents incorporated by reference herein are presented in Canadian dollars. All references in this Prospectus to dollars , CDN$ and $ refer to Canadian dollars, and references to US$ refer to United States dollars, unless otherwise expressly stated. Potential purchasers should be aware that foreign exchange rate fluctuations are likely to occur from time to time and that the Company does not make any representation with respect to future currency values. Investors should consult their own advisors with respect to the potential risk of currency fluctuations.

The following table sets forth (i) the rate of exchange for the Canadian dollar, expressed in United States dollars, in effect at the end of the periods indicated; (ii) the average exchange rates for the Canadian dollar expressed in United States dollars, on the last day of each month during such periods; and (iii) the high and low exchange rates for the Canadian dollar, expressed in United States dollars, during such periods, each based on the noon rate of exchange as reported by the Bank of Canada for conversion of Canadian dollars into United States dollars:

	Three-month period ended May 31, 2012	Fiscal Year Ended February 29/28 2012	2011
Rate at the end of period	0.9663	1.0136	1.0268
Average rate during period	1.0012	1.0084	0.9802
Highest rate during period	1.0197	1.0583	1.0268
Lowest rate during period	0.9663	0.9430	0.9278

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On September 18, 2012, the closing exchange rate for the Canadian dollar, expressed in United States dollars, as quoted by the Bank of Canada, was CDN$1.00 = US$1.0261.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus contains certain information that may constitute forward-looking information within the meaning of Canadian securities laws and forward-looking statements within the meaning of U.S. federal securities laws, both of which we refer to as forward-looking information. Forward-looking information can be identified by the use of terms such as may , will , should , expect , plan , anticipate , believe , intend predict , potential , continue or other similar expressions concerning matters that are not statements about the present or historical facts. Forward-looking statements in this Prospectus include, but are not limited to, statements about:

- Neptune s ability, and the ability of its distribution partners, to continue to successfully commercialize Neptune Krill Oil (NKO®) and ECOKRILL Oil (EKO), and the ability of Neptune s subsidiaries, Acasti and NeuroBio, to commercialize other product candidates in the United States, Canada and internationally;

- plans of Neptune s subsidiaries, Acasti and NeuroBio, to conduct new clinical trials for product candidates, including the timing and results of these clinical trials;

- the timing and cost of completion of the expansion project of Neptune s manufacturing facility in Sherbrooke, Québec, and the amount of increased production capacity for krill oil at the expanded facility;

- *Neptune s ability to maintain and defend its intellectual property rights in NKO® and EKO and in its product candidates*;

- Neptune s estimates of the size of the potential markets for NKO® and EKO and its product candidates and the rate and degree of market acceptance of EKO and NKO® and its product candidates;

- the benefits of NKO® and EKO and its product candidates as compared to others products in the nutraceutical and pharmaceutical markets; and

- Neptune s expectations regarding its financial performance, including its revenues, expenses, gross margins, liquidity, capital resources and capital expenditures.

Although the forward-looking information is based upon what we believe are reasonable assumptions, no person should place undue reliance on such information since actual results may vary materially from the forward-looking information.

In addition, the forward-looking information is subject to a number of known and unknown risks, uncertainties and other factors, including those described in this Prospectus under the heading Risk Factors and any applicable Prospectus Supplement, many of which are beyond our control, that could cause actual results and developments to differ materially from those that are disclosed in or implied by the forward-looking information, including, without limitation:

- the Company s history of net losses and inability to achieve profitability;

the successful commercialization of NKO® and EKO ;

changes in regulatory requirements and interpretations of regulatory requirements;

the Company s reliance on third parties for the manufacture, supply and distribution of its products and for the supply of raw materials;

the Company s reliance on a limited number of distributors;

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the Company s ability to manage its growth efficiently;

the Company s ability to further penetrate core or new markets;

the Company s dependence on a single manufacturing facility;

the Company s ability to attract and retain skilled labor;

the Company s ability to attract, hire and retain key management and personnel;

the success of current and future clinical trials by the Company and its subsidiaries;

the Company s ability to achieve its publicly announced milestones on time;

product liability lawsuits brought against the Company and its subsidiaries;

intense competition from other companies in the pharmaceutical and nutraceutical industry;

the Company s ability to secure and defend its intellectual property rights; and

the fact that the Company does not currently intend to pay any cash dividends on its common shares in the foreseeable future.

Consequently, all the forward-looking information is qualified by this cautionary statement and there can be no guarantee that the results or developments that we anticipate will be realized or, even if substantially realized, that they will have the expected consequences or effects on our business, financial condition or results of operations. Accordingly, you should not place undue reliance on the forward-looking information. Except as required by applicable law, Neptune does not undertake to update or amend any forward-looking information, whether as a result of new information, future events or otherwise. These forward-looking statements are made as of the date of this Prospectus.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference into this Prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the secretary of Neptune at 225, Promenade du Centropolis, Suite 200, Laval, Québec, H7T 0B3, telephone: 1-888-664-9166. These documents are also available through the internet on SEDAR, which can be accessed online at www.sedar.com, and on EDGAR, which can be accessed at www.sec.gov/edgar.shtml.

The following documents, filed by Neptune with the securities commissions or similar authorities in the provinces of Québec, Ontario, Manitoba, Alberta and British Columbia, and as amended from time to time, are specifically incorporated by reference into, and form an integral part of, this Prospectus:

(a) revised annual information form of the Company dated September 11, 2012 for the fiscal year ended February 29, 2012 (the Annual Information Form);

(b) audited consolidated financial statements as at February 29, 2012, February 28, 2011 and March 1, 2010 and for the years ended February 29, 2012 and February 28, 2011, together with the notes thereto and the auditors report thereon, and with the management s discussion and analysis thereon;

(c) management information circular of the Company dated May 18, 2012 prepared in connection with the Company s annual meeting of shareholders held on June 21, 2012; and

(d) unaudited consolidated interim financial statements of the Company as at May 31, 2012 and for the three-month periods ended May 31, 2012 and 2011 (with the exception of the notice on the page preceding page 1 of such financial statements stating: These interim financial statements have not been reviewed by an auditor.), and with the management s discussion and analysis thereon.

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Any annual information form, annual or quarterly financial statements, annual or quarterly management s discussion and analysis, management proxy circular, material change report (excluding confidential material change reports), business acquisition report, information circular or other disclosure document required to be incorporated by reference into a prospectus filed under National Instrument 44-101- *Short Form Prospectus Distributions* filed by Neptune with the securities commissions or similar authorities in Canada after the date of this Prospectus and prior to 25 months from the date hereof shall be deemed to be incorporated by reference into this Prospectus.

In addition, to the extent that any document or information incorporated by reference into this Prospectus pursuant to the foregoing paragraph is also included in any report filed with or furnished to the SEC by Neptune on Form 6-K or on Form 40-F (or any respective successor form) after the date of this Prospectus, it shall be deemed to be incorporated by reference as an exhibit to the registration statement of which this Prospectus forms a part. Further, we may incorporate by reference into the registration statement of which this Prospectus forms a part, any report on Form 6-K furnished to the SEC, including the exhibits thereto, if and to the extent provided in such report.

A Prospectus Supplement containing the specific terms of any offering of our securities will be delivered to purchasers of our securities together with this Prospectus and will be deemed to be incorporated by reference in this Prospectus as of the date of the Prospectus Supplement and only for the purposes of the offering of our securities to which that Prospectus Supplement pertains.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Prospectus to the extent that a statement contained herein, or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein, modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified shall not constitute a part of this Prospectus except as so modified. Any statement so superseded shall not constitute a part of this Prospectus.

Upon a new annual information form and the related annual audited comparative financial statements and accompanying management s discussion and analysis being filed with and, where required, accepted by, the securities commissions or similar authorities in Canada during the currency of this Prospectus, the previous annual information form, the previous annual audited comparative financial statements and accompanying management s discussion and analysis and all interim financial statements and accompanying management s discussion and analysis, and all material change reports, information circulars and business acquisition reports filed prior to the commencement of the then current fiscal year, will be deemed no longer to be incorporated into this Prospectus for purposes of future offers and sales of Securities hereunder. Upon an interim financial statement and accompanying management s discussion and analysis being filed by Neptune with and, where required, accepted by, the securities commissions or similar authorities in Canada during the currency of this Prospectus, all interim financial statements and accompanying management s discussion and analysis filed prior to the new interim financial statement shall be deemed no longer to be incorporated into this Prospectus for purposes of future offers and sales of Securities hereunder.

CORPORATE STRUCTURE

Company Overview

Neptune was incorporated on October 9, 1998 pursuant to a certificate of incorporation issued under Part 1A of the *Companies Act* (Québec). On February 14, 2011, the *Business Corporations Act* (Québec) came into effect and replaced the *Companies Act* (Québec). Neptune is now governed by the *Business Corporations Act* (Québec).

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On May 30, 2000, the articles of the Company were amended in order to proceed with the restructuring of the Company s capital stock and to convert its then issued and outstanding shares into newly-created classes of shares. The Company s articles were also amended on May 31, 2000 to create Series A Preferred Shares. On August 29, 2000, the Company converted all its issued and outstanding Class A shares into Class B subordinate shares. On September 25, 2000, the Company further amended its share capital to eliminate its Class A shares and converted its Class B subordinate shares into Common Shares. On May 11, 2001, the Company amended its articles of incorporation to repeal the restrictions with respect to closed companies.

Neptune s head office and registered office is located at 225, Promenade du Centropolis, Suite 200, Laval, Québec, Canada, H7T 0B3. The Company s website address is www.neptunebiotech.com. The Company is also the owner of the websites www.mynko.com and www.neptunekrilloil.com.

Intercorporate Relationships

Neptune has two wholly-owned subsidiaries, Neptune Technologies & Bioressources USA Inc., or Neptune USA, and Neptune Technologies & Bioressources Hong Kong Limited, or Neptune Hong Kong, and two majority-owned subsidiaries, Acasti and NeuroBio. As of the date of this Prospectus, Neptune owns 57% of the voting rights attached to the securities of Acasti and 99% of the voting rights attached to the securities of NeuroBio. See Corporate Structure - Corporate Structure Diagram .

