



ARA.TO

ART Advanced Research Technologies, Inc.

March 13, 2006

Acquisition Further Integrates ART to the Preclinical and Clinical markets

Ranking: "Buy"

Price at 3/10/06: **CDN \$0.76**

52 Week Range: **CDN \$0.46- \$1.15**

Price Target: **\$1.00 - \$1.25**

Market Capitalization: **CDN \$32.0 m**

Enterprise Value: **CDN \$27.9 m**

Shares Outstanding: **42.7 m**

Fiscal Year End: **Dec**

Exchange: **TSX**



(1-year chart as of 03.10.05)

Acquisition of Alerion, a clinical imaging device firm

ARA.TO researches, designs, and develops optical imaging technologies used in the detection of anomalies. The pre-clinical optical molecular imager was designed to characterize, visualize and measure cellular and molecular processes and pathways. ARA.TO's SoftScan®, a time domain optical breast imaging device, has the potential to transform how breast cancer is diagnosed and managed by detection and characterization of breast cancer. The eXplore Optix™ technology platform and SoftScan™ are partnered with and invested in by GE- Healthcare division. ARA.TO announced on 2/14/06 an agreement to acquire the imaging technology and product assets of Alerion Biomedical, Inc., a US-based developer and manufacturer of biomarkers and contrast media for preclinical and clinical imaging devices.

Increasing sales but widening losses for now

ARA.TO reported sales of \$1,239,700 for Q4/05, versus \$1,122,000 for Q3/05 (+10.5%); up by 107% from \$599,000 for Q4/04. Total revenues for FY05 were \$4,125,550 compared with \$1,935,000 for FY04, an increase of 113%. However, the net loss for both FY05 and Q4/05 widened. ARA.TO recorded sales of 6 units (multi-wavelength) in Q4/05; while they sold 19 eXplore units, including 1 demo unit compared to 11 units and no demo units in 2004. ARA.TO's gross margins on Q4/05 sales of 34% and 18% from maintenance sales which also decreased while posting a net loss of \$3,313,319 (\$0.08 per share) for Q4/05, compared to \$2,714,207 (\$0.06 per share) for Q4/04 period. The net loss for FY05 totaled \$13,129,184 or (\$0.31 per share), compared with a net loss of \$9,928,603 or (\$0.24 per share) in FY04. SG&A and R&D expenses (net of investment tax credits) increased in FY05 and Q4/05. However, 3 new prototypes were built (an R&D cost) to support the SoftScan® clinical initiatives. Foreign exchange losses also increased which affected both Q4/05 and FY05 following a rapid CDN dollar appreciation versus the US dollar. ARA.TO, due to the acquisition, now has the capability to develop and supply biomarker and imaging agents for the preclinical and clinical markets creating a new recurring revenue platform. The synergies of this new biomarker technology to be adapted to multiple modalities could enlarge the customer base and help accelerate market acceptance by researchers and clinicians. The transaction potentially creates a source of recurring revenue and enlarges ARA.TO's customer base. The transaction (all stock) cost may dilute the interests of shareholders and should close by the end of the month. XGEN (Xenogen) was the closest comparable to ARA.TO and has recently been acquired for \$80 m in stock by Caliper Life Sciences (CALP). Utilizing this as one metric; ARA.TO is quite undervalued. The North American SoftScan® pivotal clinical study is in the final testing stage. ARA.TO has a market capitalization of (CDN) \$32.0 m. We maintain a "BUY" ranking with a 2006 price target of \$1.00 - \$1.25.

