



ARA.TO

ART Advanced Research Technologies, Inc.

November 4, 2005

Directions to the Future

Characterize, visualize and measure

Ranking:

“BUY”

Price (11/3/05):

(CDN) \$0.68

52 week range:

(CDN) \$0.60 - \$1.42

2006 Price Target:

\$1.00

Market Cap:

(CDN) \$39.3 m

Shares Outstanding:

54.58 m

Fiscal Year End:

Dec

Exchange:

TSX

ARA.TO researches, designs, and develops optical imaging technologies used in the detection of anomalies. This pre-clinical optical molecular imager was designed to characterize, visualize and measure cellular and molecular processes and pathways. The eXplore Optix™ technology platform, partnered with and invested in by GE- Healthcare division, assists drug developers and biotechnology bench processes in accelerating the development of new drugs.

SoftScan™ clinical trials ramp up as sales progress

ARA.TO recorded sales of 6 units (multi-wavelength) this quarter and we could anticipate the placement of 6 - 8 units and 1-2 upgrades for next quarter, as there are currently 5 units in backlog. Revenues for Q3/05 were \$1,122,000, which was a 48% increase from the same quarter last year. We also expect that total placement for 2005 will be approximately 20 units. ARA.TO had gross margins on Q3/05 sales of 33%, but should have gross margins of 40-45% in the second-half of next year. XGEN (Xenogen) is ARA.TO's closest comparable. It is our contention that the eXplore Optix™ is of better quality and has more analytical capabilities than XGEN's molecular imaging products. ARA.TO has a market capitalization of (CDN) \$39.3 m while XGEN has a market capitalization of US \$39.8 m. ARA.TO could also become profitable in 2008. Pharmaceutical companies and pre-clinical researchers will need at least a couple of years to recognize the time saving and technological differences between ARA.TO's and XGEN's technology. In the long term, we maintain our opinion that the eXplore Optix™ could lead the molecular imaging market for commercial use. XGEN's lower quality imaging units will likely be more attractive to academic and research institutions that have a restricted budget, while eXplore Optix™ should outperform the IVIS® 200 and its next generation unit the IVIS 3D®. ARA.TO's second product platform, SoftScan®, a time domain optical breast imaging device, has the potential to transform how breast cancer is diagnosed and managed by detecting, diagnosing and characterizing breast cancer. ARA.TO has launched the pivotal clinical study, North American in scope, which is the final stage prior to commercializing SoftScan®. SoftScan® addresses a critical and unmet need in breast tissue analysis. SoftScan®, as an adjunct to mammography, should safely characterize tumors as malignant or benign. SoftScan® is non-invasive, and can be used throughout therapy to monitor treatment progression — an option unavailable with radiography, which carries its own health risks. We “carefully” maintain a “BUY” ranking with a 2006 price target of \$1.00, now that a complete PMA submission for SoftScan® could be filed by 06/2006. We believe investors must focus on the following issues: sales execution for eXplore Optix™; the revenue progress of eXplore Optix™ over the next 2-3 quarters and the timely regulatory filings for SoftScan®. Auspicious outcomes of SoftScan® and larger revenue growth of eXplore Optix™ could allow ARA.TO to achieve substantial valuation increases.

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Please read the important
Disclosures Section

Investment Thesis

We are “carefully” maintaining a **“BUY”** based on a significant undervaluation of ARA.TO, which is due to the non-inclusion of the SoftScan® potential, depressed share price, market conditions and fewer near term milestones. ARA.TO's cash position of (US) \$11.6 million should provide enough funds to operate through 2006, in addition, ARA.TO could potentially receive an additional (US) \$4.3 million if options to purchase additional securities are exercised. **We have adjusted our 12 month price target to \$1.00. We would increase our price target once a PMA submission is made to the FDA for SoftScan® and/or eXplore Optix™ gross margins and sales increase enough to demonstrate a near term profitability.** An FDA filing is expected by 6/2006 and ARA.TO's stock should increase substantially if the regulatory filing is made. ARA.TO's cash position is strong and management seems to be focusing on streamlining operations to reach company goals. Although progress is being made and the cash position is strong; we feel investors are maintaining their current position and will probably not add to their position until a regulatory filing for SoftScan® is made within the established timeframe (6/2006). **ARA.TO has significant potential to add shareholder valuation in the long term, but we do not expect any major fluctuation in the stock price for the short term.** One noticeable factor/variable is the public listing markets differential (ARA.TO's TSX versus XGEN's NASDAQ) and a larger accessible institutional/retail investor (NASDAQ) population. An AMEX listing could add liquidity and attract US institutional investors.