Acasti was incorporated on February 1, 2002 pursuant to a certificate of incorporation issued under Part 1A of the *Companies Act* (Québec) under the name 9113-0310 Québec Inc. and, prior to its partial spin-off in 2008, was a wholly-owned subsidiary of Neptune. The common shares of Acasti are listed and posted for trading on the TSX Venture Exchange under the symbol APO . Acasti is a company involved in the pharmaceutical industry.

NeuroBio was incorporated on October 15, 2008 pursuant to a certificate of incorporation issued under Part 1A of the *Companies Act* (Québec) under the name Neurovimer Pharma Inc. NeuroBio is also a company involved in the pharmaceutical industry.

Neptune USA was incorporated on June 1, 2006 under the laws of the State of Delaware and Neptune Hong Kong was incorporated on May 3, 2012 under the laws of Hong Kong. Neptune USA and Neptune Hong Kong do not carry on an active business at this time.

Corporate Structure Diagram

Note:

(1) Following the payment of the dividend in-kind on October 31, 2012 as described below, it is expected that Neptune will control approximately 96% of the voting rights attached to the securities of NeuroBio in the aggregate.

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As of the date of this Prospectus, Neptune owns 41,381,333 Class A shares (common shares) of Acasti, representing approximately 57% of Class A shares (common shares) issued and outstanding of Acasti and 57% of the voting rights attached to the securities of Acasti. Acasti Class A shares (common shares) are voting, participating and with no par value.

As of the date of this Prospectus, Neptune holds 99% of the voting rights attached to the securities of NeuroBio through the holding of 8,500,990 Class A subordinate voting shares of NeuroBio, representing 99.99% of Class A subordinate voting shares issued and outstanding, 2,475,000 Class B multiple voting shares of NeuroBio, representing 99% of Class B multiple voting shares issued and outstanding, 17,325,000 Class G non-voting shares of NeuroBio, representing 99% of Class G non-voting shares issued and outstanding, and 25,740,000 Class H subordinate voting shares of NeuroBio, representing 99% of Class H subordinate voting shares issued and outstanding. As of the date of this Prospectus, Neptune also holds warrants of NeuroBio, namely 5,940,000 Series 2011-1 warrants, 1,885,574 Series 2011-2 warrants and 46,246 Series 2011-3 warrants to purchase 7,871,820 Class A subordinate voting shares of NeuroBio.

On September 5, 2012, a prospectus qualifying the distribution of 2,000,000 Class A subordinate voting shares and 4,000,000 Series 2011-1 warrants of NeuroBio held by Neptune by way of a dividend-in-kind was filed with Canadian securities regulatory authorities. Following the payment of the dividend on October 31, 2012 to holders of record of Neptune s common shares at the close of business on October 15, 2012, it is expected that Neptune will control approximately 96% of the voting rights attached to the securities of NeuroBio in the aggregate and that its holding of Class A subordinate voting shares of NeuroBio will be reduced to 6,500,990 Class A subordinate voting shares, representing approximately 76% of the Class A subordinate voting shares issued and outstanding. Neptune s holding of Series 2011-1 warrants will also be reduced to 1,940,000 Series 2011-1 warrants following the distribution of the dividend, representing approximately 32.33% of the Series 2011-1 warrants issued and outstanding.

BUSINESS OF THE COMPANY

Overview

Neptune is a biotechnology company engaged primarily in the development, manufacture and commercialization of marine-derived omega-3 polyunsaturated fatty acids, or PUFAs. Neptune produces omega-3 PUFAs through its patented process of extracting oils from Antarctic krill, which omega-3 PUFAs are then principally sold as bulk oil to Neptune s distributors who commercialize them under their private label primarily in the U.S., European and Australian nutraceutical markets. Neptune s lead products, Neptune Krill Oil (NKO®) and ECOKRILL Oil (EKO), generally come in capsule form and serve as a dietary supplement to consumers.

Having commenced commercial krill oil production in 2002, Neptune pioneered the commercialization of omega-3 PUFAs extracted from krill for human health maintenance and it now continues to further progress its product development based on its proprietary technology. We believe that our ability to provide a safe and effective product is a key factor in building and sustaining our credibility with our distribution partners. In fiscal year 2012, we produced 130,000 kilograms of krill oil, which at the time was our maximum capacity of production at our manufacturing facility. We are in the process of completing an expansion of our facility that, when completed, is expected to enable us to produce approximately 300,000 kilograms of krill oil annually. We believe this increase in production capacity will help position us to meet growing market demand for Neptune s krill oil products. See Business of the Company Manufacturing and Facilities and Risk Factors Risks Related to the Company s Business The Company is dependent on a single manufacturing facility.

Through Neptune s subsidiaries, Acasti and NeuroBio, in which Neptune respectively holds 57% and 99% of the voting rights, Neptune is also pursuing opportunities in the pharmaceutical market, namely in the medical food and prescription drug markets. Neptune has granted licensing rights to both Acasti and NeuroBio which

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allow them to leverage the intellectual property, clinical data and know-how developed by Neptune to focus on, respectively, the research and development of safe and therapeutically effective compounds for highly prevalent atherosclerotic conditions, such as cardiometabolic disorders and cardiovascular diseases, and for neurodegenerative and inflammation related conditions.

The Krill Industry

Krill, which resembles shrimp, is a generic term designating approximately 85 species of deep and cold water pelagic marine planktonic animals (zooplankton) that make up part of the global marine biomass. According to the Australian government s Department of Sustainability, Environment, Water, Population and Communities (Australian Antarctic Division), krill is the most abundant animal biomass on the planet and is found in schools that can sometimes cover several square kilometres of ocean.

Because krill feeds on phytoplankton, namely diatoms and dinoflagellates, its lipid content is a major source of PUFAs, mainly docosahexaenoic acid, or DHA, and eicosapentaenoic acid, or EPA, two types of marine omega-3 fatty acids beneficial for health maintenance. Krill contains proteins offering a range of amino acids and effective digestive enzymes. In addition, it contains powerful antioxidants, including astaxanthin. Krill also contains phospholipids, amino acids and minerals providing clinically proven benefits in the absorption and digestion of nutrients for humans and animals.

Neptune s patented krill oil extraction process produces a compound substance that contains enhanced levels of EPA and DHA, phospholipids and antioxidants, making it highly bioavailable (capable of absorption) and resistant to oxidation. Based on our internal research, we believe Neptune s krill oil has a lower level of oxidation than fish oil due to its high natural content of antioxidants, which also results in a longer shelf life of our commercialized products.

Despite the higher price per kilogram of krill oil compared to fish oil, the krill oil market had global revenues of US$51.1 million in 2011, and is projected to grow at a compound annual growth rate, or CAGR, of 16.4% between 2011 and 2016, according to a Frost & Sullivan industry report entitled the *2012 Global Overview of the EPA and DHA Omega 3 Ingredients Markets*, or the Frost & Sullivan July 2012 Report.

NKO® and EKO Our Lead Products

Neptune Krill Oil (NKO®) and ECOKRILL Oil (EKO)

NKO®, which was first commercialized in 2003, is a marine oil extracted from Antarctic krill (*Euphasia superba*) that contains the two essential omega-3 PUFAs, EPA and DHA, and provides a blend of nutritional elements. In the Company s opinion, its elevated content in phospholipids rich in omega-3 and omega-9 fatty acids and antioxidants such as astaxanthin and vitamin A and vitamin E offer a safe and effective product free of preservatives with clinically proven health benefits.

NKO® has a biomolecular profile of phospholipids, omega-3 fatty acids and important antioxidants that surpasses the usual profile of fish oils. This combination of phospholipids and omega-3 fatty acids facilitates the passage of fatty acids molecules through the body s intestinal wall, increasing the bioavailability of omega-3 fatty acids. Independent research has shown that astaxanthin has a stronger antioxidant activity than vitamin A and vitamin E and other antioxidants such as lycopene and lutein. Neptune believes that NKO® contains higher amounts of astaxanthin compared to all other krill oil products on the market.

EKO , which was commercialized in 2010, is similar to NKO® in that it undergoes the same krill oil extraction process except it has lower specifications of PUFAs, phopholipids and antioxidants and, as a result, EKO has a lower price point than NKO®. For the 2012 fiscal year, sales of NKO® and EKO together accounted for nearly all of Neptune s consolidated revenues.

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Neptune believes that NKO® is the first and only krill oil product with clinically proven human health benefits in cardiovascular, joint, cognitive and women s health. In 2004, the Alternative Medicine Review published the results of a 12-week, double-blind, randomized trial which demonstrated that daily doses of 1-3g NKO® are significantly more effective than 3g EPA/DHA fish oil in the management of cholesterol levels (hyperlipidemia). Daily doses of 1-3g NKO® have been proven effective in that trial to decrease low density lipoprotein (LDL bad cholesterol) by 33.9%, triglycerides by 11.5% and increase high density lipoprotein (HDL good cholesterol) by 43.3%.

The results of a double blind clinical study performed in May 2003 by Fotini Sampalis M.D., Ph.D., et. al., which were published in the Alternative Medicine Review, support the proposition that NKO® can reduce certain physical and emotional symptoms of premenstrual syndrome, such as stress, irritability and abdominal pain, and that NKO® is more effective than omega-3 fish oils for the management of such premenstrual symptoms.

An analysis of the Framingham Risk Score (which is used to estimate the 10-year cardiovascular risk of an individual based on data obtained from the Framingham Heart Study, a long-term, ongoing cardiovascular study on residents of the town of Framingham, Massachusetts) data completed in 2003 suggests that the use of NKO® alone or in combination with a statin provides a safe and cost effective treatment option for the management of hyperlipidemia that can significantly increase HDL (good cholesterol) and reduce overall risk for cardiovascular disease by 53%.

