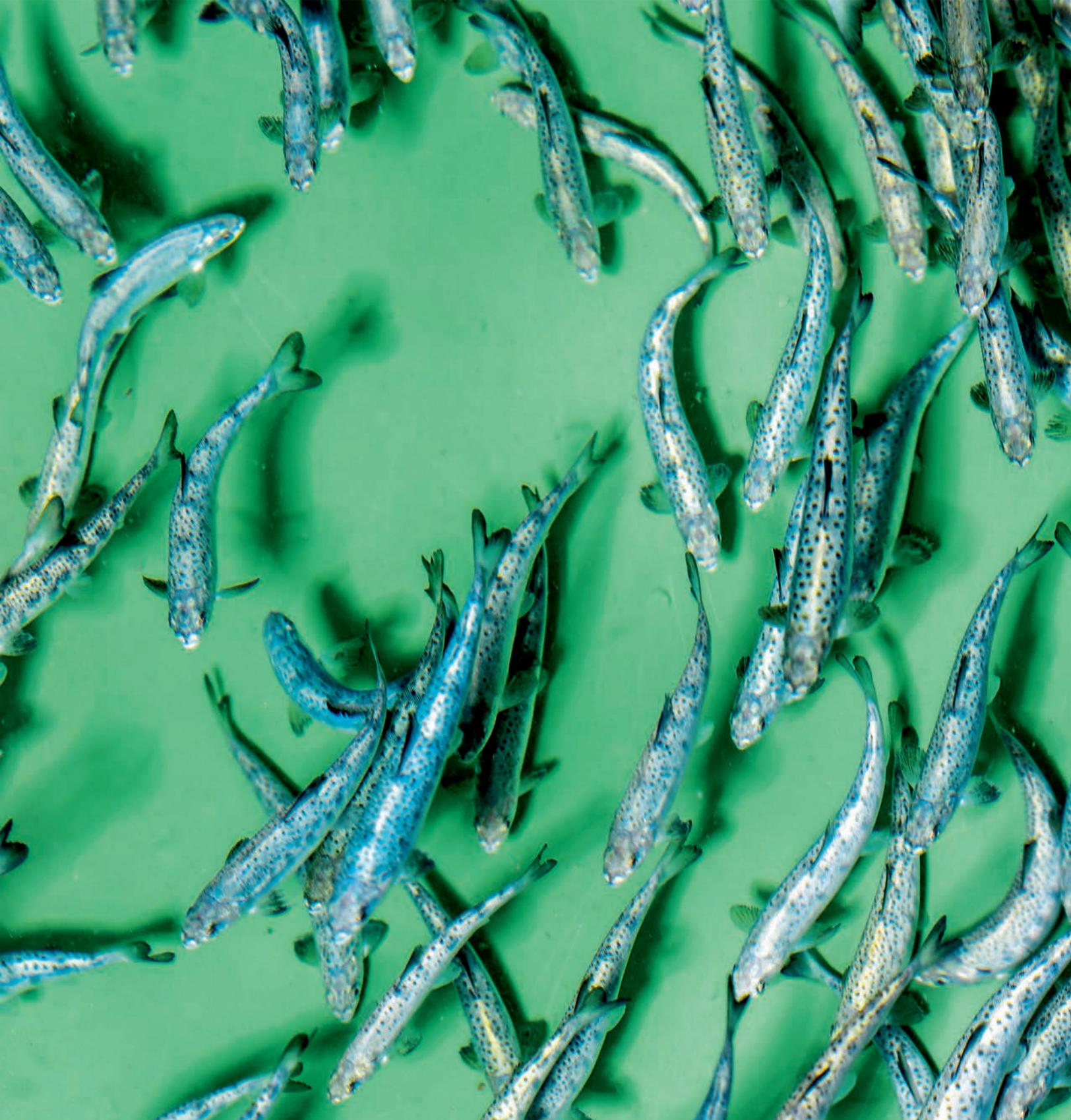


# AquaBounty Technologies, Inc.

Annual report and accounts 2015



## About us

AquaBounty is a small company with offices in Maynard, Massachusetts and Fortune, Prince Edward Island. Founded in 1991, AquaBounty's driving force is the belief that modern genetics, married with land-based recirculating aquaculture systems (RAS), can spur a radically more responsible and sustainable way of growing Atlantic salmon. Breakthroughs in modern bioscience have revitalized aquaculture and AquaBounty is at the forefront of this Blue Revolution.

### Our mission

From our CEO to our hatchery manager, AquaBounty's 21 employees share a passionate belief that smarter, science-based aquaculture can change the world – improving human health, conserving natural resources and protecting our marine ecosystem.

## Get the AquAdvantage<sup>®</sup>



### The world's most sustainable salmon

Our healthy, nutritious fish will deliver the biggest marine benefits with the smallest environmental footprint.



### Closer to market

The only salmon fresher than AquaBounty's salmon is the one you caught yourself. AquAdvantage<sup>®</sup> will reduce the time and cost of transportation.



# Highlights

## During the year we:

- › received approval for AquAdvantage® Salmon (AAS) from the US Food and Drug Administration;
- › received a favorable decision from the Federal Court of Canada that the Ministers of Environment and Health were correct to approve production of AAS in Canada;
- › progressed development of AquAdvantage® Trout;
- › expanded our international registration efforts;
- › completed an equity subscription for US\$3.0 million; and
- › lowered operating spend slightly to US\$7.0 million (2014: US\$7.1 million).

## REVIEW OF THE YEAR

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## Locally raised, climate-smart salmon

Growing AquAdvantage® Salmon closer to consumers in land based facilities will provide a fresher product and radically reduce the cost and carbon footprint of salmon distribution.



Visit our new website at  
[www.aquabounty.com](http://www.aquabounty.com)

## At a glance

AquaBounty believes that aquaculture can – and must – do better. Our AquaAdvantage® Salmon is better for the environment and better for consumers.

### Low impact fish farming

The expansion of traditional sea cage production of salmon is limited. Land based farming offers an important alternative to help meet rising demand for high quality fish protein. AquaAdvantage® Salmon will be raised in optimized conditions. Total control of the water coming in and going out allows for removal of waste and recycling of greater than 95% of the water used.

### Minimizing our carbon footprint

By raising fish on land, closer to consumers, AquaBounty salmon will radically reduce the transportation miles and carbon emissions associated with traditional salmon farming. Conventional farmed salmon must travel thousands of miles by air freight and truck transport before it can be enjoyed by consumers.



Transporting AquaAdvantage® Salmon could emit

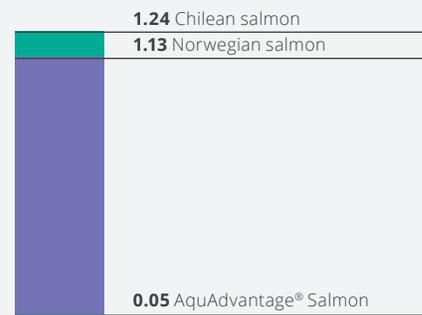
**23-25x**

less carbon than the two major sources of US Atlantic salmon

From Oslo to New York  
3,199 nautical miles

From Santiago to Miami  
3,605 nautical miles

From two points within the US  
434 nautical miles



Carbon emissions (CO<sub>2</sub> equivalent) per lb of salmon transported<sup>1</sup>

1. Calculation based on transporting salmon by truck and air freight from point to point at representative loading capacities, fuel efficiencies and distances. Salmon are transported an average of 300 miles to Oslo for air freight to New York and 640 miles to Santiago for air freight to Miami. 1 nautical mile (NM) = 1.15 miles.

## Breakthrough innovations at the center of our fish farming technology

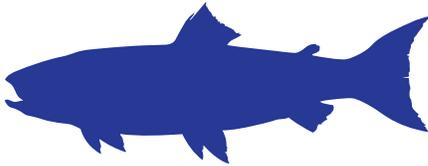
- › The AquaBounty Founding Idea – modern genetics + land-based aquaculture
- › The Greenest Fish Farming Method – land-based aquaculture



Find out more on our website under our innovation and sustainability sections

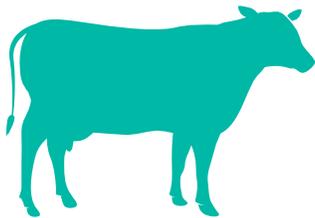
## Conserving wild fish populations

Aquaculture feed relies on wild fish to deliver the omega-3 fatty acids that make fish so healthy to eat. Salmon is already one of the world's most efficient protein producers. Our AquaAdvantage® Salmon grows to market size using 25% less feed than other Atlantic salmon. This makes an already efficient protein producer even better because it requires less wild fish to be converted into salmon feed.



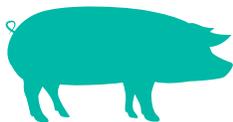
1:1

AquaAdvantage® Salmon eat 1kg of feed to put on 1kg of body weight.



8:1

Cows eat 8kg of feed to put on 1kg of body weight.



3:1

Pigs eat 3kg of feed to put on 1kg of body weight.



2:1

Chickens eat 2kg of feed to put on 1kg of body weight.

## Reducing our dependence on foraged fish

Research studies have shown that AquaAdvantage® Salmon require 20–25% less feed than any other farmed Atlantic salmon on the market today. We carefully monitor our feeding systems to minimize waste of this valuable resource.

## Reducing the US seafood deficit

**95%.** That is the percentage of farmed salmon served in the US that is imported. That is our seafood deficit. Strict environmental regulations have driven salmon farmers away from the US. Since 2000, the US industry has declined precipitously.

At AquaBounty, we aim to reverse that trend – and reduce the US seafood deficit – in a way that protects coastlines at home and abroad. Like a growing number of environmental advocates, we believe that minimal impact, land-based aquaculture is the future of fish farming in the US – and we believe that AquaAdvantage® Salmon presents an opportunity to not only revitalize the salmon farming industry in the US, but also to spur a land-based fish farming industry that can reduce the US seafood deficit. A deficit that is now \$11 billion and growing, and second only to oil.

## Sustainability across the supply chain

AquaBounty is constantly striving to improve the sustainability of aquaculture. We are committed to continual innovation and the application of green technologies to improve the quality of our products and the health of the environment. Our commitment to innovation runs throughout our supply chain. We have a state-of-the-art water recycling and filtration system at our PEI hatchery that uses a fraction of the water used by conventional operations. We are committed to applying modern science to minimize our environmental impact.

## Chairman's Statement

"On 19 November 2015, the FDA released its final Environmental Assessment and Finding of No Significant Impact, in conjunction with its approval of AquAdvantage® Salmon. This is the first regulatory approval anywhere in the world for the human consumption of a genetically modified animal."

**R. J. Clothier**, Chairman

### KEY POINTS

- › Received FDA approval for AAS
- › Expanded international efforts
- › Progressed development of AAT

The US Food and Drug Administration, after 20 years of investigation and deliberation, issued its approval of the New Animal Drug Application for the production, sale and consumption of AquAdvantage® Salmon. On 19 November 2015, the FDA released its final Environmental Assessment and Finding of No Significant Impact, in conjunction with its approval of AquAdvantage® Salmon ("AAS"), confirming that our AAS was safe as food, safe to the fish and safe to the environment. This is the first regulatory approval anywhere in the world for the human consumption of a genetically modified animal.

In December 2015, the Company received another boost when the Federal Court of Canada stated that the Ministers of Environment and Health were correct to approve production of AquAdvantage® Salmon in Canada for commercial use, and dismissed the entire application brought before it by the Ecology Action Centre and Living Oceans Society. We expect to receive approval from Health Canada for the sale and consumption of AAS in 2016.

### Commercial activities

During the year, the Company continued its plan to expand its international commercial efforts by seeking to gain approval for the importation of AAS eggs for local field trials initially in Argentina, Brazil and China. The timescales involved in this are outside our control; however, the Company is encouraged

by the progress that has been made to date, particularly in Argentina and Brazil, whose combined markets consume over 80,000 metric tons of Atlantic salmon annually.

In Panama, we moved forward on a regulatory application for the commercial production, sale and consumption of AAS. Though the regulatory pathway is new, we expect to receive approval in 2016.

The Company also progressed the development of its AquAdvantage® Trout ("AAT") line of finfish, which grows faster than traditional rainbow trout. We are now designing the required studies in preparation for the regulatory review process.

### US listing of shares

In 2014, the Company initiated its application to list on the NASDAQ exchange, with the view to registering its shares with the US Securities and Exchange Commission. This was not completed at the time but it is still the objective of the Company to list on NASDAQ.

### Funding

In June 2015, Intrexon Corporation ("Intrexon") agreed to undertake a subscription for new common shares to the value of US\$3.0 million (approximately £1.9 million) before expenses. The subscription price



was 15.0 pence per share (US\$0.2357) and the aggregate number of common shares subscribed was 12,728,044. The transaction closed on 30 June 2015 with net proceeds to the Company of approximately US\$3.0 million. This further increased Intrexon's shareholding to 62.96%.

#### Financial outcome

Operating expenses for the year amounted to US\$7.0 million (2014: US\$7.1 million). The slight decrease was due to a reduction in legal costs, while the Company continued to invest in pre-commercial activities for AAS. Sales and marketing expenses were US\$1.7 million (2014: US\$1.4 million); research and development expenses were US\$2.6 million (2014: US\$2.5 million); and general and administrative expenses were US\$2.7 million (2014: US\$3.2 million). As a result, the net loss for the year was lower at US\$7.0 million (2014: US\$7.1 million) and cash used for the year, net of new equity received, was US\$6.8 million (2014: US\$6.5 million). Funds available at the year end amounted to US\$1.3 million.

#### Outlook

Having reached the historic milestone of regulatory acceptance of our salmon, AquaBounty can now focus its efforts on commercial development. Though the FDA recently placed an import hold on AAS as a result of language included in the Omnibus 2016 spending bill relating to

labeling guidelines, this does not affect current operations and the Company expects the required guidelines will be issued by FDA during the year and that the import alert will then be lifted.

Your Board has been carefully considering the commercial options open to us and the Company is now in the final stages of completing a medium-term plan of action, which we will report in due course.

#### Post-period development

On 24 February 2016, AquaBounty announced that it had agreed to a convertible debt facility of US\$10.0 million with Intrexon to fund the next stage of development. This debt facility, together with the US\$1.3 million of cash on hand at the start of 2016, will provide the Company with sufficient funds to advance its plans. Subject to the progress of these plans, it is likely a larger fundraising will follow before the end of 2016.



**R. J. Clothier**  
Chairman

“Having reached the historic milestone of regulatory acceptance of our salmon, AquaBounty can now focus its efforts on commercial development.”

**R. J. Clothier**, Chairman

## Q&A with the Chief Executive Officer

“Many American wild salmon populations are in steep decline, so much so that commercial fishing runs on both the Atlantic and Pacific coasts have been closed. By providing a ready source of faster-growing fish, salmon grown from AquAdvantage® eggs can help reduce pressure on wild fish stocks.”

**Dr R. L. Stotish**, Chief Executive Officer

# Q&A

with Dr R. L. Stotish



### Consumer benefits

**Q. Is there a need for a faster-growing fish?**

By 2020, the global demand for animal protein is projected to be 20 million tonnes per year. AquAdvantage® Salmon will help address the need for healthy protein by producing more fish in less time compared to current salmon farming techniques. AquAdvantage® Salmon can be grown in contained, land-based facilities which offer many environmental advantages compared to conventional cultivation methods.

### Business benefits

**Q. How do aquaculture producers benefit?**

Faster growth and greater feed efficiency mean a more efficient use of capital, reduced feed costs and less time to market. Better economics make interest in land-based aquaculture feasible, which leads to better biosecurity, reduced disease risk and the opportunity to grow salmon closer to consumer markets.

**Q. How do restaurants benefit?**

The majority of seafood consumed in the US is in restaurants. The AquAdvantage® Salmon will help increase domestic supply to satisfy growing demand with a dependable, environmentally responsible, high quality product.

**Q. How does the American economy benefit?**

Aquaculture provides opportunities for US jobs. Today the US imports over 97% of the Atlantic salmon sold to consumers. The introduction of land-based salmon farms in the US would spur investment in this industry in our country.

### Environmental benefits

**Q. Can fast-growing salmon help reduce pressures on dwindling wild fisheries?**

Many of the world’s fisheries are being harvested at their maximum sustainable yield, while some are in danger of collapse. A 2006 study published in Science predicted the loss of all commercially captured species of fish by 2048 if fishing practices were not altered and fisheries were not better managed. Yet fishing continues as the demand for seafood increases. The vast majority of Atlantic salmon sold in the US is farmed in foreign countries. Many American wild salmon populations are in steep decline, so much so that commercial fishing runs on both the Atlantic and Pacific coasts have been closed. By providing a ready source of faster-growing fish, salmon grown from AquAdvantage® eggs can help reduce pressure on wild fish stocks.

**Q. Does this fish have any impact on carbon emissions?**

Because fresh fish are flown to markets all over the world, salmon aquaculture has a large carbon footprint. AquAdvantage® Salmon are designed for land-based facilities that can be built closer to consumers to reduce the need for energy-intensive air freight shipping and transportation.

**Q. Isn't fish farming bad for the environment?**

The contained, land-based systems used by customers of AquAdvantage® eggs are endorsed by most environmental groups as a more environmentally friendly and responsible alternative to traditional sea-cage farming of salmon.



Find out more on our website under our innovation section

## Board of Directors

### Richard J. Clothier

#### Non-executive Chairman of the Board

Richard J. Clothier has served as Chairman of the Board of AquaBounty since April 2006. Mr Clothier has been Chairman of Robinson Plc since 2004, Spearhead International Ltd since 2005 and Exosect since 2013. He retired as Group Chief Executive of PGI Group Plc, an international agricultural products producer, following 20 years with Dalgety Plc, where he was CEO of the genetics company PIC until 1992 and then Group CEO until 1997. He holds a BSc in agriculture from Natal University and an AMP from Harvard Business School. **Chair, Corporate Governance and Nominations Committee.**

### Ronald L. Stotish, PhD

#### Executive Director, President and Chief Executive Officer

Ronald L. Stotish was appointed Executive Director, President and Chief Executive Officer of AquaBounty Technologies in May 2008. Dr Stotish joined AquaBounty in 2006 as Vice-President for Regulatory Affairs and then served as Senior Vice-President for R&D and Regulatory Affairs. Prior to joining AquaBounty, Dr Stotish was Executive Vice-President for R&D at MetaMorphix, Inc. He has served as Vice-President for Pharmaceutical R&D at Fort Dodge Animal Health and held a variety of positions at American Cyanamid. He began his career in research at Merck. Dr Stotish has degrees in biochemistry and over 40 years' experience in the discovery, development and commercialization of new animal health products.

