
UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

**[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2018

or

**[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: 001-36426

AquaBounty Technologies, Inc.

(Exact name of the registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

04-3156167

(I.R.S. Employer
Identification No.)

**2 Mill & Main Place, Suite 395
Maynard, Massachusetts 01754
(978) 648-6000**

(Address and telephone number of the registrant's principal executive offices)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

At November 1, 2018, the registrant had 15,098,837 shares of common stock, par value \$0.001 per share ("Common Shares") outstanding.

AquaBounty Technologies, Inc.
FORM 10-Q
For the Quarterly Period Ended September 30, 2018

TABLE OF CONTENTS

<u>PART I</u>	<u>FINANCIAL INFORMATION</u>	<u>Page</u>
<u>Item 1.</u>	<u>Financial Statements</u>	<u>1</u>
<u>Item 2.</u>	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>11</u>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>15</u>
<u>Item 4.</u>	<u>Controls and Procedures</u>	<u>16</u>
<u>PART II</u>	<u>OTHER INFORMATION</u>	
<u>Item 1.</u>	<u>Legal Proceedings</u>	<u>17</u>
<u>Item 1A.</u>	<u>Risk Factors</u>	<u>17</u>
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>17</u>
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>	<u>17</u>
<u>Item 4.</u>	<u>Mine Safety Disclosures</u>	<u>17</u>
<u>Item 5.</u>	<u>Other Information</u>	<u>17</u>
<u>Item 6.</u>	<u>Exhibits</u>	<u>18</u>
<u>Signatures</u>		<u>19</u>

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

AquaBounty Technologies, Inc.
Consolidated Balance Sheets
(Unaudited)

	As of	
	September 30, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,030,671	\$ 492,861
Certificate of deposit	13,040	13,422
Other receivables	81,822	183,926
Inventory	72,640	172,363
Prepaid expenses and other current assets	315,383	527,322
Total current assets	1,513,556	1,389,894
Property, plant and equipment, net	24,001,108	21,802,976
Definite-lived intangible assets, net	174,717	184,995
Indefinite-lived intangible assets	191,800	191,800
Other assets	162,093	162,093
Total assets	\$ 26,043,274	\$ 23,731,758
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,483,657	\$ 2,666,855
Current debt	59,636	49,794
Total current liabilities	1,543,293	2,716,649
Long-term debt	2,970,816	3,034,420
Total liabilities	4,514,109	5,751,069
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.001 par value, 50,000,000 shares authorized; 12,848,376 (2017: 8,895,094) shares outstanding	12,848	8,895
Additional paid-in capital	138,333,891	126,718,186
Accumulated other comprehensive loss	(327,102)	(213,884)
Accumulated deficit	(116,490,472)	(108,532,508)
Total stockholders' equity	21,529,165	17,980,689
Total liabilities and stockholders' equity	\$ 26,043,274	\$ 23,731,758

See accompanying notes to these unaudited interim consolidated financial statements.

AquaBounty Technologies, Inc.
Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenues				
Product revenues	\$ 10,938	\$ —	\$ 77,933	\$ 53,278
Costs and expenses				
Product costs	8,874	—	72,393	50,777
Sales and marketing	64,971	195,947	222,999	607,145
Research and development	804,758	860,903	2,663,397	2,517,242
General and administrative	1,852,362	1,382,380	5,067,226	3,453,516
Total costs and expenses	2,730,965	2,439,230	8,026,015	6,628,680
Operating loss	(2,720,027)	(2,439,230)	(7,948,082)	(6,575,402)
Other income (expense)				
Gain on disposal of equipment	—	—	11,745	—
Interest expense	(5,169)	(5,597)	(15,854)	(16,130)
Other income (expense), net	(1,832)	(1,392)	(5,773)	(3,866)
Total other income (expense)	(7,001)	(6,989)	(9,882)	(19,996)
Net loss	\$ (2,727,028)	\$ (2,446,219)	\$ (7,957,964)	\$ (6,595,398)
Other comprehensive income (loss):				
Foreign currency translation income (loss)	84,711	34,933	(113,218)	43,084
Total other comprehensive income (loss)	84,711	34,933	(113,218)	43,084
Comprehensive loss	\$ (2,642,317)	\$ (2,411,286)	\$ (8,071,182)	\$ (6,552,314)
Basic and diluted net loss per share				
Basic and diluted net loss per share	\$ (0.21)	\$ (0.28)	\$ (0.64)	\$ (0.76)
Weighted average number of common shares -				
basic and diluted	12,848,376	8,895,094	12,528,995	8,731,178

See accompanying notes to these unaudited interim consolidated financial statements.

AquaBounty Technologies, Inc.
Consolidated Statements of Changes in Stockholders' Equity
(Unaudited)

	Common stock issued and outstanding	Par value	Additional paid- in capital	Accumulated other comprehensive loss	Accumulated deficit	Total
Balance at December 31, 2017	8,895,094	\$ 8,895	\$ 126,718,186	\$ (213,884)	\$ (108,532,508)	\$ 17,980,689
Net loss					(7,957,964)	(7,957,964)
Other comprehensive loss				(113,218)		(113,218)
Issuance of common stock and warrants, net of expenses	3,692,307	3,692	10,612,356			10,616,048
Exercise of warrants for common stock	249,824	250	811,678			811,928
Share based compensation	11,151	11	191,671			191,682
Balance at September 30, 2018	12,848,376	\$ 12,848	\$ 138,333,891	\$ (327,102)	\$ (116,490,472)	\$ 21,529,165

See accompanying notes to these unaudited interim consolidated financial statements.

AquaBounty Technologies, Inc.
Consolidated Statements of Cash Flows
(Unaudited)

Nine Months Ended
September 30,

	2018	2017
Operating activities		
Net loss	\$ (7,957,964)	\$ (6,595,398)
Adjustment to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	557,718	137,229
Share-based compensation	191,682	85,443
Gain on disposal of equipment	(11,745)	—
Changes in operating assets and liabilities:		
Other receivables	97,353	(43,346)
Inventory	97,897	(78,499)
Prepaid expenses and other assets	210,796	(309,986)
Accounts payable and accrued liabilities	(654,997)	128,917
Net cash used in operating activities	(7,469,260)	(6,675,640)
Investing activities		
Purchase of property, plant and equipment	(3,375,306)	(17,235,184)
Proceeds on sale of equipment	21,758	—
Net cash used in investing activities	(3,353,548)	(17,235,184)
Financing activities		
Proceeds from issuance of debt	—	256,807
Repayment of term debt	(43,437)	(23,677)
Proceeds from the issuance of common stock and warrants, net	10,616,048	24,989,257
Proceeds from the exercise of stock options and warrants	811,928	27,502
Net cash provided by financing activities	11,384,539	25,249,889
Effect of exchange rate changes on cash and cash equivalents	(23,921)	54,147
Net change in cash and cash equivalents	537,810	1,393,212
Cash and cash equivalents at beginning of period	492,861	3,324,609
Cash and cash equivalents at the end of period	\$ 1,030,671	\$ 4,717,821
Supplemental disclosure of cash flow information and non-cash transactions:		
Interest paid in cash	\$ 15,854	\$ 16,130
Property and equipment included in accounts payable and accrued liabilities	\$ 512,497	\$ 472,283
Acquisition of equipment under debt arrangement	\$ 74,555	\$ —

See accompanying notes to these unaudited interim consolidated financial statements.

AquaBounty Technologies, Inc.

Notes to the consolidated financial statements

For the nine months ended September 30, 2018 and 2017 (unaudited)

1. Nature of business and organization

AquaBounty Technologies, Inc. (the “Parent” and, together with its subsidiaries, 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. In 1996, the Parent obtained the exclusive licensing rights for a gene construct (transgene) used to create a breed of farm-raised Atlantic salmon that exhibit growth rates that are substantially faster than traditional salmon.

In 2015, the Parent obtained approval from the US Food and Drug Administration (the “FDA”) for the production, sale, and consumption of its AquaAdvantage® Salmon product in the United States.

In 2016, the Parent obtained approval from Health Canada for the sale and consumption of its AquaAdvantage Salmon product in Canada. Previously, in 2013, the Parent obtained approval from Environment Canada for the production of the product.

AQUA Bounty Canada Inc. (the “Canadian Subsidiary”) was incorporated in January 1994 for the purpose of establishing a commercial biotechnology laboratory to conduct research and development programs related to the Parent’s technologies and to commercialize the Parent’s products in Canada.

AquaBounty Panama, S. de R.L. (the “Panama Subsidiary”) was incorporated in May 2008 in Panama for the purpose of conducting commercial trials of the Parent’s products.

AquaBounty Farms, Inc. (the “U.S. Subsidiary”) was incorporated in December 2014 in the State of Delaware for the purpose of conducting field trials and commercializing the Parent’s products in the United States.

AquaBounty Farms Indiana LLC (the “Indiana Subsidiary”), which is wholly owned by the U.S. Subsidiary, was formed in June 2017 in the State of Delaware for the purpose of operating its aquaculture facility in Albany, Indiana.

AquaBounty Brasil Participações Ltda. (the “Brazil Subsidiary”) was incorporated in May 2015 for the purpose of conducting field trials and commercializing the Parent’s products in Brazil.

2. Basis of presentation

The unaudited interim consolidated financial statements include the accounts of AquaBounty Technologies, Inc. and its wholly owned direct subsidiaries, AQUA Bounty Canada Inc.; AquaBounty Panama, S. de R.L.; AquaBounty Farms, Inc.; AquaBounty Farms Indiana LLC; and AquaBounty Brasil Participações Ltda. All inter-company transactions and balances have been eliminated upon consolidation.

The unaudited interim consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States (“GAAP”) consistent with those applied in, and should be read in conjunction with, the Company’s audited financial statements and related footnotes for the year ended December 31, 2017. The unaudited interim consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of the Company’s financial position as of September 30, 2018, and its results of operations and cash flows for the interim periods presented and are not necessarily indicative of results for subsequent interim periods or for the full year. The unaudited interim consolidated financial statements do not include all of the information and footnotes required by GAAP for complete financial statements, as allowed by the relevant SEC rules and regulations; however, the Company believes that its disclosures are adequate to ensure that the information presented is not misleading.

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 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 share.

Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) 2016-02, “Leases,” which requires a lessee to recognize lease liabilities for the lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis, and right-of-use assets, representing the lessee’s right to use, or control the use of, specified assets for the lease term. Additionally, the new guidance has simplified accounting for sale and leaseback transactions. Lessor accounting is

largely unchanged. The ASU is effective for fiscal years beginning after December 15, 2018. The Company is continuing its evaluation of the impact on its consolidated financial statements.

In February 2018, FASB issued ASU 2018-02, "Income Statement-Reporting Comprehensive Income" which provides guidance on the impact to comprehensive income from changes due to the 2017 Tax Cuts and Jobs Act. The Company is currently reviewing the guidance, which is effective for fiscal years beginning after December 15, 2018.

Management does not expect any recently issued, but not yet effective, accounting standards to have a material effect on its results of operations or financial condition.

Liquidity and Management's Plan

At September 30, 2018, the Company's cash balance totaled \$1.0 million. Management has evaluated the Company's cash resources as of the date of issuance, including the proceeds from the warrant exercise as disclosed in Note 11, in view of its planned spending for ongoing operations, capital expenditures, and working capital for the next twelve months and has determined that its current funds will be used during the first half of 2019 primarily due to increased working capital requirements. However, management believes that the Company can continue as a going concern.

Management's assessment is based primarily on its ability and past experience in managing expenditures in order to conserve the Company's cash. Management has the ability to reduce expenditures, slow-down or delay capital spending and divest assets in order to extend cash through the next twelve months.

In addition, the Company continues to seek additional financing in the form of debt or equity. However, there is no assurance the Company can be successful in securing additional financing.

Management believes it is probable that its plans will be effectively implemented and therefore, the accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

3. Risks and uncertainties

The Company is subject to risks and uncertainties common in the biotechnology and aquaculture industries. Such risks and uncertainties include, but are not limited to: (i) results from current and planned product development studies and trials; (ii) decisions made by the FDA or similar regulatory bodies in other countries with respect to approval and commercial sale of any of the Company's proposed products; (iii) the commercial acceptance of any products approved for sale and the Company's ability to manufacture, distribute, and sell for a profit any products approved for sale; (iv) the Company's ability to obtain the necessary patents and proprietary rights to effectively protect its technologies; and (v) the outcome of any collaborations or alliances entered into by the Company. In addition, as disclosed in "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2017, which was filed on March 8, 2018, there are a number of other risks and uncertainties that may have a material effect on the operating results of our business and our financial condition.

Concentration of credit risk

Financial instruments that potentially subject the Company to credit risk consist principally of cash and cash equivalents and certificates of deposit. This risk is minimized by the Company's policy of investing in financial instruments with short-term maturities issued by highly rated financial institutions. The Company's cash balances may at times exceed insurance limitations. The Company holds cash balances in bank accounts located in Canada to fund its local operations. These amounts are subject to foreign currency exchange risk, which is mitigated by the Company's policy to limit the balances held in these accounts. Balances in Canadian bank accounts totaled \$111,771 at September 30, 2018.

Financial instruments

The carrying amounts reported in the consolidated balance sheets for other receivables and accounts payable approximate fair value based on the short-term maturity of these instruments. The carrying value of term debt approximates its fair value, since it provides for market terms and interest rates.

4. Inventory

Major classifications of inventory are summarized as follows:

	September 30, 2018	December 31, 2017
Feed	\$ 35,871	\$ 60,161
Eggs	—	73,967
Packaging	8,913	—
Fish in process	27,856	38,235
Total inventory	\$ 72,640	\$ 172,363

5. Property, plant and equipment

Major classifications of property, plant and equipment are summarized as follows:

	September 30, 2018	December 31, 2017
Land	\$ 719,949	\$ 676,083
Building and improvements	9,352,175	9,187,160
Construction in process	5,991,663	5,119,961
Equipment	9,779,714	8,211,510
Office furniture and equipment	191,654	136,091
Vehicles	28,335	29,135
Total property and equipment	\$ 26,063,490	\$ 23,359,940
Less accumulated depreciation and amortization	(2,062,382)	(1,556,964)
Property, plant and equipment, net	\$ 24,001,108	\$ 21,802,976

Depreciation and amortization expense was \$574,440 and \$126,951 for the nine months ended September 30, 2018 and 2017, respectively.

Included in construction in process is \$5.6 million for renovation and new construction costs incurred at our Rollo Bay farm site. An additional \$1.0 million has been committed. The grow-out building is expected to be completed by year end, and the broodstock building is expected to be completed during 2019.

On June 22, 2017, the Company purchased the aquaculture facility of Bell Fish Company LLC in Albany, Indiana, for \$14.2 million, including legal and other expenses incurred. Through September 30, 2018, the Company has invested \$2.3 million to upgrade the facility for use to grow out its AquAdvantage Salmon for harvest and sale in the United States. The Company currently has an additional \$100 thousand committed to this project. This facility is now operational, although the Company expects that upgrades will continue through 2019.

6. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include the following:

	September 30, 2018	December 31, 2017
Accounts payable	\$ 718,861	\$ 1,089,919
Accrued payroll including vacation	320,536	364,368
Accrued professional fees and research costs	246,645	443,178
Accrued franchise and excise taxes	55,611	240,880
Accrued construction costs	107,215	509,950
Accrued other	34,789	18,560
Accounts payable and accrued liabilities	\$ 1,483,657	\$ 2,666,855

7. Debt

The current material terms and conditions of debt outstanding are as follows:

Original loan amount	Interest rate	Monthly repayment	Maturity date	September 30, 2018	December 31, 2017
ACOA AIF grant (C\$2,871,919)	0%	Royalties	-	\$ 2,224,876	\$ 2,287,771
ACOA term loan (C\$337,000)	0%	C\$3,120	June 2026	222,401	251,056
Kubota Canada Ltd. (C\$95,961)	0%	C\$1,142	January 2025	67,261	—
Finance PEI term loan (C\$717,093)	4%	C\$4,333	July 2021	515,914	545,387
Total debt				\$ 3,030,452	\$ 3,084,214
less: current portion				(59,636)	(49,794)
Long-term debt				\$ 2,970,816	\$ 3,034,420

Estimated principal payments remaining on loan debt are as follows:

Year	AIF	ACOA	FPEI	Kubota	Total
2018	\$ —	\$ 7,251	\$ 4,942	\$ 2,655	\$ 14,848
2019	—	29,005	20,211	10,620	59,836
2020	—	29,005	21,033	10,620	60,658
2021	—	29,005	469,728	10,620	509,353
2022	—	29,005	—	10,620	39,625
Thereafter	2,224,876	99,130	—	22,126	2,346,132
Total	\$ 2,224,876	\$ 222,401	\$ 515,914	\$ 67,261	\$ 3,030,452

Atlantic Canada Opportunities Agency (“ACOA”)

ACOA is a Canadian government agency that provides funding to support the development of businesses and promote employment in the Atlantic region of Canada.

In January 2009, the Canadian Subsidiary was awarded an Atlantic Innovation Fund (“AIF”) grant from ACOA to provide a contribution towards the funding of a research and development project. Contributions under the grant were made through 2014 and no further funds are available. Amounts claimed by the Canadian Subsidiary must be repaid in the form of a 10% royalty on any products that are commercialized out of this research project until the loan is fully repaid. Revenue from the sale of AquAdvantage Salmon are not subject to the royalty, and the Company does not expect to commercialize products that would be subject to the royalty in the next five years.

In February 2016, the Canadian Subsidiary executed an agreement with ACOA to partially finance the renovations to the Rollo Bay farm site. All available funding under the agreement was disbursed through May 2017, and no further amounts are available. The loan is being repaid over a period of nine years.

