30 June 2006

Aqua Bounty Technologies, Inc.
("Aqua Bounty", "ABT"or the "Company")

Final results for the year ended December 31, 2005

Aqua Bounty Technologies, Inc. (ABTX), the biotechnology company in the fast-growing aquaculture sector, is pleased to announce its year-end results for 2005. These results do not reflect the impact of the company's listing on AIM in March 2006.

Highlights

- Commercial Introduction of ABT's first product, Shrimp IMS, in Mexico
- Approval of Shrimp IMS in Ecuador
- Contracts signed with Farmaceutica Recalcine (Santiago) to develop salmon vaccines and "SybrSalmon" disease diagnostic tools
- Revenue for the year to 31 December 2005 of $1.3 million (2004: $1.0 million)

Post-Period end

- Successfully completed initial public offering on AIM, raising £20 million
- Strengthened ABT board through appointments of Richard Clothier, former Chief Executive of Dalgety PLC as Chairman, and Richard Huber, former CEO of Aetna Insurance
- Hired Dr. Ron Stotish, formerly senior executive at Wyeth and American Cyanamid, as VP of Regulatory Affairs, initial mission is to register Shrimp IMS in target countries
- Hired Latin American marketing staff for commercialization of Shrimp IMS in these territories
- Won a tender from the Government of Vietnam to supply SybrShrimp Diagnostic kits to Government laboratories
- Initiated shipments of IMS to distributor in Ecuador

Commenting on the results, CEO Elliot Entis noted that the past year was one of obtaining the capital and building the infrastructure necessary to commercialize and properly support the Company's initial products, while strengthening ABT's robust product pipeline. "We were pleased with the interest from high quality investors that supported our listing on AIM. We are now actively working towards commercialization of our Health and Productivity line of products in Latin America and in 2007, across Asia. We are confident of the outlook for 2006 and expect to deliver the milestones that we projected we would meet during 2006."

Mr. Entis also noted that pre-market review of the Company's AquAdvantage Salmon had made progress at the FDA and that further results from the Agency were expected during by the end of the year.

- ends –

For further information, please contact:

Aqua Bounty Elliot Entis / Joseph McGonigle	+1 781 899 7755
Nomura Code Charles Walker	+44 (0) 020 7776 1200
Bell Pottinger Daniel de Belder / Alexandra Walton	+44 (0) 20 7861 3232

A copy of the Company's 2005 Annual Report is available, free of charge, by contacting the Company's Chief Financial Officer, Joseph Hernon, Aqua Bounty Technologies, 935 Main Street, Waltham, Mass. 02451, by telephone at 001-781-899-7755, or via email at jhernon@aquabounty.com.

Aqua Bounty Technologies, Inc.
(A Development Stage Company)

Consolidated Financial Statements

Years ended December 31, 2005 and 2004
and the period from December 17, 1991
(date of inception) to December 31, 2005

Contents

Report of Independent Auditors....1

Consolidated Financial Statements

Consolidated Balance Sheets....2
Consolidated Statements of Operations....3
Consolidated Statements of Changes in Stockholders' Deficit....4
Consolidated Statements of Cash Flows....10
Notes to Consolidated Financial Statements....12

Report of Independent Auditors

The Board of Directors and Shareholders of Aqua Bounty Technologies, Inc.

We have audited the accompanying consolidated balance sheets of Aqua Bounty Technologies, Inc. as of December 31, 2005 and 2004, and the related consolidated statements of income, shareholders' deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Aqua Bounty Technologies, Inc. at December 31, 2005 and 2004, and the consolidated results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Ernst + Young LLP

St. John’s, Canada,
June 28, 2006.

Chartered Accountants

Aqua Bounty Technologies, Inc.
(A Development Stage Company)

Consolidated Balance Sheets

	December 31 2005	December 31 2004
Assets		
Current assets:		
Cash and cash equivalents	**$246,893**	$168,285
Accounts receivable	**200,752**	37,248
Accounts receivable – officers (Note 12)	**35,278**	14,191
Due from related parties (Note 12)	**8,130**	-
Contributions receivable (Note 3)	**3,209**	94,281
Investment tax credit receivable	**275,383**	124,087
Prepaid expenses and other assets	**13,853**	13,656
Total current assets	**783,498**	451,748
Property and equipment, net (Note 4)	**1,449,622**	1,522,478
Patents (Note 5)	**218,199**	207,423
Licenses	**26,875**	16,970
Deferred offering costs (Note 6)	**937,589**	-
Other assets	**29,048**	24,194
Total assets	**$3,444,831**	$2,222,813
Liabilities and stockholders' deficit		
Current liabilities:		
Accounts payable and accrued expenses	**$ 1,818,954**	$ 870,758
Notes payable to shareholders (Note 7)	**2,138,619**	946,510
Due to related parties (Note 12)	**39,369**	40,201
Current portion of long-term debt (Note 8)	**116,044**	135,612
Total current liabilities	**4,112,986**	1,993,081
Long-term debt (Note 8)	**3,012,777**	3,028,018
Commitments and Contingencies (Note 11)		
Stockholders' deficit (Note 9):		
Convertible preferred stock, $.01 par value, 40,000,000 shares authorized; 13,309,607 and 13,309,607 shares outstanding at December 31, 2005 and 2004, respectively, (aggregate liquidation value $9,569,492)	**133,096**	133,096
Common stock, $.001 par value, 80,000,000 shares authorized; 21,311,634 and 12,442,248 shares outstanding at December 31, 2005 and 2004, respectively	**21,312**	12,442
Additional paid-in capital	**29,801,420**	23,127,537
Accumulated other comprehensive loss	**(531,008)**	(463,177)
Accumulated deficit during the development stage	**(33,105,752)**	(25,608,184)
Total stockholders' deficit	**(3,680,932)**	(2,798,286)
Total liabilities and stockholders' deficit	**$ 3,444,831**	$ 2,222,813

See independent auditor's report and accompanying notes.

Aqua Bounty Technologies, Inc.
(A Development Stage Company)

Consolidated Statements of Operations

	Year ended December 31 2005	2004	Period from December 17 1991 (date of inception) to December 31 2005
			(unaudited)
Revenues and grants:			
Sales of product	**$777,354**	$329,997	$ 1,924,095
Research and development grants	**543,219**	653,203	2,019,533
	1,320,573	983,200	3,943,628
Costs and expenses:			
Cost of goods	**480,966**	180,134	938,061
Sales & marketing	**78,047**	-	78,047
Research and development	**2,179,434**	2,515,595	14,718,358
General & administrative expense	**1,351,760**	1,001,224	12,011,793
Write-off of affiliate receivables (Note 12)	**-**	127,822	680,049
Stock compensation expense (Note 9)	**2,370,463**	142,385	3,675,149
	6,460,670	3,967,160	32,101,457
Operating loss	**(5,140,097)**	(2,983,960)	(28,157,829)
Interest income (expense), net	**(2,357,471)**	(133,630)	(4,947,921)
Net loss	**$(7,497,568)**	$(3,117,590)	$(33,105,750)
Dividend in connection with Series D Preferred Stock (Note 9)	**-**	$(697,427)	
Net loss attributable to common shareholders	**$(7,497,568)**	$(3,815,017)	
Basic and diluted net loss attributable to common shareholders	**$(0.60)**	$(0.31)	
Weighted average number of common shares-basic and diluted	**12,485,677**	12,289,179	

See independent auditor's report and accompanying notes.

Aqua Bounty Farms Inc.
(A Development Stage Company)

Consolidated Statements of Changes in Stockholders' Equity

Period from December 17, 1991
(date of inception) to December 31, 2005

	Preferred Shares Issued and Outstanding	Par Value	Common Shares Issued and Outstanding	Par Value	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
Net loss (unaudited)	-	$0	-	$0	$0	$0	($1,251)	($1,251)
Balance at December 31, 1991 (unaudited)	-	$0	-	$0	$0	$0	($1,251)	($1,251)
Net loss (unaudited)							($27,754)	($27,754)
Sale of stock to founders (unaudited)			2,965,458	$2,966	$4,534			$7,500
Stock issued to founders without consideration (unaudited)			662,000	$662	$0			$662
Sale of stock to founders (unaudited)			90,000	$90	$89,910			$90,000
Balance at December 31, 1992 (unaudited)	-	$0	3,717,458	$3,718	$94,444	$0	($29,005)	$69,157
Net loss (unaudited)							($261,828)	($261,828)
Exchange of common stock for preferred stock (unaudited)	100,000	$1,000	- 60,000	($60)	($940)			$0
Sale of stock (unaudited)	950,002	$9,500			$560,500			$570,000
Stock issued for:								
Compensation (unaudited)			127,400	$127	$76,313			$76,440
Consulting services (unaudited)			25,000	$25	$14,975			$15,000
Settlement of disputed claims (unaudited)			50,000	$50	$29,950			$30,000
Balance at December 31, 1993 (unaudited)	1,050,002	$10,500	3,859,858	$3,860	$775,242	$0	($290,833)	$498,769
Net loss (unaudited)							($361,054)	($361,054)
Foreign currency translation (unaudited)						$2,520		$2,520
Total comprehensive loss								($358,534)
Stock issued for consulting								

Aqua Bounty Farms Inc.
(A Development Stage Company)