### Jack A. Bobo

#### Non-executive Director

Jack A. Bobo joined the Board of AquaBounty in November 2015. He has significant expertise in the analysis and communication of global trends in biotechnology, food and agriculture to audiences around the world, and is currently Senior Vice-President and Chief Communications Officer at Intrexon Corporation, a position he has held since July 2015. He was previously at the US Department of State, where he worked for 13 years, most recently as Senior Advisor for Food Policy following his positions as Senior Advisor for Biotechnology as well as Chief, Biotechnology and Textile Trade Division. Prior to this, Mr Bobo was an attorney at Crowell & Moring LLP. He received a JD from Indiana University School of Law and an MS in environmental science from Indiana University School of Public and Environmental Affairs.

### Richard L. Huber

#### Non-executive Director

Richard L. Huber joined the Board of AquaBounty after the Company's public offering in 2006. Mr Huber is the former Chairman, President and CEO of Aetna, a major US health insurer, and is currently an independent investor in a number of companies operating in a wide range of businesses, mainly in South America. Following a 40-year career in the financial services industry, Mr Huber now serves as a Director of Invina, a non-public wine producer in Chile. Previously, he served on the boards of Gafisa, the largest integrated residential housing developer in Brazil, and Antarctic Shipping SA of Chile, as well as several other companies in the US and elsewhere in the world. He holds an AB in chemistry from Harvard.

**Chair, Compensation Committee.**

### Christine T. St.Clare

#### Non-executive Director

Christine St.Clare joined the Board of AquaBounty in May 2014. She is a former partner and Director at KPMG LLP. She currently serves as a Director for Fibrocell Science, Inc., a developer of personalized biologics and she formerly served as Director and Audit Committee Chair for Polymer Group Inc., a global manufacturer of engineered materials. Ms St.Clare holds a BS in accounting from California State University at Long Beach and has been a CPA since 1977.

**Chair, Audit Committee.**

### Rick Sterling

#### Non-executive Director

Rick Sterling joined the Board of AquaBounty in September 2013. He is the Chief Financial Officer at Intrexon Corporation. Prior to joining Intrexon, he was with KPMG where he worked in the audit practice for over 17 years, with a client base primarily in the healthcare, technology and manufacturing industries. Mr Sterling's experience includes serving clients in both the private and public sectors, including significant experience with SEC filings and Sarbanes-Oxley compliance. He has a BS in accounting and finance from Virginia Tech and is a licensed CPA.

### James C. Turk, Jr.

#### Non-executive Director

James C. Turk joined the Board of AquaBounty in February 2013. Mr Turk has served as a partner in the firm Harrison & Turk, P.C. since 1987, having practiced two years before that with other firms. He has previously served as a member of the board of directors for multiple companies and foundations, including Intrexon Corporation, the New River Community College Education Foundation, and the Virginia Student Assistance Authorities. He presently holds board appointments to SunTrust Bank, Synchrony Inc., the Virginia Tech Athletic Foundation, and the Roanoke College President's Advisory Board. Mr Turk received a BA from Roanoke College and a JD from Cumberland School of Law at Samford University.

## Management and advisors

### **Ronald L. Stotish, PhD** **Executive Director, President and** **Chief Executive Officer**

Ronald L. Stotish was appointed Executive Director, President and Chief Executive Officer of AquaBounty Technologies in May 2008. Dr Stotish joined AquaBounty in 2006 as Vice-President for Regulatory Affairs and then served as Senior Vice-President for R&D and Regulatory Affairs. Prior to joining AquaBounty, Dr Stotish was Executive Vice-President for R&D at MetaMorphix, Inc. He has served as Vice-President for Pharmaceutical R&D at Fort Dodge Animal Health and held a variety of positions at American Cyanamid. He began his career in research at Merck. Dr Stotish has degrees in biochemistry and over 40 years' experience in the discovery, development and commercialization of new animal health products.

### **David A. Frank** **Chief Financial Officer and Treasurer**

David A. Frank was appointed Chief Financial Officer in October 2007. Previously he served as President and General Manager of TekCel LLC, a subsidiary of Magellan Biosciences, after serving as Magellan's CFO since the company's founding in 2004 and as TekCel's CFO since 2003. Mr Frank has over 30 years of financial management experience, including as CFO of SmartEnergy during its period of rapid growth from less than US\$1 million in revenue in 2000 to more than US\$45 million in 2002. He served as the Corporate Controller for Moldflow when the company completed its successful public offering and his earlier experience includes financial roles at PerSeptive Biosystems, Lotus Development Corporation, Apollo Computer and Honeywell. He has a BS in finance and accounting from Boston College and an MBA from Babson College.

### **Henry Clifford** **Vice-President of Marketing and Sales**

Henry Clifford was appointed Vice-President of Marketing and Sales in June 2005 and is responsible for the commercial deployment of the Company's product lines. Mr Clifford is an internationally recognized authority on aquaculture and genetic improvement programs, with a career spanning more than 30 years in the industry. He has provided technical services in aquaculture to more than 250 clients in 20 countries. In addition to implementing sales and marketing strategies for the Company and overseeing customer relations, Mr Clifford directs domestic and international field trial evaluations of the Company's products, including the successful introduction and production of AquAdvantage® Salmon in Panama. Mr Clifford has an MS degree in aquaculture nutrition from Texas A&M University.

### **Alejandro Rojas, DVM** **Chief Operating Officer,** **AquaBounty Farms**

Alejandro Rojas joined AquaBounty as the Chief Operating Officer of its AquaBounty Farms division in February 2014. He formerly was the Production and Technical Manager for Marine Harvest from 1988 to 2000. Mr Rojas has a doctorate in veterinary medicine and for the past 14 years has been a technical advisor and consultant to numerous global aquaculture and biotech companies working with marine fish.

### **Nominated advisor** **Stifel Nicolaus Europe, Ltd**

150 Cheapside  
London EC2V 6ET  
United Kingdom

### **Independent registered public** **accounting firm** **Wolf & Company, P.C.**

99 High Street  
Boston, MA 02110  
United States

### **Corporate financial contact** **David A. Frank**

Chief Financial Officer

### **Transfer agent and registrar** **Computershare Trust Company, N.A.**

250 Royall Street  
Canton, MA 02021  
United States

### **Legal counsel** **Jones Day**

77 W. Wacker Drive, Suite 3500  
Chicago, IL 60601  
United States

## Corporate governance

The Board of Directors is accountable to Shareholders for the proper corporate governance of the Company. The principles of corporate governance and a code of best practice are set forth in the UK Corporate Governance Code (the "Governance Code"). Under the rules of AIM of the London Stock Exchange, where the Company's shares are listed, the Company is not required to comply with all provisions of the Governance Code. However, the Company intends, where practicable, to comply with the main provisions of the Governance Code. The responsibilities of the Board of Directors and Committees of the Board are set forth in greater detail below.

### The Board

The Chairman of the Board of the Company is Mr Richard Clothier. Dr Ronald Stotish is the Chief Executive Officer and is responsible for running the organization on a day-to-day basis. In total, the Board consists of one Executive Director and six Non-executive Directors. Mr Christopher Martin acts as Company Secretary.

The primary mission of the Board of Directors is to advance the interests of the Company's Shareholders through oversight of the management of the Company's business affairs. The Board believes that this mission is best served by establishing a corporate culture of accountability, responsibility and ethical behavior through the careful selection and evaluation of senior management and Members of the Board and by carrying out the Board's responsibilities with honesty and integrity. In fulfilling their responsibilities, Directors are required to keep themselves informed about the Company's activities and the business, political, social and market environments in which the Company operates.

### Terms of reference

The Board of Directors has adopted terms of reference to define its objectives and those of each sub-committee. Key areas of responsibility include:

- › to determine and review the Company's primary objectives;

- › to review and agree upon the Company's strategy and to revise and develop the strategy as the market and competitive environment changes;
- › to ensure that the Company is well managed at all levels and to foster management development and succession;
- › to monitor and approve the allocation of financial resources between Company units, functions and activities that enhance short-term profitability and long-term development activities;
- › to set standards for the Company in the areas of business ethics, employee relations, community involvement and environmental considerations;
- › to maintain effective communication with Shareholders and ensure that the Board has an understanding of the views of major Shareholders;
- › to fulfill AquaBounty Technologies' legal responsibilities as a Delaware corporation and as a UK-listed company and to comply with the relevant codes of practice; and
- › to review and evaluate the performance of the Board and its members against its terms of reference.

### Audit Committee

The Audit Committee is chaired by Ms Christine St.Clare. The other members on the Committee are Mr Richard Huber and Mr James Turk. The purpose of the Audit Committee is to oversee the accounting and financial reporting processes of the Company and the audits of the financial statements of the Company. The Audit Committee meets at least twice each year and has the responsibility to consider and recommend to the Board the appointment of the Company's independent registered public accounting firm and to review the annual accounts and any other formal statement relating to financial performance, before submission to the Board.

### Compensation Committee

The Compensation Committee is chaired by Mr Richard Huber. The other members on the Committee are Mr Rick Sterling and Ms Christine St.Clare. The purpose of the Compensation Committee is to determine the compensation of Directors, members of Executive management and employees generally. The Committee also reports to Shareholders on behalf of the Board where required by the prevailing listing rules and codes of practice.

### Corporate Governance and Nominations Committee

The Corporate Governance and Nominations Committee is chaired by Mr Richard Clothier. Other Members of the Board participate as needed. The purpose of the Corporate Governance and Nominations Committee is to assist the Board in establishing corporate governance guidelines for the Company, to oversee the Board's operation and effectiveness and to identify, screen and recommend qualified candidates to serve as Directors of the Company.

### Internal controls

The Board of Directors is ultimately responsible for the Company's system of internal controls and the Company has adopted the 2013 COSO Framework as its methodology for designing, implementing and conducting internal controls and assessing their effectiveness. The Company maintains a comprehensive process of financial reporting. The annual budget is reviewed and approved by the Board of Directors before adoption. The Board receives periodic reports of the Company's operating performance compared against both the budget and the prior year's results with explanations of significant variances.

The implementation, maintenance, review and improvement of the Company's internal controls are the responsibility of the Chief Financial Officer. The independent registered public accounting firm reviews the internal financial controls as a basis for determining the nature and extent of their audit testing procedures. However, the independent registered public accounting firm does not express an opinion on the effectiveness of the Company's internal controls.

## Directors' compensation report

The Directors present their report and the audited financial statements for the year ended 31 December 2015.

### Principal activity

The principal activity of AquaBounty Technologies, Inc. is to research, develop and commercialize products that improve aquaculture productivity. A more detailed review of the Company's activities and outlook is set out in the Chairman's Statement.

### Directors

The Directors who held office during the year were:

R. Clothier	Non-executive Chairman
Dr R. Stotish	Chief Executive Officer
J. Bobo <sup>1</sup>	Non-executive Director
R. Huber	Non-executive Director
Dr T. Kasser <sup>1</sup>	Non-executive Director
C. St.Clare	Non-executive Director
R. Sterling	Non-executive Director
J. Turk	Non-executive Director

1. T. Kasser stepped down from the Board in October 2015 and was replaced by J. Bobo.

### Directors' interests

The Directors' beneficial interests in the share capital of the Company at 31 December 2015 were as follows:

	At 31 December 2015	At 31 December 2014
Ordinary shares		
R. Clothier	1,022,987	862,987
Dr R. Stotish	—	—
J. Bobo	—	—
R. Huber	639,321	639,321
Dr T. Kasser	—	—
C. St.Clare	—	—
R. Sterling	—	—
J. Turk	—	—

### Substantial shareholdings

On 23 February 2016 the following Shareholders held 3% or more of the issued share capital of the Company:

	Ordinary shares	% of issued share capital
Intrexon Corporation	99,114,668	63.0
Abbott	22,130,040	14.1

### Liquidity

The financial statements have been prepared presuming the Company will continue as a going concern. The Board formed a judgment, at the time of approving these financial statements, that there was a reasonable expectation that the Company had adequate resources to continue operating into 2017. In arriving at this conclusion, the Board took account of the Company's current financial resources, including the 2016 convertible debt financing, and its ability to raise funds to advance the Company's plans.

### Independent registered public accounting firm

Wolf & Company, P.C. indicated its willingness to continue in office as the independent registered public accounting firm for the Company. The Directors have pre-approved its re-appointment for 2016.

### Compensation policy

The Compensation Committee's policy is to set compensation packages that are competitive in the market, thereby enabling the Company to attract, retain and motivate Executives of appropriate caliber and experience to effectively manage the business and thereby further the success of the Company. Compensation packages are designed to reward Executives for performance through annual bonus payments and awards of stock options. Together, these elements constitute a potentially significant proportion of total targeted compensation.

### Directors' compensation

The following table details Directors' earned compensation for the year ended 31 December 2015:

	Salary	Benefits	Board fees	Total compensation
<b>Executive Directors</b>				
Dr R. Stotish	\$ 335,941	\$ 19,883	\$ —	\$ 355,824
<b>Non-executive Directors</b>				
R. Clothier <sup>1</sup>	—	—	98,976	98,976
J. Bobo <sup>2</sup>	—	—	—	—
R. Huber	—	—	45,000	45,000
Dr T. Kasser <sup>2</sup>	—	—	—	—
C. St.Clare	—	—	35,000	35,000
R. Sterling <sup>2</sup>	—	—	—	—
J. Turk	—	—	35,000	35,000
	\$ 335,941	\$ 19,883	\$ 213,976	\$ 569,800

1. R. Clothier's compensation includes both Board fees and an annual grant of ordinary shares. Included in his 2015 compensation is a share grant of US\$30,976.

2. T. Kasser, R. Sterling and J. Bobo are employees of Intrexon Corporation and did not receive cash compensation during 2015.

### Directors' share options

At 31 December 2015 Directors had options to purchase ordinary shares under the Company's Equity Incentive Plan as follows:

	Options held at 31 December 2015	Weighted average exercise price	% vested at 31 December 2015
Dr R. Stotish	2,570,000	\$ 0.19	95%
J. Bobo <sup>1</sup>	—	—	—
R. Huber	267,000	0.26	72%
Dr T. Kasser <sup>1</sup>	—	—	—
C. St.Clare	99,000	0.23	24%
R. Sterling <sup>1</sup>	—	—	—
J. Turk	123,000	0.25	39%
	3,059,000	\$ 0.20	88%

1. T. Kasser, R. Sterling and J. Bobo are employees of Intrexon Corporation and do not receive stock options.

## Report of the independent registered public accounting firm

### To the Board of Directors and stockholders of AquaBounty Technologies, Inc.:

We have audited the accompanying Consolidated Balance Sheets of AquaBounty Technologies, Inc. as of 31 December 2015 and 2014, and the related Consolidated Statements of Operations and Comprehensive Loss, Changes in Stockholders' Equity (Deficit) and Cash Flows for each of the three years in the period ended 31 December 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the Consolidated Financial Statements referred to above present fairly, in all material respects, the financial position of AquaBounty Technologies, Inc. as of 31 December 2015 and 2014, and the results of its operations and its cash flows for each of the three years in the period ended 31 December 2015, in conformity with US generally accepted accounting principles.

*Wolf & Company, P.C.*

**Wolf & Company, P.C.**  
**Boston, Massachusetts**  
**23 February 2016**

## Consolidated Balance Sheets

As of 31 December	Note	2015	2014
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents		\$ 1,313,421	\$ 5,163,262
Certificate of deposit		10,339	12,353
Other receivables		41,897	26,717
Prepaid expenses and other assets	6	109,898	101,679
Total current assets		1,475,555	5,304,011
Property, plant and equipment, net	4	741,340	913,703
Definite lived intangible assets, net	5	206,381	177,119
Indefinite lived intangible assets		191,800	191,800
Other assets	6	21,628	21,628
Total assets		\$ 2,636,704	\$ 6,608,261
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Current liabilities:			
Accounts payable and accrued liabilities	7	\$ 621,909	\$ 677,162
Total current liabilities		621,909	677,162
Long-term debt	8	2,070,366	2,421,720
Total liabilities		2,692,275	3,098,882
Commitments and contingencies	11		
Stockholders' equity (deficit):	9		
Common stock, \$0.001 par value, 200,000,000 shares authorized; 157,425,309 (2014: 144,537,265) shares outstanding		157,425	144,537
Additional paid-in capital		90,816,636	87,591,702
Accumulated other comprehensive loss		(226,432)	(455,172)
Accumulated deficit		(90,803,200)	(83,771,688)
Total stockholders' equity (deficit)		(55,571)	3,509,379
Total liabilities and stockholders' equity (deficit)		\$ 2,636,704	\$ 6,608,261

See accompanying notes to the Consolidated Financial Statements and report of the independent registered public accounting firm.

## Consolidated Statements of Operations and Comprehensive Loss

Years ended 31 December	Note	2015	2014	2013
<b>COSTS AND EXPENSES</b>				
Sales and marketing		\$ 1,694,916	\$ 1,444,628	\$ 678,153
Research and development		2,635,289	2,497,935	1,895,056
General and administrative		2,696,369	3,192,716	2,302,279
Total costs and expenses		7,026,574	7,135,279	4,875,488
<b>OPERATING LOSS</b>		<b>(7,026,574)</b>	(7,135,279)	(4,875,488)
<b>OTHER INCOME (EXPENSE)</b>				
Gain on royalty-based financing instrument	8	—	—	186,980
Interest and other income (expense), net		(4,938)	7,904	(530)
Total other income (expense)		(4,938)	7,904	186,450
<b>NET LOSS</b>		<b>\$ (7,031,512)</b>	\$ (7,127,375)	\$ (4,689,038)
<b>OTHER COMPREHENSIVE INCOME</b>				
Foreign currency translation gain		228,740	111,138	93,891
Total other comprehensive income		228,740	111,138	93,891
<b>COMPREHENSIVE LOSS</b>		<b>\$ (6,802,772)</b>	\$ (7,016,237)	\$ (4,595,147)
Basic and diluted net loss per share		\$ (0.05)	\$ (0.05)	\$ (0.04)
Weighted average number of common shares – basic and diluted		151,112,602	140,389,712	120,613,246

See accompanying notes to the Consolidated Financial Statements and report of the independent registered public accounting firm.