Kubota Canada Ltd. (“Kubota”)

Kubota is a manufacturer of power equipment for the construction, agriculture, commercial, and residential industries. In January 2018, the Canadian Subsidiary financed the purchase of equipment through a lease with Kubota. The total amount financed was \$75,911 and is being repaid in monthly installments. The loan is secured by the underlying equipment.

Finance PEI (“FPEI”)

FPEI is a corporation of the Ministry of Economic Development and Tourism for Prince Edward Island, Canada, and administers business financing programs for the provincial government. In August 2016, the Canadian Subsidiary obtained a loan from FPEI to partially finance the purchase of the assets of the former Atlantic Sea Smolt plant in Rollo Bay West on Prince Edward Island. The loan is being repaid through monthly payments of principal and interest with a balloon payment for the balance due in July 2021. The loan is collateralized by a mortgage executed by the Canadian Subsidiary, which conveys a first security interest in all of its current and acquired assets. The loan is guaranteed by the Parent.

The Company recognized interest expense of \$15,782 and \$16,112 for the nine months ended September 30, 2018 and 2017, respectively, on its interest-bearing debt.

8. Stockholders' equity

In May 2018, the Company's shareholders approved a reduction in the number of authorized shares of stock from 240 million to 55 million, of which 5 million are authorized as preferred stock and 50 million as common stock.

Recent issuances

In January 2018, the Company completed a public offering of 3,692,307 Common Shares and warrants for 4,246,153 Common Shares. Net proceeds to the Company were \$10.6 million after deducting discounts, fees, and expenses. Intrexon Corporation, the Company's majority shareholder, participated in the offering, purchasing 1,538,461 Common Shares and warrants for 1,538,461 Common Shares for gross proceeds of \$5.0 million.

As of September 30, 2018, the Company has issued 249,824 Common Shares in conjunction with the exercise of warrants, with total proceeds of \$811,928.

Warrants

In connection with the public offering of Common Shares that was completed in January 2018, the Company issued warrants to purchase 4,246,153 Common Shares. Each warrant has an exercise price per share of \$3.25, is immediately exercisable, and will expire five years from the date of issuance. The following table summarizes information about outstanding warrants at September 30, 2018:

	Number of warrant shares	Weighted average exercise price
Outstanding at December 31, 2017	—	\$ —
Issued	4,246,153	3.25
Exercised	(249,824)	3.25
Outstanding at September 30, 2018	3,996,329	\$3.25
Exercisable at September 30, 2018	3,996,329	\$3.25

Share-based compensation

Restricted stock

A summary of the Company's shares of restricted stock as of September 30, 2018, is as follows:

	Shares	Weighted average grant date fair value
Balance at December 31, 2017	2,697	\$11.37
Granted	11,151	2.50
Vested	(3,645)	5.63
Balance at September 30, 2018	10,203	\$3.73

During the nine months ended September 30, 2018 and 2017, the Company expensed \$20,421 and \$19,235, respectively, related to the restricted stock awards. At September 30, 2018, the balance of unearned share-based compensation to be expensed in future periods related to the restricted stock awards is \$37,891. The period over which the unearned share-based compensation is expected to be earned is approximately 2.4 years.

Stock options

The Company's option activity is summarized as follows:

	Number of options	Weighted average exercise price
Outstanding at December 31, 2017	227,203	\$9.39
Issued	113,561	2.50
Expired	(800)	9.90
Outstanding at September 30, 2018	339,964	\$7.09
Exercisable at September 30, 2018	271,467	\$7.30

Unless otherwise indicated, options issued to employees, members of the Board of Directors, and non-employees are vested over one to three years and are exercisable for a term of ten years from the date of issuance.

The weighted average fair value of stock options granted during the nine months ended September 30, 2018, was \$1.65. The total intrinsic value of all options outstanding was \$80,628 and \$17,454 at September 30, 2018, and December 31, 2017, respectively. The total intrinsic value of exercisable options was \$47,491 and \$17,454 at September 30, 2018, and December 31, 2017, respectively.

The following table summarizes information about options outstanding and exercisable at September 30, 2018:

Weighted average exercise price of outstanding options	Number of options outstanding	Weighted average remaining estimated life (in years)	Number of options exercisable	Weighted average exercise price of outstanding and exercisable options
\$2.50 - \$5.70	204,034	5.9	157,362	
\$6.90 - \$9.60	53,175	4.0	53,175	
\$10.50 - \$10.80	4,000	5.4	4,000	
\$14.20 - \$23.40	78,755	7.5	56,930	
	339,964		271,467	\$7.30

Total share-based compensation on stock-option grants amounted to \$171,261 and \$66,208 for the nine months ended September 30, 2018 and 2017, respectively. At September 30, 2018, the balance of unearned share-based compensation to be expensed in future periods related to unvested share-based awards was \$176,080. The period over which the unearned share-based compensation is expected to be earned is approximately 1.4 years.

9. 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.

In May 2018, the Company extended its lease for its Panama farm site for an additional twelve months with total rent payments of \$180,000.

See Note 5 for commitments related to our renovation and construction costs.

There have been no other material changes to the commitments and contingencies disclosed in our annual report on Form 10-K as of and for the year ended December 31, 2017.

10. Related Party Collaboration Agreement

In February 2013, the Company entered into an Exclusive Channel Collaboration agreement ("ECC") with Intrexon pursuant to which the Company will use Intrexon's UltraVector and other technology platforms to develop and commercialize additional genetically modified traits in finfish for human consumption.

Total Intrexon service costs incurred under the terms of this agreement for the nine months ended September 30, 2018 and 2017, amounted to \$163,995 and \$447,382, respectively, and are included as a component of research and development expense in our Consolidated Statements of Operations and Comprehensive Loss. For the three months ended September 30, 2018 and 2017, service costs incurred amounted to \$27,954 and \$132,266, respectively. Included in accounts payable and accrued liabilities at September 30, 2018, and December 31, 2017, are amounts due to Intrexon under the ECC totaling \$7,800 and \$135,301, respectively.

11. Subsequent Events

On October 16, 2018, the Canadian subsidiary obtained a loan from FPEI to finance construction activities at the Rollo Bay site. New funds available amount to C\$2.0 million (\$1.6 million) and the loan has an interest rate of 4%. Payments will commence once all funds have been drawn.

On October 24, 2018, the Company completed an offering of 2,250,461 Common Shares through the conversion of outstanding warrants at a discounted price of \$2.00. Net proceeds to the Company were \$4.3 million after deducting discounts, fees, and expenses. Intrexon participated in the offering, converting 1,538,461 for gross proceeds of \$3.1 million.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following "Management's Discussion and Analysis of Financial Condition and Results of Operations" should be read in conjunction with the unaudited financial information and the notes thereto included in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2017, which was filed on March 8, 2018.

This discussion and analysis also contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and should be read in conjunction with the disclosures and information contained in "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2017. Our actual results may differ materially from those discussed below. The following discussion and analysis is intended to enhance the reader's understanding of our business environment. The forward-looking statements included in this Quarterly Report on Form 10-Q are made only as of the date hereof. We are not under any obligation to, and do not intend to, publicly update or review any of these forward-looking statements, whether as a result of new information, future events, or otherwise, even if experience or future events make it clear that any expected results expressed or implied by those forward-looking statements will not be realized.

Overview

We believe that we are a leader in the field of biotechnology tools for improving the productivity of aquaculture. Our lead product is the AquAdvantage Salmon, which received FDA approval in 2015 as the first genetically modified animal available for sale for human consumption. We have commenced commercial activities with operations in markets where we have received regulatory approval. The first steps in our commercial plan have been implemented, including the following:

- we received approval from the provincial regulatory authorities in Prince Edward Island for the construction of a broodstock facility to house our non-transgenic Atlantic salmon stock and a 250-metric-ton recirculating aquaculture system ("RAS") facility to grow out our AquAdvantage Salmon, and both facilities are currently under construction;
- we have completed our first sales of AquAdvantage Salmon to Canada from our farm site in Panama; and
- we purchased certain assets of the aquaculture facility of Bell Fish Company LLC, which we intend to use to grow out our AquAdvantage Salmon for sale and consumption in the United States.

We are also continuing an active search in both the United States and Canada for either an existing land-based RAS facility or a site on which to build a new facility for the commercial production of AquAdvantage Salmon.

Revenue

We generate product revenue primarily through the sales of our AquAdvantage Salmon. We may also sell excess non-transgenic salmon eggs and fry to local growers. We expect that our sales will be modest and infrequent until our grow-out facilities in Indiana and Rollo Bay are operational and at full capacity.

In the future, we believe that our revenue will depend upon the number of countries in which we have received regulatory approval for the sale of our products, the number and capacity of grow-out facilities we have in operation, and the market acceptance we achieve.

Cost of Products

Cost of products includes the labor and related costs to grow out our fish, including feed, oxygen, and other direct costs; an application of overhead; and the cost to process and ship our products to customers.

Sales and Marketing Expenses

Our sales and marketing expenses currently include personnel costs, travel, and consulting fees for market-related activities. As of September 30, 2018, we had one employee dedicated to sales and marketing.

Research and Development Expenses

As of September 30, 2018, we employed nineteen scientists and technicians at our facilities on Prince Edward Island to oversee our broodstock of AquAdvantage Salmon, as well as the lines of fish we maintain for research and development purposes. We recognize research and development expenses as they are incurred. Our research and development expenses consist primarily of:

- salaries and related overhead expenses for personnel in research and development functions;
- fees paid to contract research organizations, Intrexon, and consultants who perform research for us;
- costs related to laboratory supplies used in our research and development efforts;
- costs related to the operation of our field trials; and
- costs related to the grow-out of fish at the Panama site that are not capitalized in inventory.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and related costs for employees in executive, corporate, and finance functions. Other significant general and administrative expenses include corporate governance and public market maintenance, regulatory compliance, rent and utilities, insurance, and legal services, along with pre-production and capacity utilization costs for our Indiana facility. We had nineteen employees in our general and administrative group at September 30, 2018.

Other Income (Expense)

Interest expense includes the interest on our outstanding loans. Other income (expense) includes bank charges, fees, and interest income.

Results of Operations

Comparison of the three months ended September 30, 2018, to the three months ended September 30, 2017.

The following table summarizes our results of operations for the three months ended September 30, 2018 and 2017, together with the changes in those items in dollars and as a percentage (all dollar amounts in thousands):

	Three Months Ended September 30,		Dollar Change	% Change
	2018	2017		
	(unaudited)			
Product revenue	\$ 11	\$ —	\$ 11	100 %
Operating expenses:				
Product costs	9	—	9	100 %
Sales and marketing	65	196	(131)	(67)%
Research and development	805	861	(56)	(7)%
General and administrative	1,852	1,382	470	34 %
Operating loss	2,720	2,439	281	12 %
Total other (income) expense	7	7	—	— %
Net loss	\$ 2,727	\$ 2,446	\$ 281	11 %

Product Revenue and Product Cost

Product revenue for the three months ended September 30, 2018, consisted of sales of non-transgenic Atlantic salmon fry. We expect that our sales will be modest and infrequent until our grow-out facilities in Indiana and Rollo Bay are operational and at full capacity.

Sales and Marketing Expenses

Sales and marketing expenses for the three months ended September 30, 2018, were down from the corresponding period in 2017 due to lower personnel and travel costs. We expect that our sales and marketing expenses will be relatively flat until we increase our production of AquAdvantage Salmon.

Research and Development Expenses

Research and development expenses for the three months ended September 30, 2018, were down from the corresponding period in 2017 due to a reduction in outside contract services, which were partially offset by increased field trial costs. We expect that our research and development expenses will increase as we further develop our Rollo Bay farm site and as we continue to pursue regulatory approval for additional products and additional markets.

General and Administrative Expenses

General and administrative expenses for the three months ended September 30, 2018, were up from the corresponding period in 2017 due to increases in personnel, board of director fees, stock compensation charges and excess capacity at the Indiana facility as it commences start-up.

Total Other (Income) Expense

Total other (income) expense is comprised of interest on debt, bank charges and interest income for the three months ended September 30, 2018 and 2017.

Comparison of the nine months ended September 30, 2018, to the nine months ended September 30, 2017.

The following table summarizes our results of operations for the nine months ended September 30, 2018 and 2017, together with the changes in those items in dollars and as a percentage (all dollar amounts in thousands):

	Nine Months Ended September 30,		Dollar Change	% Change
	2018	2017		
	(unaudited)			
Product revenue	\$ 78	\$ 53	\$ 25	47 %
Operating expenses:				
Product costs	72	51	21	41 %
Sales and marketing	223	607	(384)	(63)%
Research and development	2,664	2,517	147	6 %
General and administrative	5,067	3,453	1,614	47 %
Operating loss	7,948	6,575	1,373	21 %
Total other (income) expense	10	20	(10)	(50)%
Net loss	\$ 7,958	\$ 6,595	\$ 1,363	21 %

Product Revenue and Product Cost

Product revenue for the nine months ended September 30, 2018, consisted of sales of AquAdvantage Salmon and sales of non-transgenic Atlantic salmon eggs and fry. We expect that our sales will be modest and infrequent until our grow-out facilities in Indiana and Rollo Bay are operational and at full capacity.

Sales and Marketing Expenses

Sales and marketing expenses for the nine months ended September 30, 2018, were down from the corresponding period in 2017 due to lower personnel and travel costs. We expect that our sales and marketing expenses will be relatively flat until we increase our production of AquAdvantage Salmon.

Research and Development Expenses

Research and development expenses for the nine months ended September 30, 2018, were up from the corresponding period in 2017 due to increases in personnel, supplies, and facility costs related to the partial commencement of activities at our Rollo Bay site and increased field trial costs, which were partially offset by a reduction in outside contract services. We expect that our research and development expenses will continue to increase as we further develop our Rollo Bay farm site and as we continue to pursue regulatory approval for additional products and additional markets.

General and Administrative Expenses

General and administrative expenses for the nine months ended September 30, 2018, were up significantly from the corresponding period in 2017 due to increases in personnel and supplies primarily related to pre-production and start-up costs at our Indiana site, which were partially offset by a reduction in legal fees. We expect that our general and administrative expenses will decrease as production increases at the Indiana facility.

Total Other (Income) Expense

Total other (income) expense is comprised of interest on debt, bank charges, interest income, and a net gain on the disposal of assets for the nine months ended September 30, 2018 and 2017.

Liquidity and Capital Resources

Sources of Liquidity

We have incurred losses from operations since our inception in 1991, and, as of September 30, 2018, we had an accumulated deficit of \$116 million. On January 18, 2017, we completed a private placement of 2,421,073 Common Shares to Intrexon for proceeds of approximately \$25 million. On January 17, 2018, we completed a public offering of 3,692,307 Common Shares and warrants to purchase 4,246,153 Common Shares for net proceeds of \$10.6 million.

As of September 30, 2018, we had a cash balance of \$1.0 million.

On October 24, 2018, the Company completed an offering of 2,250,461 common shares through the conversion of outstanding warrants at a discounted price of \$2.00. Net proceeds to the Company were \$4.3 million after deducting discounts, fees, and expenses.

Cash Flows

The following table sets forth the significant sources and uses of cash for the periods set forth below (in thousands):

	Nine Months Ended September 30,	
	2018	2017
	(unaudited)	
Net cash provided by (used in):		
Operating activities	\$ (7,469)	\$ (6,676)
Investing activities	(3,354)	(17,235)
Financing activities	11,385	25,250
Effect of exchange rate changes on cash	(24)	54
Net increase (decrease) in cash	\$ 538	\$ 1,393

Cash Flows from Operating Activities

Net cash used in operating activities during the nine months ended September 30, 2018, was primarily comprised of our \$8.0 million net loss, offset by non-cash charges of \$738 thousand, and increased by working capital uses of \$249 thousand. Net cash used in operating activities during the nine months ended September 30, 2017, was primarily comprised of our \$6.6 million net loss, offset by non-cash charges of \$223 thousand, and increased by working capital uses of \$303 thousand.

Spending on operations increased during the current period due to headcount additions, maintenance and repair costs for our Indiana farm site, and commencement of partial activities at our Rollo Bay and Indiana farm sites. The increase in cash used by working capital in the current period was due to a reduction in accounts payable and accrued liabilities, offset by reductions in prepaid expenses, receivables and inventory.

Cash Flows from Investing Activities

During the nine months ended September 30, 2018, we used \$3.4 million for renovations to our Indiana farm site and for construction charges at our Rollo Bay site. During the same period in 2017, we used \$17.2 million for construction at our Rollo Bay site and the purchase of the Indiana farm site.

Cash Flows from Financing Activities

During the nine months ended September 30, 2018, we received approximately \$10.6 million in net proceeds from the issuance of Common Shares and warrants in a public offering and \$812 thousand from the exercise of warrants. This was offset by \$43 thousand in the repayment of debt. During the same period in 2017, we received \$25.0 million in proceeds from the issuance of Common Shares in a private placement, \$257 thousand in proceeds from the issuance of term debt, and \$28 thousand from the exercise of stock options. This was offset by \$24 thousand in the repayment of debt.

Future Capital Requirements

We have evaluated our cash resources as of the date of issuance, including the proceeds from the warrant exercise as disclosed in Note 11, in view of our planned spending for ongoing operations, capital expenditures, and working capital for the next twelve months and have determined that our current funds will be used during the first half of 2019, primarily due to increased working capital requirements. We intend to devote a significant portion of our existing cash to our farm sites in Indiana and Rollo Bay and the continued investment in our research and development projects. We plan to seek additional financing in the form of debt or equity to fund our cash requirements.

We have based our estimates on assumptions that may prove to be wrong, and we may use our available capital resources sooner than we currently expect. Our future capital requirements will depend on many factors, including:

- the timing of additional regulatory approvals and permits for AquAdvantage Salmon, if any;
- the cost to complete construction activities at our Rollo Bay site;
- the cost to raise fish at our Indiana site; and
- the timing of costs related to the FDA legal challenge (see “Legal Proceedings,” below).

