

28 July 2016

AquaBounty Technologies, Inc.
(“AquaBounty” or “the Company”)

Interim results for the six months ended 30 June 2016

AquaBounty Technologies, Inc. (AIM: ABTU; OTC: AQBТ), a biotechnology company focused on enhancing productivity in aquaculture and a majority-owned subsidiary of Intrexon Corporation (NYSE: XON), announces its interim results for the six months ended 30 June 2016.

Summary:

- Health Canada concluded its review of the AquAdvantage[®] Salmon (“AAS”) and approved it for commercial sale in Canada;
- Initiated field trials of AAS in Brazil and Argentina;
- Purchase of Snow Island’s Atlantic Sea Smolt plant in Rollo Bay West for use as a brood stock farm completed post period;
- Agreed to a US\$10.0 million convertible debt facility with Intrexon Corporation (“Intrexon”);
- Net loss for the first six months was US\$3.9 million (H1 2015: US\$3.5 million); and
- Balance of cash and marketable securities at 30 June 2016 was US\$1.9 million (31 December 2015: US\$1.3 million) with US\$5.0 million of the debt facility remaining to be drawn.

Ron Stotish, Chief Executive Officer of AquaBounty, commented:

“This was another significant milestone period for us during which AquaBounty took important steps towards the commercialization of our AquAdvantage Salmon. Health Canada authorities gave their approval for our salmon to be produced, sold and consumed in Canada, following a similar approval from the U.S. Food and Drug Administration in 2015. We now have independent scientific reviews and approvals from two of the most respected regulatory agencies in the world that have confirmed the safety of our salmon for human consumption and for the environment.

“We are making the necessary preparations for the commercial launch of our product and we look forward to bringing our more sustainably produced salmon to consumers, with the assurance that it is nutritious, safe and healthy.”

This announcement contains inside information as defined in Article 7 of the Market Abuse Regulation No. 596/2014 and is disclosed in accordance with the Company's obligations under Article 17 of those Regulations

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Chairman's Statement

Regulatory Review

Health Canada Approval

As reported on 20 May 2016, Health Canada, the department of the government of Canada with responsibility for national public health, conducted a comprehensive assessment of AAS according to the Codex Alimentarius Guideline for the Conduct of Food Safety Assessment of Foods Derived from Recombinant-DNA Animals. The Health Canada review concluded that AAS does not raise concerns related to food safety. The Department also noted its opinion that fillets derived from AAS are as safe and nutritious as fillets from currently available farmed Atlantic salmon.

Having received approval from the U.S. Food and Drug Administration ("FDA") in November 2015, AquaBounty now has regulatory approval for the production, sale and consumption of AquaAdvantage Salmon in both the United States and Canada.

Update on Legal Actions

In January 2014, an application was brought before the Federal Court ("Court") in Canada by the Ecology Action Centre and Living Oceans Society (the "Petitioners") that challenged the decision by the Ministers of Environment and Health ("Ministers") to allow production of AquaAdvantage Salmon in Canada for commercial use. In December 2015, the Court ruled that the decision of the Ministers was "reasonable and made in the manner prescribed by the Canadian Environmental Protection Act." Accordingly, the Court dismissed the entire application brought before it. The Petitioners have now filed an appeal of the Court's ruling.

In April 2016, a coalition of NGOs sued the FDA for their approval of AquaAdvantage Salmon. The coalition, including the Centre for Food Safety and Friends of the Earth, claims that the agency failed to analyze and prevent the risks to wild salmon and the environment, including the risk that AquaAdvantage Salmon could escape and threaten endangered wild salmon stocks.

The Company expects that the Canadian appeal will be dismissed and that the FDA approval will stand, as both the Canadian and U.S. regulatory agencies were extraordinarily thorough and transparent in the review and approval of AquaBounty's applications.

Congressional Developments

In January 2016, the U.S. Congress passed the 2016 Omnibus Appropriations Act ("Act") which was signed into law. The Act contained an amendment that directed the FDA to issue final guidance for GMO labeling of AAS, despite the absence of any GMO labeling requirement in the FDA's New Animal Drug Application approval. Current FDA policy does not require labeling for method of production if there is no material difference compared with its traditional counterpart, and the FDA found AAS to be as safe to consume as traditional farmed Atlantic salmon. However, given this directive, the FDA issued an Import Alert on AAS and stated that a temporary hold was being implemented to comply with language in the Act. At this time, the Company has no information on when the Import Alert will be lifted or when the FDA will finalize its labeling guidance for AAS.

Operational Review

Production Expansion in Canada

AquaBounty purchased the former Snow Island Sea Smolt plant in Rollo Bay West on Prince Edward Island (“PEI”) after receiving approval by the Prince Edward Island Department of Environment of the Company’s application to use the site for brood stock expansion. The transaction closed in July 2016 and the Company plans to use the new location to raise conventional Atlantic salmon to provide eggs that will be transferred to its plant in Bay Fortune. The purchase of this property is part of the Company’s plan to scale up its production capacity to support the commercial rollout of AquaAdvantage Salmon. The Company expects to complete renovations to the site by November 2016 in order to commence egg production.

Field Trials

Since mid-2014, the Company has been working with local regulatory agencies to prepare for field trials of AAS in several foreign markets. This process has progressed and in April 2016 field trials were initiated in Argentina and Brazil.

Financial Review

Convertible Debt Facility

On 23 February 2016, AquaBounty executed an unsecured, convertible bridge loan of US\$10.0 million from Intrexon to cover the Company’s immediate working capital requirements. The terms of the loan include an interest rate of 10%, a maturity date of 1 March 2017, and conversion into the Company’s common shares at a price of 23 pence per share. This source of funds is expected to allow the Company sufficient capital to continue operations through Q1 2017.