The eXplore Optix™ continues to slowly gain market acceptance. ARA.TO sells a premium product in the molecular imaging market and plans to roll out its 3D imaging product in early 2006. Xenogen (XGEN), ARA.TO's main competitor, rolled out its 3D biophotonic imaging system (IVIS® 3D Imaging System) in September 2005. XGEN has multiple imaging systems that address 3 price markets (low/medium/high). Most academic and research companies have limited budgets and tend to opt for the less expensive systems. **Demand for the eXplore Optix™ could pick up with positive feedback from customers and once the 3D product is rolled out.** XGEN currently has a head start on ARA.TO since it is closer to profitability and has its state of the art 3D product out 6 months before ARA.TO's projected release. **ARA.TO's product is distributed by GE, while XGEN has a direct sales force and ARA.TO is still dependent on GE's execution.** Several customers of XGEN and ARA.TO overlap and over time we expect many of these customers will prefer the eXplore Optix™ over XGEN's products. XGEN has a niche in the low to medium imaging system market and expects to have its first profitable quarter by the end of 2006. XGEN competes head to head with ARA.TO in the premium imaging system market. Both companies target these sales to companies and institutions with large financial resources (Multi-billion dollar Pharmaceutical companies, Ivy League Universities, etc.). XGEN beat ARA.TO to market a 3D imaging product, although we maintain that the eXplore Optix™ is superior to the IVIS® 200 and IVIS® 3D. We expect ARA.TO to have revenue of (US) \$4.0 - \$4.5 million for 2005, while XGEN's 2005 sales guidance is \$39.5 - \$41.0 million.

SoftScan® has been developed for the detection and treatment monitoring of breast cancer. It is expected to be used if results of a mammography are suspicious or inconclusive, and then for monitoring of breast cancer (adjunctive and complementary to diagnostic mammography). The system may also more accurately diagnose premenopausal women with dense breast tissue, where mammography tends to be less precise. The small percentage of breast cancers without symptoms that are not identified by mammography (10% to 20%) may be missed because of breast density, faster tumor growth rate or human error in recognizing early signs of an abnormality. About 5% to 10% of women have their mammograms interpreted as abnormal or inconclusive until further tests are done¹. Currently, a suspicious mammogram is generally followed by a biopsy, even though 80% of cases prove to be negative². ARA.TO's SoftScan® may be able to reduce the number of painful biopsies and better diagnose and monitor breast cancer. **ARA.TO plans on filing for regulatory approval with the FDA, Health Canada, and the European Union (CE mark). SoftScan® initial preclinical trial results were published in August and were positive.**

One of the covenants from the July convertible debenture financing provides that ARA.TO shall file a submission for regulatory approval of SoftScan® by 6/30/06. **The convertible debt adds some added risk to ARA.TO's stock if certain covenants are not maintained, but it also demonstrates management's confidence in its product SoftScan®.**

¹ American Cancer Society website, www.cancer.org; *Breast Cancer Facts & Figures 2005-2006*, p. 13

² *Breast Cancer Screening: Clinical Guidelines*, Annals of Internal Medicine, vol. 137, no. 5 (part I), 9/3/2002, p. E355-E356

Valuation Analysis

We are estimating that ARA.TO should have approximately (US) \$4.0 - \$4.5 million in revenues for 2005 and project that Q4/05 gross margins should be in the range of 35%-40%. ARA.TO should see increased sales in 2006 as the 3D technology for the eXplore Optix™ is rolled out and GE further penetrates its distribution network. Pharmaceutical companies, biotechnology companies and academic institutions have already begun adopting ARA.TO's imaging technology and an increased adoption rate can be expected as positive feedback is returned. Improving gross margins in the range of 40%-45% could be expected in the second-half of 2006 after management has updated all software and implemented cost-cutting strategies. **XGEN is ARA.TO's closest comparable with a current market capitalization of (US) \$39.8 m. Other comparables include BRKR at (US) \$367.7 m, (US) DBMI.OB at \$28.87 m and (US) IMDS.OB at \$35.14 m. ARA.TO's market capitalization is (CDN) \$39.3 m, but the technological reference could become more specific as a few private venture based companies come on line with product sales.** Both ARA.TO and XGEN's stocks have suffered over the past few months mostly because of market conditions. Purchasers of XGEN's and ARA.TO's imaging products will need some time to recognize the payback from this unique reduction of time and streamlining of preclinical in vivo data. In many ways, what's good for XGEN is good for ARA.TO. XGEN has increasing demand for its higher priced systems, which is a positive for ARA.TO since it only sells a premium imaging system. ARA.TO should expect exponential sales growth in 2006 and 2007 as research and development expenditures increase at major pharmaceutical companies to make up for patent expiration and weak pipelines. Profitability for ARA.TO's pharmaceutical (eXplore Optix™) division could be expected to occur in approximately 2 years.

