

## Second Quarter 2004 Financial Results Reported by Nexia

Montreal, Quebec, Canada, April 15, 2004 – Nexia Biotechnologies Inc. (TSX:NXB) today announced its financial results for the second quarter of fiscal 2004, ending February 29, 2004 and reviewed the achievement of Protexia™ milestones.

On January 22, 2004 – Nexia reported positive results from the Protexia™ *in vivo* efficacy studies conducted by the U.S. Army's Institute for Chemical Defense (ICD). The studies evaluated the ability of Protexia™, a recombinant form of human butyrylcholinesterase (BChE), to protect laboratory animals from the toxic effects of nerve agents. The experimental program is a technical collaboration between ICD and Nexia. Nexia purified the Protexia™ from the milk of transgenic goats and ICD demonstrated Protexia™'s ability to protect animals from the toxic effects of organophosphate nerve agents.

On April 13, 2004 – Nexia announced the successful completion of the pharmacokinetic (PK) study for Protexia™ – the final pre-development milestone. These studies, conducted by the ICD and Defence R&D Canada-Suffield, confirmed an appropriate PK profile for Protexia™ in experimental animal models. Completion of this milestone triggers the Protexia™ drug development program including; transgenic herd scale-up, Good Manufacturing Practises (GMP) purification process development and completion of the pre-clinical studies to support the filing of an Investigational New Drug Exemption (IND) with the US FDA.

Following 9/11, the US government has mounted an intensive anti-terrorism campaign and has allocated unprecedented financial resources to develop technologies and products to address these threats. Given the urgent civilian requirement and Protexia™'s demonstrated effectiveness as a countermeasure for chemical weapons, Nexia will be expanding its Protexia™ drug development program to add the civilian post-exposure therapy (treatment) indication, which is a significantly larger market than its existing military battlefield prophylaxis indication.

Regarding BioSteel®, Nexia has decided to refocus fibre development towards biopolymer sales and specialized nano-scale fibre applications for spider silk and away from traditional fibres and yarns. This decision was prompted by the emerging interest in nanofibres and by the ongoing technical challenges of producing bulk, cost competitive spider silk fibres with superior mechanical properties, especially strength. Nexia has suspended its outsourcing of spinning micron-sized fibres with Acordis SF and stopped its in-house spinning effort. Spinning of BioSteel® proteins into nanometer diameter fibres has been achieved and Nexia is now determining the product specifications for medical and micro-electronic applications.

### Financial Update

For the quarter ending February 29<sup>th</sup>, 2004, Nexia reported, in line with expectations that the net loss decreased by \$386,000 to \$2.51 million (\$0.11 per share) from \$2.90 million (\$0.13 per share) for the quarter ended February 28, 2003. The decrease was primarily due to reductions in research and development expenditures and increases in contract revenue from the ICD of \$252,000.

Contract revenues for the quarter ended February 29<sup>th</sup>, 2004 increased to \$252,000 from nil for the quarter ended February 28, 2003. The revenues relate to the research contract with the ICD to develop Protexia™. Interest revenues for the quarter ended February 29<sup>th</sup>, 2004 decreased by \$53,000 to \$105,000 from \$158,000 for the quarter ended February 28, 2003. The decrease in interest revenues was primarily due to lower cash balances.

Gross research and development expenses, including amortization expense of \$224,000 (\$280,000 in 2003), for the quarter ended February 29<sup>th</sup>, 2004 decreased by \$293,000 to \$1.86 million from \$2.16 million for the quarter ended February 28, 2003.

Investment tax credits and other government assistance ("ITC") in the quarter ended February 29<sup>th</sup>, 2004 increased by \$86,000 to \$308,000 from \$222,000 for the quarter ended February 28, 2003. Investment tax credits decreased by \$24,000 due to a reduction in research and development salary expenses. During the current quarter, the Company recorded grants of \$110,000 from the Canadian Department of National Defence.

Business development expenses for the quarter ended February 29<sup>th</sup>, 2004 increased by \$236,000 to \$811,000 from \$575,000 for the quarter ended February 28, 2003. This increase was primarily due to increases in compensation expenses related to certain terminations and incentives.

Administrative expenses were stable at \$456,000 for the quarter ended February 29<sup>th</sup>, 2004 in comparison to \$455,000 for the quarter ended February 28, 2003.