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**Please read the important
Disclosures Section
At the end of this review**

Investment Thesis

We are still maintaining a “**BUY**” based on a significant undervaluation of ARA.TO, which is due to the non-inclusion of the SoftScan® potential and the recent acquisition of XGEN (Xenogen) (ARA.TO’s closest comparable), by Caliper Life Sciences (CALP) in an all stock deal worth \$80 m. However, a depressed share price, market conditions, foreign currency appreciation, margin decreases offset the increases in the Q4/05 sales/revenue outlook but the recent acquisition of revenue directed products should propel the stock as the integration is completed and revenue can be recognized. ARA.TO’s cash position of (CDN) \$9.1m should provide enough funds to operate into Q1/2007. In addition, ARA.TO could potentially receive an additional (US) \$4.3 million if options to purchase additional securities are exercised. **Our 12 month price target is still \$1.00 - \$1.25.**

A regulatory filing is expected by Q2/06 and ARA.TO’s stock should increase substantially if/as the regulatory filing is made with a potential approval in the requisite timetable – Q2-3/07. ARA.TO’s management seems to be focusing on streamlining operations to reach company goals and acquiring complementary technology while having burned through \$2.5 m in Q4/05. Although progress is being made and losses were experienced; we feel investors should maintain their current position and consider adding to their position (at this price (\$0.74) in anticipation of an increase in eXplore Optix™ sales, revenues from Alerion’s product and the anticipated regulatory filing for SoftScan® being made within the established timeframe (6/2006).

ARA.TO, due to the acquisition of Alerion Biomedical, now has the capability to develop and supply biomarker and imaging agents for the preclinical and clinical markets, which will create additional product revenues. There are revenue synergies as Alerion’s current clients can become possible purchasers of ARA.TO’s eXplore Optix™. The transaction potentially creates a source of recurring revenue and enlarges ARA.TO’s customer base. The transaction is an all stock deal which will dilute the equity of the firm by 5% or less. XGEN (Xenogen) was the closest comparable to ARA.TO and has recently been acquired for \$80 m in stock by Caliper Life Sciences (CALP). Utilizing this as one metric; ARA.TO is quite undervalued. One noticeable factor/variable is the public listing markets differential between ARA.TO’s TSX versus XGEN’s - now Caliper Life Sciences (CALP-NASDAQ) and a larger accessible institutional/retail investor (NASDAQ) population.

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 2005 and were positive.

We would increase our price target once a PMA submission is made to the FDA for SoftScan® and/or eXplore Optix™ gross margins and revenues increase enough to demonstrate a near term profitability. We expect gross margins on eXplore Optix™ to gradually increase and be in the range of 35-40% going forward. ARA.TO has significant potential to add shareholder valuation in the near term, but we do not expect any major fluctuations in the stock price until a regulatory submission is made for SoftScan®. Management sounded very confident that they would be able to file a submission for regulatory approval of SoftScan® by the end of June 2006. ARA.TO is seeking regulatory approval from Health Canada, The European Union (CE Mark) and the FDA for SoftScan®.

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

Acquisition Highlights

ARA.TO announced on 2/14/06 that it acquired substantially all of the imaging technology and product assets of **Alerion Biomedical, Inc.**, a US-based developer and manufacturer of biomarkers and contrast media for preclinical and clinical imaging devices. **The Alerion Biomedical biomarker technology, acquired by ARA.TO, has potential applications for both the preclinical and clinical markets.**

Recent industry reports articulate the total biomarker and radiopharmaceutical sector represents a global market in excess of US\$5.0 billion. A distinct advantage of the biomarker technology developed by Alerion Biomedical, Inc., in particular the Fenestra® product line, is its application or potential application to multiple imaging modalities including CT, Optical and MRI. Initially, ARA.TO will offer its biomarker products to the preclinical market, including its installed customer base of the world's leading pharmaceutical companies and research institutions that currently use ARA.TO's eXplore Optix(tm) preclinical optical imaging system.

An added advantage inherent to the Fenestra® biomarker technology is that it enhances imaging on a user-friendly and non-radioactive basis, which makes it more cost effective in that it permits multiple scans on the same specimens over long periods of time. The technology was developed following more than five years of research at the University of Michigan and investment of over US\$10 million in combined research and development funding. Initial customers have included leading pharmaceutical and biotech companies as well as the National Institutes of Health (NIH).