SoftScan® (ARA.TO's medical division) is currently in clinical trials in the United States and Canada. The vast majority of research and development expenses are geared toward the clinical trials for SoftScan®. R&D expenses are expected to increase until the trial is completed. **SoftScan® has the potential to add significant shareholder value to ARA.TO in the future, but we recommend waiting for a complete PMA submission to the FDA and Health Canada before valuing SoftScan® into the current valuation.**

Comparables

Company (Symbol)	Ticker PRICE	52-Week Low-High	Shares Outstanding	Mkt Cap* (\$ mm)
Xenogen Inc. (XGEN)	\$2.65	\$2.60 - \$7.30	15.0 m	\$39.84
Bruker BioSciences Corp. (BRKR)	\$4.11	\$3.01 - \$5.27	89.5 m	\$367.7
Advanced Research Technologies, Inc. (ARA.TO)	\$0.68	(CDN) \$0.60 - 1.42	54.6 m	\$39.3
DOBI Medical International, Inc. (DBMI.OB)	\$0.44	\$0.40 - \$1.29	65.6 m	\$28.87
Imaging Diagnostic Systems, Inc. (IMDS.OB)	\$0.1725	\$0.16 - \$0.55	203.7 m	\$35.14

*All dollar amounts shown are in US currency with the exception of ARA.TO which is in Canadian dollars.

Company Description

ARA.TO Advanced Research Technologies Inc. (ARA.TO) was founded in 1993 and went public in June 2000. It is located in Quebec, Canada and employs 60 people. ARA.TO in 2002 divested its imaging division and is now expanding with its global partner GE Healthcare in a realigned definition of both its mission and deployment of assets. **ARA.TO is involved in the research, design, and development of optical imaging technologies used in the detection of anomalies in the bio-optical sector. Their principal business is the application of optical imaging technology to the biomedical sector. Based on its proprietary time domain optical technology,** ARA.TO developed and commercialized eXplore Optix™, a pre-clinical optical molecular imager, designed to characterize, visualize and measure cellular and molecular processes and pathways. eXplore Optix™ technology platform assists biotechnology companies bench processes in accelerating the development of new drugs.

ARA.TO's second product platform, SoftScan®, a time domain optical breast imaging device, has the potential to transform how breast cancer is diagnosed and managed. Under the current treatment model, a suspicious mammogram is often followed up by a biopsy, even though 80% of biopsies prove to be negative. As an adjunct to mammography, SoftScan® will safely characterize tumors as malignant or benign. SoftScan® is non-invasive, and can be used throughout therapy to monitor treatment progression — an option unavailable with radiography, which carries its own health risks. SoftScan® is an optical imaging device for the detection, diagnosis and characterization of breast cancer. SoftScan® addresses a critical and unmet need in breast tissue analysis. This device provides functional or physiological information, such as tissue perfusion and blood oxygen content about a lesion, allowing characterization of a lesion as benign or malignant. In April 2004, ARA.TO announced positive clinical study results from product research and development with ARA.TO's SoftScan® breast imaging system. **ARA.TO has launched the pivotal clinical study, North American in scope, the final stage prior to commercializing SoftScan®.** These results demonstrate the promise of the SoftScan® breast imaging system to discriminate between malignant and normal breast tissue.

More information is available at: www.art.ca

Investment Risks

ARA.TO relies on GE Healthcare to market its eXplore Optix™ product and ARA.TO's burn rate depends on many factors: sales and resulting revenue progress of eXplore Optix™ and on the expenditures of SoftScan® clinical development and trials. ARA.TO has recently raised additional financing. **ARA.TO currently relies on one product (eXplore Optix™) to fund and define a thesis of a new capital (availability) or structure to continue development and regulatory (clinical testing) steps.**

ARA.TO's second product, SoftScan®, entails significant risks, including the costs and time involved in development cycle as well as in obtaining the required regulatory approvals. SoftScan® is still in development and has yet to be approved by regulatory authorities in the jurisdictions targeted by ARA.TO for Soft Scan® commercialization. **There can be no assurance that ARA.TO's ongoing clinical testing activities will provide positive outcomes or that the results of clinical trials will meet the desired clinical endpoints established in the clinical study protocols.** Even if the clinical studies are successful, there can be no assurance that ARA.TO will be successful in obtaining the necessary regulatory approvals or, once obtained, in maintaining these approvals. There can also be no assurance that the agreement with GE Healthcare will be successful in marketing and distributing its products, or achieve reimbursement from government or private health authorities. The actual schedules for the SoftScan® clinical trials could vary significantly from forecasts due to a number of factors. **A key risk factor is patient recruitment rates into these trials, which are subject to the timely initiation of a sufficient number of clinical sites that have both an appropriate patient population available and the necessary research capacity. Trial initiation activities include identifying qualified sites, achieving necessary internal approvals at each site, executing contracts with the sites and providing approved SoftScan® devices.** Any delay in the initiation and completion of ARA.TO's clinical trials could cause the price of its common shares to decline. ARA.TO has set goals for and made public statements regarding timing of the accomplishment of objectives material to its success, such as the commencement and completion of clinical trials, however, anticipated regulatory approval dates do not make for the timing of product launch and sales targets. The actual timing of these events can vary dramatically due to factors such as delay or failures in ARA.TO's clinical trials. Uncertainties are inherent in the regulatory approval process and delays in achieving product development affects commercialization. There can be no assurance that the clinical trials will be completed as planned or that ARA.TO can make regulatory submissions or receive regulatory approvals as planned. **A detailed list of the risks and uncertainties affecting ARA.TO can be found in its Annual Report or in**

Form 20-F at www.sedar.com , the Canadian version of Edgar.

