UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

(Mark one)
[x] QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended December 31, 2006

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE EXCHANGE ACT

Commission File Number: 021-64091

NEPTUNE INDUSTRIES, INC.

(Exact name of small business issuer in its charter)

Florida	65-0838060
(State or other jurisdiction of Incorporation or Organization)	(IRS Employer Identification Number)

21218 St. Andrews Boulevard
Suite 645
Boca Raton, FL 33433
(Address of principal executive offices)

(561)-482-6408)
(Issuer's telephone number)

Securities registered under Section 12(b) of the Act: NONE
Securities registered under Section 12(g) of the Act: COMMON STOCK

Check whether the issuer (1) filed all reports required to be filed by Sections 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and(2) has been subject to such filing requirements for the past 90 days.

[x]Yes [ ] No

APPLICABLE ONLY TO CORPORATE ISSUERS

The number of shares outstanding of the issuer's common equity, as of January 15, 2007 was 11,349,269 shares

Transitional Small Business Disclosure Format (check one): Yes___; No_X_

FORM 10-QSB
NEPTUNE INDUSTRIES, INC.
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Part I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

NEPTUNE INDUSTRIES, INC.
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

	December 31, 2006 (unaudited)
ASSETS	
Current Assets	
Cash	$ 238,339
Accounts receivable, less allowance for doubtful accounts of $ 0	109,709
Inventory	377,952
Prepaid expenses	6,667
Deposit on equipment	15,000
Deferred costs	30,203
Security deposits	13,880
Deferred tax asset of $582,696 valuation allowance of $582,696	-
Total Current Assets	791,750
Property and equipment, net of accumulated depreciation of $395,335	399,208
Total Assets	$ 1,190,958
LIABILITIES AND DEFICIENCY IN ASSETS	
Liabilities	
Current Liabilities	
Accounts payable	$ 82,316
Accrued and other current liabilities	616,922
Current portion of long-term debt	2,065
Convertible notes payable	320,000
Notes payable-officers	89,888
Convertible notes-officers	17,500
Total Current Liabilities	1,128,691
Long-term liabilities	
Convertible notes	229,213
Convertible debentures	738,000
Deferred compensation-stock options	194,293
Total Long-Term Liabilities	1,161,506
Total Liabilities	2,290,197
COMMITMENTS AND CONTINGENCIES (NOTES 2, 4, 5, 7 AND 8)	

Stockholders' Equity (Deficiency in assets)	
Preferred stock, $.001 par value,	
5,000,0000 shares authorized	
1,500,000 Class A convertible preferred	
shares issued and outstanding	1,500
3,500,000 Class B convertible preferred	
shares issued and outstanding	3,500
Common Stock, $.001 par value 100,000,000 shares	
authorized, 11,349,269 shares issued and outstanding	11,349
Additional paid-In capital	4,433,900
Accumulated deficit	(5,549,488)
Total Deficiency in assets	(1,099,239)
Total Liabilities and Deficiency in assets	$ 1,190,958

See accompanying notes.

NEPTUNE INDUSTRIES, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the three months ended December 31, 2006	2005
Revenues:		
Sales	$ 207,835	$ 74,372
Cost of sales	284,376	208,160
Gross loss	(76,541)	(133,788)
Expenses:		
Advertising and marketing	-	1,064
Automobile and truck expense	4,081	8,831
Depreciation	64	1,265
Insurance	9,669	9,917
Office	1,652	1,932
Officers salary, related taxes and benefits	92,328	93,816
Other operating expenses	45,370	35,109
Outside services	22,703	673
Professional fees	10,651	10,180
Public relations	13,500	6,577
Rent	-	511
Utilities	1,981	2,574
Total expenses from operations	201,999	171,449
Loss before interest, other income, expenses and income taxes	(278,540)	(305,237)
Insurance reimbursement	75,171	-
Other income	-	4,106
Interest expense	(82,468)	(14,975)
Loss before income tax	(285,837)	(316,106)
Provision for income taxes	-	-
Net loss	$ (285,837)	$ (316,106)
Net loss per share(basic and diluted)	$ (0.025)	$ (0.030)
Weighted average number of common shares outstanding (basic and diluted)	11,349,269	10,532,633

See accompanying notes.