Six-Month Results

Operating expenses for the six-month period ended 30 June 2016 were US\$3.8 million (H1 2015: US\$3.5 million). The increase reflected the Company’s costs to defend against legal challenges to its regulatory approvals in the United States and Canada. Spending on sales and marketing projects were level, though expenses shifted to the implementation of field trials in Argentina and Brazil. Research spending increased slightly, as the Company added headcount to its primary PEI facility. Cash used, net of new financing, in the first half of 2016 was higher than the comparable period in 2015 at US\$4.4 million (H1 2015: US\$3.5 million) due to the Company’s expansion in Canada and legal costs. Cash and equivalents at the end of the first half of 2016 were US\$1.9 million (31 December 2015: US\$1.3 million) with US\$5.0 million of the debt facility remaining to be drawn.

Outlook

The Company believes that the market opportunity for its salmon remains strong, especially in light of the current restrictive limits on global Atlantic salmon farm production. The Board is evaluating all options for the commercial development of AAS and depending upon the extent of the Company’s direct involvement in such activity, it will, as previously stated, require funding in addition to the Company’s ongoing working capital needs. The Board remains mindful of the importance of shareholder value in determining the appropriate course forward.

R. J. Clothier
Chairman

AquaBounty Technologies, Inc.
Consolidated balance sheets
(unaudited)

	June 30, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$1,929,659	\$1,313,421
Certificate of deposit	11,068	10,339
Other receivables	23,674	41,897
Prepaid expenses and other assets	977,273	109,898
Total current assets	2,941,674	1,475,555
Property, plant and equipment, net	744,615	741,340
Definite lived intangible assets, net	205,372	206,381
Indefinite lived intangible assets	191,800	191,800
Other assets	21,628	21,628
Total assets	\$4,105,089	\$2,636,704
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable and accrued liabilities	\$812,725	\$621,909
Current debt	5,000,000	—
Total current liabilities	5,812,725	621,909
Long-term debt	2,216,260	2,070,366
Total liabilities	8,028,985	2,692,275
Commitments and contingencies		
Stockholders' equity (deficit):		
Common stock, \$0.001 par value, 200,000,000 shares authorized; 157,512,265 (2015: 157,425,309) shares outstanding	157,512	157,425
Additional paid-in capital	90,931,212	90,816,636
Accumulated other comprehensive loss	(326,607)	(226,432)
Accumulated deficit	(94,686,013)	(90,803,200)
Total stockholders' equity (deficit)	(3,923,896)	(55,571)
Total liabilities and stockholders' equity (deficit)	\$4,105,089	\$2,636,704

AquaBounty Technologies, Inc.
Consolidated statements of operations and comprehensive loss
(unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
COSTS AND EXPENSES				
Sales and marketing	\$514,076	\$380,293	\$892,110	\$948,023
Research and development	640,807	628,365	1,276,546	1,225,438
General and administrative	824,138	723,505	1,603,663	1,359,065
Total costs and expenses	1,979,021	1,732,163	3,772,319	3,532,526
OPERATING LOSS	(1,979,021)	(1,732,163)	(3,772,319)	(3,532,526)
OTHER INCOME (EXPENSE):				
Interest and other income (expense), net	(84,815)	(949)	(110,494)	(2,712)
Total other income (expense)	(84,815)	(949)	(110,494)	(2,712)
NET LOSS	\$(2,063,836)	\$(1,733,112)	\$(3,882,813)	\$(3,535,238)
OTHER COMPREHENSIVE INCOME (LOSS):				
Foreign currency translation gain (loss)	(3,182)	(33,392)	(100,175)	74,261
Total other comprehensive income (loss)	(3,182)	(33,392)	(100,175)	74,261
COMPREHENSIVE LOSS	\$(2,067,018)	\$(1,766,504)	\$(3,982,988)	\$(3,460,977)
Basic and diluted net loss per share	\$(0.01)	\$(0.01)	\$(0.02)	\$(0.02)
Weighted average number of common shares – basic and diluted	157,512,265	144,837,134	157,483,598	144,715,431

AquaBounty Technologies, Inc.
Consolidated statements of cash flows
(unaudited)

	Six Months Ended	
	June 30,	
	2016	2015
OPERATING ACTIVITIES		
Net loss	\$(3,882,813)	\$(3,535,238)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	64,728	51,213
Share-based compensation	114,662	118,714
Gain on disposal of equipment	(2,861)	—
Changes in operating assets and liabilities:		
Other receivables	20,640	(22,701)
Prepaid expenses and other assets	(129,771)	(120,476)
Accounts payable and accrued liabilities	178,434	49,558
Net cash used in operating activities	(3,636,981)	(3,458,930)
INVESTING ACTIVITIES		
Purchases of equipment	(11,523)	(37,114)
Deposit on purchase of property, plant and equipment	(717,225)	—
Proceeds from sale of equipment	2,861	—
Payment of patent costs	(5,665)	(12,796)
Net cash used in investing activities	(731,552)	(49,910)
FINANCING ACTIVITIES		
Proceeds from issuance of debt	5,000,000	44,004
Proceeds from issuance of common stock	—	3,000,000
Net cash provided by financing activities	5,000,000	3,044,004
Effect of exchange rate changes on cash and cash equivalents	(15,229)	(20,773)
Net change in cash and cash equivalents	616,238	(485,609)
Cash and cash equivalents at beginning of period	1,313,421	5,163,262
Cash and cash equivalents at end of period	\$1,929,659	\$4,677,653