Nexia had cash and cash equivalents of \$12.9 million at February 29<sup>th</sup>, 2004. The major uses of funds during the six-month ended February 29<sup>th</sup>, 2004, included \$4.01 million used for operations and \$84,000 invested in property, plant, equipment and intellectual property, compared to \$5.47 million and \$821,000 respectively for the six-month ended February 28, 2003. As of March 31, 2004, the Company has 23,314,889 shares outstanding.

Under Nexia's current operating plan, management believes that the Company's current cash, cash equivalents, short-term investments and other current assets should be sufficient to finance its operations and capital needs through early into fiscal 2006.

#### **Conference Call and Web cast**

Nexia will be holding a conference call on April 15, 2004 at 16:10, and this call will be broadcast live on the web at [www.nexiabiotech.com](http://www.nexiabiotech.com).

#### **About Nexia**

Nexia develops and manufactures complex recombinant proteins in the milk of transgenic goats for medical applications. Nexia's strength is producing proteins that cannot be made commercially using other recombinant systems. The Company's products are Protexia<sup>TM</sup> and BioSteel<sup>®</sup>. Protexia<sup>TM</sup> is being developed as a military prophylaxis and as a post-exposure therapy for civilian casualties of domestic terrorist attacks. BioSteel<sup>®</sup>, a recombinant spider silk, is a commercially available biopolymer and is under development for use in nanofiber applications. For more information, please visit Nexia's website at [www.nexiabiotech.com](http://www.nexiabiotech.com).

Except for the historical information presented herein, matters discussed herein may constitute forward-looking statements that are subject to certain risks and uncertainties that could cause actual results to differ materially from any future results, performance or achievements expressed or implied by such statements. Statements that are not historical facts, including statements preceded by, followed by, or that include the words "believes"; "anticipates"; "intends"; "plans"; "expects"; "estimates"; or similar statements are forward-looking statements. Such statements reflect management's current views and are based on certain assumptions. Actual results could differ materially from those currently anticipated as a result of a number of factors, including risks and uncertainties discussed in Nexia's filings with Canadian regulatory authorities. An additional business risk associated with the Protexia<sup>TM</sup> program relates to the fact that large purchases are expected to be made from a few customers. Changes in demand from these customers could significantly affect our program. There can be no assurance that such development efforts will succeed, that such products will receive required regulatory clearance or that, such products would ultimately achieve commercial success.\

#### **For additional information, please contact:**

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## CONSOLIDATED BALANCE SHEETS

As at	February 29, 2004 \$ [unaudited]	August 31, 2003 \$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	12,860,319	552,383
Short-term investments	—	16,415,440
Investment tax credits receivable	1,084,500	760,000
Receivables	284,683	649,450
Prepays and other assets	464,861	400,930
<b>Total current assets</b>	<b>14,694,363</b>	<b>18,778,203</b>
Property, plant and equipment	4,881,980	5,349,778
Intellectual property	1,458,932	1,434,190
Long-term assets held-for-sale	36,278	114,481
	<b>21,071,553</b>	<b>25,676,652</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	967,295	879,199
Deferred revenues	89,857	341,000
Current portion of long-term debt	199,505	191,142
<b>Total current liabilities</b>	<b>1,256,657</b>	<b>1,411,341</b>
Long-term debt	52,602	154,490
	<b>1,309,259</b>	<b>1,565,831</b>
<b>Shareholders' equity</b>		
Capital stock	64,171,131	64,150,110
Contributed surplus	218,751	212,000
Deficit	(44,627,588)	(40,251,289)
<b>Total shareholders' equity</b>	<b>19,762,294</b>	<b>24,110,821</b>
	<b>21,071,553</b>	<b>25,676,652</b>

# CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

(Unaudited)