NEPTUNE INDUSTRIES, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the six months ended December 31, 2006	2005
Revenues:		
Sales	$ 463,712	$ 170,515
Cost of Sales	616,296	360,712
Gross loss	(152,584)	(190,197)
Expenses:		
Advertising and marketing	-	(60)
Automobile and truck expense	10,238	16,946
Depreciation	420	2,529
Insurance	17,480	21,373
Office	2,473	2,417
Officers salary, related taxes and benefits	169,515	202,897
Other operating expenses	51,773	46,052
Outside services	57,612	1,610
Professional fees	16,346	27,536
Public relations	24,373	14,702
Rent	-	1,536
Repairs	-	259
Stock-based compensation	194,292	-
Utilities	4,094	4,410
Total expenses from operations	548,616	342,207
Loss before interest, other income, expenses and income taxes	(701,200)	(532,404)
Interest income	1,785	-
Insurance reimbursement	75,171	-
Other income	-	4,106
Interest expense	(141,653)	(22,437)
Loss before income tax	(765,897)	(550,735)
Provision for income taxes	-	-
Net loss	$ (765,897)	$(550,735)
Net loss per share(basic and diluted)	$ (0.067)	$ (0.053)
Weighted average number of common shares outstanding (basic and diluted)	11,349,269	10,355,261

See accompanying notes.

NEPTUNE INDUSTRIES, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the six months ended December 31, 2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (765,897)	$ (550,735)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	34,161	25,436
Deferred compensation-stock options	194,293	-
(Increase) decrease in assets:		
Accounts receivable	(41,289)	37,768
Deferred costs	(1,624)	
Inventory	120,536	(86,792)
Deposits	(12,500)	(2,500)
Prepaid expenses	(5,562)	-
Increase (decrease) in liabilities:		
Accounts payable	(56,007)	111,776
Accrued and other current liabilities	258,290	207,750
Net cash used by operating activities	(275,599)	(257,297)
CASH FLOWS FROM INVESTING ACTIVITIES		
Notes receivable	-	5,000
Net cash provided by investing activities	-	5,000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from convertible notes	238,000	125,000
Net cash provided by financing activities	238,000	125,000
Net decrease in cash and equivalents	(37,599)	(127,297)
Cash and equivalents-beginning	275,938	144,004
Cash and equivalents-ending	$ 238,339	$ 16,707
Significant non-cash items		
Conversion of notes and accrued interest to equity	$ -	$ 130,585

See accompanying notes

SUPPLEMENTAL DISCLOSURES

Cash paid during the quarter for:		
Interest	$ 36,201	$ 14,975
Income taxes	$ -	$ -

See accompanying notes.

NEPTUNE INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR
THE SIX MONTHS ENDING DECEMBER 31, 2006 and 2005
(Unaudited)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Organization and nature of operations

Neptune Industries, Inc. (the Company) is a Florida corporation which conducts business from its headquarters in Boca Raton, Florida. The Company was incorporated on May 8, 1998 and in February 2004, changed its name from Neptune Aquaculture, Inc. to Neptune Industries, Inc. Since then, the main activities of the Company have been devoted to raising capital; implementing its business plan; commencing operations through its subsidiary, Blue Heron Aqua Farms, LLC; developing, testing and patenting (pending) the Aqua-Sphere and Aqua-Cell (formerly known as S.A.F.E.) technologies; and completing the food science bio-technology research to discover a suitable protein substitute for fish meal in animal diets.

In June 2001, the Company acquired the operating rights to a 48 acre established fish farm in Florida City, Florida to be operated as Blue Heron Aqua Farms, LLC. The farm maintains a 47,000,000 gallon per day water usage permit and a twenty year lease from South Florida Water Management District. This site has become the cornerstone of the South Florida operations of the Company with its extensive infrastructure and future potential for hatchery facilities for fingerling production.

Common shares of the Company are listed on the OTC Bulletin Board and continue to be listed on the OTC Pink Sheets under the trading symbol NPDI.

Basis of Financial Statement Presentation

The consolidated financial statements include the accounts of Neptune Industries, Inc. and its wholly-owned subsidiaries, Aqua Biologics, Inc. (corporate name changed from Aquaculture Specialties, Inc. in June, 2006) and Exotic Reef Technologies, Inc., and its majority owned (99+%) subsidiary, Blue Heron Aqua Farm, LLC (Blue Heron). All inter-company balances and transactions have been eliminated at consolidation.