Consolidated Statements of Changes in Stockholders' Equity

Period from December 17, 1991
(date of inception) to December 31, 2005

	Preferred Shares Issued and Outstanding	Par Value	Common Shares Issued and Outstanding	Par Value	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
services (unaudited)			30,000	$30	$17,970			$18,000
Sale of stock (unaudited)	883,335	$8,833			$521,168			$530,001
Balance at December 31, 1994 (unaudited)	1,933,337	$19,333	3,889,858	$3,890	$1,314,380	$2,520	($651,887)	$688,236
Net loss (unaudited)							($563,373)	($563,373)
Foreign currency translation (unaudited)						$3,429		$3,429
Total comprehensive loss								($559,944)
Sale of stock unaudited	1,636,542	$16,365			$1,882,586			$1,898,951
Balance at December 31, 1995 (unaudited)	3,569,879	$35,698	3,889,858	$3,890	$3,196,966	$5,949	($1,215,260)	$2,027,243
Net loss							($945,088)	($945,088)
Foreign currency translation						($20,456)		($20,456)
Total comprehensive loss								($965,544)
Sale of stock	1,440,385	$14,404			$1,688,212			$1,702,616
Exercise of stock options			7,000	$7	$6,993			$7,000
Balance at December 31, 1996	5,010,264	$50,102	3,896,858	$3,897	$4,892,171	($14,507)	($2,160,348)	$2,771,315
Net loss							($1,352,829)	($1,352,829)
Foreign currency translation						$34,963		$34,963
Total comprehensive loss								($1,317,866)
Balance at December 31, 1997	5,010,264	$50,102	3,896,858	$3,897	$4,892,171	$20,456	($3,513,177)	$1,453,449
Net loss							($2,557,675)	($2,557,675)
Foreign currency translation						($41,606)		($41,606)
Total comprehensive loss								($2,599,281)

Aqua Bounty Farms Inc.
(A Development Stage Company)

Consolidated Statements of Changes in Stockholders' Equity

Period from December 17, 1991
(date of inception) to December 31, 2005

	Preferred Shares Issued and Outstanding	Par Value	Common Shares Issued and Outstanding	Par Value	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
Stock option grants					$654,594			$654,594
Conversion of stockholder loans and interest payable to common stock			604,643	$605	$1,057,519			$1,058,124
Issuance of warrants with loan					$24,500			$24,500
Issuance of warrants with common stock					$40,124			$40,124
Sale of common stock			212,572	$212	$331,666			$331,878
Balance at December 31, 1998	5,010,264	$50,102	4,714,073	$4,714	$7,000,574	($21,150)	($6,070,852)	$963,388
Net loss							($1,697,465)	($1,697,465)
Foreign currency translation						$20,761		$20,761
Total comprehensive loss								($1,676,704)
Issuance of warrants with loan					$5,555			$5,555
Issuance of warrants with common stock					$164,954			$164,954
Sale of preferred stock	5,143	$51			$8,949			$9,000
Sale of common stock			963,760	$964	$1,525,454			$1,526,418
Sale of common stock			232,813	$233	$367,476			$367,709
Balance at December 31, 1999	5,015,407	$50,153	5,910,646	$5,911	$9,072,962	($389)	($7,768,317)	$1,360,320
Net loss							($1,919,298)	($1,919,298)
Foreign currency translation						($5,906)		($5,906)
Total comprehensive loss								($1,925,204)
Stock issued for consulting services			5,143	$5	$8,224			$8,229
Stock dividend (spin-off)					($983,592)			($983,592)
Issuance of warrants					$221,899			$221,899

Aqua Bounty Farms Inc.
(A Development Stage Company)

Consolidated Statements of Changes in Stockholders' Equity

Period from December 17, 1991
(date of inception) to December 31, 2005

	Preferred Shares Issued and Outstanding	Par Value	Common Shares Issued and Outstanding	Par Value	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
Sale of preferred stock	2,557,272	$25,573			$1,974,427			$2,000,000
Sale of common stock			133,333	$134	$198,154			$198,288
Issuance of common stock upon exercise of stock options			6,875	$6	$1,368			$1,374
Balance at December 31, 2000	7,572,679	$75,726	6,055,997	$6,056	$10,493,442	($6,295)	($9,687,615)	$881,314
Adjustment of share issuances	- 5,139	($51)			($8,949)		$9,000	$0
Net loss							($2,496,064)	($2,496,064)
Foreign currency translation						$2,684		$2,684
Total comprehensive loss								($2,493,380)
Contribution of patent from related party					$19,529			$19,529
Issuance of warrants and options					$71,767			$71,767
Exercise of options for common stock			12,857	$13	$1,530			$1,543
Exercise of warrants for common stock			150,000	$150	$89,850			$90,000
Sale of common stock			1,926,659	$1,927	$1,504,875			$1,506,802
Balance at December 31, 2001	7,567,540	$75,675	8,145,513	$8,146	$12,172,044	($3,611)	($12,174,679)	$77,575
Net loss							($4,963,164)	($4,963,164)
Foreign currency translation						($17,928)		($17,928)
Total comprehensive loss								($4,981,092)
Beneficial conversion feature on convertible notes payable					$950,568			$950,568
Issuance of warrants					$950,568			$950,568
Issuance of options					$42,221			$42,221

Aqua Bounty Farms Inc.
(A Development Stage Company)

Consolidated Statements of Changes in Stockholders' Equity

Period from December 17, 1991
(date of inception) to December 31, 2005

	Preferred Shares Issued and Outstanding	Par Value	Common Shares Issued and Outstanding	Par Value	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
Balance at December 31, 2002	7,567,540	$75,675	8,145,513	$8,146	$14,115,401	($21,539)	($17,137,843)	($2,960,160)
Net loss							($5,352,751)	($5,352,751)
Foreign currency translation						($281,777)		($281,777)
Total comprehensive loss								($5,634,528)
Sale of preferred stock	2,980,469	$29,805			$2,301,164			$2,330,969
Beneficial conversion feature on convertible notes payable					$159,684			$159,684
Issuance and extension of warrants					$1,516,209			$1,516,209
Dividend in connection with Series D Preferred Stock					($916,089)			($916,089)
Issuance of options					$38,939			$38,939
Conversion of notes payable to common stock			4,106,122	$4,106	$3,207,213			$3,211,319
Balance at December 31, 2003	10,548,009	$105,480	12,251,635	$12,252	$20,422,521	($303,316)	($22,490,594)	($2,253,657)
Net loss							($3,117,590)	($3,117,590)
Foreign currency translation						($159,861)		($159,861)
Total comprehensive loss								($3,277,451)
Dividend in connection with Series D Preferred Stock					($697,427)			($697,427)
Stock issued for consulting services			65,000	$65	$50,770			$50,835
Issuance and extension of warrants					$1,768,321			$1,768,321
Beneficial conversion feature on convertible notes payable					$174,367			$174,367
Exercise of warrants Common Stock			125,613	$125	$81,720			$81,845
Exercise of warrants Series B Preferred Stock	2,500	$25			$2,000			$2,025
Sale of preferred stock	2,293,672	$22,937			$874,369			$897,306
Issuance of options					$91,550			$91,550

Aqua Bounty Farms Inc.
(A Development Stage Company)

Consolidated Statements of Changes in Stockholders' Equity

Period from December 17, 1991
(date of inception) to December 31, 2005

	Preferred Shares Issued and Outstanding	Par Value	Common Shares Issued and Outstanding	Par Value	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
Conversion of notes payable to Series C Preferred Stock	465,426	$4,654			$359,346			$364,000
Balance at December 31, 2004	13,309,607	$133,096	12,442,248	$12,442	$23,127,537	($463,177)	($25,608,184)	($2,798,286)
Net loss							($7,497,568)	($7,497,568)
Foreign currency translation						($67,831)		($67,831)
Total comprehensive loss								($7,565,398)
Exercise of warrants common stock			156,472	$156	$122,218			$122,374
Exercise of options common stock			80,000	$80	$6,420			$6,500
Exercise of warrants common stock-cashless			5,535,059	$5,535	($5,535)			$0
Exercise of options common stock-cashless			205,000	$205	($205)			$0
Conversion of notes payable to common stock			2,892,855	$2,893	$2,259,553			$2,262,446
Issuance and extension of warrants					$905,190			$905,190
Beneficial conversion feature on convertible notes payable					$905,190			$905,190
Warrants issued for consulting services					$110,589			$110,589
Issuance of options					$2,370,463			$2,370,463
Balance at December 31, 2005	13,309,607	$133,096	21,311,634	$21,312	$29,801,420	($531,008)	($33,105,752)	($3,680,932)

Aqua Bounty Technologies, Inc.
(A Development-Stage Company)