A double-blind clinical study performed in 2007 found that NKO® at a daily dose of 300 mg may within a short time to reaction (7-14 days) significantly inhibit inflammation by reducing C-reactive protein as well as significantly alleviate symptoms caused by osteoarthritis and rheumatoid arthritis.

A double-blind clinical trial undertaken by BioTeSys GmbH in February 2009 supports the benefits of NKO® versus a range of other omega-3 products for improving the EPA to arachidonic acid ratio and the omega-3 index. The main objective of the trial was to show the bioavailability of a physiological dosage of omega-3 fatty acids. Within the clinical trial, different sources of EPA and DHA, including different chemical bounds of EPA and DHA, were compared to each other. The obtained data reflects that uptake of EPA and DHA out of NKO® was most prominent and showed significant higher bioavailability in comparison to fish oil and a blend of lecithin, astaxanthin and fish oil. The study stated that, overall, the NKO® product showed clear superiority followed by ethyl esters, fish oil and the blend of lecithin, astaxanthin and fish oil.

Other Nutraceutical Products

Neptune Krill Aquatein (NKA)

Neptune Krill Aquatein (krill protein concentrate), or NKA , is a product that features a range of marine amino acids, including the eight essential amino acids. NKA contains pre-digested proteins that are an important source of short-chain amino acids in the form of peptides that facilitate digestion by more effective assimilation.

More complete analyses of the composition of NKA were performed and different methods for improving quality and efficiency of production have been investigated. NKA is being positioned to be sold for both human and animal nutrition. For the fiscal year ended 2012, NKA did not account for any revenues and Neptune believes NKA will not generate meaningful revenues during the current fiscal year.

Pharmaceutical Products and Product Candidates Acasti

Our majority owned subsidiary, Acasti, focuses on the research and development of safe and therapeutically effective compounds for highly prevalent atherosclerotic conditions, such as cardiometabolic disorders and cardiovascular diseases.

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ONEMIA

In 2011, ONEMIA became Acasti s first product to be commercialized. ONEMIA , marketed in the United States as a medical food , is only administered under the supervision of a physician and is intended for the dietary management of illnesses associated with omega-3 phospholipid deficiency related to cardiometabolic disorders. The term medical food is defined in the United States Orphan Drug Act as a food which is formulated to be consumed or administered enterally under the supervision of a physician and which is intended for the dietary management of a disease or condition for which distinctive nutritional requirements, based on recognized scientific principles, are established by medical evaluation.

ONEMIA consists of concentrated omega-3 phospholipids and antioxidants, derived from Neptune krill oil. Studies have shown ONEMIA to be safe and effective for the dietary management of omega-3 phospholipid deficiency and the consequent abnormal lipid profiles. Omega-3 phospholipid deficiency can lead to a number of conditions, including hyperlipidemia (which generally manifests as high LDL (bad cholesterol) and high triglycerides), atherosclerosis (the buildup of plaque on the inside of blood vessels), diabetes and metabolic syndrome.

ONEMIA is now in the early stages of commercialization and is being distributed in the United States by Acasti to physicians (who then can either provide it to their patients directly or via a website by using a dedicated medical food code). Acasti also makes ONEMIA available via distributors and behind-the-counter in pharmacies. Acasti also intends to secure distribution partners to commercialize ONEMIA outside of the U.S. See Risk Factors Risks Related to the Company s Business The Company may not be able to further penetrate core or new markets.

CaPre®

Acasti s lead prescription drug candidate is CaPre®, which is a purified high omega-3 phospolipid concentrate derived from Neptune krill oil. CaPre® is being developed to address the prevention and treatment of cardiometabolic disorders, including hypertriglyceridemia, which is characterized by abnormally high levels of triglycerides.

CaPre® is designed to be used as a medical treatment in conjunction with positive lifestyle changes and administered either alone or in conjunction with other treatments such as statins (a class of drug used to reduce cholesterol levels) and, potentially, for use by statin-intolerant patients. In addition to targeting the reduction of moderate and very high triglycerides, preclinical research has indicated that CaPre® may also normalize blood lipids overall by also reducing LDL (bad cholesterol) and increasing HDL (good cholesterol). See Business of the Company Studies & Trials for Pharmaceutical Product Candidates Acasti s Product Candidate: CaPre®. Clinical research is required in order to confirm an analogous efficacy in humans.

CaPre® is currently being evaluated in two Phase II clinical trials: (i) a prospective randomized double blind placebo control clinical study designed to evaluate the safety and efficacy of CaPre® for the management of moderate to high hypertriglyceridemia, and (ii) a prospective randomized open-label clinical trial designed to assess the safety, efficacy and dose response of CaPre® for patients with moderate to high hypertriglycerimedia. Over 600 patients are expected to be enrolled for these trials, some of which were enrolled at the end of 2011. Following the completion of the trials, Acasti intends to supplement its investigational new drug, or IND, submission to provide for a Phase III clinical trial for CaPre® in the U.S. CaPre® is currently being prepared to undergo the regulatory approval process in Canada and the United States, which requires, among other things, a demonstration of the safety of the product and its effectiveness in sufficiently reducing triglycerides. See Business of the Company Regulatory Environment .

Based on preclinical evaluations and subject to validation through ongoing clinical trials, we believe that CaPre® could be used to treat high levels of triglycerides (hypertriglyceridemia) and LDL and low HDL. We also believe that the competitive advantages of CaPre® may include a range of clinical benefits at lower dosage levels

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than other products currently in the market. Generally, lower dosage of medications tends to reduce the risks of certain side effects in patients, including gastrointestinal disorders.

Pharmaceutical Products and Product Candidates NeuroBio

Our subsidiary, NeuroBio, is in the early stages of developing omega-3 phospholipids medical foods, over-the-counter products and prescription drugs. NeuroBio is dedicated to the research, development and commercialization of active pharmaceutical ingredients, or APIs, for the management of neurodevelopmental, memory, concentration, learning and neurological disorders, from prevention to treatment. NeuroBio addresses mental and neurological conditions, specifically mood disorders such as depression, attention-deficit hyperactivity disorder, or ADHD, and cognitive decline associated with aging.

MPL VI, MPL VII and MPL VIII Medical Food / OTC

MPL VI is intended for the dietary management of cognitive decline associated with neurodegenerative conditions.

We believe MPL VII is well-positioned to exhibit an intrinsic biological activity, because of its distinctive DHA-bounded phosphatidylcholine content, for dietary management of memory, concentration and learning disorders, allowing a variety of applications. For this specific product, NeuroBio believes it has an innovative clinical approach to quantify cognitive improvement and reach rapidly the market with conclusive results.

MPL VIII was designed and intended to supplement nutrition intake by children and adults suffering from ADHD for which phospholipid deficiency may represent a key risk factor. MPL VIII is an original and a proprietary formulation that contains a specific API having a high concentration in selected phospholipids and with a specific omega-3 profile.

Currently, none of MPL VI, MPL VII or MPL VIII have been approved for sale in any jurisdiction.

MPL IX Prescription Drug

MPL IX is under preclinical evaluation for neurological disorders and will be tested in several preclinical models, such as dogs (2 sub-species) and rats (2 sub-species). Various daily doses and durations of treatment will be administered orally to assess the safety and efficacy of given compositions and to determine the pharmacokinetic profile.

Data is intended to demonstrate that MPL IX can, based on dosage, significantly reduce important neurological disorders and improve cognitive functions in these animal models. Most importantly, these effects will need to be achieved without the common side-effect of other traditional treatments.

NeuroBio s product candidates are at different development and/or validation stages and are expected to require the approval of the U.S. Food and Drug Administration, or FDA, and/or Health Canada before commercialization. Approvals from similar regulatory organizations are also expected to be required before sales are authorized. See Business of the Company Studies & Trials for Pharmaceutical Product Candidates - NeuroBio s Product Candidates and Business of the Company Regulatory Environment .

Our Market

Neptune s Market: The Nutraceutical Market

The nutraceutical market encompasses functional foods and dietary supplements, which include a wide range of nutrients such as vitamins, minerals, fatty acids, amino acids and herbal supplements. Neptune focuses on dietary supplements. According to Agriculture and Agri-Food Canada, a government organization that

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provides statistics on the nutraceutical market, the nutraceutical market is growing rapidly, in part driven by the health demands of an aging population. According to a report published by RNCOS Industry Research Solutions in May 2012 entitled *US Nutraceuticals Market Analysis*, the nutraceutical market has become one of the fastest growing industries in the United States. In 2008, the U.S. Census Bureau, using data from the 2000 U.S. Census, projected that by 2030, the number of Americans 65 years old and older will increase from 40.3 million to just over 72.0 million, then representing over 19% of the population in the United States.

The Company believes that health issues such as high (and in some cases low) cholesterol, heart disorders, cognitive function and brain performance disorders and joint issues (including inflammation) are driving the nutraceutical market expansion. We believe the following factors, among others, favor the growth of the nutraceutical market:

- improved understanding and scientific knowledge of the contribution of diet in health maintenance and disease prevention;
- increased consumer demand for dietary supplements that help to maintain vitality and promote health; and
- increased health care costs and the trend towards self-treatment with a focus on natural products.

Omega-3 PUFAs extracted during Neptune s krill oil extraction process are sold primarily into the nutraceutical market. The most predominant omega-3 fatty acids are DHA and EPA derived from plant and marine sources.

The omega-3 fatty acids contained in Neptune s products are sourced from krill, a zooplankton, with the advantage that omega-3 fatty acids from krill are carried by phospholipids and not triglycerides such as in fish oil. Phospholipids, a major component of biological membranes, are more easily absorbed by the body than triglycerides, resulting in a higher bioavailability of omega-3 fatty acids contained in krill oil.

The FDA announced in 2004 the availability of a qualified health claim for reduced risk of coronary heart disease for conventional foods that contain EPA and DHA omega-3 fatty acids. In 2000, the FDA announced a similar qualified health claim for dietary supplements containing EPA and DHA omega-3 fatty acids and the reduced risk of coronary heart disease.