Micheline Bouchard, President and CEO reported that, "... this acquisition ... represents a highly strategic, value-added transaction for ART... In addition to producing preclinical and clinical imaging devices, ART will now have the capability to develop and supply biomarker and imaging agents for the preclinical and clinical markets, thus creating a new recurring revenue platform for the Company. The ability of this new biomarker technology to be adapted to multiple modalities will enlarge our customer base and help accelerate market acceptance by researchers and clinicians."

Valuation Analysis

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 35-40% could be expected in 2006 after management has updated all software and implemented cost-cutting strategies, which includes negotiating better rates with vendors and making minor engineering adjustments. **XGEN (who has been recently acquired by Caliper Life Sciences (CALP) was ARA.TO's closest comparable with an acquisition price of (US) \$80 m. Other comparables include BRKR at (US) \$417.1 m, IMDS.OB at (US) \$35.14 m and DBMI.OB at (US) \$6.57 m. ARA.TO's market capitalization is (CDN) \$32.0 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 suffered in 2005, mostly because of market conditions. Purchasers of 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. The recognition of XGEN's technology by Caliper Life Sciences should add a small boost to ARA.TO's stock in the near term. 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)
Caliper Life Sciences (acquiring Xenogen Inc. - XGEN)	\$6.65	\$5.07 - \$7.49	33.4 m	\$222.3 m
Bruker BioSciences Corp. (BRKR)	\$4.66	\$3.07 - \$5.60	89.5 m	\$417.1 m
Advanced Research Technologies, Inc. (ARA.TO)	(CDN) \$0.76	(CDN) \$0.46 - 1.15	42.7 m	(CDN) \$32.0 m
DOBI Medical International (DBMI.OB)	\$0.10	\$0.07 - \$0.85	66.4 m	\$6.57 m
Imaging Diagnostic Systems (IMDS.OB)	\$0.19	\$0.11 - \$0.34	215.4 m	\$40.9 m

*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. **The Alerion Biomedical acquisition has the capability to develop and supply biomarker and imaging agents for the preclinical and clinical markets creating a new recurring revenue platform.** The synergies of this new biomarker technology to be adapted to multiple modalities could enlarge the customer base and help accelerate market acceptance by researchers and clinicians. **The transaction potentially creates a source of recurring revenue and enlarges ARA.TO's customer base.**

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. The acquisition is subject to obtaining all necessary regulatory approvals, including that of the Toronto Stock Exchange. The acquisition of Alerion Biomedical may expose ARA.TO to additional risks that could adversely affect the company's stock price.

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
Q1/06	Acquisition of Alerion Biomedical	
Q2/06	Regulatory 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) (Caliper Life Sciences has agreed to buy XGEN for \$80 million worth of stock)	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 9/30/2005)

Financial Instruments	Stock based Compensation (CDN) Exercise Price	# of Shares	Exercise Price(s) (CDN) (wt. avg.)	Expiration Date (wt. avg.)
Authorized Shares		Unlimited		
Number of Common Shares Outstanding		42,664,523		
Number of Outstanding Preferred Shares		6,341,982	\$1.26	3 years
Conversion of Preferred into Common (1/.9036)		5,730,615		
Convertible Debentures converted into Common		5,050,505	\$0.99	2.5
Number of Share Purchase Warrants Outstanding		4,022,817	\$1.78	
Number of Stock Options Outstanding		2,432,479	\$2.72	7.37 years
	\$1.04 - \$1.99	1,141,900	\$1.31	8.34
	\$2.00 - \$2.99	262,134	\$2.27	7.72
	\$3.00 - \$3.99	617,445	\$3.24	8.14
	\$4.00 - \$4.99	137,000	\$4.60	1.91
	\$6.00 - \$6.99	111,000	\$6.00	3.38
	\$7.00 - \$7.50	163,000	\$7.50	4.44
Total Options Outstanding and Wt. Avg.		2,432,479	\$2.72	7.37
Fully Dilutive Total		59,900,939		

ARA.TO announced on 2/14/06 that it acquired substantially all of the imaging technology and product assets of **Alerion Biomedical, Inc.**, a US-based developer and manufacturer of biomarkers and contrast media for preclinical and clinical imaging devices. The stock dilution from the acquisition will be announced after completion of the merger. The dilution effect is expected to be 5% or less of the company's stock.