## Consolidated Statements of Changes in Stockholders' Equity (Deficit)

	Common stock issued and outstanding	Par value	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total
Balance at 31 December 2012	102,255,688	\$ 102,256	\$ 71,733,509	\$ (660,201)	\$ (71,955,275)	\$ (779,711)
Net loss					(4,689,038)	(4,689,038)
Other comprehensive income				93,891		93,891
Issuance of common stock, net of expenses	22,883,295	22,883	5,702,724			5,725,607
Exercise of options for common stock	29,500	29	3,971			4,000
Exercise of options for common stock – cashless	71,771	72	(72)			—
Share-based compensation	65,217	65	142,078			142,143
Balance at 31 December 2013	125,305,471	\$ 125,305	\$ 77,582,210	\$ (566,310)	\$ (76,644,313)	\$ 496,892
Net loss					(7,127,375)	(7,127,375)
Other comprehensive income				111,138		111,138
Issuance of common stock, net of expenses	19,040,366	19,041	9,724,445			9,743,486
Exercise of options for common stock	120,000	120	12,180			12,300
Share-based compensation	71,428	71	272,867			272,938
Balance at 31 December 2014	144,537,265	\$ 144,537	\$ 87,591,702	\$ (455,172)	\$ (83,771,688)	\$ 3,509,379
<b>Net loss</b>					<b>(7,031,512)</b>	<b>(7,031,512)</b>
<b>Other comprehensive income</b>				<b>228,740</b>		<b>228,740</b>
<b>Issuance of common stock, net of expenses</b>	<b>12,728,044</b>	<b>12,728</b>	<b>2,987,272</b>			<b>3,000,000</b>
<b>Share-based compensation</b>	<b>160,000</b>	<b>160</b>	<b>237,662</b>			<b>237,822</b>
<b>Balance at 31 December 2015</b>	<b>157,425,309</b>	<b>\$ 157,425</b>	<b>\$ 90,816,636</b>	<b>\$ (226,432)</b>	<b>\$ (90,803,200)</b>	<b>\$ (55,571)</b>

See accompanying notes to the Consolidated Financial Statements and report of the independent registered public accounting firm.

## Consolidated Statements of Cash Flows

Years ended 31 December	2015	2014	2013
<b>OPERATING ACTIVITIES</b>			
Net loss	\$ (7,031,512)	\$ (7,127,375)	\$ (4,689,038)
Adjustment to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	105,952	140,742	147,101
Share-based compensation	237,822	272,938	142,143
Gain on royalty-based financing instrument	—	—	(186,980)
Gain on disposal of fixed asset	(1,912)	—	—
Changes in operating assets and liabilities:			
Other receivables	(21,195)	48,054	(57,264)
Prepaid expenses and other assets	(12,421)	117,876	(94,935)
Accounts payable and accrued liabilities	(25,032)	(13,135)	281,345
Net cash used in operating activities	(6,748,298)	(6,560,900)	(4,457,628)
<b>INVESTING ACTIVITIES</b>			
Purchases of equipment	(74,113)	(116,911)	(99,500)
Reinvested interest on certificate of deposit	—	—	(6)
Payment of patent costs	(30,372)	(35,340)	(42,249)
Net cash used in investing activities	(104,485)	(152,251)	(141,755)
<b>FINANCING ACTIVITIES</b>			
Proceeds from issuance of bridge loan	—	—	300,000
Repayment of bridge loan	—	—	(500,000)
Proceeds from issuance of long-term debt	44,004	268,491	665,199
Repayment of other term debt	—	—	(68,327)
Proceeds from issuance of common stock, net	3,000,000	9,743,486	5,725,607
Proceeds from exercise of stock options	—	12,300	4,000
Net cash provided by financing activities	3,044,004	10,024,277	6,126,479
Effect of exchange rate changes on cash and cash equivalents	(41,062)	(23,613)	132
Net change in cash and cash equivalents	(3,849,841)	3,287,513	1,527,228
Cash and cash equivalents at beginning of year	5,163,262	1,875,749	348,521
Cash and cash equivalents at end of year	\$ 1,313,421	\$ 5,163,262	\$ 1,875,749
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>			
Interest paid in cash	\$ 10	\$ 62	\$ 4,223

See accompanying notes to the Consolidated Financial Statements and report of the independent registered public accounting firm.

# Notes to the Consolidated Financial Statements

for the year ended 31 December 2015

## 1. Nature of business and organization

### Nature of business

AquaBounty Technologies, Inc. (the "Parent") was incorporated in December 1991 in the State of Delaware for the purpose of conducting research and development of the commercial viability of a group of proteins commonly known as antifreeze proteins (AFPs). In 1996, the 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 for the production, sale and consumption of its AquAdvantage® Salmon product in the US.

AquaBounty Canada, Inc. (the "Canadian Subsidiary") was incorporated in January 1994 in Canada for the purpose of establishing a commercial biotechnology laboratory to conduct research and development programs related to the Parent's technologies.

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 Company's AquAdvantage® Salmon.

AquaBounty Farms, Inc. (the "US Subsidiary") was incorporated in December 2014 in the State of Delaware for the purpose of conducting commercial trials of the Company's AquAdvantage® Salmon.

AquaBounty Brasil Participacoes Ltda. (the "Brazil Subsidiary") was incorporated in May 2015 in Brazil for the purpose of conducting commercial trials of the Company's AquAdvantage® Salmon.

### Basis of consolidation

The Consolidated Financial Statements include the accounts of AquaBounty Technologies, Inc. and its wholly owned subsidiaries, AquaBounty Canada, Inc., AquaBounty Panama, S. de R.L., AquaBounty Farms, Inc. and AquaBounty Brasil Participacoes Ltda. The entities are collectively referred to herein as the "Company." All inter-company transactions and balances have been eliminated upon consolidation.

### Liquidity and management's plan

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. The Company has experienced net losses and negative cash flows from operations since its inception and has cumulative losses attributable to common stockholders of US\$90.8 million and a total stockholders' deficit of US\$0.1 million as of 31 December 2015. The Company has historically financed its operations through issuances of equity and the proceeds of debt instruments and will continue to do so until such time that the Company is able to achieve positive cash flows from operations. In June 2015, the Company closed on a fundraising resulting in net proceeds of US\$3.0 million.

The Company continues to actively pursue various funding options, including equity offerings, to obtain additional funds to continue the development of its products and bring them to commercial markets. Management continues to assess fundraising opportunities to ensure minimal dilution to its existing Shareholder base and to obtain the best price for its securities. In February 2016, the Company agreed to a convertible debt facility with a maximum credit line of US\$10.0 million (Note 17). Absent further financing, this amount is expected to be sufficient to fund the Company to March 2017.

Management is optimistic based upon its ability to raise funds in prior years, through common stock offerings, that it will be able to raise additional funds in the future. If the Company is unable to raise additional capital as may be needed to meet its projections for operating expenses, it could have a material adverse effect on liquidity. These financial statements do not include any adjustments relating to the recoverability of recorded asset amounts that might be necessary as a result of the above uncertainty.

## 2. Summary of significant accounting policies

### Use of estimates

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

### Comprehensive loss

The Company displays comprehensive loss and its components as part of its Consolidated Financial Statements. Comprehensive loss consists of net loss and other comprehensive income (loss). Other comprehensive income (loss) includes foreign currency translation adjustments.

# Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2015

## 2. Summary of significant accounting policies continued

### Foreign currency translation

The functional currency of the Parent is the US Dollar. The functional currency of the Canadian Subsidiary is the Canadian Dollar (C\$) and the functional currency of the Panama, US and Brazil Subsidiaries is the US 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 income (loss) within stockholders' equity (deficit).

### Cash equivalents

The Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. Cash equivalents consist primarily of business savings accounts.

### Certificate of deposit

The Company has a six-month certificate of deposit at 31 December 2015 and 2014 that currently bears interest at 0.45%. It is renewable semi-annually in January and July.

### Intangible assets

Definite lived intangible assets include patents and licenses. Patent costs consist primarily of legal and filing fees incurred to file patents on proprietary technology developed by the Company. Patent costs are amortized on a straight-line basis over 20 years beginning with the filing date of the applicable patent. License fees are capitalized and expensed over the term of the licensing agreement.

Indefinite lived intangible assets include trademark costs, which are capitalized with no amortization as they have an indefinite life.

### Property, plant and equipment

Property, plant and equipment are carried at cost, except for those owned by the Canadian Subsidiary, which records such assets net of any related Canadian government grants received. The Company depreciates all asset classes over their estimated useful lives.

Building	25 years
Equipment	7-10 years
Office furniture and equipment	3 years
Leasehold improvements	shorter of asset life or lease term
Vehicles	3 years

### Impairment of long-lived assets

The Company reviews the carrying value of its long-lived tangible assets and definite lived intangible assets on an annual basis or more frequently if facts and circumstances suggest that they may be impaired. The carrying values of such assets are considered impaired when the anticipated identifiable undiscounted cash flows from such assets are less than their carrying values. An impairment loss, if any, is recognized in the amount of the difference between the carrying amount and fair value.

Indefinite lived intangible assets are subject to impairment testing annually or more frequently if impairment indicators arise. The Company's impairment testing utilizes a discounted cash flow analysis that requires significant management judgment with respect to revenue and expense growth rates, changes in working capital and the selection and use of the appropriate discount rate. An impairment loss, if any, is recognized in the amount of the difference between the carrying amount and fair value.

### Income taxes

The Company uses the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recorded for the expected future tax consequences of temporary differences between the financial reporting and income tax bases of assets and liabilities and are measured using the enacted tax rates and laws that are expected to be in effect when the differences reverse. A valuation allowance is established to reduce net deferred tax assets to the amount expected to be realized. The Company follows accounting guidance regarding the recognition, measurement, presentation and disclosure of uncertain tax positions in the financial statements. Tax positions taken or expected to be taken in the course of preparing the Company's tax returns are required to be evaluated to determine whether the tax positions are "more likely than not" to be upheld under regulatory review. The resulting tax impact of these tax positions is recognized in the financial statements based on the results of this evaluation. The Company did not recognize any tax liabilities associated with uncertain tax positions, nor has it recognized any interest or penalties related to unrecognized tax positions. Generally, the Company is no longer subject to federal and state tax examinations by tax authorities for years before 2012.

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## 2. Summary of significant accounting policies continued

### Royalty-based financing instruments

From time to time the Company will enter into financing arrangements whereby the funds received will be repaid through future royalties from revenues at agreed-upon royalty rates. Amounts to be paid may be in excess of amounts borrowed. Additionally, in certain instances the repayment terms have expiration dates. The Company records outstanding borrowings under these arrangements as long-term debt liabilities and adjusts the balance based on the likelihood of future repayment, taking into consideration the terms of the individual arrangements.

### 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 year. Basic net loss is based solely on the number of common shares outstanding during the year. 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.

### Share-based compensation

The Company measures and recognizes all share-based payment awards, including stock options made to employees and Directors, based on estimated fair values. The fair value of a share-based payment award is estimated on the date of grant using an option pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as an expense over the requisite service period in the Company's Consolidated Statement of Operations. The Company uses the Black-Scholes option pricing model ("Black-Scholes") as its method of valuation. Non-employee stock-based compensation is accounted for using Black-Scholes to determine the fair value of warrants or options awarded to non-employees with the fair value of such issuances expensed over the period of service.

## 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.

### Concentration of credit risk

Financial instruments that potentially subject the Company to credit risk consist principally of cash equivalents and marketable securities. 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.

### 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 debt approximates its fair value since it provides for market terms and interest rates other than as disclosed in Note 8 related to royalty-based financing instruments. These royalty-based financing instruments are adjusted at each reporting period to the amounts the Company expects to repay.

The Company groups its financial instruments measured at fair value, if any, in three levels, based on markets in which the instruments are traded and the reliability of the assumptions used to determine fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price).

Financial instruments with readily available quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. The three levels of the fair value hierarchy are as follows:

Level 1: Inputs to the valuation methodology are quoted prices, unadjusted, for identical assets or liabilities in active markets. A quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs derived principally from, or that can be corroborated by, observable market data by correlation or other means.

# Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2015

### 3. Risks and uncertainties continued Financial instruments continued

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities include financial instruments whose value is determined using discounted cash flow methodologies, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

In certain cases, the input used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the instrument.

### 4. Property, plant and equipment

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

	2015	2014
Land	\$ 73,158	\$ 87,264
Building and improvements	1,143,384	1,356,463
Equipment	553,231	623,885
Office furniture and equipment	77,697	77,769
Vehicles	26,367	12,372
Total property and equipment	1,873,837	2,157,753
Less accumulated depreciation and amortization	(1,132,497)	(1,244,050)
Property, plant and equipment	\$ 741,340	\$ 913,703

Depreciation and amortization expense for 2015 on property, plant and equipment was US\$104,842 (2014: US\$140,742; 2013: US\$144,126).

### 5. Definite lived intangible assets

The following is a summary of definite lived intangible assets at 31 December 2015 and 2014:

	2015	2014
Patents, gross	\$ 211,705	\$ 181,333
Less accumulated amortization	(5,324)	(4,214)
Patents, net	206,381	177,119
Licenses, gross	30,000	30,000
Less accumulated amortization	(30,000)	(30,000)
Licenses, net	—	—
Total definite lived intangible assets	\$ 206,381	\$ 177,119

Patent amortization expense for 2015 was US\$1,110 (2014: US\$nil; 2013: US\$2,975). Estimated amortization expense for each of the next four years is US\$13,320. Licenses were fully amortized as of 31 December 2012.

## 6. Prepaid expenses and other assets

Prepaid expenses and other assets include the following at 31 December 2015 and 2014:

	2015	2014
Prepaid insurance	\$ 30,031	\$ 25,089
Prepaid supplies	13,837	17,629
Prepaid professional services	32,086	30,321
Prepaid rent and lease deposits, short term (Note 11)	17,841	28,640
Prepaid other	16,103	—
Prepaid expenses and other assets	\$ 109,898	\$ 101,679
Long-term investment	21,628	21,628
Other assets	\$ 21,628	\$ 21,628

Long-term investment consists of 216,281 shares of common stock of A/F Protein, Inc. (AFP), equating to a less than 1% ownership stake, with a cost basis of US\$21,628, which the Company believes to be the best estimate of market value. AFP and the Company have certain Shareholders in common.

## 7. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include the following at 31 December 2015 and 2014:

	2015	2014
Accounts payable	\$ 157,272	\$ 137,625
Accrued payroll including vacation	263,851	237,543
Accrued professional fees	82,036	147,798
Accrued research and development costs	100,583	134,776
Accrued other	18,167	19,420
Accounts payable and accrued liabilities	\$ 621,909	\$ 677,162

## 8. Long-term debt

The current terms and conditions of long-term debt outstanding at 31 December 2015 and 2014 are as follows:

Loan source	Amount	Interest rate	Monthly payment/repayment terms	Maturity date	2015	2014
Royalty-based financing:						
ACOA AIF grant	C\$2,871,919	—	Royalties	—	\$ 2,070,366	\$ 2,421,720
TPC funding	C\$2,964,900	—	Royalties	June 2014	—	—
Long-term debt					\$ 2,070,366	\$ 2,421,720

### Atlantic Canada Opportunities Agency (ACOA)

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

In January 2009, the Canadian Subsidiary was awarded a grant from ACOA to provide a contribution towards the funding of a research and development project. The total amount available under the award was C\$2,871,900, which could be claimed over a five-year period. All 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 paid. During 2015, the Canadian Subsidiary submitted claims and received funds in the amount of C\$55,638 (2014: C\$292,318). No repayments have been made to date. Cumulative draws on this award aggregate C\$2,871,919 and there are no funds remaining available under this award at 31 December 2015.

# Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2015

## 8. Long-term debt continued

### Technology Partnership Canada (TPC)

TPC is a Canadian government agency that provides funding to promote economic growth and create jobs in Canada.

In November 1999, TPC agreed to provide funding up to C\$2,964,900 to support the Canadian Subsidiary's efforts to develop commercial applications of its transgenic growth-enhanced fin fish technology. Funding under the TPC funding agreement was completed in 2003. This amount was repayable to TPC in the form of a 5.2% royalty on revenues generated from the sale of transgenic growth-enhanced fin fish commercial products. However, the Canadian Subsidiary would have no further repayment obligations after 30 June 2014 even if the total amount had not been repaid as of such date. In 2013, management concluded that the probable amount owed would be C\$nil as no revenue would be generated to pay back the outstanding balance prior to the loan termination date. As a result, the balance owed to TPC was adjusted to C\$nil and the Company recognized a gain of C\$200,000 in 2013 (US\$186,980 after foreign exchange adjustment).

The Company recognized interest expense in 2015 of US\$nil (2014: US\$nil; 2013: US\$3,877) on their interest-bearing debt.

## 9. Stockholders' equity

The Company is presently authorized to issue up to 240 million shares of stock, of which 40 million are authorized as preferred stock and 200 million as common stock. At 31 December 2015 the Company had zero shares (2014: zero) of preferred stock and 157,425,309 shares (2014: 144,537,265) of common stock, issued and outstanding.

### Common stock

The holders of the common stock are entitled to one vote for each share held at all meetings of stockholders. Dividends and distribution of assets of the Company in the event of liquidation are subject to the preferential rights of any outstanding preferred shares. At 31 December 2015 the Company had reserved 5,382,000 shares of common stock for the exercise of options.