Catalysts and Milestones

DATE	EVENTS	STATUS
Q3/04	ISO 9001 certification	Completed
Q3-Q4/04	Launch New eXplore Optix™ Hardware enhancements and 3-D Software Applications	On-going
Q3/05	Financing Completed in July	Completed
Q3/05	ISO 13485 Certification	Completed
Q3/05	Initial Preclinical results for SoftScan® released	Completed
Q4/05	Pivotal Clinical Studies for SoftScan®	On-going
FY/06	US Market (AMEX) Listing	
FY/05-06	In-Licensing and Acquisition of Complementary Products	
Q2/06	FDA filing for SoftScan®	
FY/06	SoftScan® - TRIAL RESULTS	
FY2007	US and Canadian Regulatory Approval for SoftScan®	

Competition for eXplore Optix™

Company	Product	Partner
Xenogen (XGEN)	IVIS® 200 and IVIS® 3D	None (Direct Sales Force)
CTI Molecular Imaging (CTMI) – acquired by Siemens	microPET® and microCAT®	Siemens (Acquirer)

Capitalization

(From Sedar as of 6/30/2005)

Financial Instruments	Stock based Compensation (CDN) Exercise Price	# of Shares	Exercise Price(s) (wt. avg.)	Expiration Date (wt. avg.)
Authorized Shares		Unlimited		
Number of Common Shares Outstanding		42,664,523		
Number of Share Purchase Warrants Outstanding		2,194,422	\$2.28	
Number of Stock Options Outstanding		2,375,374	\$2.78	7.55 years
	\$1.04 - \$1.99	1,075,400	\$1.34	8.48
	\$2.00 - \$2.99	263,734	\$2.27	7.97
	\$3.00 - \$3.99	623,240	\$3.24	8.40
	\$4.00 - \$4.99	137,000	\$4.60	2.16
	\$6.00 - \$6.99	111,000	\$6.00	3.63
	\$7.00 - \$7.50	165,000	\$7.50	4.70
Total Options Outstanding and Wt. Avg.		2,375,374	\$2.78	7.55
Fully Dilutive Total		47,234,319		

On July 14, 2005, ART announced that it has closed a \$5.9 million private placement of convertible preferred shares with an existing institutional investor. The private placement of 6,341,982 preferred shares was made at a subscription price of (CDN) 1.14 per preferred share. The preferred shares are entitled to a cumulative 7%, payable in cash or common shares at ART's option. The preferred shares are convertible at the investor's option at any time into common shares at a fixed conversion price of (CDN) \$1.26 per share (being an effective conversion rate of 0.9036 common share for each Series 1 preferred share). For a period of 12 months commencing from the closing date, the investor shall have the option to purchase an additional 2,000,000 preferred shares at a price of (CDN) \$1.14 per additional preferred share, for a total potential additional investment of (CDN) \$2,280,000. Each such additional preferred share shall be convertible into common shares at a fixed conversion price of (CDN) \$1.08 per share (being an effective conversion rate of 1.0556 common shares for each Series 2 preferred share).

On July 28, 2005, ART announced that it has closed a \$5 million private placement of senior secured convertible debentures with a limited number of US institutional investors. The debentures mature on January 28, 2008 and bear interest at a rate of 9% per annum, payable quarterly, subject to certain quarterly adjustments. The debentures are convertible at the investor's option at any time into common shares at a fixed conversion price of (CDN) \$0.99 per share. The definitive agreement provides that, at ART's option, any cash payments contemplated under the debentures may be made in freely tradable common shares issued at a 10% discount to market. Also, ART issued to the investors 5 year warrants to purchase 1,110,139 common shares at an exercise price of (CDN) \$1.16 per share and 5 year warrants to purchase 123,349 common shares at an exercise price of (CDN) \$1.39 per share. Finally, for a period of 12 months commencing from the closing date, the investors shall have the option of purchasing additional senior convertible debentures for a total investment of \$2.0 million; and for a period of 12 months following shareholder approval the investors shall have the option of purchasing additional senior convertible debentures for a total investment of (US) \$500,000. With that financing ART has terminated its credits facility of (CDN) \$1,000,000 to cover fluctuations in cash as well as its (CDN) \$1,300,000 facility to finance investment tax credits.