Until such time, if ever, as we can generate positive operating cash flows, we may finance our cash needs through a combination of equity offerings, debt financings, government or other third-party funding, strategic alliances, and licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interests of holders of our common stock will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of holders of our common stock. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures, or declaring dividends. If we raise additional funds through government or other third-party funding; marketing and distribution arrangements; or other collaborations, strategic alliances, or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs, or product candidates or to grant licenses on terms that may not be favorable to us.

Management’s assessment is based primarily on its ability and past experience in managing expenditures in order to conserve the Company’s cash. Management has the ability to reduce expenditures, slow-down or delay capital spending and divest assets in order to extend cash through the next twelve months.

In addition, the Company continues to seek additional financing in the form of debt or equity. However, there is no assurance the Company can be successful in securing additional financing.

Management believes it is probable that its plans will be effectively implemented and therefore, the accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. However, if we are unable to generate additional funds in the future through financings, sales of our products, government grants, loans, or from other sources or transactions, we will exhaust our resources and will be unable to maintain our currently planned operations. If we cannot continue as a going concern, our stockholders would likely lose most or all of their investment in us.

Critical Accounting Policies and Estimates

This Management’s Discussion and Analysis of Financial Condition and Results of Operations is based on our consolidated financial statements, which we have prepared in accordance with GAAP. The preparation of our consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported revenues and expenses during the reporting periods. We evaluate these estimates and judgments on an ongoing basis. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Our actual results may differ from these estimates under different assumptions or conditions.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The following sections provide quantitative information on our exposure to interest rate risk and foreign currency exchange risk. We make use of sensitivity analyses, which are inherently limited in estimating actual losses in fair value that can occur from changes in market conditions.

Interest Rate Risk

Our primary exposure to market risk is interest rate risk associated with debt financing that we utilize from time to time to fund operations or specific projects. The interest on this debt is usually determined based on a fixed rate and is contractually set in advance. At September 30, 2018, and December 31, 2017, we had \$516 thousand and \$545 thousand, respectively, in interest-bearing debt instruments on our consolidated balance sheet. All of our interest-bearing debt is at fixed rates.

Foreign Currency Exchange Risk

Our functional currency is the U.S. Dollar. The functional currency of our Canadian subsidiary is the Canadian Dollar, and the functional currency of our Panama, U.S., and Brazil subsidiaries is the U.S. Dollar. For the Canadian Subsidiary, assets and liabilities are translated at the exchange rates in effect at the balance sheet date, equity accounts are translated at the historical exchange rate, and

the income statement accounts are translated at the average rate for each period during the year. Net translation gains or losses are adjusted directly to a separate component of other comprehensive loss within shareholders' equity (deficit).

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Form 10-Q. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the quarter ended September 30, 2018, the Company's disclosure controls and procedures are effective in recording, processing, summarizing, and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act and are effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(g) and 15d-15(f)) that occurred during the fiscal quarter covered by this report that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Lawsuit Against the FDA Approval of NADA

On March 30, 2016, a coalition of non-governmental organizations filed a complaint in the United States District Court for the Northern District of California against the FDA, the United States Fish and Wildlife Service, and related individuals for their roles in the approval of AquAdvantage Salmon. The coalition, including the Centre for Food Safety and Friends of the Earth, claims that the FDA had no statutory authority to regulate genetically modified animals, and, if it did, that the agency failed to analyze and implement measures to mitigate ecological, environmental, and socioeconomic risks that could impact wild salmon and the environment, including the risk that AquAdvantage Salmon could escape and threaten endangered wild salmon stocks. This lawsuit is currently in the discovery phase of litigation.

Other than as set forth above, we are not party to any legal proceedings the outcome of which, we believe, if determined adversely to us, would individually or in the aggregate have a material adverse effect on our future business, consolidated results of operations, cash flows, or financial position. We may, from time to time, be subject to legal proceedings and claims arising from the normal course of business activities.

Item 1A. Risk Factors

As disclosed in “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2017, which was filed on March 8, 2018, there are a number of risks and uncertainties that may have a material effect on the operating results of our business and our financial condition. There are no material additional updates or changes to our risk factors since the filing of our Annual Report on Form 10-K for the year ended December 31, 2017.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

EXHIBIT INDEX

Exhibit Number	Exhibit Description
<u>10.1</u>	<u>Offer Letter dated as of July 10, 2018, from Prince Edward Island Century 2000 Fund Inc. to AQUA Bounty Canada Inc. and accepted by AQUA Bounty Canada Inc. and AquaBounty Technologies, Inc. on August 20, 2018.</u>
<u>10.2</u>	<u>Negotiable Promissory Note dated as of October 16, 2018, issued by AQUA Bounty Canada Inc. in favor of Prince Edward Island Century 2000 Fund Inc.</u>
<u>10.3</u>	<u>Collateral Mortgage dated as of July 26, 2016, by and between AQUA Bounty Canada Inc. and Prince Edward Island Century 2000 Fund Inc.</u>
<u>10.4</u>	<u>Collateral Mortgage dated as of October 9, 2018, by and between AQUA Bounty Canada Inc. and Prince Edward Island Century 2000 Fund Inc.</u>
<u>10.5</u>	<u>General Security Agreement dated as of July 26, 2016, by and between AQUA Bounty Canada Inc. and Prince Edward Island Century 2000 Fund Inc.</u>
<u>10.6</u>	<u>Guarantee dated as of October 9, 2018, made by AquaBounty Technologies, Inc. in favor of Prince Edward Island Century 2000 Fund Inc.</u>
<u>31.1</u>	<u>Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>31.2</u>	<u>Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>32.1</u>	<u>Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AQUABOUNTY TECHNOLOGIES, INC.

November 2, 2018

/s/ Ronald L. Stotish

Ronald L. Stotish

President, Chief Executive Officer, and Director (Principal Executive Officer)

November 2, 2018

/s/ David A. Frank

David A. Frank

Chief Financial Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer)

94 Euston Street
PO Box 1176, Charlottetown
Prince Edward Island
Canada C1A 7M8

94, rue Euston
C.P. 1176, Charlottetown
Île-du-Prince-Édouard
Canada C1A 7M8

PRIVATE & CONFIDENTIAL

July 10, 2018

Aqua Bounty Canada Inc.
718 Bay Fortune Road
Souris, PEI C0A 2B0

Attention: Dawn Runighan

Dear Ms. Runighan:

**Re: Offer to Finance
Our File #2018-00827**

On the basis of an application for a loan submitted by Aqua Bounty Canada Inc (the "Borrower"), and the financial statements / other information provided in support of the request, Island Investment Development Inc. ("IIDI"), through Prince Edward Island Century 2000 Fund Inc. (the "Lender"), is pleased to extend the following financing offer:

1.0 PURPOSE AND AMOUNT

- 1.1 A term loan (hereinafter collectively called the "Loan") of up to Two Million Seven Hundred Thousand Dollars (\$2,700,000), the proceeds of which are to be used to finance the construction of 2 buildings in Fortune, PEI;
- 1.2 The Borrower agrees to assume all project cost overruns without prejudice to the security held by the Lender;

No change in the Project and financing may be made without the Lender's prior written consent.

2.0 TERMS OF REPAYMENT

The terms of repayment for the Loan are as follows:

- 2.1 The Loan has a term of five years from the date of first disbursement with a 20 year amortization period. If any portion of the Loan remains outstanding at maturity, the Loan, and any unpaid accrued interest, shall be immediately due and payable in full;

- 2.2 The Loan will bear interest at the fixed rate of four percent (4.0%) per annum on the principal balance outstanding to maturity. Interest is calculated daily, commencing on first disbursement, and is due and payable on the first day of each month thereafter during the term of the Loan until maturity;
- 2.3 Repayment shall be by way of monthly, blended principal and interest installments of \$16,314.66 commencing on the 1st day of each month immediately following first disbursement and continuing on the 1st day of each month thereafter during the term of the Loan until maturity;
- 2.4 All payments will be applied firstly to unpaid interest and then to principal;
- 2.5 To facilitate ease of administration, the Borrower agrees that payments will be set-up on the Lender's pre-authorized payment system.

3.0 PREPAYMENT

- 3.1 Advances made under this Loan may be repaid in whole, or in part, at any time, without penalty;
- 3.2 Prepayment effects a permanent reduction of the Loan, which may not be re-advanced to the Borrower thereafter;
- 3.3 Partial prepayments shall be applied regressively on the last maturing installments of principal.

4.0 SECURITY

The following security (hereinafter referred to collectively as the "Security") evidenced by documents, registrations, filings and opinions of legal counsel satisfactory to the Lender, is to be provided prior to any funds being disbursed:

- 4.1 A Promissory Note from the Borrower for the full amount of the Loan.
- 4.2 A registered General Security Agreement from the Borrower conveying a first security interest in all present and after acquired personal property of the borrower.
- 4.3 An open ended collateral mortgage conveying a first fixed charge on buildings and land (PID #849505) located at 1300 Rte 2, Souris, Prince Edward Island.
- 4.4 An open ended collateral mortgage conveying a first fixed charge on buildings and land (PID #151639) located at 0718 Bay Fortune, Souris, Prince Edward Island.
- 4.5 An open ended collateral mortgage conveying a first fixed charge on buildings and land (PID #1022300) located in Souris, Prince Edward Island.
- 4.6 Assignment of Fire Insurance confirming the Agency's interest as first loss payee on all assets / personal property / real property.
- 4.7 The Corporate Guarantee from Aqua Bounty Technologies Inc (the "Guarantor") for the full amount of the Loan.

5.0 INSURANCE

- 5.1 The Borrower agrees to keep all personal property assigned, mortgaged or pledged as security for the Loan insured for physical damages and losses on an all risk basis for their replacement cost and have the Lender named as first loss payee;
- 5.2 The Borrower agrees to assign insurance proceeds to the Lender for an amount equal to the balance of the Loan;
- 5.3 The Lender agrees that where insurance proceeds are payable to the Borrower and the Lender, such proceeds shall be used either to repair, rebuild, or replace any lost or damaged personal property and/or equipment with respect to which the claim is made, or shall be applied as a reduction of principal on the Loan without notice, bonus or penalty, unless otherwise agreed to in writing by the Lender;
- 5.4 The Borrower shall notify the Lender immediately of any loss or damage to the Borrower's property held as security;
- 5.5 If the Borrower does not maintain insurance as required, the Lender may purchase insurance to protect its own interest and the Borrower will pay the premiums.

6.0 UNDERLYING CONDITIONS

During the term of the Loan, and as long as the Borrower is indebted or otherwise liable to the Lender, the Borrower will not, without the prior written consent of the Lender:

- 6.1 Undertake capital expenditures or lease purchase agreements in excess of \$100,000 per annum that are not contemplated in the Borrower's business plan;
- 6.2 Pay any compensation or benefit in excess of \$100,000 per year (including the declaration or payment of dividends on any class of shares; and/or taxable benefits for personal use of corporate assets) to the shareholder and all persons related to the shareholder;
- 6.3 Undertake transactions between related businesses other than in the normal course of business and at normal market rates;
- 6.4 For the purposes hereof, related persons shall have the same meaning as that set out in Section 251 of the Income Tax Act of Canada;
- 6.5 Change the capital structure or ownership of the borrowing company or redeem any of its shares. There shall be no amalgamation, merger, acquisition, or any other business combination; nor sale of the business or any of its assets; nor the creation of an affiliated company, nor granting of any operating license;

Requests for consent will not be withheld by the Lender unless such changes will materially impair the financial viability of the Borrower or otherwise compromise the integrity of the Borrower.

7.0 CONTINGENT CONDITIONS

Prior to any disbursement of funds, the Borrower is required to provide:

- 7.1 Confirmation of other project financing in the amount of \$750,000 from ACOA and \$9,250,000 from the shareholders of Aqua Bounty Canada Inc.
- 7.2 Confirmation that property tax ownership and assessment data on PID's #849505, #151639 and #1022300 is current and any taxes owing are fully paid.

7.3 Sub search to be completed on PIO #849505 and #151639 to ensure IIDI maintains a valid first charge over both properties.

7.4 The Borrower is to cover the cost of any financial shortfalls related to this project.

8.0 DISBURSEMENT

8.1 Upon satisfaction of the contingent conditions to this offer in their entirety, and satisfactory completion and registration of the security documents, the Loan proceeds shall be disbursed:

8.1.1 The Borrower's presentation, satisfactory to the Lender, of paid invoices (complete with serial numbers where applicable);

8.1.2 Where unpaid invoices are presented for disbursement, the Borrower authorizes and hereby directs the Lender to remit payment directly to the equipment vendor.

8.2 Drawdown of all undisbursed funds shall occur no later than 24 months past the date of this Letter of Offer, after which any undisbursed portion of the Loan may be cancelled by the Lender.

9.0 GENERAL CONDITIONS TO DISBURSEMENT

Notwithstanding anything herein to the contrary, the Lender has the right, at its option, to terminate this commitment, and shall not be required to disburse all or any further part of the Loan, at any time or times, and the balance owing on the Loan may, at its option, become immediately due and payable:

9.1 If an Event of Default has occurred or an event which, with the lapse of time or with notice and lapse of time specified herein would become an Event of Default, shall have occurred and be continuing; or

9.2 If, in the opinion of the Lender, there has been any material adverse change in the business, assets or financial condition of the Borrower; or

9.3 If there is any action, proceeding or investigation pending or threatened against the Borrower which would, in the opinion of the Lender, if successful, have a material adverse effect on the Borrower; or

9.4 If there has been any material discrepancy or inaccuracy in any written or oral representations, statements or information made or furnished to the Lender at any time; or

9.5 If, in the opinion of the Lender, any money loaned has not been or is not being applied for the purpose for which it was advanced, or if the security materially depreciates in value.

10.0 FINANCIAL REPORTING COVENANTS

The Borrower shall, at its expense, deliver to the Lender, financial reports and other information in the form and content as the Lender may specify, on the following basis:

10.1 Within 180 days of its year-end, annual financial statements of the Borrower, prepared on a "Review Engagement" basis by an external firm of professional accountants in accordance with generally accepted accounting principles;

- 10.2 Within 180 days of its year-end, annual financial statements of the Guarantor, prepared on a "Review Engagement" basis by an external firm of professional accountants in accordance with generally accepted accounting principles;
- 10.3 In the event of late filing of the Borrower's Financial Statements or inventory reports, a \$100 fee will be levied at the first of each week, starting 14 days after the statements were otherwise due. Waiver of this will be at the sole discretion of the Lender;
- 10.4 Upon the request of the Lender, the Borrower shall submit the Borrower's internally prepared financial statements and other such information in respect of the financial operations of the Borrower as may be deemed necessary by the Lender acting reasonably, from time to time.

11.0 UNDERTAKINGS OF THE BORROWER

The Borrower undertakes:

- 11.1 To comply with all applicable laws and regulations, and with the decisions, orders, instructions, directives, permits, authorizations or licenses given or issued pursuant to said laws and regulations;
- 11.2 To carry on its business in a manner that is appropriate, effective and consistent with generally accepted and recognized practices; to maintain in force the permits, authorizations or licenses required for that purpose;
- 11.3 To maintain in good repair, working order and condition, all material properties used in the business of the Borrower and to keep all property taxes paid current;
- 11.4 To notify the Lender immediately of any emission, spill or discovery of any pollutant in connection with its assets or those of its subsidiaries, its activities evidencing a real or potential violation of environmental legislation or environmental permits;
- 11.5 In the case of the deposit, release or discharge of a pollutant into the environment contrary to any law, to contain the emission, deposit, release or discharge and immediately repair the damage caused;
- 11.6 Not to acquire businesses or interests in businesses or make investments in an entity that is not the Borrower and to ensure that the Borrower does not acquire businesses or interests in businesses or invest directly or indirectly, whether through the purchase of securities, assets or otherwise, in spheres of activity other than those in which the Borrower currently operates, without having first obtained the Lender's written consent;

The Lender agrees that any request advanced by the Borrower to amend the undertakings described in this Credit Agreement, will be dealt with in a timely manner and that consent to vary the Undertakings will not be unreasonably withheld.

12.0 EVENTS OF DEFAULT

Any one or more of the following events shall constitute an Event of Default (whether any such Event of Default shall be voluntary or involuntary or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative government body):

- 12.1 If the Borrower makes default in the payment of any sum which is due and owing to the Lender hereunder and such default shall have continued for a period of fifteen (15) days;
- 12.2 If the Borrower shall neglect to observe or perform any other covenant or condition herein contained on its part to be observed or performed; and if the same is capable of being cured, after notice in writing has been given by the Lender specifying such default and requiring the Borrower to cure same, the Borrower shall have failed to cure same within a period of fifteen (15) days;
- 12.3 A default on this Loan, or any other loan that the Borrower has with the Lender, shall constitute a default on all loans that the Borrower has with the Lender;
- 12.4 If an order shall be made or an effective resolution be passed for the winding-up or the liquidation of the Borrower or Guarantor;
- 12.5 If the Borrower, or Guarantor, shall make an assignment for the benefit of its creditors or shall be declared bankrupt or make a proposal or assignment under the Bankruptcy and Insolvency Act or if a custodian or sequestrator or receiver or a receiver and manager or any other officer with similar powers shall be appointed of the Borrower or of its property;
- 12.6 If an encumbrancer shall take possession of the property of the Borrower or any substantial part thereof or if a distress or execution or any similar process be levied or enforced against such property and remain unsatisfied for such period as would permit such property or such part thereof to be sold thereunder;
- 12.7 If the Borrower, or Guarantor, shall make an application to any court for an order under the Companies Creditors Arrangement Act;
- 12.8 If the Lender in good faith believes that the ability to pay any monies hereby secured or to perform any covenant or condition hereof is impaired or that the assets pledged as security for the Loan are in danger of being lost, damaged or confiscated;
- 12.9 If the Borrower ceases to carry on its business in the Province of Prince Edward Island;
- 12.10 The making of any representation or warranty by the Borrower, or Guarantor, or the application in any document or certificate furnished to the Lender in connection herewith or pursuant hereto which shall prove at any time to be materially incorrect, as of the date made.