### Recent issuances

In June 2015 the Board approved a fundraising of US\$3.0 million by means of a subscription for new common shares by the Company's majority Shareholder, Intrexon Corporation. The subscription price was US\$0.2357 (15.0 pence) per share, which represented the closing price of the Company's stock on 23 June 2015, and the aggregate number of common shares subscribed was 12,728,044. The transaction closed on 30 June 2015.

In February 2015 the Company issued 160,000 shares of restricted common stock, which vest over three years, as part of the compensation package for the Chairman of the Board of Directors. The fair value of the common stock issued was US\$30,976. The Company recorded a compensation charge in 2015 of US\$8,604 in connection with the issuance. An expense of \$22,372 will be amortized over the remaining vesting term. At 31 December 2015, 44,442 shares had vested.

In July 2014 the Company issued 71,428 shares of common stock as part of the compensation package for the Chairman of the Board of Directors. The Company recorded a compensation charge of US\$25,577 in connection with the issuance, which fully vested during 2014.

In January 2014 the Board approved a fundraising of US\$10.0 million before expenses by means of a subscription for new common shares by the Company's majority Shareholder, Intrexon Corporation. The subscription price was US\$0.5252 (31.5 pence) per share, which represented the closing price of the Company's stock on 4 March 2014, and the aggregate number of common shares subscribed was 19,040,366. The transaction closed on 20 March 2014 with net proceeds to the Company of US\$9.74 million.

In July 2013 the Company issued 65,217 shares of common stock as part of the compensation package for the Chairman of the Board of Directors. The Company recorded a compensation charge of US\$22,812 in connection with the issuance, which fully vested during 2013.

In February 2013 the Board approved a fundraising of approximately £3.9 million (US\$6.0 million) before expenses by means of a subscription for new common shares by certain existing Shareholders. The subscription price was 16.89 pence per share (US\$0.2622) and the aggregate number of common shares subscribed was 22,883,295. The transaction closed on 15 March 2013 with net proceeds to the Company of US\$5.73 million.

## 9. Stockholders' equity continued

### Stock options

In 1998 the Company established a stock option plan. This plan was superseded by the 2006 Equity Incentive Plan (the "Plan"). The Plan provides for the issuance of incentive stock options to employees of the Company and non-qualified stock options and awards of restricted and direct stock purchases to Directors, officers, employees and consultants of the Company.

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

	Number of options	Weighted average exercise price
Outstanding at 31 December 2012	7,202,000	\$ 0.28
Issued	596,000	0.27
Exercised	(162,000)	0.12
Expired and forfeited	(1,012,000)	0.51
Outstanding at 31 December 2013	6,624,000	\$ 0.25
Issued	872,000	0.75
Exercised	(120,000)	0.10
Expired and forfeited	(29,000)	0.33
Outstanding at 31 December 2014	7,347,000	\$ 0.31
Issued	425,000	0.20
Expired and forfeited	(2,390,000)	0.40
<b>Outstanding at 31 December 2015</b>	<b>5,382,000</b>	<b>\$ 0.26</b>
<b>Exercisable at 31 December 2015</b>	<b>4,320,333</b>	<b>\$ 0.21</b>

The following table summarizes information about options outstanding and exercisable at 31 December 2015:

Weighted average price of outstanding options	Number of options outstanding	Weighted average remaining estimated life (in years)	Number of options exercisable	Weighted average price of exercisable options
\$0.11	2,635,000	3.5	2,635,000	
\$0.12	24,000	6.5	24,000	
\$0.19	320,000	9.2	—	
\$0.23	873,500	5.5	773,500	
\$0.25	490,000	7.3	338,332	
\$0.32	24,000	4.8	24,000	
\$0.33	24,000	2.5	24,000	
\$0.35	48,000	7.5	48,000	
\$0.36	72,000	8.5	72,000	
\$0.65	76,500	1.5	76,500	
\$0.78	795,000	8.1	305,001	
	5,382,000		4,320,333	\$ 0.21

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.

# Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2015

## 9. Stockholders' equity continued

### Stock options continued

The weighted average fair value of stock options granted in 2015 was US\$0.14 (2014: US\$0.58; 2013: US\$0.27). The total intrinsic value of options exercised in 2015 was US\$nil (2014: US\$40,428; 2013: US\$3,254). At 31 December 2015, the total intrinsic value of all options outstanding was US\$934,081 (2014: US\$442,475), the total intrinsic value of exercisable options was US\$844,224 (2014: US\$438,226) and the total number of shares available for grant under the Plan was 10,360,531 (2014: 9,481,727).

The fair values of stock option grants to employees and Members of the Board of Directors during 2015, 2014 and 2013 were measured on the date of grant using Black-Scholes, with the following weighted average assumptions:

	2015	2014	2013
Expected volatility	<b>88%</b>	105%	160%
Risk-free interest rate	<b>1.54%</b>	1.67%	1.05%
Expected dividend yield	<b>0.0%</b>	0.0%	0.0%
Expected life (in years)	<b>5</b>	5	5

The risk-free interest rate is estimated using the federal funds interest rate for a period that is commensurate with the expected term of the awards. The expected dividend yield is zero because the Company has never paid a dividend and does not expect to do so for the foreseeable future. The expected life was based on a number of factors including historical experience, vesting provisions, exercise price relative to market price and expected volatility. The Company believes that all groups of employees demonstrate similar exercise and post-vesting termination behavior and, therefore, does not stratify employees into multiple groups. The expected volatility was estimated using the Company's historical price volatility over a period that is commensurate with the expected term of the awards.

Total share-based compensation on stock option grants amounted to US\$229,218 in 2015 (2014: US\$247,361; 2013: US\$119,331). At 31 December 2015, the balance of unearned share-based compensation to be expensed in future periods related to unvested share-based awards is US\$180,808. The period over which the unearned share-based compensation is expected to be earned is approximately three years.

### Share-based compensation

The following table summarizes share-based compensation costs recognized in the Company's Consolidated Statements of Operations and Comprehensive Loss for the years ended 31 December 2015, 2014 and 2013:

	2015	2014	2013
Research and development	\$ <b>6,699</b>	\$ 29,910	\$ 6,454
Sales and marketing	<b>75,843</b>	75,843	17,645
General and administrative	<b>155,280</b>	167,185	118,044
Total share-based compensation	\$ <b>237,822</b>	\$ 272,938	\$ 142,143

## 10. Income taxes

As at 31 December 2015 the Company has net domestic operating loss carryforwards of approximately US\$17.1 million to offset future federal taxable income, which expires at various times through the year 2033. The future utilization of the net operating loss and tax credit carryforwards, however, is subject to annual use limitations based on the change in stock ownership rules of Internal Revenue Code Sections 382 and 383. The Company experienced a change in ownership under these rules during 2012 and revised its calculation of net operating loss carryforwards based on annual limitation rules. The Company also has foreign net operating loss carryforwards in the amount of approximately US\$4.7 million and foreign research and development expenses and tax credits of approximately US\$8.4 million at 31 December 2015, which expire at various times commencing in 2018. Since the Company has incurred only losses from inception and there is uncertainty related to the ultimate use of the loss carryforwards and tax credits, a valuation allowance has been recognized to offset the Company's deferred tax assets and no benefit for income taxes has been recorded.

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

	2015	2014
Deferred tax assets (liabilities):		
Net operating loss carryforwards	\$ 8,278,676	\$ 6,404,747
Foreign research and development expenses and tax credit carryforwards	4,113,960	2,890,390
Property and equipment	374,253	410,626
Accounts receivable and other	400	400
Stock options	163,109	711,149
Accrued vacation	33,014	28,944
Accrued compensation	—	46,289
Intangible assets	(172,189)	(157,959)
Total deferred tax assets	12,791,223	10,334,586
Valuation allowance	(12,791,223)	(10,334,586)
Net deferred tax assets	\$ —	\$ —

The valuation allowance increased by US\$2,456,637 during 2015 and increased by US\$1,678,114 during 2014. The increase in 2015 was due primarily to an increase in deferred tax assets for net operating loss carryforwards and foreign tax credits, offset by a decrease in stock options. The increase in 2014 was due primarily to an increase in deferred tax assets for net operating loss carryforwards and stock options, offset by a decrease in foreign research and development tax credit carryforwards.

## 11. Commitments and contingencies

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

### Lease commitments

#### Panama

In 2008, the Company established a subsidiary in Panama for the purpose of conducting commercial field trials of one of its products. The Company entered into a land lease agreement for a term of five years commencing 1 October 2008. The lease was extended in 2013, 2014 and 2015. The current extension has a term of one year with total rent payments of US\$180,000.

#### Headquarters

In February 2012, the Company signed a one-year lease for office space in Maynard, Massachusetts for its corporate headquarters for a total of US\$17,901. In March 2013, this lease was extended for an additional three years at a total cost of US\$59,670.

Total rent expense under non-cancelable operating leases in 2015 was US\$200,636 (2014: US\$349,641; 2013: US\$165,170). Future minimum commitments under its operating leases are \$110,221, all of which will be expensed in 2016.

# Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2015

## 11. Commitments and contingencies continued

### License agreements

The Company was a party to a license agreement with Genesis Group, Inc. related to the Company's transgenic fish program. Under the terms of this agreement, the Company was required to make an annual royalty payment of US\$25,000 or revenue-based royalty payments equal to 5% of any gross revenues generated from products that utilize the technology covered under the license agreement.

No revenue-based royalty payments were ever made under the original agreement. In consideration for a worldwide, royalty-free, fully paid-up, sub-licensable, assignable, non-exclusive right and license to the transgenic fish technology, the Company agreed to pay to Genesis Group, Inc. a one-time payment of C\$150,000 (US\$140,235). This amount was included as a component of accounts payable and accrued liabilities at 31 December 2013 and was paid in full during 2014.

### Royalty obligations

As discussed in Note 8, the Canadian Subsidiary was obligated to pay royalties to TPC in an amount equal to 5.2% of gross sales generated from the sale of any transgenic growth-enhanced fin fish commercial products. Such royalties were payable until the earlier of: (i) 30 June 2014; or (ii) until cumulative royalties of C\$5,750,000 had been paid. No royalty payments were made and the agreement terminated on 30 June 2014.

As discussed in Note 8, the Canadian Subsidiary is obligated to pay royalties to ACOA in an amount equal to 10% of gross sales generated from the sale of any new products that are developed through the research project that is being co-funded by ACOA. This royalty is for the repayment of the funds contributed by ACOA to the Canadian Subsidiary through the AIF grant. The first scheduled repayment was 30 June 2015 and subsequent repayments are due annually until the full balance of the contributed funds is paid. The Company did not generate any revenue from the sale of products related to this research during 2014 or 2015 and therefore did not make a royalty payment during 2015 and does not expect to make a royalty payment during 2016. The total amount outstanding at 31 December 2015 is C\$2,871,919 (US\$2,070,366).

### Employment agreements

The Company has employment agreements with certain of its officers. The agreements provide for base pay and benefits, as defined. Under certain circumstances of termination, the Company must make severance payments.

### Contracts

From time to time, the Company enters into agreements for the delivery of services necessary for its operations. These contracts are typically for a specific service to be performed for an agreed price in a specified timeframe.

## 12. Retirement plan

The Company has a savings and retirement plan for its US employees which qualifies under Section 401(k) of the Internal Revenue Code. The plan covers substantially all employees and provides for voluntary contributions by participating employees up to the maximum contribution allowed under the Internal Revenue Code. Contributions by the Company can be made, as determined by the Board of Directors, provided the amount does not exceed the maximum permitted by the Internal Revenue Code. Company contributions made and expensed in operations in connection with the plan during the year ended 31 December 2015 amounted to US\$29,931 (2014: US\$24,018; 2013: US\$21,788).

The Company also has a Registered Retirement Savings Plan for its Canadian employees. Company contributions made and expensed in operations in connection with the plan during the year ended 31 December 2015 amounted to US\$16,274 (2014: US\$16,566; 2013: US\$14,312).

### 13. Government assistance

From time to time, the Company receives government assistance in the form of research grants, which are recorded as a reduction of the related expenditures. During 2015, grants of US\$70,338 (2014: US\$192,773; 2013: US\$203,787) were recorded as a reduction of expenditures. There were no amounts due to the Company under research grants as of 31 December 2015 and 2014. All government assistance is subject to periodic audit by the agency involved in the grant.

### 14. Contract research agreement

In March 2012, the Company executed a contract research agreement with Tethys Aquaculture Canada Inc. (TAC), to provide the Company with the resources required for its ongoing development needs. Under the terms of the extended agreement, TAC will provide services to the Company through 30 April 2016. Total costs incurred under the terms of this agreement amounted to US\$287,246 in 2015 (2014: US\$338,993; 2013: US\$386,806) and are included as a component of research and development expense in the Consolidated Statements of Operations and Comprehensive Loss.

In February 2015, the Company executed a contract research agreement with the Center for Aquaculture Technologies, Inc. (CAT) to provide research services for a specific project. Under the terms of the agreement, CAT provided services to the Company through 31 December 2015. Total costs incurred under this agreement amounted to US\$185,426 in 2015 and are included as a component of research and development expense in the Consolidated Statements of Operations and Comprehensive Loss.

### 15. Related party collaboration agreement

In February 2013, the Company entered into an Exclusive Channel Collaboration agreement (ECC) with Intrexon Corporation, its majority Shareholder, pursuant to which the Company will use Intrexon's UltraVector® and other technology platforms to develop and commercialize additional genetically modified traits in fin fish for human consumption. The ECC, which can be terminated by the Company upon 90 days' written notice, grants the Company a worldwide license to use specified patents and other intellectual property of Intrexon in connection with the research, development, use, importing, manufacture, sale and offer for sale of products involving DNA administered to fin fish for human consumption. Such license is exclusive with respect to any clinical development, selling, offering for sale or other commercialization of developed products, and otherwise is non-exclusive.

Under the ECC and subject to certain exceptions, the Company is responsible for, among other things, the performance of the program, including development, commercialization and certain aspects of manufacturing developed products. Among other things, Intrexon is responsible for the costs of establishing manufacturing capabilities and facilities for the bulk manufacture of certain products developed under the program, certain other aspects of manufacturing, costs of discovery-stage research with respect to platform improvements and costs of filing, prosecution and maintenance of Intrexon's patents.

The Company will pay Intrexon quarterly 16.66% of the gross profits calculated under the terms of the agreement for each developed product. The Company has likewise agreed to pay Intrexon 50% of quarterly revenue obtained from a sublicensor in the event of a sublicensing arrangement. In addition, the Company will reimburse Intrexon for the costs of certain services provided by Intrexon. No royalties were paid to Intrexon in 2015 and the Company does not expect to pay royalties in 2016.

Total Intrexon service costs incurred under the terms of this agreement amounted to US\$1,186,404 in 2015 (2014: US\$1,091,021; 2013: US\$453,304), of which US\$79,388 is included in accounts payable and accrued liabilities at 31 December 2015 (2014: US\$134,776), and is included as a component of research and development expense in the Consolidated Statements of Operations and Comprehensive Loss.

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2015

### 16. Recently issued accounting standards

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) No. 2014-15, "Presentation of Financial Statements – Going Concern (Subtopic 205-40); Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern", which will be in effect for the year ending 31 December 2016 and interim periods thereafter. The ASU requires that management evaluate for each annual and interim reporting period whether it is probable that the entity will not be able to meet its obligations as they become due within one year after the date that financial statements are issued. The standard provides principles and definitions for management that are intended to reduce diversity in the timing and content of disclosures provided in financial statement footnotes. The Company is currently in the process of evaluating the impact of the adoption of the ASU on the Consolidated Financial Statements.

### 17. Subsequent events

The Company has evaluated subsequent events occurring through 23 February 2016, which is the date the financial statements were available to be issued.

In February 2016, the Board approved a debt funding of US\$10.0 million by the Company's majority shareholder, Intrexon. The facility matures on 1 March 2017, bears an interest rate of 10% and is convertible into the common shares of the Company.

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**AquaBounty Technologies, Inc.**

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# Notice of Annual Meeting of Shareholders

## To our shareholders

Notice is hereby given that the 2016 annual meeting of shareholders (the "Annual Meeting") of AquaBounty Technologies, Inc. (the "Company") will be held on Tuesday 26 April 2016 at 8:30 a.m., Eastern Daylight Time, at the Nine Zero Hotel, 90 Tremont Street, Boston, Massachusetts 02108, for the following purposes:

- (1) to elect a Board of Directors to serve until the next annual meeting of shareholders or until their respective successors have been elected or appointed;
- (2) to consider a proposal to approve the 2016 Equity Incentive Plan; and
- (3) to consider such other business as may properly come before the Annual Meeting or any adjournments thereof.

The Board of Directors has fixed the close of business on Friday 18 March 2016 as the record date for the determination of shareholders entitled to notice of, and to vote at, the Annual Meeting.

The Annual Meeting is open to shareholders and those guests invited by the Company. We encourage you to vote on the issues included in this notice and described in the accompanying Letter from the Chairman as soon as possible.

*You can vote in following ways:*

- (1) To Vote by Telephone  
If you are a registered shareholder casting your vote from inside the United States, U.S. territories, or Canada, call 1800-652-Vote (8683) and follow the instructions provided on the recorded message. If you are a registered shareholder casting your vote from outside the United States, U.S. territories, or Canada, call 1-781-575-3100.
- (2) To Vote by Mail  
Please sign, date and return your proxy card in the enclosed envelope provided by Computershare.
- (3) To Vote by Internet  
Go to [www.envisionreports.com/AQBT](http://www.envisionreports.com/AQBT) and follow the instructions provided on the secured site. Or scan the QR code on your proxy card with your smart phone and follow the instructions provided.
- (4) To Vote in Person  
Attend the Annual Meeting and vote your shares.

*Holders of Depositary Interests:*

Holders of Depositary Interests in the Company wishing to instruct the Custodian, Computershare Company Nominees Limited, to vote in respect of the holder's interest should use the enclosed Form of Instruction. The completed Form of Instruction must be returned to The Office of the Depositary, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY United Kingdom, as soon as possible and in any event so as to be received no later than 4:00 p.m. UK time on 21 April 2016.