Consolidated Statements of Cash Flows

	Year ended December 31 2005	2004	Period from December 17 1991 (date of inception) to December 31 2005
			(unaudited)
Operating activities			
Net loss	**(7,497,568)**	(3,117,590)	(33,105,750)
Adjustment to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	**200,662**	174,101	1,749,614
Stock compensation	**2,370,463**	142,385	3,675,149
Warrants issued for service	**110,589**	-	292,502
Write-off of affiliate receivables	**-**	127,822	680,049
Deferred revenue	**-**	-	(217,845)
Decrease in cash surrender value of officer's life insurance	**-**	-	(664)
Interest expense for stockholder loans	**-**	-	63,956
Accretion of Secured Promissory Notes	**2,055,460**	70,244	4,614,727
Changes in operating assets and liabilities:			
Accounts receivable	**(163,214)**	8,057	(26,595)
Accounts receivable – officer	**(21,087)**	(710)	(35,782)
Due from related party	**(1,722)**	(127,822)	(679,962)
Contributions receivable	**90,689**	322,096	27,193
Stock subscription receivable	**-**	-	840,000
Inventory	**-**	-	(203,934)
Prepaid expenses and other current assets	**160**	22,641	(22,696)
Accounts payable and accrued expenses	**1,093,117**	35,998	2,222,134
Net cash used in operating activities	**(1,762,451)**	(2,342,778)	(20,107,904)
Investing activities			
Purchases of equipment	**(21,591)**	(608,842)	(2,621,287)
Payment of patent costs	**(58,169)**	(14,893)	(1,138,570)
Payment of license fees	**(15,000)**	-	(145,853)
Payment of offering costs	**(937,589)**	-	(937,589)
Other	**(4,855)**	(6,322)	(33,739)
Net cash used in investing activities	**(1,037,204)**	(630,057)	(4,877,038)
Financing activities			
Cash transferred to new entity	**-**	-	(68,901)
Proceeds of long-term debt	**-**	456,561	3,005,171
Payment of long-term debt	**(140,082)**	(138,202)	(617,976)
Proceeds from notes payable to stockholders	**1,005,029**	250,000	2,755,029
Proceeds from issuance of convertible promissory notes	**2,100,453**	475,000	5,872,153
Payment of convertible promissory notes	**(50,000)**	-	(50,000)
Investment tax credit receivable	**(141,614)**	127,160	(220,588)
Proceeds from issuance of common stock	**-**	-	4,248,717
Proceeds from issuance of preferred stock	**-**	1,793,832	10,022,768
Notes from related parties	**(1,238)**	28,249	38,598
Proceeds from exercise of stock options & warrants	**128,875**	83,870	312,662
Net cash provided by financing activities	**2,901,423**	3,076,470	25,297,633
Effect of exchange rate changes on cash and cash equivalents	**(23,160)**	(9,415)	(45,798)
Net increase in cash and cash equivalents	**78,608**	94,220	246,893
Cash and cash equivalents at beginning of period	**168,285**	74,065	-
Cash and cash equivalents at end of period	**246,893**	168,285	246,893

See independent auditor's report and accompanying notes.

Aqua Bounty Farms, Inc.
(A Development-Stage Company)

Consolidated Statements of Cash Flows (continued)

	Year ended December 31 2005	2004	Period from December 17 1991 (date of inception) to December 31 2005
			(unaudited)
Supplemental cash flow information			
Non-cash financing and investing activities			
Conversion of notes payable to common stock	**$2,262,446**	$364,000	$6,895,889

See independent auditor's report and accompanying notes.

1. Nature of Business and Organization

Nature of Business

Aqua Bounty Technologies, Inc. (the "Company") was incorporated in December 1991 in the state of Delaware for the purpose of conducting research and development of the commercial viability of a group of proteins commonly known as antifreeze proteins (AFPs). In 1996, the Company obtained the exclusive licensing rights for a gene construct (transgene) used to create a breed of farm-raised salmon that are expected to exhibit growth rates substantially faster than natural growth rates. Founded as Aqua Bounty Farms, Inc., the Company changed is name to Aqua Bounty Technologies, Inc. in June 2004.

Aqua Bounty Canada, Inc. (the "Canadian Subsidiary") was incorporated in January, 1994 in Canada for the purpose of establishing a commercial biotechnology laboratory to produce antifreeze proteins and to conduct research and development programs related to the commercialization of cryopreservatives and the antifreeze gene construct. Founded as AF Protein Canada, Inc., the Company changed is name to Aqua Bounty Canada, Inc. in March 2000.

Aqua Bounty Pacific, Inc., (the "U.S. Subsidiary") was incorporated in September, 2002 in the state of California for the purpose of developing products for the shrimp aquaculture industry, including therapeutics, vaccines and genetically improved brood stock. In late 2004, the U.S. Subsidiary commenced sales of the Company's first commercial product which is designed to increase the growth rate and disease resistance of shrimp.

Basis of Consolidation

The consolidated financial statements include the accounts of Aqua Bounty Technology, Inc. and its wholly owned subsidiaries, Aqua Bounty Canada, Inc. and Aqua Bounty Pacific, Inc. The entities are collectively referred to herein as the "Company". All inter-company transactions and accounts have been eliminated upon consolidation.

2. Summary of Significant Accounting Policies

Nature of Development Stage Activities

Since its inception, the Company has devoted substantially all of its efforts to the research and development of its technologies and to securing financing to support its operations. To date, the Company has been unable to generate significant revenues from operations. Accordingly, the Company is considered to be in the development stage as defined in Statement of Financial Accounting Standards, ("SFAS") No. 7, *Accounting and Reporting by Development Stage Enterprises.* On March 2006, the Company completed an initial public offering ("IPO") on the Alternative Investment Market ("AIM Market") of the London Stock Exchange ("LSE"). As further described in Note 13, the IPO generated net proceeds to the Company of $28,126,882.

Foreign Currency Translation

The functional currency of the Company and the US Subsidiary is the US Dollar. The functional currency of the Canadian Subsidiary is the Canadian Dollar. In accordance with SFAS No. 52, *Foreign Currency Translation*, the balance sheet accounts of the Canadian Subsidiary are translated at the exchange rates in effect at the balance sheet date. The income statement accounts are translated at the average rate for the year. Net translation gains or losses are adjusted directly to a separate component of other comprehensive income (loss) within stockholders' deficit. Foreign currency transaction gains and losses are included in the determination of net loss and were insignificant in 2005 and 2004.

Cash Equivalents

The Company considers short-term investments with an original maturity of three months or less when purchased to be cash equivalents.

Concentration of Credit Risk

Financial instruments that subject the Company to a concentration of credit risk consist of cash and accounts receivable. The risk with respect to cash is minimized by the Company maintaining deposits at federally insured institutions. The risk with respect to accounts receivable is minimized by the creditworthiness of the Company's customers and the Company's credit and collection policies. To date, the Company's product sales have been exclusively to one customer. The Company performs periodic credit evaluations of its customers' financial condition and generally does not require collateral.

Investment Tax Credit Receivable

The Scientific Research and Experimental Development ("SRED") program is a Canadian federal tax incentive program designed to encourage Canadian businesses to conduct research and development in Canada. Under the SRED program, the Canadian Subsidiary is eligible to receive a refundable tax credit in an amount equal to fifteen percent (15%) of qualified research and development expenditures. The Company records an investment tax credit receivable as qualified costs are incurred and recognizes the credit as a reduction in the amount of the expenditures.

Property and Equipment

Property, equipment and leasehold improvements are carried at cost, except for those owned by the Canadian Subsidiary which records such assets net of any Canadian government grants received. Depreciation for the Canadian Subsidiary is computed using the straight-line method over the estimated useful lives of the assets for buildings & leasehold improvements and the declining balance method for all other assets. The estimated useful lives and percentages for declining balance utilized are as follows:

Building	25 years
Laboratory equipment	30 percent
Office furniture and equipment	20 percent
Leasehold improvements	3 years or the term of the lease, if shorter
Vehicle	30 percent

Depreciation for the Company and the US Subsidiary is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives utilized are as follows:

Laboratory equipment	5 years
Office furniture and equipment	5 years

Financial Instruments

The carrying amounts of the Company's financial instruments, which include cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, notes payable and certain long term debt approximate their fair values as of December 31, 2005. Due to the terms of the debt, the fair value of the Company's long term debt due to Technology Partnerships Canada is not determinable.

Revenue Recognition

The Company records revenue from the sale of product upon shipment. Research and development grant revenue primarily consists of funding received from U.S. and Canadian government agencies under which the Company conducts research and development activities. The Company records revenue from these funding agreements when it incurs reimbursable costs or otherwise meets the conditions under which it becomes eligible to receiving the funding.

Beneficial Conversion Feature

The Company has, at certain times, issued preferred stock and debt instruments that were convertible into common stock. Such transactions have usually included the issuance of warrants to purchase shares of common stock. In such instances, the proceeds received are allocated to the securities issued in the transaction on a fair value basis. Warrants issued in 2005 and 2004 in connection with equity and debt financings were valued utilizing the Black Scholes pricing model with the following assumptions:

	2005	2004
Volatility	80%	80%
Risk-free interest rate	4.06%	3.87%
Expected dividend yield	0%	0%
Expected lives	7 years	7 years

The amount ascribed to the warrants is recognized as additional paid in capital. The allocation of a portion of the proceeds to the warrants results in the preferred stock or notes being convertible into common stock at an effective price per share which is less than the per share fair value of the common stock on the date of issuance. This discounted amount represents an incremental yield, commonly referred to as a "beneficial conversion feature".