The Lender may, at any time it deems necessary to protect its Loans or security, obtain the advice and assistance of such lawyers, accountants, engineers or other professional or expert personnel as it may deem necessary, and any expense in this connection shall be borne by the Borrower, provided the Lender has advised the Borrower in advance of its intention to retain such professional or expert personnel and upon completion provides the Borrower with a detailed account of the expenditures arising from such retention.

13.0 ACKNOWLEDGEMENT

- 13.1 The Borrower acknowledges that it has independently satisfied itself respecting the feasibility of the project and has not relied in any way upon any oral or written representations by the Lender or the fact the Loan is being made;
- 13.2 The Borrower acknowledges that it recognizes that, although the Lender is a Crown corporation, it operates on the basis of an independent body for the purpose of dealing with applications for financial assistance made to it. Applications are considered strictly

on their own merits and independent of other government departments or agencies and without regard to any possible understanding with any government department and/or representatives;

- 13.3 The Borrower further acknowledges that the Lender is not involved or responsible for any representations or warranties undertaken by other government departments or agencies in conjunction with the Borrower and also acknowledges that there are no undertakings between the Borrower and the Lender except those that appear in these documents;
- 13.4 The Borrower expressly waives the right to receive a copy of any financing statement or financing change statement which may be registered by the Lender in connection with any security interest taken by the Lender from the Borrower arising from this Letter of Offer, and also waives the right to receive a copy of any verification statement issued with respect thereto, where such waiver is not otherwise prohibited by law.

14.0 COMMUNICATIONS

The Borrower must consult with the Lender regarding communication activities relating to the Project, as outlined in the following clauses:

- 14.1 The Borrower consents to public announcements of the Project, by or on behalf of the Lender. The Borrower shall also acknowledge the Lender's Contribution in any public communications of the Project and shall obtain the approval of the Lender before preparing any announcements, brochures, advertisements, web content or other materials that will display the Lender's logo or otherwise make reference to the Lender.
- 14.2 The Lender shall inform the Borrower of the date on which the announcement is to be made and the Borrower shall keep this Agreement confidential until such date. After official announcement of the Project by the Lender or at first disbursement of Loan proceeds, whichever is earlier, information appearing in Schedule A – Loan Fact Sheet for Public Disclosure, herein, will be considered to be in the public domain.
- 14.3 The Borrower will advise the Lender at least thirty (30) calendar days in advance of any special event such as, but not limited to, an official opening, ribbon cutting or other like event that the Borrower organizes in connection with the Project. A ceremony shall be held on a date that is mutually acceptable to the Lender and the Borrower. The Borrower consents to having the Minister responsible for the Lender, or a designate, participate in any such ceremony.
- 14.4 The Borrower agrees to the distribution by the Lender of information about the Project as part of public communication initiatives including, but not limited to, feature stories, news releases, speeches, web content, Lender promotional materials and special publications.
- 14.5 The Lender may, at its sole discretion, withdraw the requirement of the Borrower's acknowledgment of the Lender's Contribution in all public communications of the Project.

15.0 FREEDOM OF INFORMATION AND PROTECTION OF PRIVACY ACT

15.1 Information in this Letter of Offer will be treated in accordance with the Prince Edward Island Freedom of Information and Protection of Privacy Act. For additional information see: www.gov.pe.ca/foipp.

15.2 Notwithstanding the provisions of the *Freedom of Information and Protection of Privacy Act*, it is acknowledged that acceptance of this letter of offer constitutes, in the event of any

- (a) classification of the loan balance by the Lender as uncollectible, or
- (b) write-off, cancellation, discharge, or release of any loan balance owing by the Borrower to the Lender,

consent to the disclosure of the identity of the Borrower or the Guarantor, if any, as a borrower who has had a loan classified as uncollectible, or who has had a loan writtenoff, cancelled, discharged or released, including the amount of the applicable debt, by the Minister, pursuant to the Financial Administration Act.

16.0 NOTICE

16.1 Any notice or correspondence to the Lender, including all inquiries with respect to this Agreement, should be directed to:

Attn: Chris Silvaggio, Account Manager
Prince Edward Island Century 2000 Fund Inc.
PO Box 1176, Charlottetown, PE C1A 7M8
T: (902) 368-6234, F: (902) 368-6201, E: cgsilvaggio@gov.pe.ca

16.2 Any notice or correspondence to the Borrower, including all inquiries with respect to this Agreement, should be directed to:

Attn: Dawn Runighan
718 Bay Fortune Road
Souris, PE C0A 2B0

17.0 COUNTERPARTS

17.1 This letter of offer may be executed in one or more counterparts and by the different parties to it on separate counterparts, each of which, when so executed will be deemed to be an original; such counterparts, together, will constitute one and the same agreement. This letter of offer may be executed and delivered by fax or email pdf transmission of a manually signed counterpart.

18.0 ACCEPTANCE

If you agree with the terms and conditions as set forth in this Offer to Finance, please signify your acceptance by signing and returning the enclosed duplicate of this Offer to Finance, signed by each Borrower and Guarantor, to the Lender by August 22, 2018. Failing such acceptance, this offer shall be of no further force or effect.

Upon receipt of the written acceptance, the Lender Will have the required security documents prepared. All legal and any other related fees regarding this transaction will be on the account of the Borrower and will be due and payable upon invoice.

To further assist economic development and wealth creation in Prince Edward Island, the Borrower is encouraged to purchase materials, supplies, equipment and services from local Prince Edward Island companies, provided that these firms are able to supply your company with these goods and services at competitive prices, and of equal quality and service.

Prince Edward Island Century 2000 Fund Inc. is pleased to provide this offer to you and extends its best wishes for the success of your business.

Yours truly,

/s/ Jamie Aiken

Jamie Aiken, CPA, CA
Executive Director

The undersigned does hereby accept this offer and agrees to all of the terms contained herein.

Dated the 20 day of August, 2018.

Signed sealed and delivered in the presence of:

/s/ Christopher H. Martin

Aqua Bounty Canada Inc

Per: /s/ David A. Frank

Per: _____

I/We have the authority to bind the company

The undersigned Guarantors, do acknowledge receipt of this offer and the terms contained herein.

Dated the 20 day of August, 2018.

Signed sealed and delivered in the presence of:

/s/ Christopher H. Martin

Aqua Bounty Technologies Inc

Per: /s/ David A. Frank

Per: _____

I/We have the authority to bind the company

Schedule A

Loan Fact Sheet for Public Disclosure	
Borrower:	Aqua Bounty Canada Inc. 718 Fortune Bay Road Souris, PE
Lender:	Prince Edward Island Century 2000 Fund Inc.
Date:	June 26, 2018
Authorized Amount of Loan:	\$2,700,000
Interest Rate:	Fixed, 4%, 5-year term
Purpose of Loan:	Purchase /Improvement of Capital Assets

NEGOTIABLE PROMISSORY NOTE

DATE: October 16, 2018

LOAN AMOUNT: \$2,700,000.00

FOR VALUE RECEIVED, we promise to pay to the order of the Prince Edward Island Century 2000 Fund Inc. ("PEICFI"), at its Head Office at P.O. Box 1176, 94 Euston Street, 2nd Floor, Charlottetown, Prince Edward Island C1A 7M8, the principal sum of Two Million Seven Hundred Thousand-----xx/100 Dollars (\$2,700,000.00) (hereinafter called "the principal"), with interest at the rate of Four percent (4.0%) per annum, calculated daily, not in advance, in equal consecutive monthly installments in the amount of Sixteen Thousand Three Hundred and Fourteen -----66/100 Dollars (\$16,314.66) principal and interest amortized, commencing on the 1st day of November, 2018 and continuing on the 1st day of each and every month thereafter up to and including the 1st day of October, 2023, on which date the balance of principal outstanding, together with accrued interest then unpaid, shall become due and payable.

Each of the said monthly, installments shall be applied firstly to unpaid interest accrued at the rate aforesaid and secondly in reduction of the principal. Interest shall accrue as well after as before maturity and both before and after default and installments of principal and interest in arrears shall bear interest at the rate aforesaid, which interest shall be payable forthwith as it accrues without notice or demand.

If any installment of principal or the accrued interest payable contemporaneously therewith remains unpaid after the date on which it becomes due, the whole of the principal and accrued interest shall forthwith become due and payable at the option of the PEICFI.

Principal may be repaid in whole, or in part, at any time, without penalty. Prepayments effect a permanent reduction of the loan, which may not be re-advanced to the undersigned thereafter. Partial prepayments shall be applied regressively on the last maturing instalments of principal.

AQUA BOUNTY CANADA INC.

Per: /s/ David A. Frank _____

Per: _____

COLLATERAL MORTGAGE

THIS COLLATERAL MORTGAGE made this 26th day of July, 2016.

IN PURSUANCE OF THE ENACTMENTS RESPECTING SHORT FORMS OF INDENTURES.

BETWEEN:

AQUA BOUNTY CANADA INC., a body corporate, duly incorporated under the laws of the Province of Newfoundland and Labrador

(hereinafter called the "Mortgagor")

OF THE FIRST PART;

AND:

PRINCE EDWARD ISLAND CENTURY 2000 FUND INC., a body corporate, duly incorporated by a special Act of the Prince Edward Island Legislature, with head office in the City of Charlottetown, in Queens County, Province of Prince Edward Island

(hereinafter called the "Mortgagee")

OF THE SECOND PART.

WHEREAS the Mortgagor is indebted to the Mortgagee;

AND WHEREAS the Mortgagee has demanded from the Mortgagor additional security for payment to the Mortgagee on demand of all money and liabilities, whether direct or contingent, now or hereafter owing or incurred from or by the Mortgagor to the Mortgagee;

NOW, THEREFORE, THIS INDENTURE WITNESSETH that in consideration of the premises and of the Mortgagee agreeing to deal with the Mortgagor in the way of its business as a lending institution, the Mortgagor, who conveys as beneficial owner, doth grant a Mortgage unto the Mortgagee, its successors and assigns forever, over all and singular all the lands and premises described in the Schedule hereto annexed and marked "A", **TOGETHER** with all and every the rights, privileges, easements, advantages and appurtenances wheresoever to the said hereditaments belonging or in anywise pertaining or thereunto now or heretofore holden, used, occupied or enjoyed; **TO HAVE AND TO HOLD** the said messuages and tenements, lands and hereditaments and all and singular other the premises hereinbefore granted, appointed and released or expressed and intended so to be with their appurtenances **UNTO AND TO THE USE OF** the Mortgagee, its successors and assigns forever.

The Mortgagor and the Mortgagee covenant and agree with each other that the provisions of this Indenture added to the short form clause shall not derogate from the Mortgagee's rights under the long clauses in The Enactments Respecting Short Forms of Indentures but shall be in addition thereto or in substitution for part or parts thereof as the Mortgagee may elect and all shall have the force of covenants.

PROVIDED THIS MORTGAGE TO BE VOID on payment by the Mortgagor on demand of all money and liabilities, whether direct or contingent, now or hereafter owing or

incurred from or by the Mortgagor, whether as principal or surety, whether alone or jointly with any other person, and in whatever name, style or firm arising from dealings between the Mortgagee and the Mortgagor and all interests, damages, costs, charges and expenses which may become due or payable to the Mortgagee or may be paid or incurred by the Mortgagee upon or in respect to the said money and liabilities or any part thereof, all premiums of insurance upon the buildings upon the said lands which may be paid by the Mortgagee and taxes (the foregoing being hereinafter referred to as the "Indebtedness"), and performance of statute labour and observance and performance of all covenants, provisos and conditions herein contained.

IT IS UNDERSTOOD AND AGREED that these presents shall stand as continuing security for the payment of the Indebtedness.

THIS MORTGAGE shall continue to be operative and binding and shall not be considered satisfied or discharged notwithstanding that, at any time or times, the account operated by the Mortgagor at the Mortgagee may be inactive and that there may be no present indebtedness at such time or times owing by the Mortgagor or that there may be any intermediate payments of the whole or any part of the Indebtedness from time to time made to the Mortgagee or any settlements of accounts effected for any other thing whatsoever done, suffered or operated.

UPON payment by the Mortgagor of the present Indebtedness at any time owing by the Mortgagor to the Mortgagee and upon observance and performance by the Mortgagor of all covenants, provisions and conditions herein contained then to be observed and performed by the Mortgagor and upon written request of the Mortgagor delivered to the Mortgagee for a Satisfaction of Mortgage to this Mortgage, which written request and its delivery to the Mortgagee is a condition to be performed by the Mortgagor under this Mortgage before this Mortgage shall be void. The Mortgagee shall at the expense of the Mortgagor execute and deliver to the Mortgagor a Satisfaction of Mortgage to discharge this Mortgage. This Mortgage shall stand as a continuing security for payment of the Indebtedness until such request is so made and delivered by the Mortgagor to the Mortgagee.

AND FURTHER that the taking of this security shall not operate as a merger of the remedies of the Mortgagee for the payment of the Indebtedness or of other obligations or securities now or at any time hereafter held for the same or any part thereof but that for and notwithstanding these presents and anything herein contained the said remedies shall remain intact and be capable of enforcement against the Mortgagor and all other persons liable in respect of the Indebtedness and other obligations or securities in the same manner and to the same extent as if these presents had not been executed.

THE MORTGAGOR covenants with the Mortgagee that the Mortgagor will pay the Indebtedness and will in all things abide by, observe and perform the above proviso, that the Mortgagor has a good title in fee simple to the said lands and that it has the right to convey the said lands to the Mortgagee and that on default the Mortgagee shall have quiet possession of the lands free from encumbrances and the Mortgagor will execute such further assurances of the said lands as may be requisite, and that the Mortgagor will execute as well before as after default; and the Mortgagor has done no act to encumber the said lands save as aforesaid; and that the Mortgagor will pay all taxes, charges and assessments, municipal, local, parliamentary and otherwise that may at any time be imposed on the said lands or any part thereof, or on the Mortgagee, its successors and assigns, on account thereof or of said redemption moneys, and that the said lands shall stand charged with and for such payments and the making thereof, and the Mortgagor will insure the buildings on the said lands to their full insurable value in dollars of lawful money of Canada; and the Mortgagor will assign and deliver up to the Mortgagee any policy or policies of insurance now existing upon the said buildings subject to the rights of any prior Mortgagee; and the Mortgagor doth release to the Mortgagee all its claims upon the said lands subject to the said proviso.

PROVIDED that the Mortgagee on default of payment for at least fifteen days may on at least four weeks' notice enter on and lease or sell the said lands. Provided further that on default of payment for three months' the foregoing power of entry, leasing and selling may be exercised by the Mortgagee without any notice whatsoever.

THE MORTGAGOR hereby covenants and agrees with the Mortgagee that, without prejudice to the powers under the foregoing proviso, the Mortgagee, in the event of default by the Mortgagor in payment of the Indebtedness or any part thereof, may sell the said lands or any part thereof by public auction or private sale for such price as can reasonably be obtained therefor and on such terms as to credit and otherwise and with such conditions of sale and stipulations as to title or evidence or commencement of title or otherwise as it shall in its discretion deem proper, and in that event of any sale on credit or for part cash and part credit, the Mortgagee shall not be accountable for or be charged with any moneys until actually received; and the Mortgagee may rescind or vary any contract for sale and may buy in and re-sell the mortgaged lands or any part thereof without being answerable for loss occasioned thereby; and no purchaser shall be bound to inquire into the legality, regularity or propriety of any sale or be affected by notice of any irregularity or impropriety; and no lack of default or want of notice or other requirement or any irregularity or impropriety of any kind shall invalidate any sale hereunder but the Mortgagee alone shall be responsible; and the Mortgagee may sell without entering into actual possession of the lands, and when it desires to take possession it

may break locks and bolts and while in possession shall be accountable only for moneys which are actually received by it and sales may be made from time to time of parts of the mortgaged lands to satisfy any part of the Indebtedness, leaving the residue thereof secured hereunder on the remaining lands or may take proceedings to sell and may sell the said lands for part of the Indebtedness subject to the balance of the Indebtedness not yet due at the time of the said sale; and the Mortgagee may take sale proceedings hereunder notwithstanding that other mortgage proceedings have been taken or are then pending; and the proceeds of any sale hereunder may be applied firstly in payment of any costs, charges and expenses incurred in taking, recovering or keeping possession of the said lands or by reason of non-payment or procuring payments of the Indebtedness of any part thereof;

THE MORTGAGOR hereby attorns to and becomes tenant of the said lands to the Mortgagee from year to year from the date of the execution hereof during the term of this Mortgage and any renewal or renewals thereof at a rental equivalent to, applicable in satisfaction of, and payable at the same times as the payments of interest hereinbefore provided to be paid, the legal relation of landlord and tenant being hereby constituted between the Mortgagee and the Mortgagor; but it is agreed that neither the existence of this provision nor anything done by virtue hereof shall render the Mortgagee a mortgagee in possession or accountable for any moneys except those actually received by it, and the Mortgagee may on default of payment or on breach of any of the covenants in this Mortgage contained enter upon the said lands and determine the tenancy hereby created without notice.

PROVIDED that the Mortgagee may distrain for arrears of any part of the Indebtedness. The Mortgagor hereby waives the right to claim exemption and agrees that the Mortgagee shall not be limited in the amount for which it may distrain.