Holders of Depositary Interests or their representatives wishing to attend and/or vote at the Annual Meeting must notify the Custodian in writing at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, United Kingdom or by email to [!UKALLDITeam2@computershare.co.uk](mailto:UKALLDITeam2@computershare.co.uk) at least 24 hours prior to the date of the Annual Meeting.

By order of the Board of Directors,

**David A. Frank**  
**Chief Financial Officer**

## Notes

- (1) Appointment of a proxy does not preclude a shareholder from attending the Annual Meeting and voting in person.
- (2) Proxies submitted by the internet or telephone must be received by 11:59 p.m., Eastern Daylight Time on 25 April 2016.
- (3) A shareholder entitled to attend and vote at the Annual Meeting may appoint one or more proxies (who need not be a shareholder of the Company) to attend and to speak and to vote on his or her behalf, whether by show of hands or on a

poll. A shareholder can appoint more than one proxy in relation to the Annual Meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him or her.

To appoint more than one proxy, you may photocopy the proxy form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorized to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

- (4) Entitlement to attend and vote at the Annual Meeting and the number of votes that may be cast thereat will be determined by reference to the stock ledger of the Company at 5:00 p.m. Eastern Daylight Time on 18 March 2016. Changes to entries on the stock ledger after that time will be disregarded in determining the rights of any person to attend and vote at the Annual Meeting.

# Letter from the Chairman

## AquaBounty Technologies, Inc.

*(incorporated and registered in the State of Delaware, USA under number 2282110)*

*Directors:*

Richard J. Clothier (Non-Executive Chairman)  
Ronald L. Stotish, PhD (Chief Executive Officer)  
Richard L. Huber (Non-Executive Director)  
Christine T. St.Clare (Non-Executive Director)  
James C. Turk Jr. (Non-Executive Director)  
Jack A. Bobo (Non-Executive Director)  
Rick Sterling (Non-Executive Director)

*Registered Office:*

Two Clock Tower Place,  
Suite 395,  
Maynard, Massachusetts 01754  
United States

21 March 2016

*To shareholders and, for information purposes only, to holders of options*

Dear shareholders:

You are cordially invited to attend the 2016 Annual Meeting of Shareholders of AquaBounty Technologies, Inc. to be held on Tuesday 26 April 2016 at 8:30 a.m., Eastern Daylight Time, at the Nine Zero Hotel, 90 Tremont Street, Boston, Massachusetts 02108. A notice of the Annual Meeting is enclosed. Capitalized terms used herein but not otherwise defined are used as defined in the notice of the Annual Meeting.

I am writing to provide further details of the proposals to be considered at the Annual Meeting. Our Board of Directors recommends that shareholders vote "FOR" each of the proposals.

***Proposal 1 – Election of Directors***

*Number of nominees, classification, and voting*

The number of Board seats is currently seven. Each Director serves a one-year term, with all Directors subject to annual election.

The following seven individuals are the current Directors and are the nominees to be elected to serve until the 2017 annual meeting of shareholders or until their successors are elected: Richard Clothier, Dr Ronald Stotish, Richard Huber, Jack Bobo, Christine St.Clare, Rick Sterling, and James Turk.

The election of each Director will be decided by plurality vote. This means that the seven individuals receiving the most votes will be elected. As a result, any shares not voted for a Director (whether by withholding authority or otherwise) will have no impact on the election of Directors.

*Information as to nominees*

The nominees, their ages, principal occupations or positions, and experience are shown below. None of the nominees are related to each other or to any other nominee or to any executive officer of the Company or its subsidiaries by blood, marriage, or adoption. Except for Dr Stotish, no nominee has been an employee of the Company within the past five years.

*Nominees for Directors*

***Richard J. Clothier (70) – Chairman***

Mr Clothier joined the Board of AquaBounty in 2006 as Non-executive Chairman. He is currently also Chairman of Robinson Plc.

***Dr Ronald L. Stotish (66) – President and Chief Executive Officer***

Ronald L. Stotish, PhD was named CEO and President of AquaBounty in May 2008. He joined the Company in 2006 as Vice-President for Regulatory Affairs, and also served as Senior Vice-President for R&D and Regulatory Affairs.

***Richard L. Huber BA (79) – Non-executive Director***

Richard Huber joined the Board of AquaBounty in 2006. He is currently serving as a Director of Invina, as well as several other companies.

***Jack A. Bobo (50) – Non-executive Director***

Jack Bobo joined the Board of AquaBounty in November 2015. He is the Senior Vice-President and Chief Communications Officer at Intrexon Corporation. He was previously at the US Department of State, where he worked for 13 years, most recently as Senior Advisor for Food Policy. He also was an attorney at Crowell & Moring LLP.

**Christine T. St.Clare (65) – Non-executive Director**

Christine St.Clare joined the Board of AquaBounty in May 2014. She is the founder and President of St.Clare Advisors LLC and currently serves as a Director of Fibrocell Science. She previously was a Partner and Director at KPMG LLP.

**Rick Sterling (52) – Non-executive Director**

Rick Sterling joined the Board of AquaBounty in September 2013. He is the Chief Financial Officer at Intrexon. Prior to joining Intrexon, he was with KPMG, where he worked in the audit practice for over 17 years, with a client base primarily in the healthcare, technology, and manufacturing industries. He has a BS in Accounting and Finance from Virginia Tech and is a licensed CPA.

**James C. Turk, Jr. (59) – Non-executive Director**

James Turk joined the Board of AquaBounty in February 2013. He has served as a partner in the firm Harrison & Turk, P.C. since 1987. He presently holds Board appointments to SunTrust Bank, Synchrony, Inc., the Virginia Tech Athletic Foundation, and the Roanoke College President's Advisory Board.

**The Board of Directors recommends a vote “FOR” the election to the Board of each of the nominees. Proxies solicited by the Board of Directors will be voted “FOR” each of the nominees, unless a contrary vote is specified.**

**Proposal 2 – Approve the 2016 Equity Incentive Plan**

*Introduction*

On 11 March 2016, our Board unanimously voted to adopt the AquaBounty Technologies, Inc. 2016 Equity Incentive Plan (the “2016 Plan”) to allow the Company to continue to grant equity incentive compensation in connection with the expiration of the AquaBounty Technologies, Inc. 2006 Equity Incentive Plan on 18 March 2016. We are asking our stockholders to approve this Proposal 2 to adopt the 2016 Plan so that we can use the 2016 Plan to attract, retain, and motivate our employees, consultants, and directors using equity compensation.

*Summary of the Proposed 2016 Equity Incentive Plan*

The following summary of the material provisions of the 2016 Plan is not intended to be exhaustive and is qualified in its entirety by the terms of the 2016 Plan, a copy of which is set forth as Appendix A to this Notice.

Shares Available Under the 2016 Plan. The 2016 Plan has a maximum share reserve of 13,500,000 shares of our common stock, subject to the permitted adjustments as explained below. Shares will return to the 2016 Plan, and will not reduce the number of shares available for issuance under the 2016 Plan, if the award: (1) expires or otherwise terminates without all of the shares covered by such award having been issued; (2) is settled in cash (*i.e.*, the participant receives cash rather than stock); (3) is forfeited back to or repurchased by the Company because of the failure to meet a contingency or condition required to vest such shares in the participant; or (4) is reacquired by the Company in satisfaction of tax withholding obligations or as consideration for the exercise or purchase price of an award.

Administration. The 2016 Plan provides that the Board or a duly authorized committee thereof may administer the 2016 Plan (in such capacity, the “Administrator”). One or more of our officers may be empowered to designate employees to receive awards under the 2016 Plan and determine the size of any such awards (subject to certain limitations described in the 2016 Plan).

The Administrator determines which persons will receive awards, the number of shares subject to such awards, and the material terms and conditions of those awards, including the vesting, exercise, and delivery schedule for shares acquired under the awards. In addition, the Administrator may undertake an action that is treated as a repricing under generally accepted accounting principles, including reducing the exercise price to the then-current fair market value or cancelling an outstanding underwater option in exchange for a new award or a cash payment. The Company will document these awards using forms approved by the 2016 Plan administrator. We may grant multiple awards to any participant, even if previously granted awards remain outstanding. The decisions of the Administrator are final and binding.

Eligibility. We may grant awards under the 2016 Plan to the officers, employees, directors, and consultants of the Company and its subsidiaries.

Permitted Awards. Under the 2016 Plan, we may grant stock options, stock appreciation rights (SARs), restricted stock, restricted stock units, and other awards whose value is determined by reference to shares of our common stock.

Stock Options. A stock option is the right to purchase shares of common stock at a price not less than the fair market value per share at the date of grant (except to the extent permitted by the U.S. Internal Revenue Code in connection with the assumption of or substitution of an option for another option or stock appreciation right in connection with a change in control). No stock option may be exercisable more than ten years from the date of grant. Each grant will specify the period of continuous service with us or any subsidiary that is necessary before the stock options become exercisable. The aggregate number of shares of our common stock actually issued or transferred on the exercise of incentive stock options will not exceed 27,000,000 shares of our common stock.

SARs. An SAR is a right to receive the appreciation distribution payable on the exercise of the SAR in an amount not greater than the excess of (i) the fair market value of the share of vested common stock subject to such award on the date of the exercise of the SAR over (ii) the strike price. SARs may be settled in cash, in shares of common stock, or in any combination of the two. The strike price for an SAR is generally not less than the fair market value per share at the date of grant (except to the extent permitted by the U.S. Internal Revenue Code in connection with the assumption of or substitution of an option for another option or stock appreciation right in connection with a change in control).

Restricted Stock. A grant of restricted stock involves the transfer by us to a participant of ownership of a specific number of shares of common stock in consideration of the performance of services. A holder of restricted stock has voting, dividend, and other ownership rights in such shares. The transfer may be made without additional consideration or in consideration of a purchase price determined by the Administrator. Any dividends or other distributions paid with respect to unvested restricted stock will generally be subject to the same restrictions and risk of forfeiture as the underlying award.

RSUs. A grant of RSUs is the right to receive shares of common stock in the future, subject to any restrictions specified by the 2016 Plan administrator. During the restriction period and until shares are actually issued, the participant will have no rights of ownership in the shares of common stock. The Administrator may authorize the payment of dividend equivalents on RSUs, generally subject to the same restrictions and risk of forfeiture that apply to the underlying award.

Other Awards. The Administrator may, subject to limitations under applicable law, grant to any participant such other awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, shares of common stock.

Amendments. We may amend the 2016 Plan from time to time. If required by the rules of AIM (or any other applicable securities exchange), we will seek stockholder approval of any Plan amendment that (i) would materially increase the benefits accruing to participants under the 2016 Plan, (ii) would materially increase the number of securities that may be issued under the 2016 Plan, (iii) would materially expand the class of participants under the 2016 Plan, or (iv) must otherwise be approved by the our stockholders to comply with applicable law or the rules of AIM (or such other securities exchange).

Transferability. Except as otherwise determined by the Administrator, awards are generally not transferable by the participant except by will or the laws of descent and distribution. In no event may any award granted under the 2016 Plan be transferred for value.

Adjustments. In the event of a change in our common stock without the receipt of consideration by the Company through a merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, large nonrecurring cash dividend, stock split, reverse stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure, or any similar equity restructuring transaction, the Board will appropriately and proportionately adjust: (i) the class(es) and maximum number of securities subject to the 2016 Plan as the share reserve, (ii) the class(es) and maximum number of securities that may be issued pursuant to the exercise of incentive stock options, and (iii) the class(es) and number of securities and price per share subject to outstanding awards. The Board will make such adjustments, and its determination will be final, binding, and conclusive.

Change in Control. If we are subject to a change in control, the Administrator may: (i) arrange for the surviving corporation or acquiring corporation to assume or continue the award or to substitute a similar stock award (including, but not limited to, an award to acquire the same consideration paid to the stockholders of the Company in the transaction); (ii) arrange for the assignment of any reacquisition or repurchase rights held by the Company in respect of the award to the surviving corporation or acquiring corporation; (iii) accelerate the vesting, in whole or in part, of the award (and, if applicable, exercisability), with the award terminating if not exercised (if applicable) immediately prior to the effective time; (iv) arrange for the lapse, in whole or in part, of any reacquisition or repurchase rights held by the Company with respect to the award; (v) cancel or arrange for the cancellation of the award, to the extent not vested or not exercised, in exchange for such cash consideration, if any, as the Board, in its sole discretion, may consider appropriate; or (vi) make a payment equal to the excess, if any, of (A) the value of the property the holder would have received on the exercise of the award immediately prior to the transaction over (B) any exercise price payable in connection with such exercise. For clarity, this payment may be zero if the fair market value of the property is equal to or less than the exercise price. The Board need not take the same action or actions with respect to all awards or portions thereof or with respect to all participants.

Claw-Back Provisions. All awards granted under the 2016 Plan will be subject to recoupment in accordance with any clawback policy that the Company is required to adopt pursuant to the listing standards of any national securities exchange or association on which the Company's securities are listed or as is otherwise required by applicable law (e.g., the Dodd-Frank Wall Street Reform and Consumer Protection Act). In addition, the Board may impose such other clawback, recovery, or recoupment provisions in an award agreement as the Board determines necessary or appropriate, including, but not limited to, a reacquisition right in respect of previously acquired shares of or other cash or property on the occurrence of cause.

Effective Date and Termination. The 2016 Plan became effective as of 11 March 2016, subject to the approval of our stockholders (the "Effective Date"). No grant will be made under the 2016 Plan after 11 March 2026, the tenth anniversary of the Effective Date. All grants made on or prior to such date will continue in effect thereafter subject to the terms of the applicable award agreement and the terms of the 2016 Plan.

### *Vote Required*

Approval of the proposal requires the affirmative vote of holders of at least a majority of the shares of outstanding common stock.

***The Board of Directors recommends a vote "FOR" the approval of proposal 2. Proxies solicited by the Board of Directors will be voted "FOR" the proposal, unless a contrary vote is specified.***

### ***Other business***

Management is unaware of any business, other than that described herein, that may be presented for action at the Annual Meeting. If any other matters are properly presented at the Annual Meeting for action, the persons named in the accompanying proxy will vote upon them in accordance with their best judgment.

Yours faithfully,

**Richard J. Clothier**  
**Chairman**

### ***Special Note Regarding Forward-Looking Statements***

This document contains "forward-looking statements." Forward-looking statements include any statements that address future results or occurrences. In some cases you can identify forward-looking statements by terminology such as "may," "might," "will," "would," "should," "could," or the negatives thereof. Generally, the words "anticipate," "believe," "continue," "expect," "intend," "estimate," "project," "plan," and similar expressions identify forward-looking statements. Examples of forward-looking statements include statements regarding the NASDAQ listing and its impact on the Company. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances, including, but not limited to: the status of and prospects for the Company's AquAdvantage® Salmon product; the uncertainty of achieving the Company's business plan, future revenue, and operating results; developments concerning the Company's research projects; the Company's ability to successfully enter new markets or develop additional products; competition from existing technologies and products or new technologies and products that may emerge; actual or anticipated variations in the Company's operating results; the Company's cash position and ability to raise additional capital to finance its activities; market conditions in the Company's industry; the Company's ability to protect its intellectual property and other proprietary rights and technologies; the Company's ability to adapt to changes in laws or regulations and policies; the ability to secure any necessary regulatory approvals to commercialize any products; the rate and degree of market acceptance of any products developed through the application of genetic engineering, including genetically modified fish; the Company's ability to retain and recruit key personnel; the ability of the Company's majority shareholder, Intrexon Corporation, to control the Company; the success of any of the Company's future acquisitions or investments; international business risks and exchange rate fluctuations; the possible volatility of the Company's stock price; the Company's limited operating history and track record of operating losses; and the Company's estimates regarding expenses, future revenue, capital requirements, and needs for additional financing. A number of these factors are beyond the Company's control. As a result, the Company's actual future results may differ materially from the plans, goals, and expectations set forth in the Company's forward-looking statements. Any forward-looking statements made in this document by or on behalf of the Company speak only as of the date they are made. Except as required by applicable law, the Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this document to reflect any changes in the Company's expectations with regard thereto or any changes in events, conditions, or circumstances on which such statement is based.

**AQUABOUNTY TECHNOLOGIES, INC.**  
**2016 EQUITY INCENTIVE PLAN**

Adopted by the Board of Directors on March 11, 2016  
Termination Date: March 11, 2026

**1. General**

a. **Eligible Award Recipients.** Employees, Directors, and Consultants (definitions for capitalized terms can be found in Section 13) are eligible to receive Awards.

b. **Available Awards.** The Plan provides for the grant of the following types of Awards: (i) Incentive Stock Options, (ii) Nonstatutory Stock Options, (iii) Stock Appreciation Rights, (iv) Restricted Stock Awards, (v) Restricted Stock Unit Awards, and (vi) Other Awards.

c. **Purpose.** This Plan, through the granting of Awards, is intended to help the Company secure and retain the services of eligible award recipients, provide incentives for such persons to exert maximum efforts for the success of the Company and any Affiliate and provide a means by which the eligible recipients may benefit from increases in value of the Common Stock.