The accompanying consolidated financial statements are un-audited and have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the instructions to Form 10-QSB. Accordingly, certain information and footnote disclosures normally included in audited financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such rules and regulations. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Interim results are not necessarily indicative of the results that may be expected for a full year. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements that were included in the Form 10-KSB filed by the Company for the year ended June 30, 2006, with the Securities and Exchange Commission.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

Cash and Cash Equivalents

The company considers all highly liquid investments with a maturity date of three months or less at the time of purchase to be cash equivalents.

Property and Equipment

Property and equipment consists of equipment, leasehold improvements, office furniture and vehicles which are stated at cost. Depreciation is based on the estimated useful lives of the assets, ranging from five years to fifteen years, using the straight-line method. Expenditures for maintenance and repairs are charged to expense as incurred. Major improvements are capitalized. Gains and losses on disposition of property and equipment are included in income as realized.

Revenue Recognition

Sales revenue is recognized upon the shipment of merchandise to customers. Allowances for sales returns are recorded as a component of net sales in the period the allowances are recognized.

Income Taxes

Income taxes are computed under the provisions of the Financial Accounting Standards Board (FASB) Statement No. 109 (SFAS 109), Accounting for Income Taxes. SFAS 109 is an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of the difference in events that have been recognized in the financial statements of the Company compared to the tax returns.

Advertising and marketing costs

Advertising and marketing costs are expensed as incurred.

Fair Value of Financial Instruments

Financial instruments, including cash, receivables, accounts payable, and notes payable are carried at amounts which reasonably approximate their fair value due to the short-term nature of these amounts or due to variable rates of interest which are consistent with market rates.

Concentrations of Credit Risk and Economic Dependence

Financial instruments, which potentially subject the Company to a concentration of credit risk, are cash and cash equivalents and accounts receivable. The Company currently maintains its day-to-day operating cash balances at a single financial institution. At times, cash balances may be in excess of the FDIC insurance limits. At January 15, 2007, the Company had

NOTE 1. SUMMARY OF SIGNIFCANT ACCOUNTING PRINCIPLES (continued)

no cash on deposit exceeding the insured limit. The Company operates domestically and internationally. Consequently, the ability of the Company to collect the amounts due from customers may be affected by economic fluctuations in each geographic location of the customers of the Company.

Net Loss Per Share

Basic net loss per share is computed by dividing net loss attributable to common stockholders by the weighted average number of shares of common stock outstanding during the period. Diluted net loss per share takes into consideration shares of common stock outstanding (computed under basic loss per share) and potentially dilutive shares of common stock. In periods where losses are reported, the weighted average number of common shares outstanding excludes common stock equivalents, because their inclusion would be anti-dilutive.

Long-Lived and Disposal of Assets

The Company follows FASB Statement No. 144 (SFAS 144), Accounting for the Impairment of Long-Lived Assets. SFAS 144 requires that long-lived assets to be held and used be reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset. Long-lived assets to be disposed of, if any, are reported at the lower of carrying amount or fair value less cost to sell.

Stock Compensation for Services Rendered

The Company has issued restricted shares of common stock to non-employees in exchange for services rendered. Common stock issued to non-employees for services received are based upon the fair value of the services or equity instruments issued, whichever is more reliably determined.

Inventory

Inventory is stated at the lower of cost (first-in, first-out method) or market. The inventory consists of seafood, feed, chemicals, and overhead costs, such as utilities. Overhead is allocated to inventory based on the number of pounds of fish included in ending inventory.

Inventory at December 31, 2006 consisted of the following:

Seafood	$ 77,902
Feed	122,123
Chemicals	23,147
Overhead	154,780
	$ 377,952

NEPTUNE INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR
THE SIX MONTHS ENDING DECEMBER 31, 2006 and 2005
(Unaudited)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

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 reported amounts in the financial statements. Actual results could differ from those estimates and assumptions. For the Company, the accounting estimates requiring the most difficult and sensitive judgments of management including inventory valuation, recognition and measurement of income tax assets and liabilities, and accounting for stock=based compensation.

Reclassifications.

Certain prior period amounts have been reclassified to conform to the current period presentation.