In addition, extensive research, including Neptune s clinical trial work, has further demonstrated certain clinical benefits of omega-3. Omega-3 fatty acids reduce inflammation and prevent risk factors associated with chronic diseases, such as heart disease and arthritis, and appear to be particularly important for cognitive (memory and concentration) and behavioural functions. Many forms of arthritis, such as osteoarthritis and rheumatoid arthritis, are inflammatory disorders and lead to pain, stiffness, swelling and functional impairment. Osteoarthritis is the most common form of arthritis and affects approximately 27 million people in the United States, according to a January 2008 publication of the medical journal Arthritis Rheum. It is caused by the breakdown and eventual loss of the cartilage between the bones of the joints. Non-surgical treatment options for osteoarthritis include analgesic and anti-inflammatory pain medications, nutritional supplementation, physical therapy, exercise and weight loss.

The PUFAs ingredient market and, more specifically, sales of omega-3 ingredients, are experiencing sustained growth, driven by the world retail market for dietary supplements and functional food. Based on the trends reported in the Frost & Sullivan July 2012 Report, the worldwide omega-3 market is expected to exceed US$3.1 billion in annual ingredient sales by 2016 and general market data indicates that sales of higher quality and higher performance omega-3 s are generating increasing revenues.

According to the Frost & Sullivan July 2012 Report, the global market revenue for marine and algae EPA/DHA omega-3 ingredients was US$1.8 billion in 2011, and is projected to grow at a CAGR of 11.8% from 2012 to 2016. Global consumption was measured at 103,284 metric tons in 2011, and is projected to grow at a CAGR of 9.4% from 2012 to 2016.

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The world retail market for dietary supplements is highly fragmented, and is comprised of a large number of products and many small manufacturers. According to the Frost & Sullivan July 2012 Report, dietary supplements continued to be the largest market for marine omega-3 oils in the global market in 2011 with a 46.2% share and total of US$834.6 million in revenue. The Frost & Sullivan July 2012 Report also estimates that pharmaceuticals, infant formulas and foods and beverages were the next largest consumers of marine oil omega-3, with 19.8%, 14.3% and 13.4% shares, respectively, in 2011.

Neptune has conducted clinical trials for functional food applications of NKO® with the multinational corporations Nestlé and Yoplait. However, the parties have decided not to pursue the development of these functional food applications. Neptune is instead currently focusing on the dietary supplement market, particularly in light of growing sales of its NKO® and EKO products and the limits on Neptune s current maximum production capacity.

In 2008, Neptune received a first payment of 500,000 from Yoplait out of several payments scheduled under the terms of a partnership agreement in connection with its functional food trials. An amount of up to 62.5% of such initial payment may be reimbursable by Neptune given that the clinical trials jointly carried with Yoplait are not proceeding further. The extent of any reimbursement obligations are currently being discussed between Neptune and Yoplait, but no agreement has been reached.

Acasti s and NeuroBio s Market: The Pharmaceutical Market

Cardiometabolic Disorder Treatments Acasti

Cardiometabolic disorders are considered among the leading health problems worldwide arising from the combined impact of obesity and cardiovascular disease. According to the American Heart Association s Heart Disease and Stroke Statistics - 2012 Update, an estimated 82.6 million American adults (more than one in three) have one or more types of cardiovascular disease, 41.8 million have low HDL (good cholesterol) and 149 million are overweight or obese. According to the American Heart Association, these cardiometabolic risks will lead to an estimated 758,000 Americans having a coronary attack in 2012. The American Heart Association also estimates that direct and indirect costs of cardiovascular disease and stroke in the United States totalled US$297.7 billion in 2008, of which US$32.9 billion was spent on prescribed medications, and these direct and indirect costs are projected to triple before 2030.

Cardiovascular diseases include a wide range of conditions and treatment is focused on reducing cardiovascular risk factors to prevent an acute cardiovascular event and on preventing or delaying the onset of chronic cardiovascular disease. Important risk factors for cardiovascular disease are abnormal levels of lipids and/or lipoproteins such as triglycerides and cholesterol. Increased serum levels of LDL (bad cholesterol) and low levels of HDL (good cholesterol), the former being recognized as the most important risk factor for the development of cardiovascular disease, are known as dyslipidemia.

Dyslipidemia promotes plaque formation on the interior walls of the arteries thereby impeding the passage of blood. This leads to myocardial infarction (heart attack), coronary artery disease, stroke and peripheral vascular and neurodegenerative disease. According to the U.S. Centers for Disease Control and Prevention, coronary heart disease mortality in the United States in 2008 was over 400,000. The Centers for Disease and Control Prevention estimated that in 2011, 71 million American adults had total blood cholesterol values considered borderline-high (200 to 240 mg/dL) or high (above 240 mg/dL) making them potentially eligible for a cholesterol lowering agent.

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Neurodegenerative and inflammation related conditions NeuroBio

NeuroBio focuses on mental and neurological conditions, specifically mood disorders such as depression, ADHD and cognitive decline associated with aging. The prevalence of these disorders in North America is summarized in the following table:

Disorder	Market	Prevalence	Source
Memory, learning, and concentration and neurological disorders	Medical food / Prescription drug	Affecting at some point during their lifespan the majority of people during the educational and professional stage and later 19% of adults aged >65 years	Alzheimer s Association, 2010 Alzheimer s Disease Facts and Figures, *Alzheimer s & Dementia,* Volume 6
ADHD	Medical food / Prescription drug	9.0% of children 13-18 yrs (lifetime prevalence)	Merikangas KR, He J, Burstein M, Swanson SA, Avenevoli S, Cui L, Benjet C, Georgiades K, Swendsen J.; Lifetime prevalence of mental disorders in U.S. adolescents: Results from the National Comorbidity Study-Adolescent Supplement (NCS-A). *J Am Acad Child Adolesc Psychiatry.* 2010 Oct;49(10):980-989.

Studies & Trials for Pharmaceutical Product Candidates

Acasti s Product Candidate: CaPre®

Initial nonclinical research designed to evaluate the safety and efficacy of CaPre® was completed in 2011. The efficacy of CaPre® on dyslipidemia was evaluated on Zucker Diabetic Fatty rats, or ZDF, a commonly used diseased rat phenotype, characterized by established type 2 diabetes, glucose intolerance and severely elevated triglycerides and cholesterol. After 4, 8 and 12 weeks of chronic daily treatment with human equivalent daily dosing of 500mg and 2,500mg, CaPre® was shown to significantly increase HDL cholesterol (good cholesterol), by 40% at the lower dose and by up to 61% at higher dose, after 3 months treatment in ZDF. These results indicate that CaPre® could potentially be effectively used in patients with metabolic syndrome and/or lipid disorders.

In conjunction with initial nonclinical research, preclinical research was completed by Acasti in late 2011 to further evaluate the potentially broader spectrum of therapeutic efficacy of CaPre®. CaPre® was administered for 3 months at a daily human equivalent dose of 500mg and 2,500mg in both ZDF diabetic and normal healthy rats. Both rat phenotypes were subjected to oral glucose tolerance tests, or OGTT. In medical practice, the OGTT is commonly used to test for diabetes and insulin resistance. It involves the oral administration of high amounts of glucose in order determine how quickly it is cleared from the blood. The test may be performed as part of a test panel, such as the comprehensive metabolic test panel. Treatment of ZDF rats with CaPre® was shown to significantly reduce impaired glucose intolerance within 1 month of treatment, with the higher dose being only slightly more effective than the lower dose. After 3 months, the ZDF rats had established a normal tolerance to glucose analogous to the tolerance of healthy rats. Also, the healthy rats continued to tolerate glucose normally, indicating another safety parameter for CaPre®.

Acasti has also worked with a team dedicated to functional testing and development of therapeutic candidates for arresting and reversing atherosclerosis through modulation of HDL, reverse cholesterol transport and immune mediators. The first series of experiments, which was conducted in three mouse models reflecting

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healthy state and moderate to severe dyslipidemia, took place in 2010 to evaluate the APIs of CaPre®. After six weeks of treatment at very low doses ranging from 500mg and 2,500mg of CaPre®, a statistically significant increase of HDL and reduction of LDL was observed, as well as a reduction of up to 60% of triglycerides.

CaPre® is currently being evaluated in two Phase II clinical trials. See Business of the Company Pharmaceutical Products and Product Candidates Acasti CaPre®.

NeuroBio s Product Candidates

Certain preclinical results have indicated the safety and efficacy of NeuroBio s APIs portfolio in either nutritional intervention or therapeutic management of memory, concentration and learning disorders, ADHD and cognitive decline associated with aging.

The NeuroBio product portfolio includes highly concentrated phospholipids extracted and purified from different marine species, including krill, which functionalize EPA and DHA most often stabilized by potent antioxidant esters. NeuroBio s product portfolio consists of MPL VI, MPL VII, MPL VIII and MPL VIX, each being at different preclinical development and/or validation stage as indicated in the table below.

Product	Channel	Indication	Stage of development
MPL VI	Medical Food	Prevention of cognitive decline	Preclinical
MPL VII	Medical Food	Memory, concentration and learning disorders	Preclinical
MPL VIII	Medical Food	ADHD	Preclinical
MPL IX	Prescription Drug	Neurological disorders	Preclinical

NeuroBio requires approvals from Health Canada and/or the FDA before clinical studies can be conducted. Regulatory approval specific to each pathway (medical food and prescription drug) will also be required before sales are authorized. See Business of the Company Regulatory Environment and Risk Factors Risks Related to the Company s Industry The Company is subject to significant government regulations.

Supply of Krill

Neptune sources the krill used in the manufacturing of its products generally from three suppliers. Neptune considers its relationship with its suppliers to be good and believes it is not dependent upon any of these suppliers since alternative sources of krill supply are readily available.