A beneficial conversion feature associated with preferred stock is recognized as a return to the preferred stockholders, and is recognized immediately if there is no redemption date for the preferred stock and the preferred stock is immediately convertible, or over the period of conversion through the redemption date, if applicable. A beneficial conversion feature associated with notes or other debt instruments is recognized as a decrease in the value of the debt and an increase in additional paid in capital. The value of the beneficial conversion feature, along with the fair value ascribed to the warrants issued in connection with a debt financing, are recognized as interest expense ratably through the maturity date of the debt instrument.

Income Taxes

The Company uses the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recorded for the expected future tax consequences of temporary differences between the financial reporting and income tax bases of assets and liabilities, and are measured using the enacted tax rates and laws that are expected to be in effect when the differences reverse. A valuation allowance is established to reduce net deferred tax assets to the amount expected to be realized.

Net Loss Per Share

Basic and diluted net loss per share available to common stockholders has been calculated by dividing net loss by the weighted average number of common shares outstanding during the period. Basic net loss is based solely on the number of common shares outstanding during the period. Fully diluted net loss per share includes the number of shares of common stock issuable upon conversion of the preferred stock and convertible debt, and the exercise of warrants and options with an exercise price less than the fair value of the common stock. Since the Company is reporting a net loss for all periods presented, all potential common shares are considered anti-dilutive and are excluded from the calculation of diluted net loss per common share.

Stock-Based Compensation

Employee stock-based compensation is accounted for on an intrinsic value basis pursuant to Accounting Principles Board Opinion No. 25 ("APB No. 25"), *Accounting for Stock Issued to Employees*, and related interpretations. Under APB No. 25, when the exercise price of options granted to employees equals the fair value of the underlying stock on the date of grant, provided other criteria are met, no compensation expense is recognized. If the exercise price of options granted is less than the fair value of the underlying stock on the date of grant, the Company recognizes the difference as compensation expense over the vesting term.

Non-employee stock-based compensation is accounted for in accordance with SFAS No. 123, *Accounting for Stock Based Compensation* and Emerging Issues Task Force 96-18, *Accounting for Equity Instruments that are Issued to Other than Employees for Acquiring or in Conjunction with Selling, Goods or Services*. In such cases, the Black-Scholes pricing model is used to determine the fair value of warrants or options awarded to non-employees with the fair value of such issuances expensed over the period of service. The Company used the following assumptions in valuing issuances to non-employees in 2005 and 2004.

	2005	**2004**
Volatility	80%	80%
Risk-free interest rate	4.08%	3.87%
Expected dividend yield	0%	0%
Expected lives	7 years	7 years

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Other Comprehensive Loss

The Company follows SFAS No. 130, *Reporting Comprehensive Income,* which establishes standards for reporting and displaying comprehensive income (loss) and its components. The Company's other comprehensive loss includes only foreign currency translation adjustments.

Reclassifications

The Company has reclassified certain expenses to conform to the manner in which it evaluates its business operations. This process included the allocation of costs related to research and development activities, sales and marketing and stock compensation from represented general and administrative expenses. Certain amounts from 2004 and inception to date have been reclassified to conform to the 2005 presentation.

New Accounting Pronouncement

In December 2004, the Financial Accounting Standards Board ("FASB") issued SFAS 123(R), *Share Based Payment* ("SFAS 123(R)") which revises SFAS No. 123, supersedes APB 25 and amends SFAS No. 95, Statement of Cash Flows, ("FASB No. 95"). SFAS 123 (R) requires companies to expense the fair value of employee stock options and other forms of stock-based compensation over the employees' service period. Compensation cost is measured at the fair value of the award at the grant date and adjusted to reflect actual forfeitures and the outcome of certain conditions. The fair value of an award is not remeasured after its initial estimation on the grant date. In March 2005, the SEC issued Staff Accounting Bulletin SAB 107 ("SAB 107"). SAB 107 expresses views of the SEC regarding the interaction between SFAS 123(R) and certain SEC rules and regulations, and provides the SEC's views regarding the valuation of share-based payment arrangements for public companies. In April 2005, the SEC determined that the effective compliance date would be the first annual reporting period beginning on or after June 15, 2005. Therefore, the Company is required to be compliant beginning

January 1, 2006. The Company is evaluating if the adoption of SFAS 123(R) and SAB 107 will have a material impact on its operations and earnings per share. The Company is also evaluating the requirements of SFAS 123(R) and SAB 107 and has not yet determined the method of adoption or whether this adoption will result in amounts that are similar to the current pro-forma disclosures under SFAS No. 123 as set forth in Note 9.

In May 2005, the FASB issued SFAS No. 154 *Accounting Changes and Error Corrections – a replacement of APB Opinion No. 20 and FASB Statement No. 3*, ("SFAS 154"). This statement changes the requirements for the accounting for and reporting of a change in accounting principle and applies to all voluntary changes in accounting principle. It also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. When a pronouncement includes specific transition provisions, those provisions should be followed. APB No. 20 required that most voluntary changes in accounting principle be recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. SFAS 154 requires retrospective application to prior period financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. The provisions of SFAS 154 are effective for fiscal years beginning after December 15, 2005. The Company does not expect this statement to have a material impact on its financial condition or results of operations.

3. Contributions Receivable

The Canadian Subsidiary has periodically received funding commitments from various Canadian local, regional and federal government agencies. A total of $66,945 was recorded as contributions receivable from Canadian government agencies at December 31, 2004. At December 31, 2005 the amount recorded as contributions receivable from Canadian government agencies was nil. See Note 8 for a further discussion of these arrangements.

The U.S. Subsidiary was awarded a grant from the National Institute of Science and Technology ("NIST"), a federal agency of the United States, in September 2003. The grant was made under NIST's Advanced Technology Program which provides funding to support the development of early-stage, innovative technologies. The scope of work and budget incorporated into the award covers a three year period with the total amount of federal funding targeted at $528,417, $600,867, and 550,716 for the twelve month contract periods ending September 30, 2004, 2005 and 2006 respectively. The Company is required to contribute in direct costs a total of $149,167, $169,619, and $155,462 during the same periods, respectively. During 2005, the Company recognized $459,873 of grant revenue under the program, of which $3,209 and $27,336 was recorded as contributions receivable at December 31, 2005 and 2004 respectively.

4. Property and Equipment

Major classifications of property and equipment are summarized as follows:

	December 31	
	2005	2004
Land	87,033	$84,231
Building	1,265,041	1,219,600
Laboratory equipment	1,199,478	1,149,941
Office equipment and furniture	330,051	314,502
Leasehold improvements	133,172	122,712
Vehicle	9,494	9,188
	3,024,268	2,900,174
Less accumulated depreciation	1,574,646	1,377,696
	$1,449,622	$1,522,478

5. Patents

The Company has capitalized a total of $344,765 in connection with Patents. These costs primarily consist of legal fees to secure and register patents, and are amortized on a straight-line basis over seventeen years beginning with the issue date of the applicable patent. Amortization expense for 2005 and 2004 was $48,928 and $14,123, respectively. Estimated amortization expense for each of the next five years is $20,971 per year. Accumulated amortization at December 31, 2005 and 2004 was $126,566 and $77,629, respectively.

6. Deferred Offering Costs

As further described in Note 13, the Company completed an IPO on the AIM market of the LSE on March 20, 2006. The Company incurred certain direct costs in connection with the IPO. These costs, which primarily consist of fees billed by professional service providers, totaled $937,589 for the year ended December 31, 2005. These costs have been recorded as a deferred offering costs at December 31, 2005 and will be recognized in 2006 as a direct offset to gross proceeds raised from the IPO.

7. Notes Payable to Shareholders

The Company has consistently secured debt financing from shareholders in order to raise capital to support its operations. These notes have generally had extended maturity dates ranging between one to two years from the date of issuance. However, the Company has not been able to repay the notes on their extended maturity date. To date, no shareholder has notified the Company that it is in default of its obligations and no shareholder has initiated legal action against the Company. In connection with the completion of its IPO in March 2006 and as further described in Note 13, all notes payable to shareholders were either converted into shares of common stock or repaid in full.

The Company has accreted discounts recorded upon the issuance of notes payable through the extended maturity date of the notes rather than the original maturity date as the extended maturity date more accurately reflects the expected duration of the notes.

Bank Notes

In March 2003, five shareholders of the Company each obtained a $100,000 line of credit with Citizens Bank (the "Bank") and allowed the Company to use the proceeds totaling $500,000 (the "Bank Notes"). The Bank Notes bear interest at the prime rate and are payable upon demand if the shareholders receive such a request from the Bank. The Company entered into an agreement with the Bank under which the monthly interest on the Bank Notes is paid by the Company. However, the Company has no legal obligation to the Bank to repay the Bank Notes, and there was no formal agreement between the Company and the shareholders until November 2005 when the Company entered into a promissory note agreement with each shareholder. The promissory note agreement between the Company and the shareholders is also due on a demand basis. In connection with the transaction, the Company issued 200,000 warrants to each of the five shareholders. These warrants are exercisable at $0.78208 and have a seven year term. Based on their relative fair values, $268,519 and $231,481 of the net proceeds were allocated to the warrants and Bank Notes, respectively. The value allocated to the warrants of $268,519 was recognized as a non-cash interest charge in 2003. The Company also recognized interest expense of $31,385 and $23,788 in 2005 and 2004, respectively, in connection with the monthly interest incurred on the Bank Notes. As further described in Note 13, the Company repaid the principal amount of $500,000 in April 2006 following the completion of its IPO.