NOTE 2. GOING CONCERN

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company’s financial position and operating results raise substantial doubt about the Company’s ability to continue as a going concern, as reflected by the accumulated deficit of $5,549,488 and recurring gross and net losses. The ability of the Company to continue as a going concern is dependent upon expanding operations, increasing sales and obtaining additional capital and financing. Management’s plan in this regard is to secure additional funds through future equity financings. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

NOTE 3. ACCRUED AND OTHER CURRENT LIABILITIES

Accrued and other liabilities consisted of the following at December 31, 2006:

Accrued payroll - officers	$ 354,398
Accrued interest - officers	54,269
Accrued interest - others	139,255
Accrued consulting	69,000
	$ 616,922

NOTE 4 ACCRUED OFFICERS COMPENSATION AND INTEREST

Effective February 8, 2000, the Company entered into five-year employment Agreements (the Agreements) with two key members of management. These agreements have been renewed automatically for additional five year terms. The Agreements also state that the two key members of management are entitled to and automatically receive a cost of living adjustment calculated in

NOTE 4. ACCRUED OFFICERS COMPENSATION AND INTEREST (continued)

proportion to the upward change in the consumer price index U.S. Average All Items (1967=100), published by the U.S. Department of Labor.

Pursuant to these employment agreements, the Company accrued a total of $354,398 through the quarter ended December 31, 2006. Cash compensation actually paid was $54,900 for the quarters ended December 31, 2006.

The Company contracted with CF Consulting LLC to provide Chief Financial Officer services beginning in February 2005 at a monthly fee of $2,000 for an initial six month period and thereafter at $2,500 per month. CF Consulting also received 100,000 (pre 1 for 6 reverse split) restricted shares of common stock for prior services due of $5,000. A new agreement was entered into with CF Consulting LLC effective March 31, 2006, under which CF Consulting will provide CFO and General Counsel services to the Company in return for monthly compensation of $5,500 for six months commencing April 1, 2006, $6,000 for the next six months and $6,500 for the next six months of the 18 month term of the agreement. CF Consulting also received 250,000 shares of stock, valued at $15,000 based on the lack of tradability of the shares and other factors. A total of $69,000 has been accrued as due under the agreements with CF Consulting, LLC as of December 31, 2006. Our Chief Financial Officer, Robert Hipple, is also a managing director of CF Consulting.

NOTE 5. RELATED PARTY TRANSACTIONS

Notes Payable Officers

During the fiscal year ended June 30, 2002, the Company entered into an agreement to retire the outstanding preferred stock with Messrs Papadoyianis and Cherch in exchange for $100,000. The Company paid $30,000 and the remaining $70,000 was converted to a note payable accruing interest at a rate of 8%. Accrued interest on this note was later converted to preferred stock. On February 7, 2006, the Board of Directors resolved to repay the notes outstanding to Messers. Papadoyianis and Cherch through the issuance of new notes, which were made retroactive to January 1, 2006, bear interest at the rate of 15% per annum, and include one warrant for every dollar outstanding, or 70,000 total warrants. Each warrant to purchase one share of common stock is at a price of $0.30 per share for a period of three years. The new notes are in the amount of $44,944 each, and included repayment of principal of $35,000 and accrued interest of $9,944 each. A total of $6,743 in interest has been accrued on each of these notes as of December 31, 2006 and is included in accrued current liabilities.

NOTE 6. NOTES PAYABLE

Effective October 1, 2006, the Company re-paid an existing short-term convertible bridge note in the amount of $100,000, plus accrued interest, with a new $120,400 principal amount convertible note due April 1, 2008 with an annual interest rate of 24 percent. Interest on the note is

NOTE 6. NOTES PAYABLE (continued)

payable quarterly, and at the option of the Company, may be paid in common shares of the Company. The note holder also received warrants to purchase 240,800 common shares for 5 years at $0.50 per share.

Effective October 1, 2006, the Company repaid three existing short-term convertible bridge note in the amounts of $40,000, $10,000 and $50,000 plus accrued interest, with a new $108,813 principal amount convertible note due January 1, 2008 with an annual interest rate of 24 percent. Interest on the note accrues until maturity. The principal and interest on the note may be converted into common stock at any time during the note term at a price of $0.30 per share. The note holder also received warrants to purchase 108,813 common shares for 3 years at $0.50 per share, and was issued 60,000 shares of restricted common stock at the time of the loan renewal.

Effective October 1, 2006, the Company repaid an existing short-term convertible bridge note in the amount of plus accrued interest, with a new $56,250 principal amount convertible note due October 1, 2007 with an annual interest rate of 15 percent. Interest on the note accrues until maturity. The principal and interest on the note may be converted into common stock at any time during the note term at a price of $0.30 per share. The note holder also received warrants to purchase 56,250 common shares for 3 years at $0.50 per share.