There are two primary ocean regions where krill is harvested: the Southern Ocean (Antarctic krill) and the North Pacific Ocean (Pacific krill, mainly off the coasts of Japan and Canada). The total quantity of the krill species in these two oceans is estimated to be at least 500,000,000 metric tonnes. The World Health Organization estimates that approximately 271,000 metric tonnes of both krill species are harvested annually from these two oceans. From 2002 to 2011, between 105,000 to 212,000 metric tonnes originated from the Southern Ocean (Antarctic krill *Euphausia superba*) and, on average, 60,000 metric tonnes originated from the Northern Pacific Ocean (Pacific krill *Euphausia pacifica*) each year. The annual Antarctic krill catches represent an estimated 0.05% of the existing resource. Neptune uses Antarctic krill.

According to the Commission for the Conservation of Antarctic Marine Living Resources, or CCAMLR, from 2008 to 2011, annual quotas for Antarctic krill have increased by 33%. Annual allowable quotas of 6.555 million tonnes for 2009 and 2010 were increased to 8.695 million tons for 2010/11. As a result, the Company believes that krill is an abundant and accessible resource with potential for long-term sustainable exploitation with adequate traceability measures.

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Krill harvested for Neptune s krill oil production represents less than 0.0006% of the total estimated krill biomass and less than 0.03% of the precautionary catch limit. Neptune commits 100% of its krill capture for human health benefits. Worldwide, approximately 88% of total catches are used by fisheries for low valued products, such as fishing baits (45%) and krill meal for aquaculture (43%). Approximately 12% of the total krill catch is used for direct human consumption as food (whole or processed).

In May 2011, NSF International, an independent, not-for-profit organization that provides standards development, product certification, auditing, education and risk management for public health and the environment, completed a review of key environmental claims for Neptune and its marine derived products. The audit performed by NSF International was conducted to ensure clarity and conformance with the criteria of the International Organization for Standardization (ISO) 14021: Environmental labels and declaration, as well as U.S. Federal Trade Commission (16 CFR PART 260): Guides for the Use of Environmental Marketing Claims. Based on the results of the audit, Neptune was approved by NSF International to make the following five claims: (i) Neptune only uses krill captured by fisheries that follow the Antarctic Treaty (1961) rules and respects the annual capture quota of the CCAMLR, (ii) Neptune obtains krill from fisheries that use only mid-water trawl, which reduces the impact on other species as by-catch, (iii) Neptune krill oils are alternative sources of marine omega-3 which reduce the pressure on fish populations, (iv) Neptune s OceanExtract patented process recycles 99% of the extraction solvent used during the manufacture of Neptune Krill oils, and (v) Neptune only uses krill that is 100% traceable to the source of capture.

Manufacturing and Facilities

Neptune produces all of its products at its plant located on Pépin Street in Sherbrooke, Québec, Canada.

Since 2010, the production capacity of the Sherbrooke plant has steadily increased. During the 2010 fiscal year, in response to increase in demand from its distributors, Neptune completed an initial expansion of the annual production capacity of the Sherbrooke plant from 60,000 kilograms to 100,000 kilograms. In the 2011 fiscal year, Neptune increased its production capacity from 100,000 kilograms per year to 130,000 kilograms per year. An additional $21.0 million expansion of the Sherbrooke plant is currently ongoing, which Neptune expects will increase its annual krill oil production capacity to 300,000 kilograms. Neptune will be required to obtain a permit from the Minister of Environment Québec that will allow it to bring its krill oil capacity under its current permit from 100,000 kilograms per year to 300,000 kilograms per year. See Risk Factors Risks Related to the Company s Business The Company may be adversely affected by environmental and safety regulations or concerns. The costs of the expansion project are expected to be funded primarily by a Canadian federal government grant and interest-free loan, certain investment tax credits, a secured credit facility and a portion of Neptune s working capital. The expansion is anticipated to be completed by the end of our current fiscal year. Following the completion of its ongoing expansion project and before the end of 2014, Neptune intends to further expand its Sherbrooke plant to increase its annual production capacity to 500,000 kilograms of krill oil. Any such further expansion will require additional financing. Neptune cannot guarantee that it will be able to obtain financing on acceptable terms or at all.

The new two-level facility currently being constructed is adjacent to Neptune s initial production plant and will have a gross area of approximately 40,000 square feet. The facility will almost entirely be dedicated to Neptune s production process. Neptune will continue to operate its initial facilities, which have a gross area of approximately 12,000 square feet and accommodate Neptune s laboratories, administrative offices and initial production plant. The structure is designed to allow greater flexibility for Neptune s production lines and is expected to improve Neptune s efficiency and productivity.

Neptune adheres to Good Manufacturing Practices, or GMP, mandated by the Natural Health Products Directorate of Health Canada, or NHPD, and successfully passed an audit performed by the NHPD in May 2011.

Neptune also leases office space in facilities located at 225, Promenade du Centropolis, in Laval, Québec, Canada, but anticipates a move to its new headquarters at 545, Promenade du Centropolis, in Laval, Québec on October 1, 2012.

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Sales/Distribution

Neptune sells NKO® and EKO in bulk oil or in capsules to multiple distributors, who commercialize these products under their private label in different market segments, including health food stores, mass (food and drug), direct sales (multi-level marketing, internet, catalogue, radio) and via healthcare professional recommendation. The encapsulation process is subcontracted to third parties in Canada, the United States, Asia and Europe. While the Company may have purchase orders in place with approximately 40 to 50 different distributors at any one time, the majority of the Company s sales are concentrated with a relatively small group of distributors. As at February 29, 2012, five customers represented 73% of total trade accounts receivable of the Company. Agreements with these distribution partners may be terminated or altered by them unilaterally in certain circumstances. See Risk Factors Risks Related to the Company s Business - The Company has a significant concentration of its accounts receivable and revenue from a limited number of distributors. In addition, the agreements between Neptune and its distributors contain certain customary indemnification provisions with respect to liability incurred from claims resulting from items that are the responsibility of the distributor, such as encapsulation or packaging.

ONEMIA is now in the early stages of commercialization and is being distributed in the United States by Acasti to physicians (who then can either provide it to their patients directly or via a website by using a dedicated ONEMIA medical food code website). Acasti also makes ONEMIA available via distributors and behind-the-counter in pharmacies. Acasti also intends to secure distribution partners to commercialize ONEMIA outside of the United States. See Risk Factors Risks Related to the Company s Business The Company may not be able to further penetrate core or new markets.

During the 2012 fiscal year, approximately 41% of Neptune s sales were made to customers in the United States, 23% to customers in Europe, 23% to customers in Australia and 12% to customers in Canada. Neptune s sales are not cyclical or seasonal.

Intellectual Property

It is an important part of our business to obtain intellectual property protection for our technology, products, applications and processes and/or to maintain trade secrets. Our success depends, in part, on our ability to obtain, license and enforce patents, protect our proprietary information and maintain trade secret protection without infringing the proprietary rights of third parties. Our strategic approach is to file and/or license patent applications to obtain patent protection. We also rely on trade secrets, proprietary unpatented information and trademarks to protect our technology and enhance our competitive position.

The Company has a firm policy to protect its intellectual property rights, including its patents, trademarks and trade secrets, through legal action. Certain of Neptune s competitors have been marketing, advertising and selling finished krill-based products which we believe infringe on patents owned by Neptune or for which Neptune has exclusive rights. Neptune is taking legal actions against those companies in order to protect its intellectual property and its business. See Risk Factors Risks Related to the Company s Intellectual Property A failure by the Company to protect its intellectual property may have a material adverse effect on its ability to develop and commercialize its products. in this Prospectus and Business of the Company Economic Dependence/Litigation in the Annual Information Form.

Brand Names and Trademarks

Neptune has filed and registered the trademarks OPA 3 and NKO® in over thirty countries and has filed numerous trademark applications in various jurisdictions. Neptune OceanExtract and NKA are other trademarks of Neptune.

NKO® distributors use private labels with the NKO® logo displayed on them and with names and trademarks pre-approved by Neptune.

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Acasti has applied in many countries of the world for trademark protection of CaPre®, and has filed for U.S. trademark protection of ONEMIA . Acasti also is the owner of the trademark BREAKING DOWN THE WALLS OF CHOLESTEROL in Canada and the United States. The trademark CaPre® is now registered in Canada, the United States, the European Union, Australia and China.

Patents

Neptune owns or has an exclusive license to the following portfolio of patents, which are grouped in three main categories and filed in various jurisdictions:

Category	Description	Issued	Pending
Novel Phospholipid/Flavonoid	Composition of Matter	27	4
Cardiovascular Neurological health	Method of Use	35	9
Extraction Process	Process	33	1

In Canada, the United States and Europe, a patent is generally valid for 20 years from the date of first filing. Patent terms can vary slightly for other jurisdictions, with 20 years from filing being the norm. In certain jurisdictions patent terms can be formally extended beyond the normal patent term to compensate for regulatory delays during the pre-market approval process. Certain of Neptune s issued patents face challenges by third parties, such as reexamination in the United States and opposition proceedings before the European Patent Office and Australian Patent Office. See Risk Factors Risks Related to the Company s Intellectual Property A failure by the Company to protect its intellectual property may have a material adverse effect on its ability to develop and commercialize its products. .

Licensing Arrangements

Terms of the License Granted to Acasti

In 2008, Neptune and Acasti entered into a license agreement that provides Acasti with the right to use certain intellectual property rights of Neptune in order to develop novel APIs into commercial products for specific medical food and the over-the-counter, or OTC, and prescription drug market. Effective August 7, 2011 and in accordance with the license agreement, Acasti abandoned its rights to develop products for the OTC market pursuant to the license agreement.

Pursuant to the license agreement, Acasti has been granted a license to use Neptune s intellectual property rights solely for the development, distribution and sale of products for use in the human cardiovascular field. Acasti is responsible for carrying out the research and development of the APIs, as well as required regulatory submissions and approvals and intellectual property filings. The license agreement provides that the products developed by Acasti must have a specified concentration of phospholipids.