Comparables Chart and Index Performance Chart

Comparables Chart for ARA.TO:

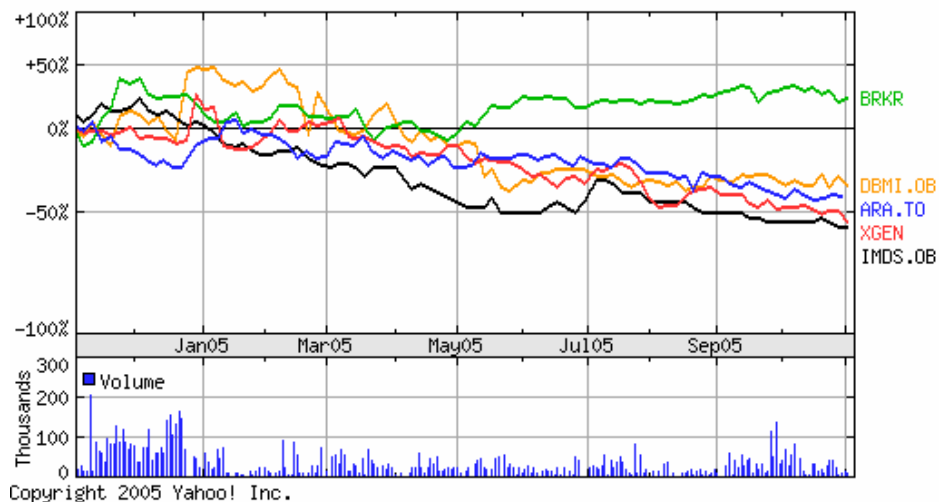
ARA.TO
(ARA.TO - Blue)

Xenogen, Inc.
(XGEN - Red)

Bruker Biosciences Corp
(BRKR - Green)

Imaging Diagnostics
Systems, Inc.
(IMDS.OB - Black)

DOBI Medical
International, Inc.
(DBMI.OB - Orange)



Index Performance Chart for ARA.TO:

ARA.TO
(ARA.TO - Blue)

NASDAQ Biotechnology
Index
(_NBI - Red)

NASDAQ Composite
Index
(_IXIC - Green)



Technology, Strategic Alliances, Management, Board

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Financial Highlights

Q1/05

Financial results for the first quarter ended March 31, 2005, where it reported a sales increase of 162% to \$1,011,350, up from \$386,000 for the same quarter a year ago. The company posted a net loss of \$3,243,694 (\$0.08 per share) for the quarter ended March 31, 2005, compared to U.S. \$ 2,081,748 (U.S. \$0.06 per share) for the three-month period ended March 31, 2004. For the three-month period ended March 31, 2005, revenues generated through the sales of the eXplore Optix™ system were \$ 1,011,350, compared to \$ 386,000 for the three-month period ended March 31, 2004. Sales resulting from the eXplore Optix™ product amounted to \$ 752,850 compared to \$ 386,000 for the same quarter of last year. Sales resulting from maintenance totaled \$ 258,500 compared to nil in the quarter ended March 31, 2004. During the quarter ended March 31, 2005, ARA.TO generated a gross margin of 35% from its eXplore Optix™ product sales and a 3% gross margin from sales resulting from maintenance. The Company's research and development ("R & D") expenditures for the three-month period ended March 31, 2005, net of investment tax credits, amounted to \$2,670,044, compared to \$1,506,132 for the three-month period ended March 31, 2004. During the three-month period ended March 31, 2005, 85% of the R&D expenditures were dedicated to the medical sector and 15% to the pharmaceutical sector. Selling, general, and administrative ("SG&A") expenses for the three-month period ended March 31, 2005, totaled \$872,083, compared to \$807,351. As of March 31, 2005, ARA.TO's working capital was \$9.0 million, including \$9.0 million in cash and short-term investments. ARA.TO believes that cash, cash equivalents and short-term investments will be sufficient to meet its operating cash requirements, including the development of products through research and development activities and capital expenditures, up to early 2006.