Comparables Chart and Index Performance Chart

Comparables Chart for ARA.TO:

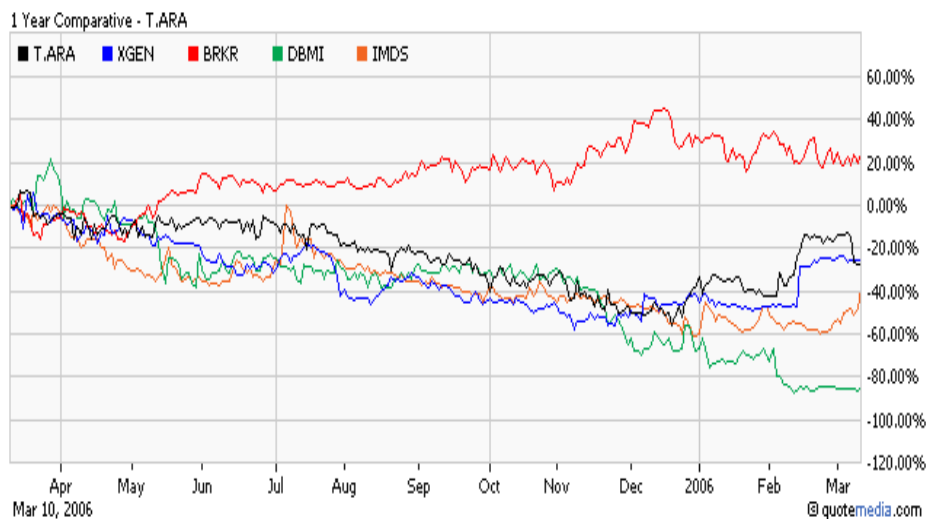
ARA.TO
(ARA.TO -Black)

Xenogen, Inc.
(XGEN -Blue)

Bruker Biosciences Corp
(BRKR -Red)

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

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



Index Performance Chart for ARA.TO:

ARA.TO
(ARA.TO - Black)

NASDAQ Biotechnology
Index
(_NBI - Red)

NASDAQ Composite
Index
(_IXIC - Blue)



Technology, Strategic Alliances, Management, Board

To access technology section click on the link below

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Financial Highlights

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.