In May, 2006, the Company issued a total of $500,000 in two year debenture bonds as part of the private offering of up to $2,000,000 in debentures bonds commenced in April 2006. Subsequently, the Company has issued an additional $238,000 in debenture binds under the offering, all of which was received during the quarter ended December 31, 2006. See, Note 10, Private Offering.

NOTE 7. COMMITMENTS

The Company previously entered into an employment agreement, with its aquaculture facilities manager, through October 31, 2005, that provided for a minimum annual salary of $35,000. In July 2005, the employment agreement was renewed, effective November 1, 2005, for another four years through October 31, 2009, and provides for a minimum annual salary of $42,500. At that time, Mr. Joubert was also promoted to Vice President of Operations.

On March 31, 2006, the Company entered into a new consulting agreement with CF Consulting, Inc. for contractual Chief Financial Officer and corporate counsel services at an annual remuneration of $66,000 per annum in the first year and $78,000 in the second year of the contract, plus 250,000 restricted common shares, valued at $15,000.

NOTE 8. STOCKHOLDERS' EQUITY

On June 6, 2005, the Board of Directors approved a 2005 Class A Preferred Stock Award of 1,500,000 shares to Messrs Papadoyianis and Cherch (750,000 shares each) in exchange for the retirement of $408,121 in long-term liabilities of the Company for accrued salaries and interest owed to them. Pursuant to the certificate of designations establishing the Series A preferred stock, each share of the 1,500,000 shares of currently issued and outstanding Series A preferred stock may be converted into 1.6667 fully paid and non-assessable shares of our common stock, or a total of 2,500,000 common shares. On all matters submitted to a vote of the holders of the common stock, including the election of directors, a holder of shares of the preferred stock is entitled to the number of votes on such matters equal to the number of shares of the preferred stock into which the preferred shares may then be converted. Therefore, the holders of the Class A preferred shares have the power to vote 2,500,000 shares on a par with the common stock.

Also on June 6, 2005, the Board of Directors approved a 2005 Class B Preferred Stock Award of 3,500,000 shares to Messrs Papadoyianis and Cherch (1,750,000 shares each) for the retirement of $175,444 in long-term liabilities to the Company, representing accrued salaries and interest. Pursuant to the certificate of designations establishing Series B preferred stock, each share of the 3,500,000 shares of currently issued and outstanding Series B preferred stock may be converted into 3,500,000 fully paid and non-assessable shares of our common stock. On all matters submitted to a vote of the holders of the common stock, including the election of directors, a holder of shares of the preferred stock is entitled to the number of votes on such matters equal to the number of shares of the preferred stock held by such holder. Therefore, the holders of the Class B preferred shares will have the power to vote 3,500,000 shares on a par with the common stock.

No common shares of the Company were issued during the quarter ended December 31, 2006.

NOTE 9. MAJOR CUSTOMERS

Revenues from two customers comprised approximately 86 percent of revenues during the period ended December 31, 2006, compared to the same two customers comprising 69 percent for the prior period ending December 31, 2005.

NOTE 10. PRIVATE OFFERING

On April 18, 2006, the Company engaged Dawson James Securities, Inc. of Boca Raton, Florida, to assist in the private placement of up to 2,000 units, made up of a convertible debenture and a common stock warrant, for a total of $2 million. Dawson James Securities will receive a fee equal to ten percent of the amount raised in the offering and an unaccountable expense allowance of three percent of the amount raised. In addition, Dawson James will receive warrants to acquire common shares on each closing of the sale of the Unites

NOTE 10. PRIVATE OFFERING (continued)

in the offering equal to twenty percent (20%) of the Units sold in the Offering. These warrants will be exercisable at any time during the five (5) years from the date of the closing at an exercise price equal to $.50 per share for the warrants based on the original sale of unit, and $.30 per share for the warrants based on conversion of the Debentures to common stock. Each of the Units to be offered (individually a Unit, and collectively the Units) consists of (i) a $1,000.00 Convertible Debenture (the Debenture) with a 24% coupon, payable in kind with common stock, and (ii) one thousand redeemable common stock purchase warrants ("Warrant"). Each Warrant entitles the holder to purchase one share of Common Stock at an exercise price of $0.50 per share over a term of five years from the initial closing date of the Offering. The Warrants are redeemable by the Company upon 30 days written notice at a purchase price of $0.01 per Warrant, subject to our common stock having a closing bid price of at least $1.25 per share for a period of ten (10) consecutive trading days. The term of each Debenture is for 24 months from the date of issue. During the term, holders of the Debenture may convert their note to common stock at a price of $0.30 per share. The 24% PIK (Paid in Kind) Coupon is to be paid out on a quarterly basis in cash or stock, at the Company election. If the Company elects to pay in common stock, the market price valuation will be established by the average closing bid price of the common stock for the last twenty (20) trading days of the calendar quarter for which the interest due is being paid in common stock (the Average Closing Price). The right of the Company to make any interest payment in shares of common stock on a particular date is subject to the satisfaction (or waiver by the Holder) of the following additional conditions on such date: (1) there is then an effective registration statement covering the common shares to be issued on such date, for which no stop order is in effect; (2) no defined event of default exists on such date; (3) the Average Closing Price is equal to or greater than $.15 per share (as appropriately adjusted for any stock split, stock dividend or other similar corporate action); and (4) the Company has sufficient authorized but un-issued shares of common stock to provide for the issuance of the interest shares to the holders of the Debentures.