Q2/05

ARA.TO announced financial results for Q2/05, reporting a sales increase of \$562,500 to \$752,500, up from \$190,000 for the same quarter a year ago. ARA.TO posted a net loss of \$2,701,883 (\$0.06 per share) for the quarter ended June 30, 2005, compared to \$2,694,042 (\$0.06 per share) for the three-month period ended June 30, 2004. For the six-month period ended June 30, 2005 revenues from sales were \$1,763,850 compared to \$576,000 for the same period in 2004, an increase of \$1,187,850. The net loss was \$5,945,577 (\$0.14 per share) for the six-month period ended June 30, 2005, compared to \$4,775,790 (\$0.12 per share) for the six-month period ended June 30, 2004. Sales for the three-month period ended June 30, 2005 were \$752,500, compared to \$190,000 for the three-month period ended June 30, 2004. Sales resulting from products amounted to \$ 511,550 compared to \$ 190,000 for the same quarter of last year. Sales resulting from maintenance totaled \$ 240,950 compared to nil in the quarter ended June 30, 2004. For the six-month period ended June 30, 2005 revenues were \$1,763,850, compared to \$576,000 for the six-month period ended June 30, 2004. Sales resulting from products for the six-month period ended June 30, 2005 amounted to \$ 1,264,400 compared to \$ 576,000 for the same period of last year. Sales resulting from maintenance totaled \$ 499,450 compared to nil in the six-month period ended June 30, 2004. Sales from products include new multi-wavelength system as well as add-ons that include diodes purchased by existing customers offering broader capability compared to the single-wavelength system. Sales resulting from maintenance include upgrades of the single-wavelength system to the new multi-wavelength system and the sale of demonstration units. As of today, ARA.TO has a backlog of 5 units thus providing visibility and confirming expected revenues for the third quarter. During the three and six-month periods ended June 30, 2005, ARA.TO generated a gross margin of 38% and 36% respectively from the sales of its products and a gross margin of 34% and 18% respectively from sales resulting from maintenance. The combined gross margin decrease during the six-month period compared to the same period of last year was principally due to the fact that ARA.TO transitioned to the new multi-wavelength base system which is a more costly system and offered the possibility to its customer base to upgrade their base system to the new system at a preferential price. ARA.TO's research and development ("R&D") expenditures for the three-month period ended June 30, 2005, net of investment tax credits amounted to \$1,999,239 compared to \$1,941,295 for the three-month period ended June 30, 2004. For the six-month period ended June 30, 2005, R&D expenditures, net of investment tax credits, were \$4,669,283 compared to \$3,447,427 for the six-month period ended June 30, 2004. The R&D expenditures consist principally of the salaries and benefits paid to its personnel involved in R&D projects, of consultation fees paid for clinical studies, the cost associated with the preparation and conduct of the clinical studies, and of the cost to build prototypes. The increase in R&D expenditures for the six-month period compared to last year relates to the medical sector and is mainly due to the cost associated with the preparation and conduct of the clinical studies, which include the manufacturing of the SoftScan clinical prototypes, the negotiation of the protocols with the selected sites and the cost related to site selection both in Canada and in the US. During the three-month and the six-month periods ended June 30, 2005, the manufacturing cost to build the SoftScan clinical prototypes were \$305,061 and \$773,324 respectively.

Q3/FY05

Sales for the three-month period ended September 30, 2005 were \$1,122,000, compared to \$760,000 for the three-month period ended September 30, 2004. Sales resulting from products amounted to \$1,122,000 compared to \$760,000 for the same quarter of last year. No sales resulting from maintenance were recorded during the third quarter of this year and during the quarter ended September 30, 2004. For the nine-month period ended September 30, 2005 revenues were \$2,885,850, compared to \$1,336,000 for the nine-month period ended September 30, 2004. Sales resulting from products for the nine-month period ended September 30, 2005 amounted to \$2,386,400 compared to \$1,336,000 for the same period of last year. Sales resulting from maintenance totaled \$499,450 compared to nil in the nine-month period ended September 30, 2004. The increase in revenues comes from an increase in the Company's eXplore Optix™ product and maintenance sales as it pursues its market penetration in preclinical optical imaging. During the nine-month period ended September 30, 2005, the Company sold 13 eXplore units, including 1 demo unit, as compared to 7 units during the same period of last year and upgraded 4 single-wavelength systems to the new multi-wavelength system during the nine-month period of current fiscal year compared to none during the same period of last year. Sales from products include new multi-wavelength system as well as add-ons that include diodes purchased by existing customers offering broader capability compared to the single-wavelength system. Sales resulting from maintenance include upgrades of the single-wavelength system to the new multi-wavelength system and the sale of demonstration units. As of today, ART has a backlog of 5 units thus providing visibility and confirming expected revenues for the following quarters.