McCormick Trust Convertible Note

In September 2004, the Company entered into a Convertible Note agreement with the Jeffrey McCormick Grantor Retained Annuity Trust (the "Trust Note") under which it borrowed $100,000. The Trust Note has a maturity date of June 30, 2005 and bears interest at 6% through maturity, increasing to 18% if the Trust Note is not repaid on or before maturity. The Trust Note is convertible into shares of the Company's Common Stock at a conversion price of $0.78208 for each share of Common Stock. In connection with the issuance of the Trust Note, the Company issued a warrant to purchase 100,000 shares of the Company's Common Stock which is exercisable at a price of $0.78208 per share for a seven year term. The net proceeds were allocated to the warrants and the Trust Note based on their relative fair values, and a beneficial conversion feature of $36,709 was recognized. The initial carrying value of the Trust Note of $26,582 is being accreted ratably through its maturity date and totaled $100,000 and $57,495 at December 31, 2005 and 2004 respectively. The Company recorded interest expense of $54,722 in 2005, of which $42,505 was a non-cash charge associated with accretion and $12,217 related to the coupon on the note and recorded interest expense of $32,680 in 2004, of which $30,913 was a non-cash charge associated with accretion and $1,767 related to the coupon on the note. As further described in Note 13, the Company repaid the principal amount of $100,000 plus accrued interest thereon in April 2006 following completion of its IPO.

Bridge Loan

In December 2004, the Company entered into Promissory Note Agreements (the "Notes") with certain of its shareholders under which it borrowed a total of $375,000. The Notes mature in December 2005, and bear interest at 8% through June 30, 2005, increasing to 12% thereafter. The Notes are convertible into common stock at a conversion price of $0.78208. In connection with the issuance of the Notes, the Holders received one warrant to purchase a share of common stock of the Company for each dollar loaned to the Company resulting in the issuance of 375,000 warrants. The warrants are exercisable at $0.78208 for a seven year term. The proceeds were allocated to the warrants and the Notes based on their relative fair values, and a beneficial conversion feature of $137,658 was recognized. The initial carrying value of the Notes of $99,684 is being accreted ratably to $375,000 through its maturity date and totaled $375,000 and $139,015 at December 31, 2005 and 2004, respectively. The Company recorded interest expense of $277,165 in 2005, of which $235,985 was a non-cash charge associated with accretion of the Note and $41,180 related to the coupon on the note and recorded interest expense of $41,008 in 2004, of which $39,331 was a non-cash charge associated with accretion of the Note and $1,677 related to the coupon on the note. In December 2005, Notes then outstanding, totaling $325,000 in principal amount plus interest of $36,622 were converted into 461,106 shares of common stock. As further described in Note 13, the Company repaid the remaining principal amount of $50,000 plus accrued interest thereon in April 2006 following completion of its IPO.

In January 2005, additional Notes were issued for a total of $200,054. The Notes mature in December 2005 and bear interest at 8% through June 30, 2005, increasing to 12%, thereafter. The Notes are convertible into common stock at a conversion price of $0.78208. In connection with the issuance of the Notes, the Holders received one warrant to purchase a share of common stock of the Company for each dollar loaned to the Company resulting in the issuance of 200,054 warrants. The warrants are exercisable at $0.78208 for a seven year term. The proceeds were allocated to the warrants and the Notes based on their relative fair values, and a beneficial conversion feature of $73,418 was recognized. The initial carrying value of the Notes of $53,165 is being accreted ratably to $200,054 through its maturity date and totaled $200,054 at December 31, 2005. The Company recorded interest expense of $166,926 in 2005, of which $146,836 was a non-cash charge associated with accretion of the Notes and $20,090 related to the coupon on the note. In December 2005, Notes then outstanding, totaling $100,053 in principal amount plus interest of $36,622 were converted into 140,764 shares of common stock. As further described in Note 13, the Company repaid the remaining principal amount of $100,000 plus accrued interest thereon in April 2006 following completion of its IPO.

In February and March 2005, additional Notes were issued for a total of $340,000. The Notes mature one year from the date of issuance, and bear interest at 8% through August 30, 2005, increasing to 12%, thereafter. The Notes are convertible into common stock at a conversion price of $0.78208. In connection with the issuance of the Notes, the Holders received one warrant to purchase a share of common stock of the Company for each dollar loaned to the Company resulting in the issuance of 340,000 warrants. The warrants are exercisable at $0.78208 for a seven year term. The net proceeds were allocated to the warrants and the Notes based on their relative fair values, and a beneficial conversion feature of $124,810 was recognized. The initial carrying value of the Notes of $90,380 is being accreted ratably to $340,000 through its maturity date and totaled $331,440 at December 31, 2005. The Company recorded interest expense of $276,152 in 2005, of which $241,060 was a non-cash charge associated with accretion of the Notes and $35,092 related to the coupon on the note. In December 2005, Notes then outstanding, totaling $270,000 in principal amount plus interest of $ 27,866 were converted into 380,864 shares of common stock. As further described in Note 13, the Company repaid the remaining principal amount of $70,000 plus accrued interest thereon in April 2006 following completion of its IPO.

In the second quarter of 2005, additional Notes were issued for a total of $761,000. The Notes mature one year from the date of issuance and bear interest at 12%**.** The Notes are convertible into common stock at a conversion price of $0.78208. In connection with the issuance of the Notes, the Holders received one warrant to purchase a share of common stock of the Company for each dollar loaned to the Company resulting in the issuance of 761,000 warrants. The warrants are exercisable at $0.78208 for a seven year term. The proceeds were allocated to the warrants and the Notes based on their relative fair values, and a beneficial conversion feature of $279,354 was recognized. The initial carrying value of the Notes of $202,291 is being accreted ratably to $761,000 through its maturity date and totaled $749,988 at December 31, 2005. The Company recorded interest expense of $606,054 in 2005, of which $547,696 was a non-cash charge associated with accretion of the Notes and $58,358 related to the coupon on the note. In December 2005, Notes then outstanding, totaling $716,000 in principal amount plus interest of $ 54,688 were converted into 985,433 shares of common stock. As further described in Note 13, the Company repaid the remaining principal amount of $45,000 plus accrued interest thereon in April 2006 following completion of its IPO.

On August 16, 2005, an additional Note was issued for a total of $10,000. The Note matures on August 16, 2006 and bears interest at 12%**.** The Note is convertible into common stock at a conversion price of $0.78208. In connection with the issuance of the Note, the Holder received one warrant to purchase a share of common stock of the Company for each dollar loaned to the Company resulting in the issuance of 10,000 warrants. The warrants are exercisable at $0.78208 for a seven year term. The proceeds were allocated to the warrants and the Notes based on their relative fair values, and a beneficial conversion feature of $3,671 was recognized. The initial carrying value of the Notes of $2,658 is being accreted ratably to $10,000 through its maturity date and totaled $7,063 at December 31, 2005. The Company recorded interest expense of $4,867 in 2005, of which $4,405 was a non-cash charge associated with accretion of the Note and $462 related to the coupon on the note. As further described in Note 13, the Company repaid the principal amount of $10,000 plus accrued interest thereon in April 2006 following completion of its IPO.

Between August 31 and September 30, 2005, additional Notes were issued for a total of $642,400. The Notes have a January 31, 2006 maturity date and bear interest at 12%**.** The Notes are convertible into common stock at a conversion price of $0.78208. In connection with the issuance of the Notes, the Holders received two warrants to purchase a share of common stock of the Company for each dollar loaned to the Company resulting in the issuance of 1,284,800 warrants. The warrants are exercisable at $0.78208 for a seven year term. The proceeds were allocated to the warrants and the Notes based on their relative fair values, and a beneficial conversion feature of $344,993 was recognized. The initial carrying value of the Notes is being accreted ratably to $642,400 through its maturity date and totaled $633,378 at December 31, 2005. The Company recorded interest expense of $703,918 in 2005, of which $680,964 was a non-cash charge associated with accretion of the Note and $22,954 related to the coupon on the note. In December 2005, Notes then outstanding, totaling $557,400 in principal amount plus interest of $ 21,646 were converted into 740,392 shares of common stock. In December, 2005 the Company paid $50,000 of the principal and as further described in Note 13, repaid the remaining principal amount of $35,000 plus accrued interest thereon in April 2006 following completion of its IPO.

Between October 01, 2005 and October 04, 2005, additional Notes were issued for a total of $147,000. The Notes have a January 31, 2006 maturity date and bear interest at 12%**.** The Notes are convertible into common stock at a conversion price of $0.78208. In connection with the issuance of the Notes, the Holders received two warrants to purchase a share of common stock of the Company for each dollar loaned to the Company resulting in the issuance of 294,000 warrants. The warrants are exercisable at $0.78208 for a seven year term. The proceeds were allocated to the warrants and the Notes based on their relative fair values, and a beneficial conversion feature of $78,944 was recognized. The initial carrying value of the Notes is being accreted ratably to $147,000 through its maturity date and totaled $145,121 at December 31, 2005. The Company recorded interest expense of $160,352 in 2005, of which $156,009 was a non-cash charge associated with accretion of the Note and $4,343 related to the coupon on the note. In December 2005, Notes then outstanding, totaling $140,000 in principal amount plus interest of $ 4,136 were converted into 184,299 shares of common stock. As further described in Note 13, the Company repaid the remaining principal amount of $7,000 plus accrued interest thereon in April 2006 following completion of its IPO.