Q4/FY05

ART reported sales of \$1,239,700 for the three-month period ended December 31, 2005, up by 107% from \$599,000 for the same quarter a year ago. Total revenues for the year ended December 31, 2005 were \$4,125,550 compared with \$1,935,000 for 2004, an increase of 113%. The Company posted a net loss of \$3,313,319 (\$0.08 per share) for the 2005 fourth quarter, compared to \$2,714,207 (\$0.06 per share) for the corresponding 2004 period. The net loss for the year ended December 31, 2005 totaled \$13,129,184 or (\$0.31 per share), compared with a net loss of \$9,928,603 or (\$0.24 per share) in 2004. For the three-month period ended December 31, 2005 sales were \$1,239,700, up by 107% from \$599,000 for the same quarter a year ago. No maintenance sales were recorded during the 2005 fourth quarter and during the corresponding quarter in 2004. For the year ended December 31, 2005 revenues were \$4,125,550, compared to \$1,935,000 for the year ended December 31, 2004. Products sales for the year ended December 31, 2005 amounted to \$3,626,100 compared to \$1,935,000 a year ago. Maintenance sales totaled \$499,450 compared to nil in the year ended December 31, 2004. The increase in revenues comes from an increase in the Company's eXplore Optix product and maintenance sales as the Company pursued its market penetration in preclinical optical imaging. During the year ended December 31, 2005, the Company sold 19 eXplore units, including 1 demo unit, as compared to 11 units and no demo units in 2004. Cost of sales for the 2005 fourth quarter was \$816,949 compared to \$306,625 in the fourth quarter of 2004. The gross margin for the quarter ended December 31, 2005 was 34% compared to 49% for the same quarter a year ago. For the year ended December 31, 2005, the total cost of sales was \$2,789,585 compared to \$915,087 in the year ended December 31, 2004. As a result, ART generated a combined gross margin of 32% during the year ended December 31, 2005, and 53% last year. The combined gross margin decrease during the 2005 fourth quarter and year ended December 31, 2005 compared to last year was due to: 1) the fact that ART transitioned to the new multiwavelength base system which is a more costly system and offered the possibility to its existing customers to upgrade their base system to the new system at a preferential price; and 2) the rapid appreciation of the Canadian currency over the U.S. During the year ended December 31, 2005, ART generated a gross margin of 34% from the sales of its products and a gross margin of 18% from sales resulting from maintenance. Cost of sales consisted principally of raw materials, royalties and manufacturing costs. The Company's research and development ("R&D") expenditures for the three-month period ended December 31, 2005, net of investment tax credits amounted to \$2,216,146, compared to \$2,007,223 for the same period a year ago. The Company's research and development ("R&D") expenditures for the year ended December 31, 2005, net of investment tax credits amounted to \$9,154,960, compared to \$7,511,485 for the year ended December 31, 2004. The R&D expenditures consist principally of the salaries and benefits for 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 of prototypes. The increase in R&D expenditures for the 2005 quarter and the year ended December 31, 2005 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 year ended December 31, 2005, the manufacturing costs to build the SoftScan clinical prototypes were \$1,369,309. The Company also made the decision to build three additional SoftScan prototypes in the event that more sites would be needed to execute the clinical plan. Selling, general, and administrative ("SG&A") expenses for the 2005 fourth quarter, totaled \$971,405, compared to \$960,873 for the same quarter a year ago. SG&A expenses for the year ended December 31, 2005, totaled \$3,918,236, compared to \$3,474,446 for the year ended December 31, 2004. SG&A expenses consist principally of salaries, professional fees and other costs associated with marketing activities. SG&A expenses were engaged to support commercial activities related to the eXplore Optix product as well as support its overall activities. The loss before interest and foreign exchange loss for the 2005 fourth quarter was \$2,834,299 compared to \$2,732,527 for the same quarter a year ago. For the 2005 fiscal year, the loss before interest and foreign exchange loss was \$12,023,037 compared to \$10,215,645 a year ago. As a result, the net loss for the three-month period ended December 31, 2005 was \$3,313,319 or \$0.08 per share, compared to \$2,714,207 or \$0.06 per share for the three-month period ended December 31, 2004. Net loss for the year ended December 31, 2005 was \$13,129,184 or \$0.31 per share, compared to \$9,928,603 or \$0.24 per share for the year ended December 31, 2004.