Financial Statement

ADVANCED RESEARCH TECHNOLOGIES, INC.								
UNAUDITED CONDENSED STATEMENTS OF (CONTINUING) OPERATIONS								
Three Months Ended	2004				FY	2005		
(\$USDollars)	Mar	June	Sept	Dec	2004	Mar	June	Sept
					(12 months)			
Revenues	386,000	190,000	760,000	599,000	1,935,000	1,011,350	752,500	1,122,000
Costs and expenses:								
Cost of products sold	183,239	85,185	340,038	306,625	915,087	739,321	477,121	756,194
Research and development	1,506,132	1,941,295	2,056,835	2,007,223	7,511,485	2,670,044	1,999,239	2,269,531
Selling, general and administrative	807,351	912,189	794,033	960,873	3,474,446	872,083	971,275	1,103,473
Amortization	63,506	61,795	67,520	56,806	249,627	56,480	88,811	71,016
Total Costs and Expenses	2,560,228	3,000,464	3,258,426	3,331,527	12,150,645	4,337,928	3,536,446	4,200,214
Operating loss	-2,174,228	-2,810,564	-2,498,426	-2,732,427	-10,215,645	-3,326,578	-2,783,946	-3,078,214
Interest expense on conv. debenture	-	-	-	-	-	-	-	330,309
Interest income	54,160	78,206	96,662	-529,249	-300,221	-56,311	-39,557	-43,190
Foreign Exchange gain	38,320	38,216	-36,842	-26,515	13,179	-26,573	-42,506	-504,955
Net loss	-2,081,748	-2,694,042	-2,438,606	-2,714,207	-9,928,603	-3,243,694	-2,701,883	-3,870,288
Basic and diluted net loss per common share	(\$0.06)	(\$0.06)	(\$0.06)	(\$0.06)	(\$0.24)	(\$0.08)	(\$0.06)	(\$0.09)
Shares used in computing basic and diluted net loss per common share	36,891,856	42,662,523	42,664,523	42,664,522	41,220,856	42,664,523	42,664,523	42,664,523
Balance Sheet Metrics								
	2004				FY	2005		
	Mar	June	Sept	Dec	2004	Mar	June	Sept
Cash & Equivalents	18,990,241	15,334,712	14,706,260	11,831,151	11,831,151	9,042,139	4,997,956	11,596,404
Total Assets	23,246,703	19,943,242	18,987,607	16,764,887	16,764,887	13,873,323	10,445,960	18,643,278
Long-term debt	-	-	-	-	-	-	-	881,622
Shareholders equity	20,962,762	17,848,060	16,352,358	14,609,814	14,609,814	11,285,281	8,453,660	12,678,640

The information contained herein is believed to be reliable, but is not guaranteed by us

Please review our multiple disclosures section. 11/4/05

Quarterly Press Releases

ART Advanced Research Technologies Announces 2005 Third Quarter Financial Results Conference Call Tuesday November 1

ART Advanced Research Technologies Inc., Canadian medical device company and a leader in optical molecular imaging products for the healthcare and pharmaceutical industries, invites you to participate in a conference call to discuss the company's financial results for the third quarter ended September 30, 2005.

ART Announces the Launch of a North American Pivotal Clinical Study of its SoftScan® System Monday October 24

The last stage before commercializing this unique and innovative technology for diagnosing breast cancer

ART Advanced Research Technologies Inc., in collaboration with the Cedars Breast Clinic of the McGill University Health Centre (MUHC), today launched a pivotal clinical study, North American in scope, the final stage prior to commercializing SoftScan®, an optical breast imaging system designed to improve the diagnosis and treatment of breast cancer.

ART Announces Launch of SoftScan(R) Clinical Study at Massachusetts General Hospital Friday October 7

ART Advanced Research Technologies Inc., a Canadian medical device company and a leader in optical molecular imaging products for the healthcare and pharmaceutical industries, today announced that a SoftScan® clinical study is now underway at the first of its clinical research sites in the United States, Massachusetts General Hospital (MGH), in Boston, MA.

ART to Present at BioContact 2005 Investor Conference in Quebec City, Canada Tuesday October 4

ART Advanced Research Technologies Inc., a Canadian medical device company and a leader in optical molecular imaging products for the healthcare and pharmaceutical industries, announced today that on Friday, October 7, 2005, Micheline Bouchard, President & CEO, will present an update on ART's recent developments in achieving key milestones at the BioContact Quebec 2005 investor conference.

ART: Explore Optix™-Based Breast Cancer Research Presented At 4th Annual Meeting of The Society For Molecular Imaging 'Germany' Friday September 9

Abstract presented by Vanderbilt University researchers demonstrates labeling of breast cancer tumors with a molecular imaging agent, using the eXplore Optix system

ART Advanced Research Technologies Inc., a Canadian medical device company and a leader in optical molecular imaging products for the healthcare and pharmaceutical industries, is pleased to announce its participation at the 4th Annual Meeting of the Society of Molecular Imaging (SMI), being held at the Gurzenich Congress Center, in Cologne, Germany, from September 7 to 10, 2005.

ART Expands Engineering and Operational Strengths of Executive Team by Appointing Mario Khayat as Vice President Optical Products Thursday September 8

ART Advanced Research Technologies Inc., a Canadian medical device company and a leader in optical molecular imaging products for the healthcare and pharmaceutical industries, is pleased to announce the appointment of Mr. Mario Khayat as Vice President, Optical Products (subject to regulatory approval).

ART to be Present at the Fourth Annual Meeting of the Society for Molecular Imaging in Cologne, Germany Friday September 2

ART Advanced Research Technologies Inc., a Canadian medical device company and a leader in optical molecular imaging products for the healthcare and pharmaceutical industries, is pleased to announce its participation at the 4th Annual Meeting of the Society of Molecular Imaging (SMI), being held at the Gurzenich Congress Center, in Cologne, Germany, from September 7 to 10, 2005.

ART Advanced Research Technologies Inc.: SoftScan Breast Cancer Imaging Device Featured in Academic Radiology Peer-Reviewed Journal Thursday August 25

ART Advanced Research Technologies Inc., a Canadian medical device company and a leader in optical molecular imaging products for the healthcare and pharmaceutical industries, today announced that results from an engineering optimization study conducted at the Cedars Breast Center of the Royal Victoria Hospital in Montreal, Quebec, Canada.