THE MORTGAGOR covenants with the Mortgagee that it will keep the said lands and buildings, fixtures and improvements thereon or hereafter brought or erected thereon in good condition and repair according to the nature and description thereof respectively, and that the Mortgagee may, whenever it deems it necessary, by its surveyor or agent, enter upon and inspect the said lands and the reasonable cost of such inspection shall be added to the Indebtedness, and that if the Mortgagor or those claiming under it neglect to keep the said lands, fixtures and improvements in good condition and repair or commit any act of waste on the said lands or do anything by which the value of the said lands shall be diminished, as to all of which the Mortgagee shall be the sole judge, or make default as to any of the covenants or provisos herein contained, the Indebtedness shall, at the option of the Mortgagee, forthwith become due and payable, and in default of payment thereof the powers of entering upon and leasing or selling hereby given may be exercised forthwith; and the Mortgagee may make such

repairs as it deems necessary and the cost thereof with interest thereon shall be a charge upon the said lands prior to all claims thereon subsequent to these presents.

PROVIDED that until default of payment the Mortgagor shall have quiet possession of the said lands.

IT IS FURTHER AGREED by and between the parties hereto that the Mortgagee may at its discretion at all times release any part or parts of the said lands or any other security or any surety for the Indebtedness or any part thereof either with or without any sufficient consideration therefor, without responsibility therefor and without thereby releasing any other part of the said lands or any person from this Mortgage or from any of the covenants herein contained and without being accountable to the Mortgagor for the value thereof or for any money except that actually received by the Mortgagee, it being expressly agreed that every part or lot into which the mortgaged lands are or may hereafter be divided does and shall stand charged with the whole of Indebtedness. **PROVIDED** that no extension of time given by the Mortgagee to the Mortgagor or anyone claiming under the Mortgagee or any other dealing by the Mortgagee with the owner or owners of the equity of redemption of the said lands or of any part thereof shall in any way affect or prejudice the rights of the Mortgagee against the Mortgagor or any other person liable for the payment of the Indebtedness or any parts thereof;

PROVIDED that no sale or other dealing by the Mortgagor with the equity of redemption in the said lands or any part thereof shall in any way change the liability of the Mortgagor or in any way alter the rights of the Mortgagee as against the Mortgagor or any other person liable for payment of the Indebtedness or any part thereof.

PROVIDED and it is hereby further agreed by and between the parties hereto that should default be made by the Mortgagor in the observance or performance of any of the covenants, provisos, agreements or conditions contained in any mortgage to which this mortgage is subject, then, and in that event, the Indebtedness shall forthwith become due and be payable at the option of the Mortgagee and all the powers in and by this mortgage conferred shall become exercisable forthwith without any notice.

IT IS FURTHER understood and agreed between the parties hereto that any moneys received by the Mortgagee under and by virtue of this mortgage, whether by sale or lease of the property mortgaged or any part thereof or otherwise, and any moneys received by the Mortgagee under or by virtue of any other security now or hereafter held in connection with the Indebtedness or any part thereof, may be applied from time to time by the Mortgagee upon such part or parts of the Indebtedness as the Mortgagee may think best.

PROVIDED that the taking of a judgment or judgments against the Mortgagor on any of the covenants herein contained shall not operate as a merger of the said covenants or

affect the Mortgagee's right to interest on the amount of the Indebtedness at the rate payable by the Mortgagor to the Mortgagee, and further that any such judgment may provide that interest thereon shall be computed at the same rate until such judgment shall have been fully paid and satisfied.

AND it is hereby declared and agreed by and between the parties hereto that all rights, advantages, privileges, immunities, powers and remedies hereby secured to the Mortgagee shall be equally secured to and exercisable by its successors and assigns; that all covenants and liabilities entered into or imposed hereunder upon the Mortgagor shall be equally binding upon the heirs, executors, administrators and assigns or successors and assigns of the Mortgagor as the case may be; and that all the provisions hereof shall have effect, any statute to the contrary notwithstanding.

Notwithstanding anything herein to the contrary, the Mortgagee shall not be required to disburse all or any further part of any principal sum at any time or times and the whole of any principal sum may, at the Mortgagee's option, become immediately due and payable:

- (a) if an event of default has occurred or an event which, with the lapse of time or with notice and lapse of time specified herein would become an event of default, shall have occurred and be continuing;
- (b) if, in the opinion of the Mortgagee, there has been any material adverse change in the business, assets or financial condition of the Mortgagor;
- (c) if there is any action, proceeding or investigation pending or threatened against the Mortgagor, which would in the opinion of the Mortgagee, if successful, have a material adverse effect on the Mortgagor;
- (d) if there is or has been any material discrepancy or inaccuracy in any written or oral representations, statements or information made or furnished to the Mortgagee at any time;
- (e) if, in the opinion of the Mortgagee, any money loaned has not been, or is not being applied for the purpose to which it was advance, or if the security materially depreciates in value.

Any one or more of the following events shall constitute an event of default (whether any such event of default shall be voluntary or involuntary or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative governmental body):

- (a) the failure by the Mortgagor to make any payment within fifteen (15) days after its due date;
- (b) the failure by the Mortgagor to repay the balance outstanding of any principal sum on its maturity date;

- (c) the failure by the Mortgagor to perform or observe any of the covenants, conditions or agreements to be performed or observed by the Mortgagor under the terms hereof;
- (d) default by the Mortgagor hereunder, which default shall continue unremedied for a period of fifteen (15) days after written notice thereof by the Mortgagee to the Mortgagor;
- (e) the making of any representation or warranty by the Mortgagor in the application or under any document or certificate furnished to the Mortgagee in connection herewith or pursuant hereto which shall prove at any time to be materially incorrect, as of the date made;
- (f) the making by the Mortgagor of a proposal or general assignment for the benefit of their creditors or other acknowledgement of the Mortgagor's insolvency;
- (g) the appointment of a receiver, receiver-manager or receiver and manager of the Mortgagor or any part of its property or assets;
- (h) the enforceability of any execution, sequestration, judgment or any other process of any court against the Mortgagor or the levy of a distress or analogous process upon the Mortgagor's property or assets or any part thereof unless the execution, sequestration, judgment or other process, against the Mortgagor or distress or analogous process is in good faith contested by the Mortgagor and the Mortgagor gives adequate security to the Mortgagee to pay in full the amount claimed;
- (i) if the Mortgagee is of the reasonable opinion that the security is in danger of being sold or removed, except as permitted hereunder, or if the Mortgagee is of the reasonable opinion that the security is not adequate for the purposes of security the loan hereunder;
- (j) the failure by the Mortgagor to perform or observe any of the covenants, conditions or agreement to be performed or observed by the Mortgagor pursuant to any letters of offer and/or loan agreements entered into between the Mortgagor and the Mortgagee in respect of the Indebtedness.

IT IS FURTHER declared and agreed that in these presents, unless there is something in the context inconsistent

therewith, any words importing the singular shall include the plural and words importing person shall include firms and corporations, and these presents shall be construed accordingly.

NO REMEDY conferred on the Mortgagee by this instrument or otherwise shall be deemed exclusive of any other remedy. Each such remedy shall be cumulative and in addition to every other remedy given hereunder or now or hereafter existing at law or in equity and may be exercised from time to time as often as it is deemed expedient.

IN WITNESS WHEREOF the corporate seal of the Mortgagor was hereunto affixed by its duly authorized signing officer(s) who signed in authentication thereof on day and year first above written.

SIGNED SEALED & ATTESTED TO
in the presence of:

AQUA BOUNTY CANADA INC.

/s/ Christopher H. Martin
A NOTARY PUBLIC IN AND FOR THE
COMMONWEALTH OF MASSACHUSETTS

Per: /s/ David A. Frank
DAVID A. FRANK

C A N A D A

PROVINCE OF PRINCE EDWARD ISLAND

AFFIDAVIT OF SPOUSAL STATUS OR INTEREST

I, **DAVID A. FRANK**, of West Concord, in the Commonwealth of Massachusetts, United States of America,

MAKE OATH AND SAY AS FOLLOWS:

1. I am the Secretary/Treasurer of the Mortgagor named in the annexed Indenture and am of the full age of eighteen (18) years.
2. Aqua Bounty Canada Inc. is a resident of Canada within the meaning of the Income Tax Act (Canada).
3. For the purpose of this Affidavit, "**Act**" means the Family Law Act, S.P.E.I. 1995, c.12; "**family home**" means every property in which a married person has an interest and that is or, if the spouses are living separate and apart, was at the time of separation ordinarily occupied by the person and his or her spouse as their family residence; "**property**" means the lands described in the Schedule to the annexed Indenture; and "**spouse**" means an individual who, in respect of another person, (i) is married to the other person, or (ii) has entered into a marriage with the other person that is voidable or void.
4. The property is not now the subject of a Court Order, interim or otherwise, made pursuant to the Act.
5. The property has never been occupied by myself, my spouse or any other person (or their spouses) who is associated with or is a shareholder of the corporate grantor as a family home.

SWORN TO before me at Maynard, in the Commonwealth of Massachusetts, this 26th day of July, 2016.

/s/ Christopher H. Martin

A NOTARY PUBLIC IN AND FOR THE
COMMONWEALTH OF MASSACHUSETTS

/s/ David A. Frank

DAVID A. FRANK

SCHEDULE "A"

PID 151639

Parcel 1

ALL THAT TRACT, PIECE OR PARCEL OF LAND situate, lying and being at Bay Fortune in Lot or Township No. 43 in Kings County, Province of Prince Edward Island, bounded and described as follows, that is to say:

COMMENCING at a post set at the Northwest corner of the hedge of Elmer Harris in the boundary line dividing the lands of Albert Burke and Chester Burke and that of the said Elmer Harris;

AND RUNNING THENCE at right angles North by the Magnetic Meridian of the year 1784 to the Southern side of the road leading from the buildings of the said Albert Burke and Chester Burke to the Main Road along the shore or for a distance of eight (8) chains and eighty-four (84) links;

THENCE Southeasterly along the Southern side of the road and along the Main Road for the distance of Six (6) chains and Eighty (80) links or until it reaches the Northwest corner post of land in possession of Howard Dingwell;

THENCE Southwardly along the said Howard Dingwell's Western boundary four (4) chains and twenty-eight (28) links to the said Elmer Harris's Northern boundary;

THENCE West along the said Elmer Harris's Northern boundary four (4) chains and eight-five

(85) links to the place of commencement, and containing three and one-tenth ($3 \frac{1}{10}$) acres of land a little more or less.

BEING the land described in a Deed from the Estate of Alton G. Wentworth to Joanne Wentworth, dated the 28th day of December, A.D. 1989 and registered In the Kings County Registry Office on the 10th day of January, A.D. 1990 as Document No. 5, Liber 235, Folio 4.

SUBJECT to a Boundary Line Agreement between Sefton Dixon and Paul Deveau and Leona Jackson dated October 29, 1993 and registered in the Kings County Registry Office on November 16, 1993 in Liber 282, Folio 24.

EXCEPTING AND RESERVING THEREOUT AND THEREFROM all that tract, piece

and parcel of land situate, lying and being at Bay Fortune on Township No. 43, in Kings County, in the Province of Prince Edward Island, bounded and described as follows, that is to say:

COMMENCING at a calculated point designated as No. 553 on the Plan of Survey entitled "PLAN OF SURVEY SHOWING PARCELS A & B BEING A SUBDIVISION OF LANDS OF AQUA BOUNTY CANADA INC. & JOHN DOUGLAS (JACKIE) TOWNSEND RESPECTIVELY", prepared by Island

Surveying & Engineering (ISE Ltd.), drawing No. 4060-3, dated June 1, 2004, approved by the Department of Community and Cultural Affairs, dated July 5th, 2004, as case No. 32143A and having coordinates E. 660593.60, N. 365337.20;

THENCE on an azimuth of $163^{\circ} 30' 17''$ for the distance of 287.77 feet to a calculated point designated as No. 554 on the aforesaid plan;

THENCE on an azimuth of $249^{\circ} 52' 25''$ for the distance of 2.75 feet to a calculated point designated as No. 532 on the aforesaid plan;

THENCE on an azimuth of $253^{\circ} 29' 03''$ for the distance of 2.65 feet to a calculated point designated as No. 541 on the aforesaid plan;

THENCE on an azimuth of $343^{\circ} 30' 17''$ for the distance of 289.00 feet to a calculated point designated as No. 552 on the aforesaid plan;

THENCE on an azimuth of $84^{\circ} 29' 30''$ for the distance of 5.50 feet to the calculated point designated as No. 553 on the aforesaid plan.

Being Parcel A on the aforesaid plan.

Being the lands and premises described in a Deed of Conveyance from AQUA Bounty Canada Inc. to John Douglas (Jackie) Townshend registered in the Kings County Registry Office on July 29, 2004, Book 522, Page 24, Document 1741.

SUBJECT to an easement as described in a Deed or Grant of Easement dated November 1, 2007, from AQUA Bounty Canada Inc. to Mark Haines and Margaret Haines registered in the Kings County Registry Office on January 28, 2009, Book 2068, Document 172.

Parcel 2

ALL that tract, piece and parcel of land situate, lying and being at Bay Fortune on Township No. 43, in the Province of Prince Edward Island, bounded and described as follows, that is to say:

COMMENCING at a calculated point designated as No. 542 on the Plan of Survey entitled "PLAN OF SURVEY SHOWING PARCELS A & B BEING A SUBDIVISION OF LANDS OF AQUA BOUNTY CANADA INC. & JOHN DOUGLAS (JACKIE) TOWNSEND RESPECTIVELY", prepared by Island Surveying & Engineering (ISE Ltd.), drawing No. 4060-3, dated June 1, 2004, approved by the Department of Community and Cultural Affairs, dated July 5th, 2004, as case No. 32144 and having coordinates E. 660506.07, N. 365613.78;

THENCE on an azimuth of 163° 30' 17" for the distance of 289.00 feet to a calculated point designated as No. 552 on the aforesaid plan;

THENCE on an azimuth of 264° 29' 30" for the distance of 5.50 feet to a calculated point designated as No. 551 on the aforesaid plan;

THENCE on an azimuth of 343° 30' 17" for the distance of 289.00 feet to a calculated point designated as No. 550 on the aforesaid plan;

THENCE on an azimuth of 84° 29' 30" for the distance of 5.50 feet to the calculated point designated as No. 542 on the aforesaid plan.

Being Parcel B on the aforesaid plan.

Being the lands and premises described in a Deed of Conveyance dated July 28, 2004, from John Douglas (Jackie) Townshend to AQUA Bounty Canada Inc. and registered in the Kings County Registry Office on July 29, 2004, Book 522, Page 25, as Document 1742.

PID 849505

ALL THAT PARCEL OF LAND situate, lying and being in Lot or Township Number Fortythree (43), in Kings County, Province of Prince Edward Island, bounded and described as follows, that is to say:

COMMENCING at a legal survey marker set on the Eastern boundary of a Right-of-way as shown on a plan of survey showing 1 lot subdivision of property of Claude Dixon as prepared by Gulf Surveys Ltd. dated the 11th day of November A.D. 1996 as File and Drawing No. 4792; and approved by the Department of Provincial Affairs as # 16914A, for aquaculture use only, on February 27, 1997, said legal survey marker designated as No. 201 having the co-ordinates East 665234.98 and North 377053.20;

THENCE Northwestwardly on an azimuth of 342° 50' 53" for the distance of Four Hundred Seventy-one point six six feet (471.66') or to legal survey marker No.202 having the coordinates East 665095.88 and North 377503.88;

THENCE Southeastwardly on an azimuth of 94° 08' 14" for the distance of Five Hundred Twenty-seven point six five feet (527.65') or to legal survey marker No. 203 having the coordinates East 665622.16 and North 377465.81;

THENCE Southeastwardly on an azimuth of 162° 50' 53" for the distance of Three Hundred Eighty-five point six zero feet (385.60') or to legal survey marker No.200 having the co-ordinates East 665735.87 and North 377097.36;

THENCE Southwestwardly on an azimuth of 264° 57' 39" for the distance of Five Hundred Two point eight four feet (502.84') or to legal survey marker No. 201, said legal survey marker being the point set at the place of commencement.

BEING Lot 1 on the aforesaid survey plan; and

CONTAINING Four point eight four (4.84) acres of land.

TOGETHER WITH THE USE OF THE FOLLOWING RIGHT OF WAY to the Grantee and his heirs and assigns:

COMMENCING at a legal survey marker set on the Northern boundary of the road leading from Dingwells Mills to Souris as shown on a plan of survey showing 1 lot subdivision of property of Claude Dixon as prepared by Gulf Surveys Ltd., dated the 11th day of November A.D. 1996 as File and Drawing No. 4792; and approved by the Department of Provincial Affairs as #16914A for aquaculture use only on February 27, 1997, said legal survey marker designated as No. 120 having the co-ordinates East 665642.79 and North 375608.99;

THENCE Northwestwardly on azimuth of 342° 46' 59" for the distance of Five Hundred Forty-four point eight seven feet (544.87') or to calculated point No. 122 having the coordinates East 665481.51 and North 376129.45;

THENCE Northwestwardly on an azimuth of 340° 11' 13" for the distance of One Hundred forty-two point one two feet (142.12') or to calculated point No. 124 having the co-ordinates East 665433.34 and North 376263.15;

THENCE Northwestwardly on an azimuth of 347° 32' 35" for the distance of One Hundred Seventy-two point three five feet (172.35') or to calculated point No. 116 having the coordinates East 665396.16 and North 376431.45;

THENCE Northwestwardly on an azimuth of 342° 44' 26" for the distance of Three Hundred Eighty-nine point seven five feet (389.75') or to calculated point No. 110 having the co-ordinates East 665280.53 and North 376803.65;

THENCE Northwestwardly on an azimuth of 342° 51' 50" for the distance of Two Hundred Fifty-one point nine zero feet (251.90') or to calculated point No. 114 having the coordinates East 665206.31 and North 377044.36;

THENCE Northwestwardly on an azimuth of 342° 50' 53" for the distance of Sixty feet (60.0') or to calculated point No. 109 having the co-ordinates East 665188.61 and North 377101.70;

THENCE Northeastwardly on an azimuth of 72° 50' 53" for the distance of Thirty feet (30.0') or to calculated point No. 107 having the co-ordinates East 665217.28 and North 377110.54;

THENCE Southeastwardly on an azimuth of 162° 50' 53" for the distance of Sixty feet (60.0') or to legal survey marker No. 201 having the co-ordinates East 665234.98 and North 377053.20;

THENCE Southeastwardly on an azimuth of 162° 51' 50" for the distance of Two Hundred Fifty-one point eight seven feet (251.87') or to calculated point No. 104 having the coordinates East 665309.19 and North 376812.51;

THENCE Southeastwardly on an azimuth of 162° 44' 26" for the distance of Three Hundred Ninety point nine nine feet (390.99') or to calculated point No. 115 having the coordinates East 665425.19 and North 376439.13;

THENCE Southeastwardly on an azimuth of 167° 32' 35" for the distance of One Hundred Seventy-one point six seven feet (171.67') or to calculated point No. 121 having the coordinates East 665462.23 and North 376271.50;

THENCE Southeastwardly on an azimuth of 160° 11' 13" for the distance of One Hundred Forty point eight six feet (140.86') or to calculated point No. 123 having the co-ordinates East 665509.97 and North 376138.98;

THENCE Southeastwardly on an azimuth of 162° 46' 59" for the distance of Five Hundred Forty-six point eight four feet (546.84') or to calculated point No. 119 having the coordinates East 665671.83 and North 375616.64;

THENCE Southwestwardly following the arc of a curve of a radius of 2527.20' for the distance of Thirty point zero three feet (30.03') or to calculated point No. 120, said calculated point being the point set at the place of commencement.