During the period from October 05, 2005 through December 31, 2005, additional notes (the "IPO Notes") were issued for a total of $1,005,029. The IPO Notes have a March 30, 2006 maturity date and bear interest at 12% unless the Company completes an IPO prior to the maturity date. If an IPO is completed prior to March 30, 2006, the IPO Notes will not bear interest and the principal amount will be converted into common stock at a conversion price that is equal to 50% of the price that common shares are sold for in the IPO**.** If an IPO is not completed prior to March 30, 2006, the Holder will have the right to convert the principal and accrued interest into common stock at a price equal to the lower of $0.78208 or the price at which any shares of common stock are sold in a future financing. As further described in Note 13, in March 2006, the Company issued 778,442 shares of common stock resulting from the conversion of the December 31, 2005 outstanding IPO Notes into common stock in connection with completion of the IPO.

NANAF Notes

In February 2004, The North American Nutrition and Agribusiness Fund ("NANAF") agreed to convert an 8% Promissory Note dated May 25, 2001 into shares of Series C-1 Preferred Stock. The entire principal amount of $300,000 plus accrued interest totaling $64,000 was converted into 465,426 shares of Series C-1 Preferred Stock.

In November 2004, the Company entered into a Convertible Secured Note and Security Agreement (the "Secured Note") with NANAF under which it borrowed $250,000. The Secured Note had a maturity date of December 31, 2004 and bears interest at 8% compounded monthly. The Secured Note was not repaid on its maturity date and remained outstanding as of December 31, 2005. NANAF may elect to convert the Secured Note into shares of the Company's Series C-1 or Series D Preferred Stock at a conversion price of $0.78208 for each share. Alternatively, NANAF may elect to convert the Secured Note into shares of any other equity securities issued by the Company in a future financing at a price equal to 90% of the price of the securities issued in the future financing. The Company granted NANAF a continuing lien and security in all of the Company's right, title and interest in and to all of its tangible and intangible property, including its intellectual property.

In March 2006, the Company issued 366,732 shares of common stock resulting from the conversion of the Secured Note plus accrued interest into common stock in connection with completion of the IPO. In connection with the conversion of the Secrued Note, the Company issued 250,000 warrants at an exercise price of $0.78208 exercisable for seven years from date of issuance. These warrants were subsequently exercised on a one-for-two cashless basis resulting in the issuance of 125,000 shares of common stock in March 2006.

8. Long-Term Debt

Enterprise PEI

Enterprise PEI ("EPEI") is a Provincial government agency which provides funding to promote the growth and development of companies within the province of Prince Edward Island.

In June 1996, the Canadian Subsidiary secured an initial EPEI loan commitment in the amount of 400,000 Canadian dollars (C$). This term loan is collateralized by a demand note for C$400,000 executed by the Canadian Subsidiary, a secured demand debenture for C$400,000, representing a fixed lien on land, building, and fixtures and a floating lien on all other assets of the Company, including accounts receivable and inventory and an assignment of fire insurance.

In July 1998, the Canadian Subsidiary received an additional EPEI loan commitment in the amount of C$300,000. The loan is collateralized by a C$300,000 secured promissory note signed by the Canadian Subsidiary, a postponement of claim from the Company in the amount of C$300,000, a secured fixed and floating lien debenture on all assets of the Canadian Subsidiary, a general security agreement charging all present and acquired property of the Canadian Subsidiary and an assignment of fire insurance.

In August 2003, the Canadian Subsidiary secured a third EPEI loan in the amount of C$300,000 but did not borrow any funds under this loan until 2004. The Canadian Subsidiary has used the proceeds to expand a fish hatchery and purchase related equipment necessary to operate the hatchery. The loan is collateralized by a C$300,000 secured promissory note signed by the Canadian Subsidiary, guarantees and postponement of claims from the Company in the amount of C$605,000, an open ended collateral mortgage representing a second charge over the Fortune Bay fish hatchery facility, and an assignment of fire insurance.

The loans have a 5 year term, however loan payments are based on a 10 year amortization schedule. After the initial five year period, EPEI may elect to extend the term for an additional 5 years, at which time the interest rate is adjusted based on market rates and conditions at the renewal date.

Atlantic Canada Opportunities Agency

The Atlantic Canada Opportunities Agency ("ACOA") is a Canadian government agency which provides funding to support the development of businesses and employment in the Atlantic region of Canada. In January 1994, the Canadian Subsidiary secured an initial loan commitment in the amount of C$151,382. In July 1998, the Canadian Subsidiary received an additional loan commitment in the amount of C$292,500, of which C$184,292 was borrowed. In August 2003, the Canadian Subsidiary secured a third loan commitment in the amount of C$250,000 but did not borrow any funds under this loan until 2004. The Company has used the proceeds to expand a fish hatchery and purchase related equipment necessary to operate the hatchery

Technology Partnership Canada

Technology Partnership Canada ("TPC") is a Canadian government agency which provides funding to promote economic growth and create jobs in Canada. In November 1999, TPC agreed to provide funding up to C$2,964,900 to support the Canadian Subsidiary's efforts to develop commercial applications of its transgenic growth enhanced fin-fish technology. Funding under the TPC funding agreement was completed in 2003.

Terms and Conditions

The current terms and conditions of long term debt outstanding at December 31, 2005 and 2004 are as follows:

	December 31	
	2005	**2004**
EPEI loan in the original amount of C$300,000, presently bearing interest at 7.143 % and being repaid in monthly installments of principal and interest of C$2,072, and maturing in November 2009.	$ 72,763	$ 85,371
EPEI loan in the original amount of C$400,000, presently bearing interest at 8.353% and being repaid in monthly installments of principal and interest of C$4,996, and maturing in July 2006.	28,587	73,042
EPEI loan in the original amount of C$300,000, presently bearing interest at 7.25% and being repaid in monthly installments of principal and interest of C$3,505, with the outstanding balance due in August 2008.	229,176	239,441
ACOA loan in the original amount of C$184,292, non-interest bearing provided all payments are made as due, payable in monthly installments of C$3050 beginning June 2000 through April 2005.	-	9,412
ACOA loan in the original amount of C$151,382, non-interest bearing provided all payments are made as due, payable in quarterly installments of C$7,569 beginning August 2003 through May 2008.	64,916	87,955
ACOA loan in the original amount of C$250,000, non-interest bearing provided all payments are made as due, payable in monthly installments of C$2,315 beginning January 2005 through December 2013 .	190,583	207,503
TPC funding in the total amount of $C2,964,900 repayable in the form of royalties on revenues generated from the sale of transgenic-based growth enhanced fin-fish commercial products in an amount equal to 5.2% of gross sales, provided that such royalties are payable until the earlier of (i) June 30, 2014 or (ii) until cumulative royalties of C$5.75 million have been paid.	2,542,796	2,460,906
	3,128,821	3,163,630
Less current portion	116,044	135,612
	$3,012,777	$3,028,018

Future maturities of long-term debt are as follows:

	Amount
2006	116,045
2007	107,487
2008	225,120
2009	42,767
2010	23,825
Thereafter	2,613,577
	$3,128,821

Long term debt includes $2,542,796 which is currently presented as being repayable after 2010. This amount is repayable to TPC in the form of royalties on revenues generated from the sale of transgenic-based growth enhanced fin-fish commercial products. Such amounts will be repayable earlier if such product sales commence prior to 2011. In addition, the Company will have no further repayment obligations after June 30, 2014 even if the total amount of $2,542,796 has not been repaid as of such date.

9. Stockholders' Deficit

The Company is presently authorized to issue up to 120 million shares of stock, of which 40 million is authorized as preferred stock and 80 million as common stock.

Convertible Preferred Stock

Rights and Preferences

Shares outstanding as of December 31, 2005 and 2004 were 1,933,337 for Series A, 3,079,431 for Series B, 3,022,698 for Series C, and 5,274,141 for Series D.

Shares outstanding under each class of preferred stock are convertible into common stock on a one-to-one basis. The preferred stock is entitled to vote as a single class on all matters submitted to a vote of the common stock with each share of preferred stock having that number of votes equal to the number of shares of common stock that would be held on an as-converted basis. The preferred stock is also entitled to vote as a separate class on certain matters that could adversely affect the preferred stock. If a dividend is declared on the common stock, preferred stockholders have the right to participate on an as-converted basis.

The Series C-1 and D preferred stock rank on parity with each other, and senior to all other series with respect to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up of the Company. The holders of Series D Preferred Stock have the right to a preferential dividend of $0.06 per share before dividends are paid to other holders of preferred or common stock.

In the event of any liquidation or dissolution, the holders of shares of each outstanding series of preferred stock will be entitled to receive a liquidating preference equal to $0.36 per share for Series A, $0.78208 per share for Series B, $0.78208 per share for Series C, and $.78208 per share for Series D.