ART Announces Private Placement of \$5.0 Million of Senior Convertible Debentures Thursday July 28

ART secures total of about US\$ 11million and a potential of over US\$15 million when adding convertible debt offering with recently announced financing by OppenheimerFunds Inc.

ART Advanced Research Technologies Inc., a Canadian medical device company and a leader in optical molecular imaging products for the healthcare and pharmaceutical industries, today announced that it has closed a US\$5 million private placement of senior secured convertible debentures with a limited number of U.S. institutional investors who retain the option to invest an additional US\$2.5 million in convertible debentures.

ART Advanced Research Technologies Announces 2005 Second Quarter Financial Results Conference Call Tuesday July 26, 2:56 pm ET

ART Advanced Research Technologies Inc., a Canadian medical device company and a leader in optical molecular imaging products for the healthcare and pharmaceutical industries, invites you to participate in a conference call to discuss the company's financial results for the second quarter ended June 30, 2005.

ART Announces ISO 13485:2003 Certification: Certification to ISO Standard for Medical Device Manufacturers Demonstrates ARA.TO's Commitment to Consistently Meet Customer and Regulatory Requirements Tuesday July 19

ART Advanced Research Technologies Inc., a Canadian medical device company and a leader in optical molecular imaging products for the healthcare and pharmaceutical industries, announced today that the Company's management system has been certified to ISO 13485:2003.

Please Read these Important Disclosures!

Reg. AC, Analyst Certification

I, Henry W. McCusker, hereby certify that all the views expressed in this review, accurately reflect my personal views about the subject company or companies and its or their securities. No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views contained in this review.

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Rating Definitions

Informational: It has been our practice to generate an informational company review when we initiate coverage. A "Buy" ranking could accompany a price target but these company reviews generally entail that additional information is needed to determine or clarify the companies approach to the growth opportunity.

Buy: Stocks ranked "Buy" are those stocks Scimitar recommend actively buying. These are stocks that are demonstrating their vision while meeting expectation and should appreciate at least 10% over the next 6 months.

Hold: Stocks ranked "Hold" are those stocks Scimitar would continue to hold in a portfolio. These are stocks that are making progress strategically and operationally but are not expected to demonstrate significant appreciation in the next 6 months.

Sell: Stocks ranked "Sell" are those Scimitar would sell; these are stocks that appear not to be able to fulfill or deliver on their disclosed milestones and are expected to depreciate at least 10% over the next 6 months.

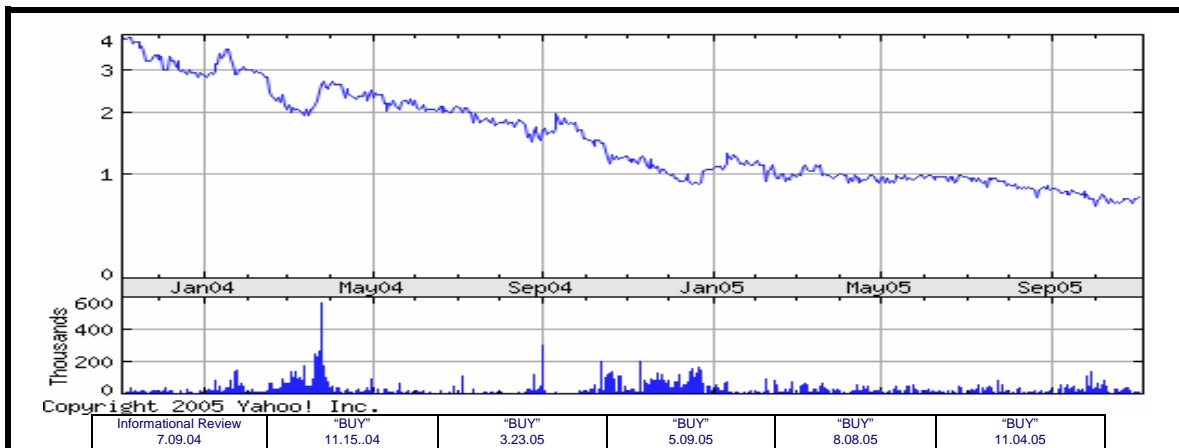
Termination (of coverage): In the event an analyst's coverage is terminated, there is a requirement that firms notify investors when coverage is dropped. This notice must include a final ranking or recommendation. The rule specifically calls for notice to be made in the same manner as in research coverage was first initiated.

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Projecting the future valuation of companies and their innovative technology is at best an "inexact science" and needs to be understood in terms of its intent and vulnerabilities. Scimitar accepts its responsibility to research and prudently perform analysis while incorporating due diligence. The value of science or technology platform, product development cycles, regulatory timelines and filings, collaboration partners, management team and ultimately market initiatives should not be quantitatively modeled too early.

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