BEING Parcel "A" on the aforesaid survey plan and being a 30' right-of-way.

CONTAINING 1.08 acres of land.

DATED: July 26, 2016

BETWEEN:

AQUA BOUNTY CANADA INC.

OF THE FIRST PART;

AND:

PRINCE EDWARD ISLAND CENTURY 2000 FUND INC.

OF THE SECOND PART.

OPEN-ENDED COLLATERAL MORTGAGE

Kaitlyn Angus
McInnes Cooper
141 Kent Street, Suite 300
Charlottetown, PE C1A 1N3
Tel 902.368.8473 | Fax 902.368.8346
Matter 137971
(24909372_1.doc)

COLLATERAL MORTGAGE

THIS COLLATERAL MORTGAGE made this 9th day of October, 2018.

IN PURSUANCE OF THE ENACTMENTS RESPECTING SHORT FORMS OF INDENTURES.

BETWEEN:

AQUA BOUNTY CANADA INC., a body corporate, duly incorporated under the laws of the Province of Newfoundland and Labrador;

(hereinafter called the "Mortgagor")

OF THE FIRST PART;

AND:

PRINCE EDWARD ISLAND CENTURY 2000 FUND INC., a body corporate, duly incorporated by a special Act of the Prince Edward Island Legislature, with head office in the City of Charlottetown, in Queens County, Province of Prince Edward Island

(hereinafter called the "Mortgagee")

OF THE SECOND PART.

WHEREAS the Mortgagor is indebted to the Mortgagee;

AND WHEREAS the Mortgagee has demanded from the Mortgagor additional security for payment to the Mortgagee on demand of all money and liabilities, whether direct or contingent, now or hereafter owing or incurred from or by the Mortgagor to the Mortgagee;

NOW, THEREFORE, THIS INDENTURE WITNESSETH that in consideration of the premises and of the Mortgagee agreeing to deal with the Mortgagor in the way of its business as a lending institution, the Mortgagor, who conveys as beneficial owner, doth grant a Mortgage unto the Mortgagee, its successors and assigns forever, over all and singular all the lands and premises described in the Schedule hereto annexed and marked "A", **TOGETHER** with all and every the rights, privileges, easements, advantages and appurtenances wheresoever to the said hereditaments belonging or in anywise pertaining or thereunto now or heretofore holden, used, occupied or enjoyed; **TO HAVE AND TO HOLD** the said messuages and tenements, lands and hereditaments and all and singular other the premises hereinbefore granted, appointed and released or expressed and intended so to be with their appurtenances **UNTO AND TO THE USE OF** the Mortgagee, its successors and assigns forever.

The Mortgagor and the Mortgagee covenant and agree with each other that the provisions of this Indenture added to the short form clause shall not derogate from the Mortgagee's rights under the long clauses in The Enactments Respecting Short Forms of Indentures but shall be in addition thereto or in substitution for part or parts thereof as the Mortgagee may elect and all shall have the force of covenants.

PROVIDED THIS MORTGAGE TO BE VOID on payment by the Mortgagor on demand of all money and liabilities, whether direct or contingent, now or hereafter owing or

incurred from or by the Mortgagor, whether as principal or surety, whether alone or jointly with any other person, and in whatever name, style or firm arising from dealings between the Mortgagee and the Mortgagor and all interests, damages, costs, charges and expenses which may become due or payable to the Mortgagee or may be paid or incurred by the Mortgagee upon or in respect to the said money and liabilities or any part thereof, all premiums of insurance upon the buildings upon the said lands which may be paid by the Mortgagee and taxes (the foregoing being hereinafter referred to as the "Indebtedness"), and performance of statute labour and observance and performance of all covenants, provisos and conditions herein contained.

IT IS UNDERSTOOD AND AGREED that these presents shall stand as continuing security for the payment of the Indebtedness.

THIS MORTGAGE shall continue to be operative and binding and shall not be considered satisfied or discharged notwithstanding that, at any time or times, the account operated by the Mortgagor at the Mortgagee may be inactive and that there may be no present indebtedness at such time or times owing by the Mortgagor or that there may be any intermediate payments of the whole or any part of the Indebtedness from time to time made to the Mortgagee or any settlements of accounts effected for any other thing whatsoever done, suffered or operated.

UPON payment by the Mortgagor of the present Indebtedness at any time owing by the Mortgagor to the Mortgagee and upon observance and performance by the Mortgagor of all covenants, provisions and conditions herein contained then to be observed and performed by the Mortgagor and upon written request of the Mortgagor delivered to the Mortgagee for a Satisfaction of Mortgage to this Mortgage, which written request and its delivery to the Mortgagee is a condition to be performed by the Mortgagor under this Mortgage before this Mortgage shall be void. The Mortgagee shall at the expense of the Mortgagor execute and deliver to the Mortgagor a Satisfaction of Mortgage to discharge this Mortgage. This Mortgage shall stand as a continuing security for payment of the Indebtedness until such request is so made and delivered by the Mortgagor to the Mortgagee.

AND FURTHER that the taking of this security shall not operate as a merger of the remedies of the Mortgagee for the payment of the Indebtedness or of other obligations or securities now or at any time hereafter held for the same or any part thereof but that for and notwithstanding these presents and anything herein contained the said remedies shall remain intact and be capable of enforcement against the Mortgagor and all other persons liable in respect of the Indebtedness and other obligations or securities in the same manner and to the same extent as if these presents had not been executed.

THE MORTGAGOR covenants with the Mortgagee that the Mortgagor will pay the Indebtedness and will in all things abide by, observe and perform the above proviso, that the Mortgagor has a good title in fee simple to the said lands and that it has the right to convey the said lands to the Mortgagee and that on default the Mortgagee shall have quiet possession of the lands free from encumbrances and the Mortgagor will execute such further assurances of the said lands as may be requisite, and that the Mortgagor will execute as well before as after default; and the Mortgagor has done no act to encumber the said lands save as aforesaid; and that the Mortgagor will pay all taxes, charges and assessments, municipal, local, parliamentary and otherwise that may at any time be imposed on the said lands or any part thereof, or on the Mortgagee, its successors and assigns, on account thereof or of said redemption moneys, and that the said lands shall stand charged with and for such payments and the making thereof, and the Mortgagor will insure the buildings on the said lands to their full insurable value in dollars of lawful money of Canada; and the Mortgagor will assign and deliver up to the Mortgagee any policy or policies of insurance now existing upon the said buildings subject to the rights of any prior Mortgagee; and the Mortgagor doth release to the Mortgagee all its claims upon the said lands subject to the said proviso.

PROVIDED that the Mortgagee on default of payment for at least fifteen days may on at least four weeks' notice enter on and lease or sell the said lands. Provided further that on default of payment for three months' the foregoing power of entry, leasing and selling may be exercised by the Mortgagee without any notice whatsoever.

THE MORTGAGOR hereby covenants and agrees with the Mortgagee that, without prejudice to the powers under the foregoing proviso, the Mortgagee, in the event of default by the Mortgagor in payment of the Indebtedness or any part thereof, may sell the said lands or any part thereof by public auction or private sale for such price as can reasonably be obtained therefor and on such terms as to credit and otherwise and with such conditions of sale and stipulations as to title or evidence or commencement of title or otherwise as it shall in its discretion deem proper, and in that event of any sale on credit or for part cash and part credit, the Mortgagee shall not be accountable for or be charged with any moneys until actually received; and the Mortgagee may rescind or vary any contract for sale and may buy in and re-sell the mortgaged lands or any part thereof without being answerable for loss occasioned thereby; and no purchaser shall be bound to inquire into the legality, regularity or propriety of any sale or be affected by notice of any irregularity or impropriety; and no lack of default or want of notice or other requirement or any irregularity or impropriety of any kind shall invalidate any sale hereunder but the Mortgagee alone shall be responsible; and the Mortgagee may sell without entering into actual possession of the lands, and when it desires to take possession it

may break locks and bolts and while in possession shall be accountable only for moneys which are actually received by it and sales may be made from time to time of parts of the mortgaged lands to satisfy any part of the Indebtedness, leaving the residue thereof secured hereunder on the remaining lands or may take proceedings to sell and may sell the said lands for part of the Indebtedness subject to the balance of the Indebtedness not yet due at the time of the said sale; and the Mortgagee may take sale proceedings hereunder notwithstanding that other mortgage proceedings have been taken or are then pending; and the proceeds of any sale hereunder may be applied firstly in payment of any costs, charges and expenses incurred in taking, recovering or keeping possession of the said lands or by reason of non-payment or procuring payments of the Indebtedness of any part thereof;

THE MORTGAGOR hereby attorns to and becomes tenant of the said lands to the Mortgagee from year to year from the date of the execution hereof during the term of this Mortgage and any renewal or renewals thereof at a rental equivalent to, applicable in satisfaction of, and payable at the same times as the payments of interest hereinbefore provided to be paid, the legal relation of landlord and tenant being hereby constituted between the Mortgagee and the Mortgagor; but it is agreed that neither the existence of this provision nor anything done by virtue hereof shall render the Mortgagee a mortgagee in possession or accountable for any moneys except those actually received by it, and the Mortgagee may on default of payment or on breach of any of the covenants in this Mortgage contained enter upon the said lands and determine the tenancy hereby created without notice.

PROVIDED that the Mortgagee may distrain for arrears of any part of the Indebtedness. The Mortgagor hereby waives the right to claim exemption and agrees that the Mortgagee shall not be limited in the amount for which it may distrain.

THE MORTGAGOR covenants with the Mortgagee that it will keep the said lands and buildings, fixtures and improvements thereon or hereafter brought or erected thereon in good condition and repair according to the nature and description thereof respectively, and that the Mortgagee may, whenever it deems it necessary, by its surveyor or agent, enter upon and inspect the said lands and the reasonable cost of such inspection shall be added to the Indebtedness, and that if the Mortgagor or those claiming under it neglect to keep the said lands, fixtures and improvements in good condition and repair or commit any act of waste on the said lands or do anything by which the value of the said lands shall be diminished, as to all of which the Mortgagee shall be the sole judge, or make default as to any of the covenants or provisos herein contained, the Indebtedness shall, at the option of the Mortgagee, forthwith become due and payable, and in default of payment thereof the powers of entering upon and leasing or selling hereby given may be exercised forthwith; and the Mortgagee may make such

repairs as it deems necessary and the cost thereof with interest thereon shall be a charge upon the said lands prior to all claims thereon subsequent to these presents.

PROVIDED that until default of payment the Mortgagor shall have quiet possession of the said lands.

IT IS FURTHER AGREED by and between the parties hereto that the Mortgagee may at its discretion at all times release any part or parts of the said lands or any other security or any surety for the Indebtedness or any part thereof either with or without any sufficient consideration therefor, without responsibility therefor and without thereby releasing any other part of the said lands or any person from this Mortgage or from any of the covenants herein contained and without being accountable to the Mortgagor for the value thereof or for any money except that actually received by the Mortgagee, it being expressly agreed that every part or lot into which the mortgaged lands are or may hereafter be divided does and shall stand charged with the whole of Indebtedness. **PROVIDED** that no extension of time given by the Mortgagee to the Mortgagor or anyone claiming under the Mortgagee or any other dealing by the Mortgagee with the owner or owners of the equity of redemption of the said lands or of any part thereof shall in any way affect or prejudice the rights of the Mortgagee against the Mortgagor or any other person liable for the payment of the Indebtedness or any parts thereof;

PROVIDED that no sale or other dealing by the Mortgagor with the equity of redemption in the said lands or any part thereof shall in any way change the liability of the Mortgagor or in any way alter the rights of the Mortgagee as against the Mortgagor or any other person liable for payment of the Indebtedness or any part thereof.

PROVIDED and it is hereby further agreed by and between the parties hereto that should default be made by the Mortgagor in the observance or performance of any of the covenants, provisos, agreements or conditions contained in any mortgage to which this mortgage is subject, then, and in that event, the Indebtedness shall forthwith become due and be payable at the option of the Mortgagee and all the powers in and by this mortgage conferred shall become exercisable forthwith without any notice.

IT IS FURTHER understood and agreed between the parties hereto that any moneys received by the Mortgagee under and by virtue of this mortgage, whether by sale or lease of the property mortgaged or any part thereof or otherwise, and any moneys received by the Mortgagee under or by virtue of any other security now or hereafter held in connection with the Indebtedness or any part thereof, may be applied from time to time by the Mortgagee upon such part or parts of the Indebtedness as the Mortgagee may think best.

PROVIDED that the taking of a judgment or judgments against the Mortgagor on any of the covenants herein contained shall not operate as a merger of the said covenants or

affect the Mortgagee's right to interest on the amount of the Indebtedness at the rate payable by the Mortgagor to the Mortgagee, and further that any such judgment may provide that interest thereon shall be computed at the same rate until such judgment shall have been fully paid and satisfied.

AND it is hereby declared and agreed by and between the parties hereto that all rights, advantages, privileges, immunities, powers and remedies hereby secured to the Mortgagee shall be equally secured to and exercisable by its successors and assigns; that all covenants and liabilities entered into or imposed hereunder upon the Mortgagor shall be equally binding upon the heirs, executors, administrators and assigns or successors and assigns of the Mortgagor as the case may be; and that all the provisions hereof shall have effect, any statute to the contrary notwithstanding.

Notwithstanding anything herein to the contrary, the Mortgagee shall not be required to disburse all or any further part of any principal sum at any time or times and the whole of any principal sum may, at the Mortgagee's option, become immediately due and payable:

- (a) if an event of default has occurred or an event which, with the lapse of time or with notice and lapse of time specified herein would become an event of default, shall have occurred and be continuing;
- (b) if, in the opinion of the Mortgagee, there has been any material adverse change in the business, assets or financial condition of the Mortgagor;
- (c) if there is any action, proceeding or investigation pending or threatened against the Mortgagor, which would in the opinion of the Mortgagee, if successful, have a material adverse effect on the Mortgagor;
- (d) if there is or has been any material discrepancy or inaccuracy in any written or oral representations, statements or information made or furnished to the Mortgagee at any time;
- (e) if, in the opinion of the Mortgagee, any money loaned has not been, or is not being applied for the purpose to which it was advanced, or if the security materially depreciates in value.

Any one or more of the following events shall constitute an event of default (whether any such event of default shall be voluntary or involuntary or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative governmental body):

- (a) the failure by the Mortgagor to make any payment within fifteen (15) days after its due date;
- (b) the failure by the Mortgagor to repay the balance outstanding of any principal sum on its maturity date;

- (c) the failure by the Mortgagor to perform or observe any of the covenants, conditions or agreements to be performed or observed by the Mortgagor under the terms hereof;
- (d) default by the Mortgagor hereunder, which default shall continue unremedied for a period of fifteen (15) days after written notice thereof by the Mortgagee to the Mortgagor;
- (e) the making of any representation or warranty by the Mortgagor in the application or under any document or certificate furnished to the Mortgagee in connection herewith or pursuant hereto which shall prove at any time to be materially incorrect, as of the date made;
- (f) the making by the Mortgagor of a proposal or general assignment for the benefit of their creditors or other acknowledgement of the Mortgagor's insolvency;
- (g) the appointment of a receiver, receiver-manager or receiver and manager of the Mortgagor or any part of its property or assets;
- (h) the enforceability of any execution, sequestration, judgment or any other process of any court against the Mortgagor or the levy of a distress or analogous process upon the Mortgagor's property or assets or any part thereof unless the execution, sequestration, judgment or other process, against the Mortgagor or distress or analogous process is in good faith contested by the Mortgagor and the Mortgagor gives adequate security to the Mortgagee to pay in full the amount claimed;
- (i) if the Mortgagee is of the reasonable opinion that the security is in danger of being sold or removed, except as permitted hereunder, or if the Mortgagee is of the reasonable opinion that the security is not adequate for the purposes of security the loan hereunder;
- (j) the failure by the Mortgagor to perform or observe any of the covenants, conditions or agreement to be performed or observed by the Mortgagor pursuant to any letters of offer and/or loan agreements entered into between the Mortgagor and the Mortgagee in respect of the Indebtedness;
- (k) The occurrence of any event of default set out in the letter of offer dated July 10, 2018, from Island Investment Development Inc. to the Mortgagor.

IT IS FURTHER declared and agreed that in these presents, unless there is something in the context inconsistent therewith, any words importing the singular shall include the plural and words importing person shall include firms and corporations, and these presents shall be construed accordingly.