**2. Administration**

a. **Administration by Board.** The Board will administer the Plan. The Board may delegate administration of the Plan to a Committee or Committees, as provided in Section 2(c).

b. **Powers of Board.** The Board will have the power, subject to and within the limitations of, the express provisions of the Plan, to:

i. determine (A) who will be granted Awards; (B) when and how each Award will be granted; (C) what type of Award will be granted; (D) the provisions of each Award (which need not be identical), including when a person will be permitted to exercise or otherwise receive cash or Common Stock under the Award; (E) the number of shares of Common Stock subject to, or the cash value of, an Award; and (F) the Fair Market Value applicable to an Award;

ii. construe and interpret the Plan and Awards granted under it;

iii. establish, amend, and revoke rules and regulations for its administration of the Plan and Awards;

iv. correct any defect, omission, or inconsistency in the Plan or in any Award Agreement in a manner and to the extent it will deem necessary or expedient to make the Plan or Award fully effective;

v. settle all controversies regarding the Plan and Awards granted under it;

vi. accelerate, in whole or in part, the time at which an Award may be exercised or vest (or at which cash or shares of Common Stock may be issued);

vii. amend, suspend, or terminate the Plan at any time, as long as such action does not materially impair any Participant's rights under any then-outstanding Award without that Participant's written consent or a provision in the Plan or the applicable Award Agreement permitting such action without consent; provided, however, that a Participant's rights will not be deemed to have been impaired by an amendment if (A) the Board, in its sole discretion, determines that the amendment, taken as a whole, does not materially impair those rights or (B) subject to any limitations of applicable law, the amendment is effected to (I) maintain the qualified status of the Award as an Incentive Stock Option under Section 422 of the Code, (II) change the terms of an Incentive Stock Option, if such change results in impairment of the Award solely because it impairs the qualified status of the Award as an Incentive Stock Option under Section 422 of the Code, (III) clarify the manner of exemption from, or to bring the Award into compliance with, Section 409A, (IV) correct clerical or typographical errors, or (V) comply with other applicable laws or listing requirements;

viii. submit any amendment to the Plan for stockholder approval, including, but not limited to, amendments to the Plan intended to satisfy the requirements of Section 422 of the Code regarding incentive stock options or to satisfy other applicable laws, regulations, or listing requirements;

ix. exercise such powers and perform such acts as the Board deems necessary or expedient to promote the best interests of the Company and that are not in conflict with the provisions of the Plan or Awards;

x. adopt such procedures and sub-plans as are necessary or appropriate to permit participation in the Plan by Employees, Directors, or Consultants who are foreign nationals or employed outside the United States; and

xi. effect, with the consent of any adversely affected Participant, (A) the reduction of the exercise, purchase, or strike price of any outstanding Award; (B) the cancellation of any outstanding Award and the grant in substitution therefor of a new Option, SAR, Restricted Stock Award, Restricted Stock Unit Award, Other Award, cash, or other valuable consideration determined by the Board, in its sole discretion, with any such substituted award (I) covering the same or a different number of shares of Common Stock as the cancelled Award and (II) granted under the Plan or another equity or compensatory plan of the Company; or (C) any other action that is treated as a repricing under generally accepted accounting principles.

c. **Delegation to Committee.** The Board may delegate some or all of the administration of the Plan to a Committee or Committees. If administration of the Plan is delegated to a Committee, the Committee will have, in connection with the administration of the Plan, the powers theretofore possessed by the Board that have been delegated to the Committee, including the power to delegate to a subcommittee of the Committee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board will thereafter be to the Committee or subcommittee). Any delegation of administrative powers will be reflected in resolutions, not inconsistent with the provisions of the Plan, adopted from time to time by the Board or Committee (as applicable). The Board may retain the authority to concurrently administer the Plan with the Committee and may, at any time, revert in the Board some or all of the powers previously delegated.

d. **Delegation to an Officer.** To the extent permitted by law, the Board may delegate to one or more Officers the authority to do either or both of the following: (i) designate Employees who are not Officers to be recipients of Options and SARs (and, to the extent permitted by applicable law,

other Awards) and, to the extent permitted by applicable law, the terms of such Awards, and (ii) determine the number of shares of Common Stock to be subject to such Awards granted to such Employees. However, if and as required by applicable law, the Board resolutions regarding such delegation will specify the total number of shares of Common Stock that may be subject to the Awards granted by such Officer and that such Officer may not grant an Award to himself or herself. Any such Awards will be granted on the form of Award Agreement most recently approved for use by the Committee or the Board, unless otherwise provided in the resolutions approving the delegation authority. Unless permitted by applicable law, the Board may not delegate authority to an Officer who is acting solely in the capacity of an Officer (and not also as a Director) to determine the Fair Market Value if the Common Stock is not listed on any established stock exchange or traded on any established market.

e. **Effect of Board's Decision.** All determinations, interpretations, and constructions made by the Board in good faith will not be subject to review by any person and will be final, binding, and conclusive on all persons.

### 3. Shares Subject to the Plan

a. **Share Reserve.** Subject to Section 9(a) relating to Capitalization Adjustments, the aggregate number of shares of Common Stock that may be issued pursuant to Awards will not exceed 13,500,000 shares (the "**Share Reserve**").

b. **Reversion of Shares to the Share Reserve.** Shares will return to the Plan, and will not reduce (or otherwise offset) the number of shares of Common Stock that may be available for issuance under the Plan, if the Award, or any portion thereof:

i. expires or otherwise terminates without all of the shares covered by such Award having been issued;

ii. is settled in cash (*i.e.*, the Participant receives cash rather than stock);

iii. is forfeited back to or repurchased by the Company because of the failure to meet a contingency or condition required to vest such shares in the Participant;

iv. is reacquired by the Company in satisfaction of tax withholding obligations or as consideration for the exercise or purchase price of an Award (provided, for clarity, that such shares are treated as having been issued, and then returned to the Plan).

c. **Incentive Stock Option Limit.** Subject to the Plan provisions relating to Capitalization Adjustments, the aggregate maximum number of shares of Common Stock that may be issued pursuant to the exercise of Incentive Stock Options will be equal to twice the expressly stated Share Reserve (with each increase to the Share Reserve authorized by the Board and stockholders also resulting in a corresponding increase in this Incentive Stock Option limit).

d. **Source of Shares.** The stock issuable under the Plan will be shares of authorized but unissued or reacquired Common Stock, including shares repurchased by the Company on the open market or otherwise.

#### 4. Eligibility

a. **Eligibility for Specific Awards.** Incentive Stock Options may be granted only to employees of the Company or a “parent corporation” or “subsidiary corporation” thereof (as such terms are defined in Sections 424(e) and 424(f) of the Code). Awards other than Incentive Stock Options may be granted to Employees, Directors, and Consultants. However, Awards may not be granted to Employees, Directors, and Consultants who are providing Continuous Service only to any “parent” of the Company, as such term is defined in Rule 405, unless (i) the stock underlying such Awards is treated as “service recipient stock” under Section 409A (for example, because the Awards are granted pursuant to a corporate transaction, such as a spin off transaction) or (ii) the Company, in consultation with its legal counsel, has determined that such Awards are otherwise exempt from or alternatively comply with the distribution requirements of Section 409A.

b. **Ten Percent Stockholders.** A Ten Percent Stockholder will not be granted an Incentive Stock Option unless the exercise price of such Option is at least 110% of the Fair Market Value on the date of grant, and the Option is not exercisable after the expiration of five years from the date of grant.

#### 5. Provisions Relating to Options and Stock Appreciation Rights

Each Option or SAR will be in such form and will contain such terms and conditions as the Board deems appropriate. All Options will be separately designated Incentive Stock Options or Nonstatutory Stock Options at the time of grant, and, if certificates are issued, a separate certificate or certificates will be issued for shares of Common Stock purchased on the exercise of each type of Option. If an Option is not specifically designated as an Incentive Stock Option, or if an Option is designated as an Incentive Stock Option but some portion or all of the Option fails to qualify as an Incentive Stock Option under the applicable rules, then the Option (or portion thereof) will be a Nonstatutory Stock Option. The provisions of separate Options or SARs need not be identical. However, each Award Agreement will conform to (through incorporation of provisions hereof by reference in the applicable Award Agreement or otherwise) the substance of each of the following provisions:

a. **Term.** Subject to the provisions of Section 4(b) regarding Ten Percent Stockholders, no Option or SAR will be exercisable after the expiration of ten years from the date of its grant or such shorter period specified in the Award Agreement.

b. **Exercise Price.** Subject to the provisions of Section 4(b) regarding Ten Percent Stockholders, the exercise or strike price of each Option or SAR will be not less than 100% of the Fair Market Value of the Common Stock subject to the Option or SAR on the date the Award is granted. However, an Option or SAR may be granted with an exercise price (or strike price) lower than 100% of the Fair Market Value if such Award is granted pursuant to an assumption of or substitution for another option or stock appreciation right pursuant to a Change in Control and in a manner consistent with the provisions of Section 409A and, if applicable, Section 424(a) of the Code. Each SAR will be denominated in shares of Common Stock equivalents.

c. **Purchase Price for Options.** The purchase price of Common Stock acquired on the exercise of an Option may be paid, to the extent permitted by applicable law and as determined by the Board in its sole discretion, by any combination of the methods of payment set forth below. The Board will have the authority to grant Options that do not permit all of the following methods of payment (or

otherwise restrict the ability to use certain methods) and to grant Options that require the consent of the Company to use a particular method of payment. The permitted methods of payment are as follows:

i. by cash, check, bank draft, electronic funds, wire transfer, or money order payable to the Company;

ii. through a program developed under Regulation T as established by the Federal Reserve Board that, prior to the issuance of the stock subject to the Option, results in either the receipt of cash (or check) by the Company or the receipt of irrevocable instructions to pay the aggregate exercise price to the Company from the sales proceeds (sometimes called a “same-day sale” or “sell to cover”);

iii. by tendering the cash proceeds resulting from a sale to a third party investor of some of the shares to be exercised, but only if the investor is approved by the Company at the time of exercise, under a private company liquidity assistance program approved by the Company;

iv. by delivery to the Company (either by actual delivery or attestation) of shares of Common Stock;

v. if an option is a Nonstatutory Stock Option, by a “net exercise” arrangement by which the Company will reduce the number of shares of Common Stock received on exercise by the largest whole number of shares with a fair market value that does not exceed the aggregate exercise price, coupled with a cash payment for any remaining balance of the aggregate exercise price not satisfied by such reduction in the number of whole shares to be issued (and for clarity, these shares used to pay the exercise price will be issued at exercise, and then immediately reacquired by the Company);

vi. according to a deferred payment or similar arrangement with the Participant, but only if interest will compound at least annually and will be charged at the minimum rate of interest necessary to avoid (A) the imputation of interest income to the Company and compensation income to the Participant under any applicable provisions of the Code and (B) the classification of the Award as a liability for financial accounting purposes; or

vii. in any other form of legal consideration that may be acceptable to the Board and specified in the applicable Award Agreement.

d. **Exercise and Payment of a SAR.** To exercise any outstanding SAR, the Participant must provide written notice of exercise to the Company in compliance with the provisions of the Award Agreement evidencing such SAR. The appreciation distribution payable on the exercise of a SAR will be not greater than an amount equal to the excess of (i) the aggregate fair market value (on the date of the exercise of the SAR) of a number of shares of Common Stock equal to the number of Common Stock equivalents in which the Participant is vested under such SAR, and with respect to which the Participant is exercising the SAR on such date, over (ii) the strike price. The appreciation distribution may be paid in Common Stock, in cash, in any combination of the two or in any other form of consideration, as determined by the Board and contained in the Award Agreement evidencing such SAR.

e. **Transferability of Options and SARs.** The Board may, in its sole discretion, impose such limitations on the transferability of Options and SARs as the Board will determine. In the

absence of such a determination by the Board to the contrary, the following restrictions on the transferability of Options and SARs will apply:

i. **Restrictions on Transfer.** An Option or SAR will not be transferable except by will or by the laws of descent and distribution (or pursuant to subsections (ii) and (iii) below) and will be exercisable during the lifetime of the Participant only by the Participant. The Board may permit transfer of the Option or SAR in a manner that is not prohibited by applicable tax and securities laws. Except as explicitly provided herein, neither an Option nor a SAR may be transferred for consideration.

ii. **Domestic Relations Orders.** Subject to the approval of the Board or a duly authorized Officer, an Option or SAR may be transferred pursuant to the terms of a domestic relations order, official marital settlement agreement, or other divorce or separation instrument as permitted by Treasury Regulations 1.421-1(b)(2). If an Option is an Incentive Stock Option, such Option will be deemed to be a Nonstatutory Stock Option as a result of such transfer.

iii. **Beneficiary Designation.** Subject to the approval of the Board or a duly authorized Officer, a Participant may, by delivering written notice to the Company in a form approved by the Company (or the designated broker), designate a third party who, on the death of the Participant, will thereafter be entitled to exercise the Option or SAR and receive the Common Stock or other consideration resulting from such exercise. In the absence of such a designation, the executor or administrator of the Participant's estate will be entitled to exercise the Option or SAR and receive the Common Stock or other consideration resulting from such exercise. However, the Company may prohibit designation of a beneficiary at any time, including due to any conclusion by the Company that such designation would be inconsistent with the provisions of applicable laws.

f. **Vesting Generally.** The total number of shares of Common Stock subject to an Option or SAR may vest and therefore become exercisable in periodic installments that may or may not be equal. The Option or SAR may be subject to such other terms and conditions on the time or times when it may or may not be exercised (which may be based on the satisfaction of performance goals or other criteria) as the Board may deem appropriate. The vesting provisions of individual Options or SARs may vary.

g. **Termination of Continuous Service.** Except as otherwise provided below or in the applicable Award Agreement or other agreement between the Participant and the Company, if a Participant's Continuous Service terminates (other than for Cause and other than on the Participant's death or Disability), the Participant may exercise his or her Option or SAR (if the Participant was entitled to exercise such Award as of the date of termination of Continuous Service) within the period of time ending on the earlier of (i) the date three months following the termination of the Participant's Continuous Service and (ii) the expiration of the term of the Option or SAR as set forth in the Award Agreement. If, after termination of Continuous Service, the Participant does not exercise his or her Option or SAR within the applicable time frame, the Option or SAR will terminate. In all cases, the unvested piece of an Option or SAR will terminate on the termination of Continuous Service.

h. **Extension of Termination Date.** If the exercise of an Option or SAR following the termination of a Participant's Continuous Service (other than for Cause and other than on the Participant's death or Disability) would be prohibited at any time solely because the issuance of shares of Common Stock would violate the registration requirements under the Securities Act, then the Option or SAR will terminate on the earlier of (i) the expiration of a total period of three months (that

need not be consecutive) after the termination of the Participant's Continuous Service during which the exercise of the Option or SAR would not be in violation of such registration requirements and (ii) the expiration of the term of the Option or SAR as set forth in the applicable Award Agreement. In addition, unless otherwise provided in a Participant's Award Agreement, if the immediate sale of any Common Stock received on exercise of an Option or SAR following the termination of the Participant's Continuous Service (other than for Cause and other than on the Participant's death or Disability) would violate the Company's insider trading policy, then the Option or SAR will terminate on the earlier of (A) the expiration of a total period of three months (that need not be consecutive) after the termination of the Participant's Continuous Service during which the sale of the Common Stock received on exercise of the Option or SAR would not be in violation of the Company's insider trading policy or (B) the expiration of the term of the Option or SAR as set forth in the applicable Award Agreement.

i. **Disability of Participant.** Except as otherwise provided in the applicable Award Agreement or other agreement between the Participant and the Company, if a Participant's Continuous Service terminates as a result of the Participant's Disability, the Participant may exercise his or her Option or SAR (if the Participant was entitled to exercise such Option or SAR as of the date of termination of Continuous Service), but only within such period of time ending on the earlier of (i) the date that is twelve months following such termination of Continuous Service and (ii) the expiration of the term of the Option or SAR as set forth in the Award Agreement. If, after termination of Continuous Service, the Participant does not exercise his or her Option or SAR within the applicable time frame, the Option or SAR (as applicable) will terminate.

j. **Death of Participant.** Except as otherwise provided in the applicable Award Agreement or other agreement between the Participant and the Company, if (i) a Participant's Continuous Service terminates as a result of the Participant's death or (ii) a Participant dies within three months after the termination of the Participant's Continuous Service (for a reason other than death or Cause), then the Option or SAR may be exercised (to the extent the Participant was entitled to exercise such Option or SAR as of the date of death) by the Participant's estate, by a person who acquired the right to exercise the Option or SAR by bequest or inheritance, or by a person designated to exercise the Option or SAR on the Participant's death, but only within the period ending on the earlier of (A) the date that is twelve months following the date of death and (B) the expiration of the term of such Option or SAR as set forth in the Award Agreement. If, after the Participant's death, the Option or SAR is not exercised within the applicable time frame, the Option or SAR will terminate.

k. **Termination for Cause.** Except as explicitly provided otherwise in a Participant's Award Agreement or other individual written agreement between the Company or any Affiliate and the Participant, if a Participant's Continuous Service is terminated for Cause, the Option or SAR will terminate immediately on such Participant's termination of Continuous Service, and the Participant will be prohibited from exercising his or her Option or SAR from and after the time of such termination of Continuous Service.

l. **Non-Exempt Employees.** If an Option or SAR is granted to an Employee who is a non-exempt employee for purposes of the Fair Labor Standards Act of 1938, as amended from time to time, the Option or SAR will not be first exercisable for any shares of Common Stock until at least six months following the date of grant of the Option or SAR (although the Award may vest prior to such date). Consistent with the provisions of the Worker Economic Opportunity Act, (i) if such non-exempt Employee dies or suffers a Disability; (ii) on a Change in Control in which such Option or SAR is not assumed, continued, or substituted; or (iii) on the Participant's retirement (as such term may be defined

in the Participant's Award Agreement in another agreement between the Participant and the Company, or, if no such definition, in accordance with the Company's then-current employment policies and guidelines), the vested portion of any Options and SARs may be exercised earlier than six months following the date of grant. The foregoing provision is intended to operate so that any income derived by a non-exempt employee in connection with the exercise or vesting of an Option or SAR will be exempt from his or her regular rate of pay. If permitted and/or required for compliance with the Worker Economic Opportunity Act to ensure that any income derived by a non-exempt employee in connection with the exercise, vesting, or issuance of any shares under any other Award will be exempt from the employee's regular rate of pay, the provisions of this paragraph will apply to all Awards and are hereby incorporated by reference into such Award Agreements.

m. **Early Exercise.** An Option may, but need not, include a provision whereby the Participant may elect before the Participant's Continuous Service terminates to exercise the Option as to any part or all of the shares of Common Stock subject to the Option prior to the full vesting of the Option, except as would be inconsistent with Section 5(l). Subject to the repurchase limitation in Section 8(l), any unvested shares of Common Stock so purchased may be subject to a repurchase option in favor of the Company or to any other restriction the Board determines to be appropriate. Provided that the repurchase limitation in Section 8(l) is not violated, the Company shall not be required to exercise its repurchase option until at least six months (or such longer or shorter period of time required to avoid classification of the Option as a liability for financial accounting purposes) have elapsed following exercise of the Option unless the Board otherwise specifically provides in the Award Agreement.