The offering is being made only to accredited investors and each investor will receive a Registration Rights Agreement at closing under which the Company undertakes to file a registration statement for the conversion shares and the shares underlying the Warrants within 60 days, and to maintain the effectiveness of that registration statement thereafter. Any offer or sale of a Unit, if made, will be made only pursuant to the private offering memorandum prepared by the Company, and only to accredited investors. There can be no assurance that the offering will be successful, or that the Company will be able to raise the additional capital needed to continue and expand its operations. The Company plans to terminate the offering on February 15, 2007. The proceeds from the offering, net of commissions and expenses, as follows:

Principal amount	Commissions	Expense allowance	Net proceeds	Warrants
$ 738,000	$ 73,800	$ 22,140	$ 664,200	73,800

Item 2. Management Discussion and Analysis or Plan of Operation.

FORWARD LOOKING STATEMENTS

In connection with, and because we desire to take advantage of, the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, we caution readers regarding certain forward looking statements in the previous discussion and elsewhere in this report and in any other statement made by, or on behalf of our Company, whether or not in future filings with the Securities and Exchange Commission. Forward looking statements are statements not based on Historical information and which relate to future operations, strategies, financial results or other developments. Forward looking statements are necessarily based upon estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and many of which, with respect to future business decisions, are subject to change. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward looking statements made by, or on behalf of, our Company. We disclaim any obligation to update forward looking statements.

We were incorporated in the State of Florida on May 8, 1998. We operate on a June 30, fiscal year. Our common shares are traded on the Pink Sheets and on the OTC Bulletin Board under the symbol NPDI. Since our inception, we have been engaged in aquaculture (fish farming) through our subsidiary, Blue Heron Aqua Farms, LLC, in Florida City, Florida and in the development of new technologies for aquaculture and related marine uses. On June 9, 2005, we merged with Move Films, Inc., a Texas corporation, with the Company as the surviving entity. As a result of that merger, we succeeded to the filing and reporting obligations of Move Films, Inc. under Section 12(g) of the Securities Exchange Act of 1934.

Our mission is to become a leading supplier of sustainable seafood products through the development of a vertically integrated production and distribution enterprise, encompassing fish farms, processing facilities, wholesale distribution, and value-added product lines. The catalyst to our business model is the patent-pending S.A.F.E.) technology, renamed as the Aqua-Sphere in year ended June 30, 2006, which provides a highly efficient, environmentally friendly solution to current seafood production requirements, while opening up new areas of the world to commercial farming. The Company has already received interest from around the world to license, purchase, and distribute the technology. Licensing, sales and joint venture activities will further expedite and enhance our business model. The final strategic phase of our mission involves the utilization of our publicly traded vehicle to conduct a roll-up of the highly fragmented aquaculture and distribution industries. The acquisition of other seafood related businesses should allow us to expand, diversify, and integrate our technology in the most efficient manner.

The founders of the Company, Messrs. Ernest D. Papadoyianis and Xavier T. (Sal) Cherch began designing and testing what today is known as the Aqua-Sphere System over 9 years ago. The Aqua-Sphere System is designed to address and resolve the concerns of environmentalists. Today, through a contractual arrangement, Neptune itself has spent over 7 years and more than three million dollars in completing the development of the Aqua-Sphere System, perfecting production methods, performing market analyses, acquiring lease sites, and creating a cornerstone production facility through its subsidiary, Blue Heron Aqua Farms, LLC (Blue Heron) Blue Heron operates a forty eight acre fish farm in Florida City, Florida that incorporates a one-of-a-kind flow-through environment which is virtually extinct in the U.S. today. In October, 2004, the Company completed a state of the art nursery expansion in order to increase production capacity of its sashimi quality hybrid striped bass (branded as Everglades Striped Bass)by over 25%. The market for all seafood, particularly fresh farm-raised product, has grown to tremendous proportions, warranting immediate and extensive expansion of production and diversification to other popular species. With only four acres of the 48 acre site under production at this time, the Company has the capability of producing close to two million pounds of fish per year from this site alone when the site is fully developed.