NO REMEDY conferred on the Mortgagee by this instrument or otherwise shall be deemed exclusive of any other remedy. Each such remedy shall be cumulative and in addition to every other remedy given hereunder or now or hereafter existing at law or in equity and may be exercised from time to time as often as it is deemed expedient.

IN WITNESS WHEREOF the corporate seal of the Mortgagor was hereunto affixed by its duly authorized signing officer(s) who signed in authentication thereof on day and year first above written.

SIGNED SEALED & ATTESTED TO
in the presence of:

AQUA BOUNTY CANADA INC.

Per: /s/ David A. Frank

David A. Frank
Secretary, Treasurer & CFO

 /s/ Christopher H. Martin

Witness

C A N A D A

PROVINCE OF PRINCE EDWARD ISLAND

AFFIDAVIT OF SPOUSAL STATUS OR INTEREST

I, David A. Frank, of Concord, in the State of Massachusetts,

MAKE OATH AND SAY AS FOLLOWS:

1. I am the Secretary, Treasurer & CFO of the Mortgagor named in the annexed Indenture and am of the full age of eighteen (18) years.
2. Aqua Bounty Canada Inc. is a resident of Canada within the meaning of the Income Tax Act (Canada).
3. For the purpose of this Affidavit, "**Act**" means the Family Law Act, S.P.E.I. 1995, c.12; "**family home**" means every property in which a married person has an interest and that is or, if the spouses are living separate and apart, was at the time of separation ordinarily occupied by the person and his or her spouse as their family residence; "**property**" means the lands described in the Schedule to the annexed Indenture; and "**spouse**" means an individual who, in respect of another person, (i) is married to the other person, or (ii) has entered into a marriage with the other person that is voidable or void.
4. The property is not now the subject of a Court Order, interim or otherwise, made pursuant to the Act.
5. The property has never been occupied by myself, my spouse or any other person (or their spouses) who is associated with or is a shareholder of the corporate grantor as a family home.

SWORN TO before me at Maynard,
in the State of Massachusetts, this 9th day of October,
2018.

/s/ Christopher H. Martin
A Notary Public in and for the State of Massachusetts.

/s/ David A. Frank
David A. Frank

SCHEDULE "A"

Description for PID#1022300 to be inserted.

DATED: October 9th, 2018

BETWEEN:

AQUA BOUNTY CANADA INC.

OF THE FIRST PART;

AND:

PRINCE EDWARD ISLAND CENTURY 2000 FUND INC.

OF THE SECOND PART.

OPEN-ENDED COLLATERAL MORTGAGE

STEWART McKELVEY
M10167-21 PMK/amc

GENERAL SECURITY AGREEMENT

THIS SECURITY AGREEMENT is made the 26th day of July, 2016.

BETWEEN:

AQUA BOUNTY CANADA INC., a body corporate duly incorporated pursuant to the laws of the Province of Newfoundland and Labrador (the "Debtor")

OF THE FIRST PART

AND:

PRINCE EDWARD ISLAND CENTURY 2000 FUND INC., a body corporate, duly incorporated under the laws of the Province of Prince Edward Island, (the "Secured Party")

OF THE SECOND PART

1. SECURITY INTEREST

For consideration and as security for the payment and performance of the Obligations referred to in Clause 3, the Debtor, subject to the exceptions set out in Clause 2, hereby mortgages, charges, assigns and transfers to the Secured Party, and grants to the Secured Party a security interest in, all the Debtor's right, title and interest in and to all presently owned or held and after acquired or held personal property, assets and undertakings of the Debtor (other than real property), of whatever nature or kind and wheresoever situate and all proceeds thereof and therefrom (all of which is hereinafter collectively called the "Collateral") including all those items as outlined in Schedule "A" attached hereto, and, without limiting the generality of the foregoing:

- (a) Equipment: all equipment, including, without limiting the generality of the foregoing, machinery, tools, fixtures, furniture, furnishings, chattels, motor vehicles, vessels and other tangible personal property that is not Inventory, and all parts, components, attachments, accessories, accessions, replacements, substitutions, additions and improvements to any of the foregoing (all of which is hereinafter collectively called the "Equipment");
- (b) Inventory: all inventory of the Debtor, including, without limiting the generality of the foregoing, goods acquired or held for sale or lease or furnished or to be furnished under contracts of rental or service, all raw materials, work in process, finished goods, returned goods, repossessed goods, and all packaging materials, supplies and containers relating to or used or consumed in connection with any of the foregoing (all of which is hereinafter collectively called the "Inventory");
- (c) Accounts: all debts, accounts, claims, monies and choses in action which now are, or which may at any time hereafter be, due or owing to or owned by the Debtor and all books, records, documents, papers and electronically recorded data recording, evidencing or relating to the said debts, accounts, claims, monies and choses in action or any part thereof (all of which is hereinafter collectively called the "Accounts");

- (d) Other Personal Property: all documents of title, chattel paper, instruments, securities and money, and all other goods of the Debtor that are not Equipment, Inventory or Accounts; and
- (e) Intangibles: all contractual rights, licenses, goodwill, patents, trademarks, trade names, copyrights and other intellectual property of the Debtor, all other choses in action of the Debtor of every kind which now are, or which may at any time hereafter be, due or owing to or owned by the Debtor, and all other intangible property of the Debtor which is not Accounts, chattel paper, instruments, documents of title, securities or money.

2. EXCEPTIONS

- (a) The last day of the term created by any lease or agreement therefor is hereby excepted out of any mortgage, charge, assignment or security interest created by this Security Agreement, but the Debtor shall stand possessed of the reversion thereby remaining upon trust to assign and dispose thereof to any third party as the Secured Party shall direct; and
- (b) There shall be excluded from the security interests hereby created any consumer goods of the Debtor.

3. OBLIGATIONS SECURED

This Security Agreement and the security interests hereby created are in addition to and not in substitution for any other mortgage, charge, assignment or security interest now or hereafter held by the Secured Party from the Debtor or from any other person whomsoever and shall be general and continuing security for the payment of all indebtedness and liability of the Debtor to the Secured Party (including interest thereon), present or future, absolute or contingent, joint or several, direct or indirect, matured or not, extended or renewed, wheresoever and howsoever incurred, and any ultimate balance thereof, including all future advances and re-advances, and for the performance of all obligations of the Debtor to the Secured Party, whether or not contained in this Security Agreement (all of which indebtedness, liability and obligations are hereinafter collectively called the "Obligations").

4. PROHIBITIONS

Without the prior written consent of the Secured Party the Debtor shall not:

- (a) create or permit to exist any mortgage, charge, assignment or security interest in, charge, encumbrance or lien over, or claim against any of its property, assets, or undertakings which ranks or could in any event rank in priority to or pari passu with any security interest created by this Security Agreement; or
- (b) grant, sell, or otherwise assign its chattel paper.

5. ATTACHMENT

The Debtor acknowledges that the security interests hereby created attach upon the execution of this Security Agreement (or in the case of any after acquired property, upon the date of acquisition thereof), that value has been given, and that the Debtor has, or in the case of after acquired property will have, rights in the Collateral.

6. REPRESENTATIONS AND WARRANTIES

- (a) The Debtor, if a company or a partnership, represents and warrants that this Security Agreement is granted in accordance with resolutions of the directors (and of the shareholders as applicable) or of the partners, as the case may be, of the Debtor and all other matters and things have been done and performed so as to authorize and make the execution and delivery of this Security Agreement, and the performance of the Debtor's obligations hereunder, legal, valid and binding; and
- (b) The Debtor represents and warrants that the Debtor lawfully owns and possesses all presently held Collateral and has good title thereto, free from all security interests, charges, encumbrances, liens and claims, save only the charges or security interests, if any, shown in the Schedule hereto and those consented to in writing by the Secured Party, and the Debtor has good right and lawful authority to grant a Security Interest in the Collateral as provided by this Security Agreement.

7. COVENANTS OF THE DEBTOR

- (a) The Debtor covenants that at all times while this Security Agreement remains in effect the Debtor will:
 - (i) defend the title to the Collateral for the benefit of the Secured Party against the claims and demands of all persons;
 - (ii) fully and effectually maintain and keep maintained the security interests hereby created valid and effective;
 - (iii) maintain insurance on the Collateral with an insurer, of kinds, for amounts and payable to such person or persons, all as of the Secured Party may require;
 - (iv) maintain the Collateral in good order and repair;
 - (v) forthwith pay:
 - (A) all taxes, assessments, rates, duties, levies, government fees, claims and dues lawfully levied, assessed or imposed upon it or the Collateral when due, unless the Debtor shall in good faith contest its obligations so to pay and shall furnish such security as the Secured Party may require; and
 - (B) all security interests, charges, encumbrances, liens and claims which rank or could in any event rank in priority to or pari pasu with any security interest created by this Security Agreement, other than the charges or security interests, if any, shown in the Schedule hereto and those consented to in writing by the Secured Party;
 - (vi) forthwith pay all costs, charges, expenses and legal fees and disbursements (on a solicitor and his own client basis) which may be incurred by the Secured Party in:

- (A) inspecting the Collateral;
 - (B) negotiating, preparing, perfecting and registering this Security Agreement and other documents, whether or not relating to this Security Agreement;
 - (C) investigating title to the Collateral;
 - (D) taking, recovering, keeping possession of and insuring the Collateral; and
 - (E) all other actions and proceedings taken in connection with the preservation of the Collateral and the enforcement of this Security Agreement and of any other security interest held by the Secured Party as security for the Obligations;
- (vii) at the Secured Party's request at any time and from time to time execute and deliver such further and other documents and instruments and do all acts and things as the Secured Party in its absolute discretion requires in order to confirm and perfect, and maintain perfection of, the security interests and charges hereby created in favour of the Secured Party upon any of the Collateral;
- (viii) notify the Secured Party promptly of:
- (A) any change in the information contained herein relating to the Debtor, its address, its business or the Collateral;
 - (B) the details of any material acquisition of Collateral;
 - (C) any material loss of or damage to the Collateral;
 - (D) any material default by any account debtor in payment or other performance of his obligations to the Debtor with respect to any Accounts; and
 - (E) the return to or repossession by the Debtor of the Collateral where such return or repossession of the Collateral is material in relation to the business of the Debtor;
- (ix) prevent the Collateral, other than Inventory sold, leased, or otherwise disposed of as permitted hereby, from being or becoming an accession to other property not covered by this Security Agreement;
- (x) permit the Secured Party and its representatives, at all reasonable times, access to all its property, assets and undertakings and to all its books of account and records for the purpose of inspection and render all assistance necessary for such inspection; and
- (xi) deliver to the Secured Party from time to time promptly upon request:
- (A) any documents of title, insurance, securities and chattel paper constituting, representing or relating to Collateral;

- (B) all books of account and all records, ledgers, reports, correspondence, schedules, documents, statements, lists and other writings relating to the Collateral for the purpose of inspecting, auditing or copying the same;
 - (C) all financial statements prepared by or for the Debtor regarding the Debtor's business;
 - (D) all policies and certificates of insurance relating to the Collateral; and
 - (E) such information concerning the Collateral, the Debtor and the Debtor's business and affairs as the Secured Party may require;
- (b) The Debtor, if a company, covenants that at all times while this Security Agreement remains in effect, without the prior written consent of the Secured Party, it will not:
- (i) declare or pay any dividends;
 - (ii) purchase or redeem any of its shares or otherwise reduce its share capital;
 - (iii) become guarantor of any obligation; or
 - (iv) become an endorser in respect of any obligation or otherwise become liable upon any note or other obligation other than bills of exchange deposited to the bank account of the Debtor.

8. PERFORMANCE OF OBLIGATIONS

If the Debtor fails to perform its Obligations hereunder, the Secured Party may, but shall not be obliged to, perform any or all of such Obligations without prejudice to any other rights and remedies of the Secured Party hereunder, and any payment made and any costs, charges, expenses and legal fees and disbursements (on a solicitor and his own client basis) incurred in connection therewith shall be payable by the Debtor to the Secured Party forthwith with interest until paid at the highest rate borne by any of the Obligations and such amounts shall be a charge upon and security interest in the Collateral in favour of the Secured Party to all claims subsequent to this Security Agreement.

9. RESTRICTIONS ON SALE OR DISPOSAL OF COLLATERAL

- (a) Except as herein provided, without the prior written consent of the Secured party the Debtor will not:
- (i) sell, lease or otherwise dispose of the Collateral;
 - (ii) release, surrender or abandon possession of the Collateral; or
 - (iii) move or transfer the Collateral from its present location.

- (b) Provided that the Debtor is not in default under this Security Agreement, at any time without the consent of the Secured Party the Debtor may lease, sell, license, consign or otherwise deal with items of Inventory in the ordinary course of business and for the purposes of carrying on its business.

10. DEFAULT

The Debtor shall be in default under this Security Agreement, unless waived by the Secured Party, in any of the following events:

- (a) the Debtor makes default in payment when due of any indebtedness or liability of the Debtor to the Secured Party;
- (b) the Debtor is in breach of any term, condition, obligation or covenant to the Secured Party, or any representation or warranty to the Secured Party is untrue, whether or not contained in this Security Agreement;
- (c) the Debtor makes an assignment for the benefit of its creditors, is declared bankrupt, makes a proposal or otherwise takes advantage of provisions for relief under the Bankruptcy and Insolvency Act (Canada), the Companies Creditors' Arrangement Act (Canada) or similar legislation in any jurisdiction, or makes an authorized assignment;
- (d) a receiver, receiver and manager or receiver-manager of all or any part of the Collateral is appointed;
- (e) an order of execution against the Collateral or any part thereof remains unsatisfied for a period of 10 days;
- (f) without the prior written consent of the Secured Party, the Debtor creates or permits to exist any charge, encumbrance or lien on or claim against or any security interest in, any of the Collateral which ranks or could in any event rank in priority to or pari passu with any security interest created by this Security Agreement;
- (g) the holder of any other charge, encumbrance or lien on or claim against, or security interest in, any of the Collateral does anything to enforce or realize on such charge, encumbrance, lien, claim or security interest;
- (h) if the Debtor is a company or a partnership, an order is made or an effective resolution is passed for winding up the Debtor;
- (i) the Debtor, if a company, enters into any reconstruction, reorganization, amalgamation, merger or other similar arrangement with any other person;
- (j) the Debtor, if an individual, dies or is declared incompetent by a court of competent jurisdiction; or
- (k) the Secured Party in good faith believes and has commercially reasonable grounds to believe that the prospect of payment or performance of any of the Obligations is impaired or that any of the Collateral is or is about to be placed in jeopardy;

11. ENFORCEMENT

- (a) Upon any default under this Security Agreement, the Secured Party may declare any or all of the Obligations to become immediately due and payable and the security hereby constituted will immediately become enforceable. To enforce and realize on the security constituted by this Security Agreement the Secured Party may take any action permitted by law or in equity, as it may deem expedient, and in particular without limiting the generality of the foregoing, the Secured Party may do any of the following:
- (i) appoint by instrument a receiver, a receiver and manager or receiver-manager (the person so appointed is hereinafter called the "Receiver") of the Collateral, with or without bond as the Secured Party may determine, and from time to time in its absolute discretion remove such Receiver and appoint another in its stead;
 - (ii) enter upon any premises of the Debtor and take possession of the Collateral with power to exclude the Debtor, its agents and its servants therefrom, without becoming liable as a mortgagee in possession;
 - (iii) preserve, protect and maintain the Collateral and make such replacements thereof and repairs and additions thereto as the Secured Party may deem advisable;
 - (iv) sell, lease or otherwise dispose of all or any part of the Collateral, whether by public or private sale or lease or otherwise, in such manner, at such price as can be reasonably obtained therefor and on such terms as to credit and with such conditions of sale and stipulations as to title or conveyance or evidence of title or otherwise as to the Secured Party may seem reasonable, provided that if any sale is on credit the Debtor will not be entitled to be credited with the proceeds of any such sale, lease or other disposition until the monies therefor are actually received; and
 - (v) exercise all of the rights and remedies of a secured party under the Act.
- (b) A Receiver appointed pursuant to this Security Agreement shall be the agent of the Debtor and not of the Secured Party and, to the extent permitted by law or to such lesser extent permitted by its appointment, shall have all the powers of the Secured Party hereunder, and in addition, shall have power to carry on the business of the Debtor and for such purpose from time to time to borrow money on the security of any of the Collateral; such security interest may rank before or pari passu with or behind any security interest created by this Security Agreement, and if it does not so specify such security interest shall rank before the security interests created by this Security Agreement.
- (c) Without prejudice to the ability of the Secured Party to dispose of the Collateral in any manner which is commercially reasonable, the Debtor acknowledges that a disposition of the Collateral by the Secured Party which takes place substantially in accordance with the following provisions shall be deemed to be commercially reasonable:
- (i) the Collateral may be disposed of whether or not the Secured Party has taken possession thereof;

- (ii) the Collateral may be disposed of in whole or in part;
 - (iii) the Collateral may be disposed of by public auction, public tender or private contract, with or without advertising and without any other formality;
 - (iv) any purchaser or lessee of the Collateral may be a customer of or related person to the Secured Party;
 - (v) a disposition of the Collateral may be on such terms and conditions as to credit, deferred payment or otherwise as the Secured Party, in its sole discretion, may deem advantageous;
 - (vi) the Secured Party may establish an upset or reserve bid or price in respect of the Collateral; and
 - (vii) the Secured Party may buy in, rescind or vary any contract for the disposition of the Collateral and may dispose of any Collateral again without being obligated to account or answer for any gain or loss occasioned thereby.
- (d) Subject to the claims, if any, of the creditors of the Debtor ranking in priority to this Security Agreement, all amounts realized from the disposition of Collateral pursuant to this Security Agreement will be applied as the Secured Party, in its absolute discretion, may direct as follows:
- (i) in payment of all costs, charges and expenses (including legal fees and disbursements on a solicitor and his own client basis) incurred by the Secured Party in connection with or incidental to:
 - (A) the exercise by the Secured Party of all or any of the powers granted to it pursuant to this Security Agreement; and
 - (B) the appointment of the Receiver and the exercise by the Receiver of all or any of the powers granted to it pursuant to this Security Agreement, including the Receiver's reasonable remuneration and all outgoings properly payable by the Receiver;
 - (ii) in or toward payment to the Secured Party of all principal and other monies (except interest) due in respect of the Obligations; and
 - (iii) in or toward payment to the Secured Party of all interest remaining unpaid in respect of the Obligations.