Recent Issuances

In 2004, the Company raised $1,793,834 in gross proceeds from the issuance of 2,293,672 shares of Series D Convertible Preferred Stock ("Series D Preferred Stock"). In connection with the issuances, the Company issued warrants to the investors for the purchase of 3,090,139 shares of common stock at an exercise price of $.78208 per share. The warrants expire seven years from date of issuance. The net proceeds were allocated to the warrants and the Series D Preferred Stock based on their relative fair values, and a beneficial conversion feature of $697,427 was recognized. The amount of the beneficial conversion feature has been immediately accreted and recognized as a deemed dividend as the preferred stock is not subject to redemption and is immediately convertible into common stock.

In February 2004, The North American Nutrition and Agribusiness Fund ("NANAF") agreed to convert an 8% Promissory Note dated May 25, 2001 into shares of Series C-1 Preferred Stock. The entire principal amount of $300,000 plus accrued interest totaling $64,000 was converted into 465,426 shares of Series C-1 Preferred Stock.

As further discussed in Note 13, on completion of its IPO in March 2006, all shares of preferred stock were converted into common stock.

Common Stock

Common stock outstanding as of December 31, 2005 and 2004 were 21,311,634 and 12,442,248 respectively. The holders of the common shares are entitled to one vote for each share held at all meetings of stockholders. Dividends and distribution of assets of the Company in the event of liquidation are subject to the preferential rights of any outstanding preferred shares.

Recent Issuances

In 2004, the Company received proceeds of $81,845 in connection with the exercise of warrants to purchase 125,613 shares of common stock.

In 2004, the Company issued 65,000 shares of common stock under the terms of a financial advisory agreement. The Company recorded a charge of $50,835 in connection with the issuance.

In 2005, the Company issued 2,892,855 shares of common stock in connection with the conversion of Secured Convertible Promissory Notes then outstanding, totaling $2,158,453 in principal amount and $153,993 of accrued interest. The principal and accrued interest was converted at a price of $0.78208 per share of common stock.

In 2005, the Company received proceeds of $122,374 in connection with the exercise of warrants to purchase 156,472 shares of common stock.

In 2005, the Company received proceeds of $ 6,500 in connection with the exercise of options to purchase 80,000 shares of common stock.

In 2005, the Company issued 5,535,059 shares of common stock in connection with the cashless exercise of warrants to purchase 11,070,115 shares of common stock.

In 2005, the Company issued 205,000 shares of common stock in connection with the cashless exercise of options to purchase 410,000 shares of common stock.

Warrants

Recent Issuances

In 2004, the Company issued a total of 375,000 warrants in connection with the issuance of the note for $375,000 (See Note 6), 100,000 warrants in connection with the issuance of the Trust Note in the amount of $100,000 (See Note 6) and 3,090,139 warrants in connection with the issuance of 2,293,672 shares of Series D Preferred Stock (See Note 8).

In 2004, the Company received proceeds of $81,845 in connection with the exercise of warrants to purchase 125,613 shares of common stock

In 2005, the Company issued a total of 2,889,854 warrants in connection with the issuance of certain notes payable to shareholders (See Note 7). The Company also issued 159,574 warrants in connection with a financial advisory agreement, of which 89,248 were exercisable at $0.20 and 70,326 were exercisable at $0.78208. The Company recorded a non-cash charge of $40,789 in connection with the issuance of the 89,248 warrants issued.

In 2005, a total of 11,070,115 warrants were exercised on a one-for-two cashless basis resulting in the issuance of 5,535,059 shares of common stock.

In 2005, the Company received proceeds of $122,374 in connection with the exercise of warrants to purchase 156,472 shares of common stock

The following table summarizes information about the number of warrants outstanding:

	Number of Warrants	Weighted-Average Exercise Price
Outstanding at December 31, 2003	7,979,000	$ 0.79
Issued	3,565,139	0.78
Exercised	(125,613)	1.05
Cancelled / Expired	(394,274)	1.00
Outstanding at December 31, 2004	11,024,252	$ 0.78
Issued	3,049,428	0.77
Exercised	(11,226,587)	0.78
Cancelled / Expired	(29,181)	0.99
Outstanding at December 31, 2005	2,817,912	$ 0.78

At December 31, 2005, warrants outstanding and information regarding their exercise price and expiration were as follows:

Warrants Outstanding	Exercise Price Per Share	Expiration Date
540,000	$0.78208	2009
502,523	$0.78208	2010
838,961	$0.78208	2011
936,428	$0.78208	2012
2,817,912	$0.78208	

Stock Options

In 1998, the Company established a stock option plan ("the Plan"). The Plan provides for the issuance of incentive stock options to employees of the Company and nonqualified stock options and awards of restricted and direct stock purchase opportunities to directors, officers, employees and consultants of the Company. At December 31, 2005, the Company has reserved 5,038,728 shares of common stock for the exercise of options.

Employee & Board of Directors Options:

Recent Issuances

During 2005 and 2004, the Company issued options, exercisable on grant to purchase 3,716,875 and 135,000 shares of common stock, respectively, to certain executive officers and directors. A total of 3,656,875 of the options issued in 2005 have an exercise price less than the fair value of the Company's common stock on the date of issuance and accordingly, the Company recognized a non-cash compensation charge of $2,303,263 in connection with those issuances in 2005.

In 2005, a total of 410,000 options were exercised on a one-for-two cashless basis resulting in the issuance of 205,000 shares of common stock. The Company received proceeds in 2005 of $6,500 in connection with the exercise of options to purchase 80,000 shares of common stock.

The Company's option activity under the Plan is summarized as follows:

	Number of Options	Weighted-Average Exercise Price
Outstanding at December 31, 2003	833,728	$ 0.34
Issued	135,000	0.56
Expired	(118,460)	0.01
Outstanding at December 31, 2004	875,268	$ 0.42
Issued	3,716,875	0.21
Expired	(10,268)	0.20
Exercised	(490,000)	0.26
Outstanding at December 31, 2005	4,091,875	$ 0.25

The following table summarizes information about options outstanding and exercisable at December 31, 2005:

Exercise Prices	Number of Options Outstanding and Exercisable	Weighted-Average Remaining Contractual Life (in years)
$ .20	3,841,875	6.1
$1.00	250,000	2.4
	4,091,875	5.9

The Company has adopted the disclosure-only alternative for options granted to employees and directors under SFAS Nos. 123 and SFAS No. 148, *Accounting for Stock Based Compensation – Transition and Disclosure – an amendment of FASB Statement No. 123* ("SFAS 148"). This option requires disclosure of the pro forma effects on earnings as if SFAS Nos. 123 and 148 had been adopted, as well as certain other information. The fair value of options issued in 2004 and 2005 was determined using the Black Scholes pricing model and the following assumptions:

	2005	2004
Dividend yield	0%	0%
Expected life of options (in years)	5 to 7 years	5 to 7
Risk-free interest rate	4.00-4.06%	3.43-3.87%
Volatility	80%	80%

The following table illustrates the effect on net loss and net loss per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation:

	2005	2004
Net loss attributable to common shareholders, as reported	$($7,497,568)	$(3,815,017)
Add: Stock based employee compensation expense recognized	$ $2,303,263	46,750
Deduct: Total stock-based employee compensation expense determined under fair value methods for all awards	$($2,587,863)	$(80,050)
Pro-forma net loss attributable to common shareholders	$($7,782,168)	$(3,848,317)
Basic and diluted net loss attributable to common shareholders per share, as reported	$(0.60)	$(0.31)
Pro-forma basic and diluted net loss attributable to common shareholders per share	$(0.62)	$(0.31)

Non-Employee Options:

Recent Issuances

During 2005 and 2004, the Company issued options to purchase 120,000 and 80,000 shares of common stock, respectively, at an exercise price of $1.00 under the terms of a consulting agreement. The Company recorded a non-cash charge of $ 67,200 and $44,800 in 2005 and 2004, respectively, in connection with the issuances.

The Company's option activity is summarized as follows:

	Number of Options	Weighted-Average Exercise Price
Outstanding at December 31, 2003	32,919	$0.78208
Issued	80,000	1.00
Outstanding at December 31, 2004	112,919	$0.94
Issued	120,000	1.00
Outstanding at December 31, 2005	232,919	$0.97

The following table summarizes information about options outstanding and exercisable at December 31, 2005:

Exercise Prices	Number of Options Outstanding and Exercisable	Weighted-Average Remaining Contractual Life (in years)
$ .78208	32,919	3.9
$ 1.00	200,000	6.2
	232,919	5.8

10. Income Taxes

As of December 31, 2005, the Company has net domestic operating loss carryforwards of approximately $15,292,739 to offset future federal taxable income and federal research and development tax credit carryforwards of approximately $15,000 to offset future federal taxable income, which expires at various times through the year 2025. The future utilization of the net operating loss and tax credit carryforwards, however, may be subject to limitations based on the change in stock ownership rules of Internal Revenue Code Sections 382 and 383. The Company also has foreign net operating loss carryforwards in the amount of approximately $5,711,653 million and foreign investment tax credits of approximately $2,269,045 at December 31, 2004, which expire through 2012 and 2015, respectively. Since the Company has incurred only losses from inception and there is uncertainty related to the ultimate use of the loss carryforwards and tax credits, a valuation allowance has been recognized to offset the Company's deferred tax assets.