Management focused its efforts on further research and development of the various components of the Aqua-Sphere system technology, while fine tuning production methods for use in quarry lake aqua-farms. Among the many technological developments tested during this period was a solar powered programmable, automated, feeding system which allows controlled amounts of feed to be fed at specific times of the day. This insures a more rapid growth rate, with less waste. Through the development and operation of three previous pilot farms, Neptune improved its technology, and production techniques to effectuate the efficient and economical production of seafood in large, open bodies of water. The applications now extend to an open worldwide market. In addition, we successfully raised and marketed three commercially viable species (hybrid striped bass, redfish and tilapia). Our farms purchase fingerling fish, raise the product to market size(1.25 to 2+ pounds), and then harvest and distribute it to wholesalers, processors, market chains, etc. throughout the U.S., Canada, and the Caribbean. Management believes that our unique, low-cost production strategy, technology, and existing distribution through independent wholesalers and distributors allow us to bring our products to market faster and cheaper than the competition.

DEVELOPMENT STRATEGY

With a strong distribution network for our fresh farm raised seafood products throughout the United States, Canada and the Caribbean, we are now focused on a three phase expansion program at our Florida City site in order to meet market demand. In addition, we have moved into the final stages of preparation for the commercial production of the Aqua-Sphere System. We also plan to integrate our operations by locating and attempting to acquire our own distribution network, as well as processing capabilities and nursery operations to raise and control our own fingerling production.

Farming Operations

We are poised to expand our facilities, diversify our production, and vertically integrate our operations. We are planning to increase capacity to produce over two million pounds of hybrid striped bass, redfish, tilapia, Nile perch and other species; operate the only hybrid striped bass nursery in South Florida; and then utilize our effluent wastewater to produce a diversity of hydroponic vegetables and herbs. The combination of our commercial aquaculture expertise, management and technology, teamed with the expansive forty eight acre fish farm facility, have created one of the premier commercial aquaculture operations on the East Coast and perhaps the U.S.

In addition to the Florida City site, we have identified and have had preliminary discussions for lease options on a number of prime quarry lake sites in South Florida. Historically, management has focused its production and technology on developing these vast man-made impoundments which are abundant in South Florida and offer tremendous opportunity for development. Quarry sites will be developed utilizing the Aqua-Sphere System technology which was designed and engineered from years of practical experience in commercial production in South Florida quarries. Quarry lake development presents an ideal opportunity to establish multiple farm locations with minimal capital outlay.

Technology

The Aqua-Sphere System incorporates many features which make it suitable for all parts of the world. The Company continues to be deluged with inquiries. The Aqua-Sphere System is a floating, articulating, patent pending containment system which utilizes alternative energy to power many of its components. The system can be utilized as a stand alone single tank (an Aqua-Cell) in a variety of sizes or several Aqua-Cells can be interconnected into pods to create the Aqua-Sphere. In a pod configuration, each Aqua-Cell is connected to another via an underwater conveyance pipe. This allows the operator to move fish from Aqua-Cell to Aqua-Cell without removing them from the water, or handling. Therefore, an Aqua-Sphere system actually becomes a self-contained nursery and grow-out area. An automated solar powered feeding system and a revolutionary waste collection system insure rapid growth without contamination of surrounding waters. Since each Aqua-Cell has solid sides, predators cannot get in, crops cannot escape, and in the event of contamination of surrounding waters, the crops can be isolated and protected.

On September 27, 2006, the Company filed a Provisional Process Patent on the Production and Processing of Select Insects into Protein Meal for Fish and Animal Diets. This patent and research was born out of the tremendous need for replacement of fish meal in fish and other livestock diets worldwide. Fish meal has gone up in price considerably over the last year and the wild species targeted for fish meal production are growing scarcer over time. In January, CEO, Ernest Papadoyianis, and COO, Sal Cherch, were invited to Mississippi State University to meet with members of its Entomology Department to discuss research activities for the Company. Mississippi State is a world leader in insect rearing methodology and has been instrumental in developing facilities, diets, and rearing methods for facilities worldwide. The Company anticipates commencing its first phase of research with Mississippi State in the third quarter of 2007.