## 6. Provisions of Awards Other than Options and SARs

a. **Restricted Stock Awards.** Each Award Agreement will be in such form and will contain such terms and conditions as the Board will deem appropriate. To the extent consistent with the Company's bylaws, at the Board's election, shares of Common Stock may be held in book entry form subject to the Company's instructions until any restrictions relating to the Restricted Stock Award lapse or evidenced by a certificate, which certificate will be held in such form and manner as determined by the Board. The terms and conditions of Award Agreements may change from time to time, and the terms and conditions of separate Award Agreements need not be identical. Each Award Agreement will conform to (through incorporation of the provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

i. **Consideration.** A Restricted Stock Award may be awarded in consideration for (A) cash, check, bank draft, electronic funds, wire transfer, or money order payable to the Company; (B) past services to the Company or an Affiliate; or (C) any other form of legal consideration that may be acceptable to the Board, in its sole discretion, and permissible under applicable law.

ii. **Vesting.** Shares of Common Stock awarded under the Restricted Stock Award may be subject to forfeiture to the Company in accordance with a vesting schedule (also referred to as a schedule for lapsing of the Company's unvested share repurchase rights) to be determined by the Board.

iii. **Termination of Participant's Continuous Service.** If a Participant's Continuous Service terminates, the Company may receive through a forfeiture condition or a repurchase right any or all of the shares of Common Stock held by the Participant that have not vested as of the date of termination of Continuous Service under the terms of the Award Agreement.

iv. **Transferability.** The right to acquire shares of Common Stock under a Restricted Stock Award will not be transferable by the Participant. Once the shares of Common Stock are issued, the Board may allow the holder to transfer unvested shares, but only on the terms and conditions in the Award Agreement, and only so long as the Common Stock awarded under the Award Agreement remains subject to the terms of the Award Agreement in the hands of the recipient.

v. **Dividends.** In the absence of an Award Agreement expressly providing otherwise, any dividends paid on Restricted Stock will be subject to the same vesting and forfeiture restrictions as apply to the shares subject to the Restricted Stock Award to which they relate.

b. **Restricted Stock Unit Awards.** Each Award Agreement will be in such form and will contain such terms and conditions as the Board deems appropriate. The terms and conditions of Award Agreements may change from time to time, and the terms and conditions of separate Award Agreements need not be identical. Each Award Agreement will conform to (through incorporation of the provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

i. **Consideration.** At the time of grant of a Restricted Stock Unit Award, the Board will determine the consideration, if any, to be paid by the Participant on delivery of each share of Common Stock subject to the Restricted Stock Unit Award. The consideration to be paid (if any) by the Participant for each share of Common Stock subject to a Restricted Stock Unit Award may be paid in any form of legal consideration that may be acceptable to the Board, in its sole discretion, and permissible under applicable law.

ii. **Vesting.** At the time of the grant of a Restricted Stock Unit Award, the Board may impose such restrictions on or conditions to the vesting of the Restricted Stock Unit Award as it, in its sole discretion, deems appropriate.

iii. **Payment.** A Restricted Stock Unit Award may be settled by the delivery of shares of Common Stock, their cash equivalent, any combination thereof or in any other form of consideration, as determined by the Board and contained in the Award Agreement.

iv. **Additional Restrictions.** At the time of the grant of a Restricted Stock Unit Award, the Board, as it deems appropriate, may impose such restrictions or conditions that delay the delivery of the shares of Common Stock (or their cash equivalent) subject to a Restricted Stock Unit Award to a time after the vesting of such Restricted Stock Unit Award.

v. **Dividend Equivalents.** Dividend equivalents may be credited on shares of Common Stock covered by a Restricted Stock Unit Award, as determined by the Board and contained in an Award Agreement. At the sole discretion of the Board, such dividend equivalents may be converted into additional shares of Common Stock covered by the Restricted Stock Unit Award in such manner as determined by the Board. Any additional shares covered by the Restricted Stock Unit Award credited by reason of such dividend equivalents will be subject to all of the same terms and conditions of the underlying Award Agreement to which they relate.

vi. **Termination of Participant's Continuous Service.** Except as otherwise provided in the applicable Award Agreement, the unvested portion of the Restricted Stock Unit Award that has not vested will be forfeited on the Participant's termination of Continuous Service.

c. **Other Awards.** Other forms of Awards valued in whole or in part by reference to, or otherwise based on, Common Stock, including the appreciation in value thereof (e.g., options or stock rights with an exercise price or strike price less than 100% of the Fair Market Value of the Common Stock at the time of grant), may be granted either alone or in addition to other Awards. Subject to the provisions of the Plan, the Board will have sole and complete authority to determine the persons to whom and the time or times at which such Other Awards will be granted, the number of shares of Common Stock (or the cash equivalent thereof) to be granted pursuant to such Other Awards, and all other terms and conditions of such Other Awards.

## 7. Covenants of the Company

a. **Availability of Shares.** The Company will keep available at all times the number of shares of Common Stock reasonably required to satisfy then-outstanding Awards.

b. **Compliance with Laws and Rules.** The Company will use reasonable efforts to seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to grant Awards and to issue and sell shares of Common Stock on exercise of the Awards. However, this undertaking will not require the Company to register under the Securities Act or any other securities laws the Plan, any Award, or any Common Stock issued or issuable pursuant to any such Award. If, after reasonable efforts and at a reasonable cost, the Company is unable to obtain from any such regulatory commission or agency the authority that counsel for the Company deems necessary for the lawful issuance and sale of Common Stock under the Plan, the Company will be relieved from any liability for failure to issue and sell Common Stock on exercise of such Awards unless and until such authority is obtained. A Participant will not be eligible for the grant of an Award or the subsequent issuance of cash or Common Stock pursuant to the Award if such grant or issuance would be in violation of any applicable law or the rules of any stock exchange, including, but not limited to, the rules of the London Stock Exchange or Nasdaq.

c. **No Obligation to Notify or Minimize Taxes.** The Company will have no duty or obligation to any Participant to advise such holder as to the time or manner of exercising such Award. Furthermore, the Company will have no duty or obligation to warn or otherwise advise such holder of a pending termination or expiration of an Award or a possible period in which the Award may not be exercised. The Company has no duty or obligation to minimize the tax consequences of an Award to the holder of such Award.

## 8. Miscellaneous

a. **Use of Proceeds from Sales of Common Stock.** Proceeds from the sale of shares of Common Stock pursuant to Awards will constitute general funds of the Company.

b. **Corporate Action Constituting Grant of Awards.** Corporate action constituting a grant by the Company of an Award to any Participant will be deemed completed as of the date of such corporate action, unless otherwise determined by the Board, regardless of when the instrument, certificate, or letter evidencing the Award is communicated to, or actually received or accepted by, the Participant. If the corporate records (e.g., Board consents, resolutions, or minutes) documenting the corporate action constituting the grant contain terms (e.g., exercise price, vesting schedule, or number of shares) that are inconsistent with those in the Award Agreement as a result of a clerical error in the papering of the Award Agreement, the corporate records will control and the Participant will have no legally binding right to the incorrect term in the Award Agreement.

c. **Stockholder Rights.** No Participant will be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Common Stock subject to an Award unless and until (i) such Participant has satisfied all requirements for exercise of, or the issuance of shares under, the Award pursuant to its terms and (ii) the issuance of the Common Stock subject to such Award has been entered into the books and records of the Company. The Board may require, as a condition to the grant, exercise, or settlement of an Award, the Participant to appoint the Company's CEO (or other member of the Board) as having the sole and exclusive power of attorney to vote all shares of Common Stock subject to Participant's Award, which power shall be effective until the earlier of the completion of a Change in Control or the Company's initial public offering.

d. **No Employment or Other Service Rights.** Nothing in the Plan, any Award Agreement, or any other instrument executed thereunder or in connection with any Award granted pursuant thereto will confer on any Participant any right to continue to serve the Company or an Affiliate in the capacity in effect at the time the Award was granted, or will affect the right of the Company or an Affiliate to terminate (i) the employment of an Employee with or without notice and with or without cause, (ii) the service of a Consultant pursuant to the terms of such Consultant's agreement with the Company or an Affiliate, or (iii) the service of a Director pursuant to the bylaws of the Company or an Affiliate, and any applicable provisions of the corporate law of the state in which the Company or the Affiliate is incorporated, as the case may be.

e. **Change in Time Commitment.** If a Participant's regular level of time commitment in the performance of his or her services for the Company and any Affiliates is reduced (for example, and without limitation, if the Participant is an Employee of the Company and the Employee has a change in status from a full-time Employee to a part-time Employee or goes out on a leave of absence from his or her duties) after the date of grant of any Award to the Participant, the Board has the right in its sole discretion (and without the need to seek or obtain the consent of the affected Participant) to (i) make a corresponding reduction in the number of shares or cash amount subject to any portion of such Award that is scheduled to vest or become payable after the date of such change in time commitment and (ii) in lieu of or in combination with such a reduction, extend the vesting or payment schedule applicable to such Award. In the event of any such reduction, the Participant will have no right with respect to any portion of the Award that is so reduced or extended.

f. **Incentive Stock Option Limitations.** If the aggregate Fair Market Value (determined at the time of grant) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any Participant during any calendar year (under all plans of the Company and any Affiliates) exceeds \$100,000 (or such other limit established in the Code) or if an Option grant otherwise does not comply with the rules governing Incentive Stock Options, the Options or portions thereof that exceed such limit (based on the order of grant, as specified in the Code) or otherwise do not comply with the rules will be treated as Nonstatutory Stock Options, despite any contrary provision of any applicable Award Agreement.

g. **Investment Assurances.** The Company may require a Participant, as a condition of exercising or acquiring Common Stock under any Award, to (i) give written assurances satisfactory to the Company as to the Participant's knowledge and experience in financial and business matters; (ii) employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters, and as to the Participant's capability of evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Award; and (iii) give written assurances satisfactory to the Company stating that the Participant is acquiring Common Stock subject to the Award for the Participant's own account and not with any present

intention of selling or otherwise distributing the Common Stock. The foregoing requirements, and any assurances given pursuant to such requirements, will be inoperative if (A) the issuance of the shares on the exercise or acquisition of Common Stock under the Award has been registered under a then-currently effective registration statement under the Securities Act and any other applicable foreign securities laws or (B) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under the then-applicable securities laws. The Company may, on advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the Common Stock.

h. **Withholding Obligations.** Unless prohibited by the terms of an Award Agreement, the Company may, in its sole discretion, satisfy any federal, state, or local tax or social insurance withholding obligation relating to an Award by any of the following means or by a combination of such means: (i) causing the Participant to tender a cash payment; (ii) withholding shares of Common Stock from the shares of Common Stock issued or otherwise issuable to the Participant in connection with the Award; (iii) withholding cash from an Award settled in cash; (iv) withholding payment from any amounts otherwise payable to the Participant; or (v) by such other method as may be set forth in the Award Agreement. If shares of Common Stock are withheld to satisfy tax obligations, such shares will be deemed issued and then immediately tendered to the Company and no shares of Common Stock will be withheld for these purposes to the extent they have a value exceeding the minimum amount of tax required to be withheld by law (or such lesser amount as may be necessary to avoid classification of the Award as a liability for financial accounting purposes). For clarity, no partial shares will be withheld, and the Participant must satisfy the tax obligation related to any such partial share using another permitted form of payment.

i. **Electronic Delivery.** Any reference herein to a “written” agreement or document will include any agreement or document delivered electronically (filed publicly at [www.sec.gov](http://www.sec.gov) or any successor website thereto) or posted on the Company’s intranet (or other shared electronic medium controlled by the Company to which the Participant has access).

j. **Deferrals.** To the extent permitted by applicable law, the Board, in its sole discretion, may determine that the delivery of Common Stock or the payment of cash on the exercise, vesting, or settlement of all or a portion of any Award may be deferred and may establish programs and procedures for deferral elections to be made by Participants. Deferrals by Participants will be made in accordance with Section 409A. Consistent with Section 409A, the Board may provide for distributions while a Participant is still an employee or otherwise providing services to the Company. The Board is authorized to make deferrals of Awards and determine when, and in what annual percentages, Participants may receive payments, including lump sum payments, following the Participant’s termination of Continuous Service, and implement such other terms and conditions consistent with the provisions of the Plan and in accordance with applicable law.

k. **Compliance with Section 409A.** Unless otherwise expressly provided for in an Award Agreement, the Plan and Award Agreements will be interpreted to the greatest extent possible in a manner that makes the Plan and the Awards granted hereunder exempt from Section 409A of the Code, and, to the extent not so exempt, in compliance with Section 409A of the Code. If the Board determines that any Award granted hereunder is not exempt from and is therefore subject to Section 409A of the Code, the Award Agreement evidencing such Award will incorporate the terms and conditions necessary to avoid the consequences specified in Section 409A(a)(1) of the Code. If an

Award Agreement is silent on terms necessary for compliance, such terms are hereby incorporated by reference into the Award Agreement, with the permitted distribution events and timing being the earlier of the date of termination of Continuous Service and the date of a Change in Control. However, and unless the Award Agreement specifically provides otherwise, if the shares of Common Stock are publicly traded, and if a Participant holding an Award that constitutes “deferred compensation” under Section 409A of the Code is a “specified employee” for purposes of Section 409A of the Code, no distribution or payment of any amount that is due because of a “separation from service” (as defined in Section 409A of the Code without regard to alternative definitions thereunder) will be issued or paid before the date that is six months following the date of such Participant’s “separation from service” or, if earlier, the date of the Participant’s death, unless such distribution or payment can be made in a manner that complies with Section 409A of the Code, and any amounts so deferred will be paid in a lump sum on the day after such six-month period elapses, with the balance paid thereafter on the original schedule.

l. **Right of Repurchase.** An Award may include a provision whereby the Company may elect to repurchase all or any part of the shares of Common Stock acquired by the Participant, whether or not vested. The terms of any repurchase option shall be specified in the Award Agreement. Unless otherwise determined by the Board and subject to compliance with applicable laws, the repurchase price for vested shares of Common Stock will be the Fair Market Value of the shares of Common Stock on the date of repurchase, and the repurchase price for unvested shares of Common Stock (or vested shares, in the case of a termination of Continuous Service for Cause) will be the lower of (i) the Fair Market Value of the shares of Common Stock on the date of repurchase or (ii) their original purchase price. The Company will not exercise its repurchase option until at least six months (or such longer or shorter period of time necessary to avoid classification of the Award as a liability for financial accounting purposes) have elapsed following delivery of shares of Common Stock subject to the Award, unless otherwise specifically provided by the Board. The Board reserves the right to assign the Company’s right of repurchase.

m. **Right of First Refusal.** An Award may also include a provision whereby the Company may elect to exercise a right of first refusal following receipt of notice from the Participant of the intent to transfer all or any part of the shares of Common Stock received under the Award. Except as expressly provided in this paragraph or in the Award Agreement, such right of first refusal shall otherwise comply with any applicable provisions of the bylaws of the Company. The Board reserves the right to assign the Company’s right of first refusal.

n. **Compliance with Exemption from Registration.** Unless otherwise determined by the Board, during any period in which the Company does not have a class of its securities registered under Section 12 of the Exchange Act and is not required to file reports under Section 15(d) of the Exchange Act, the shares of Common Stock issued under Awards may not be transferred until the Company is no longer relying on the exemption provided by Rule 12h-1(f) promulgated under the Exchange Act, except: (i) as permitted by Rule 701(c) promulgated under the Securities Act, (ii) to a guardian on the disability of the Participant, or (iii) to an executor on the death of the Participant (collectively, the “*Permitted Transferees*”). In addition, the Board may permit transfers by the Participant to the Company and transfers in connection with a change in control or other acquisition involving the Company. Any Permitted Transferees may not further transfer the Awards. Except as otherwise expressly permitted in this paragraph, Awards and shares of Common Stock issued under Awards are restricted as to any pledge, hypothecation, or other transfer, including any short position, any “put equivalent position” as defined by Rule 16a-1(h) promulgated under the Exchange Act, or any “call equivalent position” as defined by Rule 16a-1(b) promulgated under the Exchange Act by the

Participant if doing so would require the Company to register a class of its securities under Section 12 of the Exchange Act or to file reports under Section 15(d) of the Exchange Act. To the extent required by law, including to maintain an exemption from registration under Section 12 of the Exchange Act, the Company shall deliver to Participants (whether by physical or electronic delivery or written notice of the availability of the information on an internet site) the information required by Rule 701(e)(3), (4), and (5) promulgated under the Securities Act every six months, including financial statements that are not more than 180 days old. However, the Company may condition the delivery of such information on the Participant's agreement to maintain its confidentiality.

o. **Non U.S. Participants.** To facilitate the making of any grant or combination of grants under this Plan, the Board may provide for such special terms or procedures for awards to Participants who are foreign nationals, are employed by the Company or any Affiliate outside of the United States of America, or provide services to the Company under an agreement with a foreign nation or agency, as the Board may consider necessary or appropriate to accommodate differences in local law, tax policy, custom securities, or exchange control laws. Moreover, the Board may approve such supplements to or amendments of this Plan (including, without limitation, sub-plans) as it may consider necessary or appropriate for such purposes, without thereby affecting the terms of this Plan as in effect for any other purpose, and the Secretary or other appropriate officer of the Company may certify any such document as having been approved and adopted in the same manner as this Plan. No such special terms, supplements, amendments, or restatements, however, will include any provisions that are inconsistent with the terms of this Plan as then in effect unless this Plan could have been amended to eliminate such inconsistency without further approval by the stockholders of the Company.

p. **Clawback/Recovery.** All Awards granted under the Plan will be subject to recoupment in accordance with any clawback policy that the Company is required to adopt pursuant to the listing standards of any national securities exchange or association on which the Company's securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law. In addition, the Board may impose such other clawback, recovery, or recoupment provisions in an Award Agreement as the Board determines necessary or appropriate, including, but not limited to, a reacquisition right in respect of previously acquired shares of Common Stock or other cash or property on the occurrence of Cause. The implementation of any clawback policy will not be deemed a triggering event for purposes of any definition of "good reason" for resignation or "constructive termination."