Significant components of the Company's deferred tax assets and liabilities are as follows:

	2005	2004
Deferred tax assets:		
Net operating loss carryforwards	$8,180,146	$7,381,369
Federal research and development tax credit carryforwards	2,729,368	2,415,018
Fixed assets	45,070	43,000
Accounts receivable and other	147,629	147,719
Stock options	977,685	18,700
Accrued royalities	20,000	20,000
Total deferred tax assets	12,099,898	10,025,806
Valuation allowance	(12,065,920)	(9,931,992)
Net deferred tax assets	33,978	93,814
Deferred tax liabilities:		
Intangible assets	(15,456)	(34,000)
Other accruals	(18,522)	(41,314)
Fixed assets	-	(18,500)
Net deferred taxes	$ -	$ -

The valuation allowance increased by $2,133,927 during 2005, due primarily to the change in net domestic operating loss carryforwards.

11. Commitments and Contingencies

The Company recognizes and discloses commitments when it enters into executed contractual obligations with other parties. The Company accrues contingent liabilities when it is probable that future expenditures will be made and such expenditures can be reasonably estimated.

Commitments

The Company leases office space and laboratory space under non-cancelable operating leases. Future minimum commitments under its operating leases for the next five years and thereafter are as follows:

Twelve months ended December 31	Amount
2006	$91,544
2007	90,617
2008	92,793
	$274,954

Total rent expense under non-cancelable operating leases was $118,912 and $106,472 for the years ended December 31, 2005 and 2004, respectively.

License Agreements

The Company has entered into license agreements for the development of certain of its technologies. One of the Company's license agreements is with HSC Research and Development, L.P. and Genesis Group, Inc. and relates to the Company's transgenic fish program. Under this agreement, the Company is required to make an annual royalty payment of $25,000, and is obligated to make royalty payments equal to five percent of any gross revenues generated from products that utilize the technology covered under the license agreement.

Royalty Obligations

The Company is obligated to pay royalties to TPC in an amount equal to 5.2% of gross sales generated from the sale of any growth enhanced transgenic-based fin-fish commercial products in an amount equal to 5.2% of gross sales. Such royalties are payable until the earlier of (i) June 30, 2014 or (ii) until cumulative royalties of C$5.75 million have been paid.

Government Funding

In September 2003, the U.S. Subsidiary was awarded a grant from the National Institute of Science and Technology ("NIST"), a federal agency of the United States. The Company is required to contribute in direct costs a total of $169,619, and $155,462 during the one year periods ending September 30, 2005 and 2006, respectively, in order to receive the government funding provided under the grant.

12. Related Party Transactions

Shareholders

See Note 7 for a description of debt financings with shareholders of the Company.

Officers & Employees

At December 31, 2005 and 2004, an officer of the Company, Elliot Entis owed the Company a total of $35,278 and $14,191, respectively, for amounts borrowed from the Company. There are no formal terms of repayment for the borrowings and 4% interest has been charged on $20,000 borrowed in 2005. The remaining $15,278 has no formal provisions regarding repayment terms or interest.

In March 2005, the Company borrowed $10,000 from Joseph McGonigle, an employee of the Company. The loan is non-interest bearing. As further described in Note 13, the Company repaid the principal amount of $10,000 in April 2006 following completion of its IPO.

In October 2004, the US Subsidiary borrowed $28,000 from Kurt Klimpel, an officer of the US Subsidiary. Interest accrues at an annual rate of 8% and totaled $2,240 and $393 in 2005 and 2004 respectively. As further described in Note 13, the Company repaid the principal amount of $28,000 plus accrued interest of $2,633 in April 2006 following completion of its IPO.

Related Companies

In 2000, the Company entered into a shared services agreement with A/F Protein, Inc., a related entity. A/F Protein, Inc. and the Company have certain members of the Board of Directors as well as certain shareholders in common. Amounts charged to A/F Protein, Inc. in 2005 and 2004 pursuant to the agreement as shared services income was $25,808 and $58,187 respectively and is an offset to the applicable expense in general and administrative expenses in the statements of operations. During the year ended December 31, 2004, the Company recognized a charge of $127,822, related to the write-off of amounts due from A/F Protein, Inc. under the shared services agreement. At the years ending 2005 and 2004 the amount due from A/F Protein Inc. in relation to the shared service charges was $ 8,130 and nil.

In 2005, the Company borrowed $80,000 from A/F Protein, Inc. The loan is non-interest bearing and as at December 31, 2005 the balance owing to A/F Protein, Inc. was nil. At December 31, 2005 and 2004, the Company owed a balance of $1,369 and $12,201, respectively to A/F Protein, Inc. related to Canadian government tax credit payments. There are no formal repayment terms or interest provisions for these amounts.

13. Subsequent Events

Initial Public Offering

On March 20, 2006, the Company completed its IPO on the AIM Market of the LSE. In connection with the IPO, the Company sold 12,692,712 shares of common stock at a price of $2.56 (1.48 GBP (Great Britain Pounds)) which generated gross proceeds of $32,504,056 (18,785,214 GBP). Costs incurred in connection with the IPO totaled $ 4,377,174, resulting in net proceeds to the Company of $ 28,126,882.

Common Stock

In connection with the completion of its IPO, the Company issued 806,326 shares of common stock in connection with the conversion of the $1,041,029 of IPO Notes then outstanding.

In connection with the completion of its IPO, the Company issued 13,309,604 shares of common stock as a result of the conversion of convertible preferred stock into common stock.

In March 2006, the Company issued 366,732 shares of common stock in connection with the conversion of the Secured Note then outstanding, totaling $250,000 in principal amount and $36,814 of accrued interest. The principal and accrued interest was converted at a price of $0.78208 per share of common stock. The Company also issued 250,000 warrants at an exercise price of .78208 exercisable for seven years from the date of issuance. These warrants were subsequently exercised on a one-for-two cashless basis resulting in the issuance of 125,000 shares of common stock in March 2006.

In 2006, the Company received proceeds of $769,248 in connection with the exercise of warrants to purchase 983,593 shares of common stock.

In 2006, the Company received proceeds of $13,355 in connection with the exercise of options to purchase 195,545 shares of common stock.

In connection with the completion of its IPO, Kurt Klimpel, the Company's Chief Scientific Officer sold 135,545 shares of common stock.

Options

In March 2006, commensurate with the completion of its IPO, the Company entered into an agreement with Elliot Entis, its Chief Executive Officer and Kurt Klimpel, its Chief Scientific Officer. Under the terms of the agreement, each officer agreed to exchange their options to purchase 1,800 shares of its U.S. Subsidiary at an exercise price of $0.20 per share for options to purchase 387,273 shares of the Company at an exercise price of $0.01 per share.

In 2006, prior to the completion of its IPO, the Company issued 90,000 Employee & Board of Directors Options under the terms of employment agreements (75,000 at an exercise price of $.01 and 15,000 at an exercise price of $.20) and 15,000 Employee & Board of Directors Options in relation to the success of the IPO at an exercise price of $.20. All of the Employee & Board of Directors Options issued are exercisable for a seven year period from date of issuance.

Also prior to the completion of its IPO, the Company issued 20,000 Non-Employee Options, at an exercise price of $1.00 under the terms of a consulting agreement and 150,000 Non-Employee Options, at an exercise price of $.20 in relation to the success of the IPO. These Non-Employee Options are exercisable for a seven year period from date of issuance.

Warrants

Upon the completion of its IPO, the Company issued 507,708 warrants to Bloodstone Ventures under the terms of an advisory agreement. The warrants are exercisable at $2.56 (1.48 GBP) per share of common stock and expire in March 2011.

In connection with the March 2006 conversion of the Secured Note with NANAF for $250,000, the Company issued 250,000 warrants at an exercise price of .78208 exercisable foe seven years fron date of issuance. These warrants were subsequently exercised on a one-for-two cashless basis resulting in the issuance of 125,000 shares of common stock in March 2006.

Notes Issued to Shareholders

In January 2006, an additional IPO Note was issued for $36,000. The IPO Note has a March 30, 2006 maturity date and bears interest at 12% unless the Company completes an initial public offering ("IPO") prior to the maturity date. If an IPO is completed prior to March 30, 2006, the IPO Notes will not bear interest and the principal amount will be converted into common stock at a conversion price that is equal to 50% of the price that common shares are sold for in the IPO**.** If an IPO is not completed prior to March 30, 2006, the Holder will have the right to convert the principal and accrued interest into common stock at a price equal to the lower of $0.78208 or the price at which any shares of common stock are sold in a future financing.

In March 2006, the Company issued 27,884 shares of common stock resulting from the conversion of the January, 2006 IPO Note totaling $36,000 into common stock in connection with completion of the IPO and 778,442 shares of common stock resulting from the conversion of the December 31, 2005 outstanding IPO Notes totaling 1,005,029 into common stock in connection with completion of the IPO.

Repayment of Debt Obligations

Following completion of the IPO, the Company made payments in full on certain of its debt obligations. A summary of debt obligations repaid, and detail regarding the payments is as follows:

Description of Debt	Principal	Accrued Interest	Total Payment
Notes	$317,000	$39,629	$ 356,629
Bank Notes	$500,000	$ -	$ 500,000
Trust Notes	$100,000	$19,033	$ 119,033
Related Parties	$ 38,000	$ 2,633	$ 40,633
	$955,000	$61,295	$1,016,295