Acasti is obligated under the license to pay Neptune until the expiration of Neptune s patents on licensed intellectual property a royalty equal to the sum of (a) in relation to sales of products in the licensed field, if any, the greater of: (i) 7.5% of net sales, and (ii) 15% of Acasti s gross margin; and (b) 20% of revenues from sub-licenses granted by Acasti to third parties, if any. The license will expire on the date of expiration of the last-to-expire of the licensed patent claims and/or continuation in part and/or divisional of the licensed patent claims. After the last-to-expire of the licensed patents on licensed intellectual property, which is currently expected to occur in 2022, the license agreement will automatically renew for an additional period of 15 years, during which period royalties will equal half of those calculated according to the above formula. In addition, the license provides for minimum royalty payments notwithstanding the above of: year 1 - nil; year 2 - $50,000; year 3 - $200,000; year 4 - $225,000 (initially $300,000, but reduced to $225,000 following Acasti s abandonment of its rights to develop products for the OTC market pursuant to the license agreement); year 5 -$700,000; and year 6 and thereafter - $750,000. Minimum royalties are based on contract years based on the effective date of the license, August 7, 2008.

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Acasti has the option to pay future royalties in advance, in cash or through the issuance of shares, in whole or in part, based on the economic model contained in the license agreement. Acasti can also abandon its rights under all or part of the license agreement and consequently remove itself from the obligation to pay all or part of the minimum royalties by paying a penalty equal to half of the next year s minimum royalties. In addition, at Neptune s option, Acasti is required to have its products, if any, manufactured by Neptune at prices determined according to different cost-plus rates for each of the product categories under the license. A copy of the Acasti license agreement is available on SEDAR at www.sedar.com.

Terms of the License Granted to NeuroBio

In 2008, Neptune also entered into a license agreement that provides NeuroBio the same rights and obligations as provided to Acasti. See Business of the Company Intellectual Property Licensing Arrangements Terms of the License Granted to Acasti . Pursuant to the license agreement, NeuroBio is permitted to use the licensed intellectual property rights solely for the development, distribution and sale of products for use in the human neurological field (all conditions, abnormalities and/or diseases related to cognitive function and/or affective and/or neurological systems).

The patents subject to the license with NeuroBio are the following:

Patent description	International Patent Publication#	Exclusivity
Composition of Matter	WO 2003/011873	2022
Method of Use	WO 2002/102394	2022
Method of Extraction	WO 2000/023546	2019

NeuroBio is obligated under the license to pay Neptune until the expiration of the licensed patents on licensed intellectual property a royalty equal to the sum of (a) in relation to sales of products in the licensed field, if any, the greater of: (i) 7.5% of net sales, and (ii) 15% of NeuroBio s gross margin; and (b) 20% of revenues from sub-licenses granted by NeuroBio to third parties, if any. The license will expire on the date of expiration of the last-to-expire of the licensed patent claims and/or continuation in part and/or divisional of the licensed patent claims. After the last-to-expire of the licensed patents on licensed intellectual property, which is currently expected to occur in 2022, the license agreement will automatically renew for an additional period of 15 years, during which period royalties will equal half of those calculated according to the above formula. In addition, the license provides for minimum royalty payments notwithstanding the above of: years 1 and 2 -nil; year 3 -$50,000; year 4 -$200,000; year 5 - $300,000; year 6 - $900,000 and year 7 and thereafter - $1,000,000. Minimum royalties are based on contract years based on the effective date of the license, October 15, 2008.

NeuroBio has the option to pay future royalties in advance, in cash or through the issuance of shares, in whole or in part, based on an established economic model contained in the license. NeuroBio can also abandon its rights under all or part of the license agreement and consequently remove itself from the obligation to pay all or part of the minimum royalties by paying a penalty equal to half of the next year s minimum royalties. In addition, at Neptune s option, NeuroBio is required to have its products, if any, manufactured by Neptune at prices determined according to different cost-plus rates for each of the product categories under the license. A copy of the NeuroBio license agreement is available on SEDAR at www.sedar.com.

Regulatory Environment

Commercial products developed or under development by Neptune, directly or through its subsidiaries, can be categorized as ingredients to be used in foods, dietary supplements, medical foods, natural health products or as APIs to be used in drug products.

Those ingredients may qualify as novel foods or new dietary ingredients , depending on final applications and countries where they are or will be marketed. Generally speaking, novel foods are defined as food substances that do not have a prior history of safe use or result from a process previously not used for foods.

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Similarly, a new dietary ingredient refers to a substance not previously used as a dietary supplement in humans prior to October 15, 1994. In the United States, the FDA (Center for Food Safety and Applied Nutrition) regulates matters associated with the safety of ingredients for use in food and dietary supplements. Any substance intentionally added to food is a food additive, thus requiring approval by the FDA, unless the substance is Generally Recognized As Safe , or GRAS, under the conditions of its intended use, or unless the use of the substance is otherwise excluded from the definition of a food additive. GRAS status may be achieved through a voluntary notification procedure. A mandatory notification process for a new dietary ingredient is also in place according to the U.S. Food, Drug, and Cosmetic Act which requires that manufacturers and distributors who wish to market dietary supplements that contain new dietary ingredients notify the FDA.

In Canada, novel foods are regulated by the Novel Foods Regulation (under the *Food and Drugs Act*) which requires that a notification be made to the Health Products and Food Branch prior to the marketing or advertising of a novel food in the Canadian marketplace. Natural health products (equivalent to dietary or food supplements) sold in Canada are subject to the *Natural Health Products Regulations*, which came into force on January 1, 2004. All natural health products must have a product license before they can be sold in Canada, which requires applicants to gather and provide detailed information about the quality, safety and efficacy of ingredients to be used for assessment and pre-market approval. Neptune s manufacturing facility is subject to regulation by the Canadian Food Inspection Agency.

In Europe, the legislation governing nutritional supplements is enacted and enforced by each individual country s governmental authorities. In an effort to harmonize the often differing regulations of its member states, the European Union adopted in 2002 the Food Supplements Directive. This directive seeks to harmonize the rules governing the composition, labelling and marketing of nutritional supplements throughout the European Union. The Food Supplements Directive outlines a specific process and timetable for the member states to bring their domestic legislation in line with the directive s provisions. The directive, upon recommendation by the European Food Safety Authority, or EFSA, specifies what nutrients and nutrient sources may be used, identifies the levels at which these nutrients may be found in a supplement and the labelling and other information which must be provided on packaging.

APIs developed or under development by Acasti and NeuroBio are regulated through different procedures and requirements. In Canada, biopharmaceutical product candidates are regulated by the *Food and Drugs Act* and the rules and regulations promulgated thereunder, which are enforced by the Therapeutic Products Directorate of Health Canada. In the United States, drugs and biological product candidates are subject to regulation and premarket approval by the FDA (Center for Drug Evaluation and Research or Center for Biologics Evaluation and Research). It is also possible that such products would be regulated in Canada as natural health products pursuant to the *Natural Health Products Regulations*.

In Europe, the European Medicines Agency, or EMA, is the regulatory agency which controls all aspects of the development, manufacture and commercialization of drug products for the countries of the European Union. Each country of the European Union also has its own national regulatory agency which works under the umbrella of the EMA.

These laws and regulations in Canada, the United States and Europe require the licensing of manufacturing and contract research facilities, carefully controlled research and testing of product candidates and governmental review and approval of results prior to marketing therapeutic product candidates. Additionally, they require adherence to good laboratory practices for pre-clinical safety testing in animals, good clinical practices during clinical testing and good manufacturing practices during production. The systems of new drug approvals in Canada, the United States and the European Union are generally considered to be among the most rigorous in the world.

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In general, the steps required for approval of a new drug in Canada, the United States and Europe are:

1. *Research*

Prior to preclinical studies, a research phase takes place which involves characterization of the physical chemical properties and biological activity of the product. This is often followed by evaluation of efficacy in animal models.

2. *Preclinical Studies*

Preclinical studies involve evaluations of animal pharmacology and toxicity, pharmacokinetics and metabolism of a drug in animals to provide evidence of the safety, bioavailability and activity of the drug in animals. The results of these studies as well as the comprehensive descriptions of proposed human clinical studies are then submitted as part of the IND application to the FDA, its Canadian equivalent, a Clinical Trial Application, to Health Canada, or its European equivalent, an Investigational Medicinal Product Dossier, to the EMA.

3. *Clinical Trials*

Phase I Clinical Trials: Phase I clinical trials are usually first-in-man trials and take from a few months to two years to complete. They are generally conducted on a small number of healthy human subjects to evaluate the drug s safety, schedule and dose, pharmacokinetics and pharmacodynamics.

Phase II Clinical Trials: Phase II clinical trials usually take approximately one to three years to complete and are carried out on a relatively small to moderate number of patients (compared to Phase III) suffering from the targeted condition or disease to determine the drug s efficacy, optimal doses, treatment regimens, pharmacokinetics, pharmacodynamics and dose response relationships. This phase also provides additional safety data and serves to identify possible common short-term side effects and risks in a larger group of patients. Phase II clinical trials often include randomization of patients as well as a placebo arm.

Phase III Clinical Trials: Phase III clinical trials usually take approximately two to five years to complete and involve tests on a much larger population of patients (several hundred to several thousand patients) suffering from the targeted condition or disease. These studies usually include randomization of patients, a placebo arm and blinding of both patients and investigators at geographically dispersed test sites (multi-centre trials) to establish clinical safety effectiveness.

New Drug Application: Upon completion of the Phase III clinical studies, the company sponsoring the new drug then assembles all the pre-clinical, clinical and manufacturing data and submits it to the FDA, Health Canada or the EMA as part of a New Drug Application in the United States, a New Drug Submission in Canada or a Market Authorization Application in Europe, respectively. The submission or application is then reviewed by the regulatory body for approval to market the product candidate. This process usually takes six months to two years to complete. However, there is no assurance of approval.

Obtained regulatory approvals, permits and authorizations:

Neptune has obtained the following regulatory approvals, permits and authorizations:

European Food Safety Authority (EFSA) has approved NKO® as food for particular nutritional use (PARNUTS) for commercialization in the European Union.

European Food Safety Authority (EFSA) has approved NKO® as a Novel Food for commercialization in the European Union.