## 9. Adjustments On Changes In Common Stock; Other Corporate Events

a. **Capitalization Adjustments.** In the event of a Capitalization Adjustment, the Board will appropriately and proportionately adjust: (i) the class(es) and maximum number of securities subject to the Plan as the Share Reserve, (ii) the class(es) and maximum number of securities that may be issued pursuant to the exercise of Incentive Stock Options pursuant to Section 3(c), and (iii) the class(es) and number of securities and price per share subject to outstanding Awards. The Board will make such adjustments, and its determination will be final, binding, and conclusive.

b. **Dissolution or Liquidation.** Except as otherwise provided in the Award Agreement, in the event of a dissolution or liquidation of the Company, all outstanding Awards (other than Awards consisting of vested and outstanding shares of Common Stock not subject to a forfeiture condition or the Company's right of repurchase) will terminate immediately prior to the completion of such dissolution or liquidation, and the shares of Common Stock subject to the Company's repurchase rights or subject to a forfeiture condition may be repurchased or reacquired by the Company despite the fact

that the holder of such Award is providing Continuous Service. However, the Board may, in its sole discretion, cause some or all Awards to become fully vested, exercisable, and/or no longer subject to repurchase or forfeiture (to the extent that such Awards have not previously expired or terminated) before the dissolution or liquidation is completed but contingent on its completion.

c. **Change in Control.** The following provisions will apply to Awards in the event of a Change in Control unless otherwise provided (i) in the Award Agreement or any other written agreement between the Company or any Affiliate and the Participant or (ii) by the Board expressly at the time of grant of an Award. In the event of a Change in Control, and despite any other provision of the Plan, the Board may take one or more of the following actions with respect to Awards, contingent on the closing or completion of the Change in Control:

i. arrange for the surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company) to assume or continue the Award or to substitute a similar stock award for the Award (including, but not limited to, an award to acquire the same consideration paid to the stockholders of the Company pursuant to the Change in Control);

ii. arrange for the assignment of any reacquisition or repurchase rights held by the Company in respect of Common Stock issued pursuant to the Award to the surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company);

iii. accelerate the vesting, in whole or in part, of the Award (and, if applicable, the time at which the Award may be exercised) to a date prior to the effective time of such Change in Control as the Board determines (or, if the Board does not determine such a date, to the date that is five days prior to the effective date of the Change in Control), with such Award terminating if not exercised (if applicable) immediately prior to the effective time of the Change in Control;

iv. arrange for the lapse, in whole or in part, of any reacquisition or repurchase rights held by the Company with respect to the Award on a date prior to the effective time of such Change in Control as the Board will determine (or, if the Board will not determine such a date, on the date that is five days prior to the effective date of the Change in Control);

v. cancel or arrange for the cancellation of the Award, to the extent not vested or not exercised prior to the effective time of the Change in Control, in exchange for such cash consideration, if any, as the Board, in its sole discretion, may consider appropriate; and

vi. make a payment, in such form as may be determined by the Board equal to the excess, if any, of (A) the value of the property the Participant would have received on the exercise of the Award immediately prior to the effective time of the Change in Control, over (B) any exercise price payable by such holder in connection with such exercise, in consideration for the termination of such Award at or immediately prior to the closing. For clarity, this payment may be zero if the fair market value of the property is equal to or less than the exercise price.

The Board need not take the same action or actions with respect to all Awards or portions thereof or with respect to all Participants. The Board may take different actions with respect to the vested and unvested portions of an Award. Only to the extent permitted under Code Section 409A may the Board provide that payments under this provision may be delayed to the same extent that payment of consideration to the holders of the Company's Common Stock in connection with the Change in Control is delayed as a result of escrows, earn outs, holdbacks, or other contingencies. In addition, the Board may provide that such payments made over time will remain subject to

substantially the same vesting schedule as the Award, including any performance-based vesting metrics that applied to the Award immediately prior to the closing of the Change in Control. An Award may be subject to additional acceleration of vesting and exercisability in connection with a Change in Control as may be provided in the Award Agreement for such Award or as may be provided in any other written agreement between the Company or any Affiliate and the Participant, but in the absence of such provision, no such acceleration will occur. The Board may require that any award, cash, or property paid in consideration for a cancelled or exchanged Award be subject to the same terms and conditions (including earn out, escrow, or milestone payments) as apply to the consideration paid to the Company's stockholders in the deal, but only if doing so would not result in adverse tax penalties under Section 409A.

#### **10. Term, Termination, and Suspension of the Plan**

The Board may suspend or terminate the Plan at any time. This Plan will terminate, and no Incentive Stock Option will be granted after, the tenth anniversary of the earlier of (a) the date the Plan is adopted by the Board and (b) the date the Plan is approved by the stockholders of the Company. No Awards may be granted under the Plan while the Plan is suspended or after it is terminated. Suspension or termination of the Plan will not materially impair rights and obligations under any Award granted while the Plan is in effect except with the written consent of the affected Participant or as otherwise permitted in the Plan.

#### **11. Effective Date of the Plan**

This Plan became effective on the Effective Date.

#### **12. Choice of Law**

The laws of the State of Delaware will govern all questions concerning the construction, validity, and interpretation of this Plan, without regard to that state's conflict of laws rules.

#### **13. Definitions**

As used in the Plan, the following definitions will apply to the capitalized terms indicated below:

***"Affiliate"*** means, at the time of determination, any "parent" or "subsidiary" of the Company as such terms are defined in Rule 405. The Board will have the authority to determine the time or times at which "parent" or "subsidiary" status is determined within the foregoing definition.

***"Award"*** means (a) Incentive Stock Options, (b) Nonstatutory Stock Options, (c) Stock Appreciation Rights, (d) Restricted Stock Awards, (e) Restricted Stock Unit Awards, and (f) Other Awards.

***"Award Agreement"*** means a written agreement between the Company and a Participant evidencing the terms and conditions of an Award.

***"Board"*** means the Board of Directors of the Company.

***"Capitalization Adjustment"*** means any change that is made in, or other events that occur with respect to, the Common Stock subject to the Plan or subject to any Award after the Effective Date without the receipt of consideration by the Company through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, large nonrecurring cash dividend, stock split, reverse stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure, or any similar equity restructuring transaction, as

that term is used in Statement of Financial Accounting Standards Board Accounting Standards Codification Topic 718 (or any successor thereto). However, the conversion of any convertible securities of the Company will not be treated as a Capitalization Adjustment.

“**Cause**” will have the meaning ascribed to such term in any written agreement between the Participant and the Company defining such term as applicable to an Award and, in the absence of such agreement, such term means, with respect to a Participant, such Participant’s: (a) commission of any felony; (b) commission of a crime involving fraud, dishonesty, or moral turpitude under the laws of the United States or any state thereof that is reasonably likely to result in material adverse effects on the Company; (c) commission of a crime of fraud, embezzlement, or other intentional malfeasance against the Company; (d) intentional, material violation of any contract or agreement between the Participant and the Company or of any statutory duty owed to the Company; (e) unauthorized use or disclosure of the Company’s confidential information or trade secrets; or (f) gross misconduct that is reasonably likely to result in a material adverse effect on the Company. The determination that a termination of the Participant’s Continuous Service is either for Cause or without Cause will be made by the Board, in its sole discretion. Any determination by the Board that the Continuous Service of a Participant was terminated with or without Cause for the purposes of outstanding Awards held by such Participant will have no effect on any determination of the rights or obligations of the Company or such Participant for any other purpose.

“**Change in Control**” means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events:

(a) Any Exchange Act Person becomes the Owner, directly or indirectly, of securities of the Company representing more than 50% of the combined voting power of the Company’s then-outstanding securities other than by virtue of a merger, consolidation, or similar transaction. However, a Change in Control will not be deemed to occur (i) on account of the acquisition of securities of the Company by an investor, any affiliate thereof, or any other Exchange Act Person that acquires the Company’s securities in a transaction or series of related transactions the primary purpose of which is to obtain financing for the Company through the issuance of equity securities, or (ii) solely because the level of Ownership held by any Exchange Act Person (the “**Subject Person**”) exceeds the designated percentage threshold of the outstanding voting securities as a result of a repurchase or other acquisition of voting securities by the Company reducing the number of shares outstanding. However, if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of voting securities by the Company, and after such share acquisition, the Subject Person becomes the Owner of any additional voting securities that, assuming the repurchase or other acquisition had not occurred, increases the percentage of the then-outstanding voting securities Owned by the Subject Person over the designated percentage threshold, then a Change in Control will be deemed to occur;

(b) there is consummated a merger, consolidation, or similar transaction involving (directly or indirectly) the Company and, immediately after the consummation of such merger, consolidation, or similar transaction, the stockholders of the Company immediately prior thereto do not Own, directly or indirectly, either (i) outstanding voting securities representing more than 50% of the combined outstanding voting power of the surviving Entity in such merger, consolidation, or similar transaction or (ii) more than 50% of the combined outstanding voting power of the parent of the surviving Entity in such merger, consolidation, or similar transaction, in each case in substantially the same proportions as their Ownership of the outstanding voting securities of the Company immediately prior to such transaction; or

(c) there is consummated a sale, lease, exclusive license, or other disposition of all or substantially all of the consolidated assets of the Company and its Subsidiaries, other than a sale, lease, license, or other disposition of all or substantially all of the consolidated assets of the Company and its Subsidiaries to an Entity, more than 50% of the combined voting power of the voting securities of which are Owned by stockholders of the Company in substantially the same proportions as their Ownership of the outstanding voting securities of the Company immediately prior to such sale, lease, license, or other disposition.

However, the term Change in Control will not include a sale of assets, merger, or other transaction effected exclusively for the purpose of changing the domicile of the Company, and the definition of Change in Control (or any analogous term) in an individual written agreement between the Company or any Affiliate and the Participant will supersede the foregoing definition with respect to Awards subject to such agreement. If necessary for compliance with Code Section 409A, no transaction will be a Change in Control unless it is also a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the Company's assets, as provided in Section 409A(a)(2)(A)(v) of the Code and Treasury Regulations Section 1.409A-3(i)(5). The Board may, in its sole discretion and without a Participant's consent, amend the definition of "Change in Control" to conform to the definition of "Change in Control" under Section 409A of the Code, and the regulations thereunder.

"**Code**" means the Internal Revenue Code of 1986, as amended, including any applicable regulations and guidance thereunder.

"**Committee**" means a committee of one or more Directors to whom authority has been delegated by the Board in accordance with Section 2(c).

"**Common Stock**" means the common stock of the Company.

"**Company**" means AquaBounty Technologies, Inc., a Delaware corporation.

"**Consultant**" means any person, including an advisor, who is (a) engaged by the Company or an Affiliate to render consulting or advisory services and is compensated for such services or (b) serving as a member of the board of directors of an Affiliate and is compensated for such services, in either case, only if such person satisfies the requirements to be a consultant for purposes of Rule 701.

"**Continuous Service**" means that the Participant's service with the Company or an Affiliate, whether as an Employee, Director, or Consultant, is not interrupted or terminated. A change in the capacity in which the Participant renders service to the Company or an Affiliate as an Employee, Consultant, or Director or a change in the Entity for which the Participant renders such service (provided that there is no interruption or termination of the Participant's service with the Company or an Affiliate) will not terminate a Participant's Continuous Service. If the entity for which a Participant is rendering services ceases to qualify as an Affiliate, as determined by the Board, such Participant's Continuous Service will be considered to have terminated on the date such Entity ceases to qualify as an Affiliate. If permitted by law, the Board or the chief executive officer of the Company, in that party's sole discretion, may determine whether Continuous Service will be considered interrupted in the case of (a) any leave of absence approved by the Board or chief executive officer of the Company, including sick leave, military leave, or any other personal leave, or (b) transfers between the Company, an Affiliate, or their successors. However, a leave of absence will be treated as Continuous Service for purposes of vesting in an Award only to such extent as may be provided in the Company's leave of

absence policy, in the written terms of any leave of absence agreement or policy applicable to the Participant, or as otherwise required by law. In addition, if required for exemption from or compliance with Section 409A of the Code, the determination of Continuous Service will be made, and such term will be construed, in a manner that is consistent with the definition of “separation from service” as defined under Treasury Regulation Section 1.409A-1(h) (without regard to any alternative definition thereunder).

“**Director**” means a member of the Board.

“**Disability**” means, with respect to a Participant, the inability of such Participant to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of not less than twelve months, as provided in Sections 22(e)(3) and 409A(a)(2)(c)(i) of the Code, and will be determined by the Board on the basis of such medical evidence as the Board deems warranted under the circumstances.

“**Effective Date**” means the effective date of this Plan, which is the earlier of (a) the date that this Plan is first approved by the Company’s stockholders and (b) the date this Plan is adopted by the Board.

“**Employee**” means any person employed by the Company or an Affiliate. However, service solely as a Director, or payment of a fee for such services, will not cause a Director to be considered an “Employee” for purposes of the Plan.

“**Entity**” means a corporation, partnership, limited liability company, or other entity.

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“**Exchange Act Person**” means any natural person, Entity, or “group” (within the meaning of Section 13(d) or 14(d) of the Exchange Act), except that “Exchange Act Person” will not include (a) the Company or any Subsidiary; (b) any employee benefit plan of the Company or any Subsidiary or any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any Subsidiary; (c) an underwriter temporarily holding securities pursuant to a registered public offering of such securities; (d) an Entity Owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their Ownership of stock of the Company; or (e) any natural person, Entity, or “group” (within the meaning of Section 13(d) or 14(d) of the Exchange Act) that, as of the date of determination, is the Owner, directly or indirectly, of securities of the Company representing more than 50% of the combined voting power of the Company’s then outstanding securities.

“**Fair Market Value**” means, as of any date, the value of the Common Stock determined as follows:

(a) Unless otherwise determined by the Board, if the Common Stock is listed on any established stock exchange or traded on any established market, the Fair Market Value of a share of Common Stock will be the closing sales price for such stock as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the Common Stock) on the date of determination, or, if there is no closing sales price for the Common Stock on the date of determination,

then the Fair Market Value will be the closing selling price on the last preceding date for which such quotation exists.

(b) In the absence of such markets for the Common Stock, the Fair Market Value will be determined by the Board in good faith and in a manner that complies with Sections 409A and 422 of the Code.

In determining the value of a share for purposes of tax reporting on the exercise, issuance, or transfer of shares subject to Awards, fair market value may be calculated using the definition of Fair Market Value, the actual sales price in the transaction at issue (e.g., “sell to cover”), or such other value determined by the Company’s General Counsel in good faith in a manner that complies with applicable tax laws.

“**Good Reason**” will have the meaning ascribed to such term in any written agreement between the Participant and the Company defining such term as applicable to an Award and, in the absence of such agreement, such terms means, with respect to a Participant, the Participant’s resignation from all positions he or she then holds with the Company following: (a) a reduction in the Participant’s base salary of more than 10%, (b) the required relocation of the Participant’s primary work location to a facility that increases his or her one-way commute by more than 50 miles, or (c) a material reduction in the Participant’s duties or authority (other than a material reduction inherent in the transition of the Company from operating as a stand-alone entity to becoming a subsidiary or division of the acquiring entity), in each case, only if (i) the Participant provides written notice to the Company’s Chief Executive Officer or Board within 30 days following such event identifying the nature of the event, (ii) the Company fails to cure such event within 30 days following receipt of such written notice, and (iii) the Participant’s resignation is effective not later than 30 days thereafter.

“**Incentive Stock Option**” means an option granted under the Plan that is intended to be, and that qualifies as, an “incentive stock option” within the meaning of Section 422 of the Code.

“**Nonstatutory Stock Option**” means any option granted under the Plan that does not qualify as an Incentive Stock Option.

“**Officer**” means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act.

“**Option**” means an Incentive Stock Option or a Nonstatutory Stock Option to purchase shares of Common Stock granted pursuant to the Plan.

“**Other Award**” means an award based in whole or in part by reference to the Common Stock that is granted pursuant to the terms and conditions of Section 6(c).

“**Own,**” “**Owned,**” “**Owner,**” “**Ownership**” means a person or Entity will be deemed to “Own,” to have “Owned,” to be the “Owner” of, or to have acquired “Ownership” of securities if such person or Entity, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise, has or shares voting power, which includes the power to vote or to direct the voting, with respect to such securities.

“**Participant**” means a person to whom an Award is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Award.

“**Plan**” means this AquaBounty Technologies, Inc. 2016 Equity Incentive Plan.

“**Restricted Stock Award**” means an award of shares of Common Stock that is granted pursuant to the terms and conditions of Section 6(a).

“**Restricted Stock Unit Award**” means a right to receive shares of Common Stock that is granted pursuant to the terms and conditions of Section 6(b).

“**Rule 405**” means Rule 405 promulgated under the Securities Act.

“**Rule 701**” means Rule 701 promulgated under the Securities Act.

“**Section 409A**” means Section 409A of the Code and the regulations and other guidance thereunder and any state law of similar effect.

“**Securities Act**” means the Securities Act of 1933, as amended.

“**Stock Appreciation Right**” or “**SAR**” means a right to receive the appreciation on Common Stock that is granted pursuant to the terms and conditions of Section 5.

“**Subsidiary**” means, with respect to the Company, (a) any corporation of which more than 50% of the outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether, at the time, stock of any other class or classes of such corporation will have or might have voting power by reason of the happening of any contingency) is at the time, directly or indirectly, Owned by the Company, and (b) any partnership, limited liability company, or other entity in which the Company has a direct or indirect interest (whether in the form of voting or participation in profits or capital contribution) of more than 50%.

“**Ten Percent Stockholder**” means a person who Owns (or is deemed to Own pursuant to Section 424(d) of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any Affiliate.

“**Treasury Regulations**” means the final or temporary regulations that have been issued by the U.S. Department of Treasury pursuant to its authority under the Code, and any successor regulations.

“**US Public Market**” means a national stock exchange or stock market in the United States, such as the NYSE or Nasdaq.