	<b>Three-months ended February 29, 2004 \$</b>	Three-months ended February 28, 2003 \$	<b>Six-months ended February 29, 2004 \$</b>	Six-months ended February 28, 2003 \$
<b>REVENUES</b>				
Contract revenues	<b>252,450</b>	—	<b>505,150</b>	—
Interest income	<b>104,937</b>	157,950	<b>213,491</b>	314,158
<b>Total revenues</b>	<b>357,387</b>	157,950	<b>718,641</b>	314,158
<b>EXPENSES</b>				
Research and development	<b>1,639,612</b>	1,876,013	<b>2,913,915</b>	3,719,126
Amortization	<b>223,785</b>	279,883	<b>464,199</b>	537,861
<b>Total research and development</b>	<b>1,863,397</b>	2,155,896	<b>3,378,114</b>	4,256,987
Investment tax credits and other government assistance	<b>(307,949)</b>	(222,100)	<b>(495,536)</b>	(442,440)
<b>Net research and development</b>	<b>1,555,448</b>	1,933,796	<b>2,882,578</b>	3,814,547
Business development	<b>811,021</b>	575,304	<b>1,171,734</b>	1,041,529
Administrative	<b>455,629</b>	454,758	<b>806,398</b>	855,779
Amortization	<b>32,597</b>	44,140	<b>69,584</b>	87,538
Loss on sale of fixed assets	<b>12,175</b>	—	<b>12,175</b>	—
(Gain) Loss on foreign exchange	<b>(4,175)</b>	34,837	<b>14,347</b>	33,036
Interest on long-term debt	<b>8,432</b>	14,357	<b>17,667</b>	30,300
Restructuring costs	—	—	<b>120,457</b>	—
<b>Total expenses</b>	<b>2,871,127</b>	3,057,192	<b>5,094,940</b>	5,862,729
<b>Net Loss</b>	<b>(2,513,740)</b>	(2,899,242)	<b>(4,376,299)</b>	(5,548,571)
<b>Deficit, beginning of period</b>	<b>42,113,848</b>	31,916,618	<b>40,251,289</b>	29,267,289
<b>Deficit, end of period</b>	<b>44,627,588</b>	34,815,860	<b>44,627,588</b>	34,815,860
<b>Basic and diluted loss per share</b>	<b>0.11</b>	0.13	<b>0.19</b>	0.24
<b>Weighted average number of common shares</b>	<b>23,133,330</b>	23,027,078	<b>23,129,527</b>	23,018,434

# CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three- months ended February 29, 2004	Three-months ended February 28, 2003	Six-months ended February 29, 2004	Six-months ended February 28, 2003
<b>OPERATING ACTIVITIES</b>				
Net loss	(2,513,740)	(2,899,242)	(4,376,299)	(5,548,571)
Add items not affecting cash flows:				
Loss on sale of fixed assets	12,175	—	12,175	—
Stock based compensation expense	6,751	—	6,751	—
Amortization of property, plant and equipment	230,376	303,179	483,443	584,491
Amortization of intellectual property	26,006	20,844	50,340	40,908
	(2,238,432)	(2,575,219)	(3,823,590)	(4,923,172)
Changes in non-cash working capital balances relating to current operations	(319,176)	(157,969)	(186,711)	(551,214)
<b>Cash flows relating to operating activities</b>	<b>(2,557,608)</b>	<b>(2,733,188)</b>	<b>(4,010,301)</b>	<b>(5,474,386)</b>
<b>INVESTING ACTIVITIES</b>				
Acquisition of property, plant and equipment	(5,395)	(252,487)	(8,574)	(543,935)
Acquisition of intellectual property	(21,767)	(207,291)	(75,077)	(277,467)
Maturity of short-term investments	5,208,382	7,793,283	16,415,440	26,798,875
Purchase of short-term investments	—	—	—	(2,750,764)
Proceeds from disposition of fixed assets	58,952	—	58,952	—
<b>Cash flows relating to investing activities</b>	<b>5,240,172</b>	<b>7,333,505</b>	<b>16,390,741</b>	<b>23,226,709</b>
<b>FINANCING ACTIVITIES</b>				
Issuance of common shares	1,256	45,733	21,021	45,733
Repayment of long-term debt	(47,264)	(75,664)	(93,525)	(149,842)
<b>Cash flows relating to financing activities</b>	<b>(46,008)</b>	<b>(29,931)</b>	<b>(72,504)</b>	<b>(104,109)</b>
<b>Net change in cash and cash equivalents during the period</b>	<b>2,636,556</b>	<b>4,570,386</b>	<b>12,307,936</b>	<b>17,648,214</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>10,223,763</b>	<b>16,147,253</b>	<b>552,383</b>	<b>3,069,425</b>
<b>Cash and cash equivalents, end of the period</b>	<b>12,860,319</b>	<b>20,717,639</b>	<b>12,860,319</b>	<b>20,717,639</b>
<b>Supplemental cash flow information –</b>				
Interest paid	8,432	14,357	17,667	30,300