Other Areas of Development

Our future development plans expand far beyond our South Florida production base. Management has identified several acquisition candidates that would allow immediate production benefit and secure the hybrid striped bass hatchery operations. The Company also intends to diversify its operations to include marine products such as baitfish for the multi-million dollar sport fishing market; production of hydroponic herbs and vegetables; wholesale distribution and live delivery (hybrid striped bass and tilapia) to the Asian and Latin markets; value added products; and franchise/joint venturing of our Aqua-Sphere technology. Whether land or lake based operations, the Company's strategic South Florida location with its twelve month growing season, tremendous local market, and a select niche market for live products, provides a significant advantage over competitors. A focus on products limited in the wild, or by seasonality, further increases market value and demand.

In late July, 2005, we entered into an arrangement with The Redland Company, Inc. of Homestead, Florida to utilize a 38 acre quarry lake site for testing of the Aqua-Sphere prototype. This site is close to our current operations and provides an ideal environment for these final tests. In addition to testing our own technology, we will also be selecting and testing several other products which will be used in conjunction with it.

Site preparation is fully underway with excavation, new electricity, fencing, and storage units nearing completion. The new prototype tank has been delivered, and will be assembled and launched as soon as the security fencing has been completed.

Risk Factors.

The Company has identified certain risk factors connected with its operations and an investment in the Company, which are listed in detail under Risk Factors in the Form 10-KSB filed by the Company for the fiscal year ended June 30, 2006.

Comparison of Operating Results

Gross revenues for the quarters ended December 31, 2006 and 2005 were $207,835 and $74,372, respectively, resulting from the increased capacity of the farm. Cost of sales for the same periods were $284,376 and $208,160, resulting in gross loss of $(76,541) and $(133,789), respectively.

Operating expenses for the quarters ended December 31, 2006 and 2005 were $201,999 and $171,449, resulting in net losses of $(285,837) for the quarter ended December 31, 2006 compared to $(316,106) for the quarter ended December 31, 2005. Total losses for the year to date ended December 31, 2006 were $(765,897) compared to a loss for the six months ended December 31, 2005 of $(550,735). However, the loss for the six months ended December 31, 2006 included the expense charge of $194,292 as the present value of stock options granted effective July 1, 2006, under current accounting rules.

Item 3.   Controls and Procedures.

Our Chief Executive Officer and Chief Financial Officer (the Certifying Officers) are responsible for establishing and maintaining disclosure controls and procedures and internal controls and procedures for financial reporting for the Company. The Certifying Officers have designed such disclosure controls and procedures and internal controls and procedures for financial reporting to ensure that material information is made known to them, particularly during the period in which this report was prepared. The Certifying Officers have evaluated the effectiveness of our disclosure controls and procedures and internal controls and procedures for financial reporting as of June 30, 2006 and believe that our disclosure controls and procedures and internal controls and procedures for financial reporting are effective based on the required evaluation. There have been no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II -- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There are no legal proceedings against the Company and the Company is unaware of such proceedings contemplated against it.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The Company did not issue any equity securities during the quarter ended December 31, 2006.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

ITEM 5. OTHER INFORMATION

On December 29, 2006, the Company was notified that its former auditors, Dohan & Company of Miami, Florida, would not be continuing as the auditors for the Company. This was fully reported on the Company's Form 10-QSB/A filed with the SEC on January 5, 2007. The Company has retained Berman, Hopkins, Wright & LaHam, CPAs, and Associates, LLP of Winter Park, Florida and Melbourne, Florida, as its new auditor. A Form 8-K reporting the retaining of the new auditors was filed with the SEC on February 6, 2007.

ITEM 6. EXHIBITS

(a) Exhibits required by Item 601 of Regulation S-B

31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act
31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act
32.1 Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act
32.2 Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act

(b) Reports on Form 8-K

On February 6, 2007, the Company filed a report on Form 8-K disclosing that Berman, Hopkins, Wright & Laham CPAs and Associates, LLC had been retained as The independent certifying auditors for the Company.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: February 14, 2007

NEPTUNE INDUSTRIES, INC.

By: /s/ Ernest Papadoyianis

Ernest Papadoyianis
CEO, President and Director