Subject to applicable law and the claims, if any, of other creditors of the Debtor, any surplus will be paid to the Debtor.

12. DEFICIENCY

If the amounts realized from the disposition of the Collateral are not sufficient to pay the Obligations in full, the Debtor will immediately pay to the Secured Party the amount of such deficiency.

13. RIGHTS CUMULATIVE

All rights and remedies of the Secured Party set out in this Security Agreement are cumulative and no right or remedy contained herein is intended to be exclusive but each will be in addition to every other right or remedy contained herein or in any existing or future security agreement now or hereafter existing at law, in equity or by statute, or pursuant to any other agreement between the Debtor and the Secured Party that may be in effect from time to time.

14. LIABILITY OF SECURED PARTY

The Secured Party shall not be responsible or liable for any debts contracted by it, for damages to persons or property or for salaries or nonfulfillment of contracts during any period when the Secured Party shall manage the Collateral upon entry, as herein provided, nor shall the Secured party be liable to account as mortgagee in possession or for any default or omission for which a mortgagee in possession may be liable. The Secured Party shall not be bound to do, observe or perform or to see to the observance or performance by the Debtor of any obligations or covenants imposed upon the Debtor nor shall the Secured Party, in the case of securities, instruments or chattel paper, be obliged to preserve rights against other persons, nor shall the Secured party be obliged to keep any of the Collateral identifiable. The Debtor hereby waives any applicable provisions of law permitted to be waived by it which imposes higher or greater obligations upon the Secured Party than aforesaid.

15. APPOINTMENT OF ATTORNEY

The Debtor hereby irrevocable appoints the Secured Party or the Receiver, as the case may be, with full power of substitution, to be the attorney of the Debtor for and in the name of the Debtor to sign, endorse or execute under seal or otherwise any deeds, documents, transfers, cheques, instruments, demands, assignments, assurances or consents that the Debtor is obliged to sign, endorse or execute and generally to use the name of the Debtor and to do all things as may be necessary or incidental to the exercise of all or any of the powers conferred on the Secured Party or the Receiver, as the case may be, pursuant to this Security Agreement.

16. ACCOUNTS

Notwithstanding any other provision of this Security Agreement, the Secured Party may collect, realize, sell or otherwise deal with the Accounts or any part thereof in such manner, upon such terms and conditions and at such time or times, whether before or after default, as may seem to it advisable, and without notice to the Debtor, except in the case of disposition after default and then in accordance with the provisions of the Act. All monies or other forms of payment received by the Debtor in payment of any Account will be received and held by the Debtor in trust for the Secured Party.

17. APPROPRIATION OF PAYMENTS

Any and all payments made in respect of the Obligations from time to time and monies realized from any security interests held therefor (including monies collection in accordance with or realized on any enforcement of this Security Agreement) may be applied to such part or parts of the Obligations as the Secured Party may see fit, and the Secured Party may at all times and from time to time change any appropriation as the Secured Party may see fit.

18. LIABILITY TO ADVANCE

None of the preparation, execution, perfection and registration of this Security Agreement or the advance of any monies shall bind the Secured Party to make any advance or loan or further advance or loan, or renew any note or extend any time for payment of any indebtedness or liability of the Debtor to the Secured Party.

19. WAIVER

The Secured Party may from time to time and at any time waive in whole or in part any right, benefit or default under any clause of this Security Agreement but any such waiver or any right, benefit or default on any occasion shall be deemed not to be a waiver of any such right, benefit or default thereafter, or of any other right, benefit or default, as the case may be.

20. NOTICE

Notice may be given to either party by delivering the same to the party for whom it is intended, at the principal address of such party provided herein or at such other address as may be given in writing by such party to the other.

21. EXTENSIONS

The Secured Party may grant extensions of time and other indulgences, take and give up security, accept compositions, compound, compromise, settle, grant releases and discharges, refrain from perfecting or maintaining perfection of security interests, and otherwise deal with the Debtor, account debtors of the Debtor, sureties and others and with the Collateral and other security interests as the Secured Party may see fit without prejudice to the liability of the Debtor or the Secured Party's right to hold and realize on the secured constituted by this Security Agreement.

22. NO MERGER

This Security Agreement shall not operate so as to create any merger or discharge of any of the Obligations, or any assignment, transfer, guarantee, lien, contract, promissory note, bill of exchange or security interest of any form held or which may hereafter be held by the Secured Party from the Debtor or from any other person whomsoever. The taking of a judgment with respect to any of the Obligations will not operate as a merger of any of the covenants contained in this Security Agreement.

23. ASSIGNMENT

The Secured party may, without further notice to the Debtor, at any time, assign, transfer or grant a security interest in this Security Agreement and the security interests granted thereby. The Debtor expressly agrees that the assignee, transferee or secured party, as the case may be, shall have all of the Secured Party's rights and remedies under this Security Agreement and the Debtor will not assert any defense, counterclaim, right of set-off or otherwise against any party in any action commenced by such assignee, transferee or secured party, as the case may be, and will pay the Obligations to the assignee, transferee or secured party, as the case may be, as the Obligations become due.

24. SATISFACTION AND DISCHARGE

Any partial payment or satisfaction of the Obligations, or any ceasing by the Debtor to be indebted to the Secured Party, shall be deemed not to be a redemption or discharge of this Security Agreement. The Debtor shall be entitled to a release and discharge of this Security Agreement upon full payment and satisfaction of all Obligations and upon written request by the Debtor and payment of any disbursements (on a solicitor and his own client basis) incurred by the Secured Party in connection with the Obligations and such release and discharge.

25. ENUREMENT

This Security Agreement shall enure to the benefit of the Secured party and its successors and assigns, and shall be binding upon the respective heirs, executors, personal representatives, successors and permitted assigns of the Debtor.

26. INTERPRETATION

(a) In this Security Agreement:

- (i) "Collateral" has the meaning set out in Clause 1 hereof and any reference to Collateral shall, unless the context otherwise requires, be deemed a reference to Collateral as a whole or any part thereof;
- (ii) "Debtor" and the personal pronoun "it" or "its" and any verb relating thereto and used therewith shall be read and construed as required by and in accordance with the context in which such words are used depending upon whether the Debtor is one or more individuals, corporations or partnerships and, if more than one, shall apply and be binding upon each of them severally;
- (iii) the "Act" means the Personal Property Security Act of Prince Edward Island and all regulations thereunder as amended from time to time.

(b) words and expressions used herein that have been defined in the Act shall be interpreted in accordance with their respective meanings given in the Act unless otherwise defined herein or unless the context otherwise requires;

(c) the invalidity or unenforceability of the whole or any part of any clause of this Security Agreement shall not affect the validity or enforceability of any other clause or the remainder of such clause;

(d) the headings of the clauses of this Security Agreement have been inserted for reference only and do not define, limit, alter or enlarge the meaning of any provision of this Security Agreement;

(e) this Security Agreement shall be governed by the laws of the Province of Prince Edward Island.

27. COPY OF AGREEMENT AND FINANCING STATEMENT

The Debtor hereby:

- (a) acknowledges receiving a copy of this Security Agreement; and

- (b) waives all rights to receive from the Secured Party a copy of any financing statement, financing change statement or verification statement filed at any time in respect of this Security Agreement.

IN WITNESS WHEREOF the Debtor has executed this Security Agreement this 26th day of July, 2016.

SIGNED SEALED & ATTESTED TO
in the presence of:

AQUA BOUNTY CANADA INC.

/s/ Christopher H. Martin

Witness

Per: /s/ David A. Frank

David A. Frank

SCHEDULE "A"

A security interest is taken in all present and after-acquired personal property of the Debtor.

DATED: July 26, 2016

BETWEEN:

AQUA BOUNTY CANADA INC.

OF THE FIRST PART

AND:

PRINCE EDWARD ISLAND CENTURY 2000 FUND INC.

OF THE SECOND PART

GENERAL SECURITY AGREEMENT

Kaitlyn Angus
McInnes Cooper
141 Kent Street, Suite 300
Charlottetown, PE C1A 1 N3
Tel 902.368.84731 Fax 902.368.8346
Matter 137971
(24909374_1.doc)

GUARANTEE

TO: **PRINCE EDWARD ISLAND CENTURY 2000 FUND INC.**, a body corporate, duly incorporated under the laws of the Province of Prince Edward Island.

IN CONSIDERATION of Prince Edward Island Century 2000 Fund Inc., (hereinafter called the "Lender"), dealing with **Aqua Bounty Canada Inc.** (hereinafter referred to as the "Borrower"), the undersigned and each of them (if more than one) hereby jointly and severally guarantees payment to the Lender of all present and future debts and liabilities (hereinafter called the "liabilities"), direct or indirect, absolute or contingent, matured or otherwise, now or at any time and from time to time hereafter due or owing to the Lender, from or by the Borrower, whether incurred by the Borrower alone or jointly with any corporation, person or persons or otherwise howsoever.

AND the undersigned and each of them (if more than one), hereby jointly and severally agree(s) with the Lender as follows:

1. In this Guarantee, the word Guarantor shall mean the undersigned and if there is more than one, it shall mean each of them.
2. This Guarantee shall not be affected by the death or loss or diminution of capacity of the Borrower or of the Guarantor or by any change in the name of the Borrower or in the membership of the firm of the Borrower or through the death or retirement of one or more partners or the introduction of one or more partners or otherwise, or by the acquisition of the business of the Borrower by a corporation, firm or person or by any change whatsoever in the objects, capital structure or constitution of the Borrower, or by the Borrower, or the business of the Borrower, being amalgamated with a corporation but shall, notwithstanding the happening of any such event, continue to exist and apply to the full extent as if such event had not happened, and shall apply to all the liabilities whether theretofore or thereafter incurred or arising and in this instrument the word "Borrower" shall include every such firm and corporation.
3. All monies, advances renewal and credits in fact borrowed or obtained from the Lender shall be deemed to form part of the liabilities, notwithstanding any lack or limitation of status or of power, incapacity or disability of the Borrower or of the directors, partners or agents thereof, or that the Borrower may not be a legal or suable entity, or any irregularity, defect or informality in the borrowing or obtaining of such monies, advances, renewals or credits, the whole whether known to the Lender or not; and any sum which may not be recoverable from the Guarantor on the footing of a guarantee shall be recoverable from the Guarantor as sole and principal debtor in respect thereof and shall be paid to the Lender on demand with interest and accessories as herein provided.
4. It is further agreed that this shall be a continuing Guarantee, and shall cover and secure any ultimate balance owing to the Lender.
5. This Guarantee will not be diminished or modified on account of any act of the Lender which would prevent subrogation operating in favour of the Guarantor. It is agreed that the Lender without exonerating in whole or in part the Guarantor, may grant time, renewals, extensions, indulgences, releases and discharges to, may take securities from, and give up or release any or part of the securities held, may abstain from taking, perfecting, registering or renewing securities or from realizing on securities, may accept compositions and otherwise deal with the borrower and with any other person or persons, including any of the Guarantors, and dispose of any securities held by the Lender as it may see fit and that all dividends, compositions and monies received by the Lender from the Borrower or from any other person or estate, capable of being applied by the Lender in reduction of the liabilities hereby guaranteed, shall be considered for all purposes as payment in gross which the Lender shall have the right to apply as it may see fit, not being bound by the law of imputation, and the Lender shall be entitled to prove against the estate of the Borrower upon any insolvency or winding up, in respect of the whole of the said liabilities. The Guarantor shall have no right to be subrogated to the Lender until the Lender shall have received payment in full of its claims against the Borrower with interest and costs.
6. The Lender shall not be obligated to exhaust its recourse against the Borrower or other persons or the securities it may hold before being entitled to payment from the Guarantor of all and every of the liabilities hereby guaranteed and it shall not be obliged to offer or deliver its securities before its whole claim has been paid. The Guarantor renounces all benefits of discussion and division.

7. It is further hereby expressly declared that if there is more than one Guarantor of the liabilities or any part thereof, the release of any of the Guarantors from his or their liability thereunder shall not affect the liability of the remaining Guarantor or Guarantors which shall remain unimpaired and still in full force and effect as if the Guarantor or Guarantors so released had not been a Guarantor of the said liabilities or any part thereof.
8. All indebtedness and liability, present and future of the Borrower to the Guarantor are hereby assigned to the Lender and postponed to the liabilities of the Borrower to the Lender, present and future. All monies received by the Guarantor or his representatives shall be held as trustee for the Lender and shall be paid over to the Lender.
9. The Guarantor shall make payment to the Lender of the amount of his liability forthwith after demand therefore is made in writing. Such demand shall be deemed to have been effectually made when an envelope containing it addressed to the Guarantor at his last address known to the Lender is deposited postage prepaid in the Post Office. The liability of the Guarantor shall bear interest from the date of such demand at the rate or rates then applicable to the liabilities of the Borrower to the Lender. All payments to the Lender hereunder shall be made to the Lender at its Head Office.
10. Notwithstanding anything set out in any security, taken from the Borrower, the Lender will not in any way be responsible for either the holding or the supervision of insurance of insurance policies required to be maintained under any covenants to insure contained in any said security or the verification of the compliance with respect to any such covenants to insure and the Lender's permissive power to place insurance on any assets mortgaged to it by the Borrower and contained in any such security is in its sole and absolute discretion. The Guarantor acknowledges that the Lender's action or lack of action in such holding, supervision, verification, or in its permissive powers shall in no way diminish the Guarantor's liability hereunder.
11. This Guarantee shall be operative and binding upon every signatory hereof notwithstanding the nonexecution hereof by and other proposed signatory or signatories, and the undersigned acknowledges that this Guarantee has been delivered free of any conditions and that no representations have been made to the undersigned affecting the liability of the undersigned under this Guarantee save as may be specifically embodied herein, and agrees that this Guarantee is in addition to and not in substitution for any other guarantees held or which may hereafter be held by the Lender, by whomsoever given, and any present or future obligation to the Lender incurred or arising otherwise than under a Guarantee or the undersigned or any of them, or of any other obligant, whether bound with or apart from the Borrower; excepting, any Guarantee accepted for cancellation on delivery of this instrument.
12. This Guarantee shall be binding upon the undersigned and any of them, if more than one, jointly and severally between themselves and with the Borrower and also upon the heirs, executors, administrators and successors and assigns of the Guarantor and will extend to the benefit of the successors and assigns of the Lender.
13. The undersigned and each of them shall be bound by any accounts settled between the Lender and the Borrower, and if no such account has been so settled immediately before demand of payment under this Guarantee any account stated by the Lender shall be accepted by the undersigned and each of them as conclusive evidence of the amount which at the date of the account so stated is due by the Borrower to the Lender or remains unpaid by the Borrower to the Lender.
14. This Guarantee shall be construed in accordance with the laws of the Province of Prince Edward Island and the Guarantor agrees that any legal suit, action or proceeding arising out of or relating to this Guarantee may be instituted in the Courts of such province, and the Guarantor hereby accepts and irrevocably submits to the jurisdiction of the said Courts, and acknowledges their competence and agrees to be bound by any judgment thereof, provided that nothing herein shall limit the Lender's right to bring proceedings against the Guarantor elsewhere.
15. The undersigned or any of them may, by notice in writing delivered to the Lender determine their or his liability under this Guarantee in respect of liabilities thereafter incurred or arising but not in respect of any liabilities theretofore incurred or arising even though not then matured, provided, however, that notwithstanding receipt of any such notice the Lender may fulfill any requirements of the Borrower based on agreements expressed or implied made prior to the receipt of such notice and any resulting liabilities shall be covered by this Guarantee; and provided further that in the event of the

determination of this Guarantee as to one or more of the undersigned it shall remain a continuing Guarantee as to the other or others of the undersigned.

- 16. The undersigned and each of them if more than one, acknowledges having read the contents of this Guarantee before signing it and declares that he or they, if more than one, understands the terms, conditions and undertakings contained herein.

IN WITNESS WHEREOF this Guarantee has been duly executed at Maynard, in the State of Massachusetts, this 9th day of October, 2018.

SIGNED SEALED & ATTESTED TO

in the presence of:

AQUA BOUNTY TECHNOLOGIES INC.

/s/ Christopher H. Martin

Witness

Per: /s/ David A. Frank

Per: _____

Certification

I, Ronald L. Stotish, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AquaBounty Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2018

/s/ Ronald L. Stotish

Ronald L. Stotish

Chief Executive Officer

(Principal Executive Officer)

Certification

I, David A. Frank, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AquaBounty Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2018

/s/ David A. Frank

David A. Frank

Chief Financial Officer

(Principal Financial Officer)

The following certification is being made to the Securities and Exchange Commission solely for purposes of Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350). This certification is not to be deemed a part of the Report, nor is it deemed to be “filed” for any purpose whatsoever.

In accordance with the requirements of Section 906 of the Sarbanes-Oxley Act of 2002 (18 USC 1350), each of the undersigned hereby certifies, to his knowledge, that:

(i) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018, which this statement accompanies, fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(ii) the information contained in the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018, fairly presents, in all material respects, the financial condition and results of operations of AquaBounty Technologies, Inc.

Dated as of this 2nd day of November, 2018.

/s/ Ronald L. Stotish

Ronald L. Stotish

Chief Executive Officer

(Principal Executive Officer)

/s/ David A. Frank

David A. Frank

Chief Financial Officer

(Principal Financial Officer)