Financial Statement

ADVANCED RESEARCH TECHNOLOGIES, INC.							
UNAUDITED CONDENSED STATEMENTS OF (CONTINUING) OPERATIONS							
Three Months Ended	FY		2005			FY	
(\$US Dollars)	Dec	2004	Mar	June	Sept	Dec	2004
		(12 months)					(12 months)
Revenues	599,000	1,935,000	1,011,350	752,500	1,122,000	1,239,700	4,125,550
Costs and expenses:							
Cost of products sold	306,625	915,087	739,321	477,121	756,194	816,949	2,789,585
Research and development	2,007,223	7,511,485	2,670,044	1,999,239	2,269,531	2,216,146	9,154,960
Selling, general and administrative	960,873	3,474,446	872,083	971,275	1,103,473	971,405	3,918,236
Amortization	56,806	249,627	56,480	88,811	71,016	69,499	285,806
Total Costs and Expenses	3,331,527	12,150,645	4,337,928	3,536,446	4,200,214	4,073,999	16,148,587
Operating loss	-2,732,427	-10,215,645	-3,326,578	-2,783,946	-3,078,214	-2,834,299	12,023,037
Interest expense on convertible debentures	-	-	-	-	330,309	553,882	884,191
Interest income	-529,249	-300,221	-56,311	-39,557	-43,190	-102,650	-241,708
Foreign Exchange gain	-26,515	13,179	-26,573	-42,506	-504,955	-27,788	-463,664
Net loss	-2,714,207	-9,928,603	-3,243,694	-2,701,883	-3,870,288	-3,313,319	-13,129,184
Basic and diluted net loss per common share	(\$0.06)	(\$0.24)	(\$0.08)	(\$0.06)	(\$0.09)	(\$0.08)	(\$0.31)
Shares used in computing basic and diluted net loss per common share	42,664,522	41,220,856	42,664,523	42,664,523	42,664,523	42,664,523	42,664,523
Balance Sheet Metrics		FY		2005			FY
	Dec	2004	Mar	June	Sept	Dec	2005
Cash & Equivalents	11,831,151	11,831,151	9,042,139	4,997,956	11,596,404	9,116,535	9,116,535
Total Assets	16,764,887	16,764,887	13,873,323	10,445,960	18,643,278	15,232,209	15,232,209
Long-term debt	-	-	-	-	881,622	1,666,543	1,666,543
Shareholders equity	14,609,814	14,609,814	11,285,281	8,453,660	12,678,640	9,368,813	9,368,813

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

Please review our multiple disclosures section. 3/13/2006

Quarterly Press Releases

ART to Be Present as Bronze Sponsor at the Breast Course 2006 in Key Largo, Florida Friday March 10

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 as a Bronze Sponsor and exhibitor in the 2006 edition of The Breast Course, to be held at the Ocean Reef Club in Key Largo, Florida, from March 13-16, 2006.

ARA.TO's Scientific Advisory Board Endorses Treatment Monitoring Application for SoftScan Wednesday March 1

ART Advanced Research Technologies' (ART) breast optical imaging device has demonstrated ability to consistently quantify small variations in physiological parameters indicative of malignancy, making device well suited to monitor the efficacy of breast cancer treatment.

ART Announces Alerion Biomedical, Inc. Acquisition Wednesday February 15

New product line will ensure high-margins and recurring revenues in fast growing market for biomarkers and radiopharmaceuticals

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 that it has concluded a definitive agreement to acquire substantially all of the imaging technology and product assets of Alerion Biomedical, Inc.

ART initiates a North American pivotal study of its SoftScan'R' system in Western Canada Wednesday November 23

Red Deer's CAMIS selected as a participating site for the clinical trial of this unique and innovative breast cancer diagnosis technology

ART Advanced Research Technologies Inc., in collaboration with the Central Alberta Medical Imaging Services (CAMIS), today announced that it is undertaking trials in Western Canada as part of its North American pivotal study for the SoftScan optical breast imaging system.

In Vivo Fluorescence Applications Using eExplore Optix™ for Pharmacokinetic Studies Presented at the In Vivo Molecular Imaging Conference in California Wednesday November 16

High sensitivity of fluorescent reporters in pharmacokinetic imaging presented by Dr. David R. Vera of the University of California, San Diego, using the eExplore 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 report that Dr. David R. Vera, Adjunct Professor, Department of Radiology, University of California-San Diego (UCSD) will make a presentation entitled "In Vivo Fluorescence Applications in Small Animal Imaging and Development of Diagnostic Imaging Agent" at the 2nd annual In Vivo Molecular Imaging (IVMI) conference in La Jolla, California.

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 ARA.TO'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 eExplore 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).

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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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