NKO® was the subject of a Generally Recognized as Safe (GRAS) notification to the FDA as a food ingredient in the United States to which the FDA did not object.

Neptune s krill oil products intended for use in dietary supplements were the subject of four new dietary ingredient notifications submitted to the FDA, to which the FDA did not object.

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NKO® has obtained approval as a Complementary Medicine from the Therapeutic Good Administration (TGA) in Australia.

NKO® has a natural product number (NPN) issued by Health Canada.

Health claims in Canada Multiple claims for health benefits of NKO® approved by NHPD.

Neptune s production plant in Sherbrooke has been audited by NHPD, which issued a certificate of GMP compliance.

Competition

General

The nutraceutical and pharmaceutical industries are highly competitive. There are many pharmaceutical companies, biotechnology companies, public and private universities and research organizations actively engaged in the research and development of products that may be similar to our products. It is probable that the number of companies seeking to develop products and therapies similar to our products will increase. Many of these and other existing or potential competitors have substantially greater financial, technical and human resources than we do and may be better equipped to develop, manufacture and market products.

For instance, Aker BioMarine ASA, a Norway-based corporation that is in the business of harvesting and commercializing marine ingredients, launched a krill oil product under the brand name Superba™ in 2009. Enzymotec Ltd., an Israel-based biotechnology corporation, is also a krill oil supplier. These companies and others may develop and introduce products and processes competitive with ours.

Acasti s potential competitors in the United States, Europe and Asia include large, well-established pharmaceutical companies as well as specialty pharmaceutical sales and marketing companies and specialized cardiovascular biopharmaceutical companies. These companies include GlaxoSmithKline plc, which currently markets Lovaza®, a prescription only omega-3 fatty acid indicated for patients with very high triglycerides, and Abbott Laboratories, which currently markets Tricor and Trilipix, prescription drugs indicated for the treatment of very high triglycerides and mixed dyslipidemia. In addition, in July 2012, the FDA approved Vascepa , a prescription drug developed by Amarin Corporation plc, as an adjunct to diet to reduce triglyceride levels in adult patients with severe (triglycerides greater than or equal to 500mg/dL) hypertriglyceridemia (very high triglycerides). The active ingredient in Vascepa is an ester form of EPA.

Also, we are aware of other pharmaceutical companies that are developing products that, if approved, would compete with CaPre®. These include a free fatty acid form of omega-3 which is being developed by Omthera Pharmaceuticals, Inc. and an omega-3 based drug candidate for hypertriglyceridemia being developed by Trygg Pharma, a joint venture 50% owned by the Aker BioMarine Group. We also believe that certain other pharmaceutical companies are developing potential treatments for inflammatory and metabolic diseases based on omega-3 fatty acids. See Risk Factors Risks Related to the Company s Business The Company s industry is subject to rapid technological change and competition.

Employees

As at the date of this Prospectus, Neptune, along with Acasti and NeuroBio, has approximately 100 full-time employees working at its business offices in Laval and the Sherbrooke plant. We believe that Neptune employees possess specialized skills and knowledge in the following fields, which are valuable assets of the Company: (i) marine biomasses, (ii) marine oil extraction processes, (iii) scientific issues, (iv) commercialization and business development, (v) intellectual property protection, (vi) clinical validation of biological therapeutic properties, (vii) quality assurance/quality control, (viii) regulatory compliance related to the Company s operations, and (ix) legal matters. Neptune is not a party to any collective bargaining agreement. Neptune considers its relations with its employees to be good and its operations have never been interrupted as the result of a labor dispute.

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RECENT DEVELOPMENTS

To date during the 2012 fiscal year, which ends on February 28, 2013, Neptune has continued the first phase of the expansion project of its Sherbrooke plant, which is anticipated to be completed by the end of our current fiscal year. See Business of the Company Manufacturing and Facilities .

On September 7, 2012, Neptune announced that pursuant to a final prospectus dated September 5, 2012, 2,000,000 Class A subordinate voting shares and 4,000,000 Series 2011-1 warrants of NeuroBio held by Neptune will be distributed on October 31, 2012 to holders of record of Neptune s common shares at the close of business on October 15, 2012 by way of a dividend-in-kind. See Corporate Structure - Corporate Structure Diagram .

On September 10, 2012, Neptune provided revenue guidance for the recently completed second quarter of fiscal 2013 ended August 31, 2012. Pursuant to this guidance, Neptune s management expressed its confidence that (i) revenues for the quarter ended August 31, 2012 will be in the range of $7.5 million to $8 million compared to $4.3 million for the second quarter ended August 31, 2011, and (ii) first half revenues for fiscal 2013 will be in the range of $13.6 million to $14.1 million compared to $8.6 million in revenues during the first half of fiscal 2012.

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RISK FACTORS

Investing in the Securities involves a high degree of risk. Prospective investors should carefully consider the following risks, as well as the other information contained in this Prospectus, any applicable Prospectus Supplement and the documents incorporated by reference herein before investing in the Securities. If any of the following risks actually occurs, the Company s business, financial condition, liquidity, results of operation and prospects could be materially harmed. Additional risks and uncertainties, including those of which the Company is currently unaware or that it deems immaterial, may also adversely affect the Company s business, financial condition, liquidity, results of operation and prospects.

Risks Related to the Company s Business

The Company has a history of net losses and the Company may never achieve profitability.

The Company has been reporting losses since the Company s inception and, as at May 31, 2012, the Company has an accumulated deficit of $32,956,652. It is expected that the Company will continue to generate losses until income from product sales generate sufficient revenues to fund Neptune s and its subsidiaries continuing operations, including research and product development, which the Company cannot assure you will occur in the near term or at all.

The Company s near term success depends largely on the continued commercialization of NKO® and EKO .

The Company s ability to generate revenues in the foreseeable future is primarily based on the commercialization success of NKO® and EKO . For the fiscal year 2012, revenues generated from the sale of NKO® and EKO to our distribution partners accounted for nearly all of the Company s total consolidated revenues. Although the Company is developing other products that contain krill, all of them are at earlier stages of development and none of them may reach the clinical trial phase, obtain regulatory approval or, even if approved, be successfully commercialized.

The overall commercialization success of NKO® and EKO depends on several factors, including:

- continued market acceptance of NKO® and EKO by the nutraceutical market and medical community;
- the amount of resources devoted by the Company s distribution partners to continue the commercialization efforts of NKO® and EKO in our core geographic markets;
- maintaining supply agreements to ensure the availability of krill in order to produce sufficient krill oil to meet the order demands of the Company s distribution partners for NKO® and EKO ;
- receipt of regulatory approvals for NKO® and EKO from regulatory agencies in certain territories in which the Company wishes to expand its commercialization efforts;
- the number of competitors in the Company s market; and
- protecting and enforcing the Company s intellectual property and avoiding patent infringement claims.

The Company relies on third parties for the supply of raw materials and the distribution and commercialization of its products and such reliance may adversely affect the Company if the third parties are unable or unwilling to fulfill their obligations.

Part of the Company s strategy is to enter into and maintain arrangements with third parties related to the development, clinical testing, marketing, distribution and commercialization of its products. The Company s revenues are dependent on the successful efforts of these third

parties, including the efforts of the Company s distribution partners. Entering into strategic relationships can be a complex process and the interests of the

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Company s distribution partners may not be or remain aligned with the Company s interests. Some of the Company s current and future distribution partners may decide to compete with the Company, refuse or be unable to fulfill or honour their contractual obligations to the Company, or change their plans to reduce their commitment to, or even abandon, their relationships with the Company. There can be no assurance that our distribution partners will market the Company s products successfully or that any such third-party collaboration will be on favourable terms. The Company may not be able to control the amount and timing of resources the Company s distribution partners devote to the Company s products. In addition, the Company may incur liabilities relating to the distribution and commercialization by its distributors of its krill oil products. While the agreements with such distributors generally include customary indemnification provisions indemnifying the Company for liabilities relating to the encapsulation or packaging of its krill oil products, there can be no assurance that these indemnification rights will be sufficient in amount, scope or duration to fully offset the potential liabilities associated with the Company s distributors handling and use of our products. Any such liabilities, individually or in the aggregate, could have a material adverse effect on our business, financial condition or results of operations.

The Company has a significant concentration of its accounts receivable and revenue from a limited number of distributors.

As at February 29, 2012, five distributors represented 73% of total trade accounts receivable of the Company. During the year ended February 29, 2012, the Company realized sales from the nutraceutical segment equalling $6,414,659 from two distributors. Sales to these distributors represented 20.8% and 12.8% of the Company s consolidated sales. Agreements with these or other significant distribution partners may be terminated or altered by them unilaterally in certain circumstances. Any adverse change in the relationship with the Company s principal distributors could have a material adverse effect on the Company s business, consolidated results of operations, financial condition and cash flows.

The Company may be unable to manage its growth efficiently.

The Company s future financial performance and its ability to commercialize its products and to compete effectively will depend, in part, on its ability to manage any future growth effectively. To that end, the Company must be able to increase its production capabilities, hire, train and integrate additional management, and potentially administer internal sales and marketing personnel on an effective and efficient basis. The Company is currently undergoing an expansion project of its manufacturing facility with the expectation that the new facility, when completed, will double production capacity. Even after completion of the expansion, there can be no guarantee that the Company will be able to meet the product order demands of its distributors. Any increase in resources devoted to manufacturing, research, product development and sales, marketing and distribution efforts without a corresponding increase in the Company s operational, financial and management information systems could have a material adverse effect on the Company s business, financial condition and results of operations. The Company may not be able to accomplish any of the above actions, and its failure to do so could prevent it from successfully growing.

The Company may not be able to further penetrate core or new markets.

If the Company fails to further penetrate its core markets and existing geographic markets or expand its business into new markets, the growth in sales of the Company s products, along with the Company s operating results, could be negatively impacted. The Company s ability to further penetrate its core markets and existing geographic markets or to expand its business into additional countries in Europe, Asia or elsewhere, to the extent the Company believes that it has identified attractive geographic expansion opportunities in the future, is subject to numerous factors, many of which are beyond the Company s control. The Company cannot assure that its efforts to increase market penetration in its core markets and existing geographic markets will be successful. The Company s failure to do so could have a material adverse effect on the Company s operating results.

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The Company is dependent on a single manufacturing facility.

The Company owns, manages and operates a manufacturing, processing and packaging facility in Sherbrooke, Québec that handles the production of all of the Company s krill oil. Accordingly, it is highly dependent on the uninterrupted and efficient operation of its manufacturing facility. Currently, the manufacturing plant is undergoing a significant expansion project in an effort to increase its krill oil production capabilities. We cannot assure you that the expansion project will be implemented in a timely and cost efficient manner, and that our current production of krill oil will not be adversely affected by the operational challenges of implementing the expansion project. If operations at the Company s manufacturing plant were to be disrupted as a result of equipment failures, natural disasters, fires, accidents, work stoppages, power outages or other reasons, the Company s business, financial condition and/or results of operations could be materially adversely affected. Lost sales or increased costs that the Company may experience during the disruption of operations may not be recoverable under the Company s insurance policies, and longer-term business disruptions could result in a loss of customers. If this were to occur, the Company s business, financial condition and operations could be negatively impacted.

The Company must attract and retain skilled labor in order to maintain and increase its business.

The Company s ability to sustain and expand its operations depends in part on its ability to attract and retain skilled manufacturing workers, equipment operators, engineers and other technical personnel. Demand for these workers is currently high and the supply is limited, particularly in the case of skilled and experienced machinists and engineers. The Company will be required to retain additional skilled workers upon the completion of the expansion of its manufacturing facility. Further, the Company may be faced with increased training costs and reduced productivity as it trains new employees hired to meet the Company s increasing krill oil production needs. Additionally, a significant increase in the wages paid by competing employers could result in a reduction in the Company s skilled labor force, increases in the rates of wages it must pay or both. If the Company s compensation costs increase or it cannot attract and retain skilled labor, including engineers and machinists, the Company s earnings could be reduced, and production capacity and growth potential could be impaired.

The Company may not be able to attract, hire and retain key management and personnel.

We depend substantially on our ability to hire, train, motivate and retain high quality personnel, especially our scientists and management team. Particularly, in light of the limited number of employees that cover our numerous programs and key functions, if we are unable to retain existing personnel or identify or hire additional personnel, we may not be able to research, develop, commercialize or market our products and product candidates as expected or on a timely basis and we may not be able to adequately support current and future alliances with strategic partners.

Furthermore, if we were to lose key management personnel, such as Henri Harland, our President and Chief Executive Officer, we would lose a portion of our institutional knowledge and technical know-how, potentially causing a substantial delay in one or more of our development programs until adequate replacement personnel could be hired and trained. Mr. Harland has been President and Chief Executive Officer of the Company since its incorporation on October 9, 1998. He is the founder of the Company and has been involved in krill research since 1991. Other than our stock option plan, we have not adopted any policies or entered into any agreements specifically designed to motivate officers or other employees to remain with us. We do not have key man life insurance policies on the lives of most of our key personnel, including Henri Harland.

The Company s current and future clinical trials may prove unsuccessful or be delayed by certain factors.

The Company is not able to predict the results of pre-clinical and clinical testing of its product candidates. It is not possible to predict, based on studies or testing in laboratory conditions or in animals, whether a product candidate will prove to be safe or effective in humans. Further, preclinical and clinical data may not be sufficient to support approval to commercialize a product. Pre-clinical and clinical data must be developed under strict

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regulatory standards and may be found, on review by health regulatory authorities, to be of insufficient quality to support an application for commercialization of a product. In addition, success in one stage of testing is not necessarily an indication that the particular product will succeed in later stages of testing and development. Further, clinical trials require the enrollment of patients and the Company may experience difficulties identifying and enrolling suitable human subjects for ongoing and future trials of its products. This could be as a result of a number of factors including, but not limited to, design protocol, the size of the available patient population, the eligibility criteria for participation in the clinical trials, and the availability of clinical trial sites.

For example, Acasti is developing CaPre®, a prescription drug candidate being developed to address the treatment of hypertriglyceridemia. CaPre® is currently being evaluated in two Phase II clinical trials. The Company s ability to commercialize any of its products, including CaPre®, is dependent upon the success of product development efforts and the success of clinical studies. If these clinical trials and product development efforts fail to produce satisfactory results, or if the Company is unable to maintain the financial and operational capability to complete these development efforts, it may be unable to generate revenues for this and other product candidates.

A number of companies in the life sciences industry have suffered significant setbacks in advanced clinical trials, even after positive results in earlier trials. Share prices of biotechnology companies have declined significantly in certain instances where clinical results were not favourable, were perceived negatively or otherwise did not meet expectations. Unfavourable results or negative perceptions regarding the results of pre-clinical or clinical trials for any of the Company s product candidates currently under development could cause the Company s share price to decline significantly.

The Company may not achieve its publicly announced milestones on time.

From time to time, the Company publicly announces the timing of certain events it expects to occur. These statements are forward-looking and are based on the best estimate of management at the time relating to the occurrence of such events. However, the actual timing of such events may differ from what has been publicly disclosed. The timing of events such as completion of a clinical program, discovery of a new product candidate, filing of an application to obtain regulatory approval, beginning of commercialization of certain products or product candidates, or announcement of additional clinical programs for a product candidate may ultimately vary from what is publicly disclosed. For example, CaPre®, Acasti s leading drug candidate, is currently being evaluated in two Phase II clinical trials. The Company cannot assure that the clinical trials for CaPre® or any other of the Company s or its subsidiaries product candidates will be completed, that it will make regulatory submissions or receive regulatory approvals as planned, or that it will be able to adhere to its current schedule for the scale-up of manufacturing and launch of any of its products. These variations in timing may occur as a result of different events, including the nature of the results obtained during a clinical trial or during a research phase, problems with a supplier or a distribution partner or any other event having the effect of delaying the publicly announced timeline. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, after the distribution of this Prospectus, except as otherwise required by law. Any variation in the timing of certain events having the effect of postponing such events could have a material adverse effect on the Company s business plan, financial condition or operating results.

The Company may require additional funding and may not be able to raise the capital necessary to fund all or part of its capital requirements.

The Company may require substantial additional funds to increase production capacity and/or for further research and development, scheduled clinical testing, regulatory approvals and the commercialization of its products. The Company may seek additional funding for these purposes through public or private equity or debt financing, joint venture arrangements, and collaborative arrangements with other pharmaceutical companies, and/or from other sources. There can be no assurance that additional funding will be available on acceptable terms or

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at all to enable us to continue and complete the research and development of our product candidates and their successful commercialization. Should the Company fail to obtain the necessary capital, it may be required to delay, reduce or eliminate one or more of its various research and development programs or seek financial support from one of its strategic partners or from third-parties who may require that the Company waive significant rights regarding protection of its proprietary technologies or offer it financial support on less favourable terms than those normally acceptable to the Company.

If product liability lawsuits are brought against the Company, they could result in costly and time-consuming litigation and significant liabilities.

The development of human therapeutic products involves an inherent risk of product liability claims and associated adverse publicity. The Company s products may be found to be, or to contain substances that are, harmful to the health of its consumers. This sort of finding may expose the Company to substantial risk of litigation and liability and/or force the Company to discontinue production of certain products.

The Company has product liability insurance, renewable on an annual basis, to cover civil liability claims relating to its products in an amount equal to $5,000,000 per year for all such claims. The Company also maintains a quality-assurance process that is QMP (Quality Management Program) certified by the Canadian Food Inspection Agency. However, this coverage may not insure against all claims made.

Product liability insurance is costly, often limited in scope, and could be unavailable or only available on terms unfavourable to the Company. There can be no assurance that the Company will be able to obtain or maintain insurance on reasonable terms or to otherwise protect itself against potential product liability claims that could impede or prevent commercialization of the Company s future products and product candidates. Furthermore, a product liability claim could tarnish the Company s reputation, whether or not such claims are covered by insurance or are with or without merit. A product liability claim against the Company or the withdrawal of a product from the market could have a materially adverse effect on the Company s business or its financial condition.

The Company may be adversely affected by environmental and safety regulations or concerns.

The Company s krill oil extraction process involves the use of certain hazardous materials, including acetone. The Company is subject to Canadian federal, provincial and municipal laws and regulations governing the use, manufacture, storage, handling and disposal of such materials and certain waste products. In the event of an accident that involves hazardous materials, the Company could be held liable for damages, which could exceed the resources of the Company. There can be no assurance that the Company will not be required to incur significant costs to comply with regulatory requirements in the future, or that the operations, business or assets of the Company will not be materially adversely affected by current or future legislative or regulatory requirements.

The Company will be required to obtain a permit from the Minister of Environment Québec that will allow it to produce in excess of the 100,000 kilograms currently permitted. We may not be successful in obtaining such permit on favourable terms, in a timely manner or at all. Any of the foregoing could have a material adverse effect on our business, operations and financial condition.

The Company is dependent on third parties to obtain certain raw materials necessary to develop and produce its products.

The Company depends on third parties to obtain certain raw materials necessary to develop and produce its products. If the Company is no longer able to obtain raw materials, including krill, from one or more of its suppliers on terms reasonable to the Company or at all, the Company s revenues could suffer. This could also have a significant impact on the Company s capacity to complete certain of its current research and development projects and, accordingly, would negatively affect its projected commercial and financial growth. In addition, a

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significant increase in the price of raw materials that cannot be passed on to the Company s distributors could have a material adverse effect on the Company s results of operations and financial condition. While potential alternative suppliers of raw materials may be identified, they must first pass intensive validation tests to ensure their compliance with product specifications. No assurance can be given regarding the successful outcomes of such tests or the Company s ability to secure alternate sources of supply at competitive pricing and upon fair and reasonable contractual terms and conditions.

The Company s industry is subject to rapid technological change and competition.

The Company operates in a sector that is subject to rapid and substantial change. There can be no assurance that products developed by others will not render the Company s products, product cand