

THIRD QUARTER 2004 FINANCIAL RESULTS REPORTED BY NEXIA

Montreal, Quebec, Canada, July 15, 2004 – Nexia Biotechnologies Inc. (TSX:NXB) today announced its financial results for the third quarter of fiscal 2004, and showed continued positive developments for Nexia. Protexia™ - a leading military bioscavenger - was showcased at the US Army chemical countermeasure conference in Maryland, May 16-21. The Protexia™ production herd scale-up is on track to meet preclinical and clinical demands. Nexia's contract revenues were up by 54% on a year-to-date basis as it enters the second year of the Protexia™ US Army contract.

PROTEXIA™ FEATURED AT US ARMY CHEMICAL WEAPON COUNTERMEASURE FORUM

The US Army's Institute for Chemical Defense (ICD) sponsors a biannual international scientific meeting, which focuses on the treatment of casualties resulting from a chemical weapon attack, both military and civilian. The first day of this meeting focused exclusively on bioscavengers as the next generation of countermeasures for nerve agents. Protexia™'s development program was featured prominently and Nexia communicated Protexia™'s progress via presentations and posters. ICD's Program Manager for the Protexia™ program highlighted the Army's positive research findings on Protexia™'s *in vivo* performance to protect in animals.

PROTEXIA™ PRODUCTION ON TRACK

Protexia™ production in the milk of our transgenic goat herd is scaling-up as planned. In May, Nexia's expanding herd surpassed 100 g of Protexia™ (recombinant human butyrylcholinesterase) in milk. This step up in the level of production is driving both the ongoing preclinical data capture and the development of GMP purification processes for clinical grade Protexia™. This work, being carried out in conjunction with MDS Pharma Services, is necessary for an IND submission to the US FDA. Nexia has initiated breeding Protexia™ genetics into our existing certified scrapie-free production herd, to ensure that the growing demand for Protexia™ is met.

Nexia is in discussions with regulators in the USA and Canada regarding the necessary steps involved in obtaining approval to use Protexia™ as both a prophylaxis and as a post-exposure therapy. Protexia™, like all drugs, must be proven to be safe and efficacious before approval. However, the special nature of counter-terrorist medicines has demanded creativity - a novel regulatory mechanism with the US FDA. Termed the "Animal Efficacy Rule", Nexia believes this approved legislation permits the testing of Protexia™'s efficacy (Phase II and III) in animal models. In contrast, appropriate Phase I safety trials for Protexia™ will be completed in humans in the traditional manner.

BIOSTEEL® EXPLORATION OF NANO-FIBRE APPLICATIONS

With regard to our BioSteel® program, a number of organizations have signed confidentiality agreements with Nexia in order to explore the use of BioSteel® protein and nano-fibres in performance composite materials.

FINANCIAL UPDATE

For the quarter ending May 31, 2004, Nexia reported, in line with expectations, that the net loss decreased by \$969,000 to \$1.60 million (\$0.07 per share) from \$2.57 million (\$0.11 per share) for the quarter ended May 31, 2003. The decrease was primarily due to reductions in research and development expenditures quarter over quarter and the restructuring charge recorded in the quarter ended May 31, 2003 of \$627,000.

Contract revenues for the quarter ended May 31, 2004 decreased to \$317,000 from \$533,000 for the quarter ended May 31, 2003. The revenues relate to the research contract with the US Army's Institute for Chemical Defense (ICD) to develop Protexia™. Interest revenues for the quarter ended May 31, 2004 decreased by \$70,000 to \$64,000 from \$134,000 for the quarter ended May 31, 2003. The decrease in interest revenues was primarily due to lower cash balances. Additionally, miscellaneous sales of \$24,000 for BioSteel® and \$40,000 for the sale of goats were recorded in the current quarter.

Gross research and development expenses, including amortization expense of \$219,000 (\$284,000 in 2003), for the quarter ended May 31, 2004 decreased by \$664,000 to \$1.41 million from \$2.07 million for the quarter ended May 31, 2003. The decrease was primarily attributable to the restructuring of operations implemented in May 2003.

Investment tax credits and other government assistance ("ITC") in the quarter ended May 31, 2004 decreased by \$135,000 to \$240,000 from \$375,000 for the quarter ended May 31, 2003. Investment tax credits decreased by \$165,000 due to a reduction in research and development salary expenses and a reduction in the refundable rate in Quebec. During the current quarter, the Company recorded grants of \$78,000 (\$48,000 in 2003) from the Canadian Department of National Defence.

Business development expenses for the quarter ended May 31, 2004 decreased by \$33,000 to \$406,000 from \$439,000 for the quarter ended May 31, 2003. The decrease was due to the restructuring of operations in May 2003 which was offset by the use of external professional services.

Administrative expenses decreased by \$53,000 to \$288,000 for the quarter ended May 31, 2004 in comparison to \$341,000 for the quarter ended May 31, 2003. The decrease was primarily due to the restructuring of operations in May 2003.

Nexia had cash and cash equivalents including short-term investments of \$11.36 million at May 31, 2004. The major uses of funds during the nine-month ended May 31, 2004, included \$5.6 million used for operations and \$103,000 invested in property, plant, equipment and intellectual property, compared to \$7.13 million and \$991,000 respectively for the nine-month ended May 31, 2003. As at June 30, 2004, the Company had 23,366,789 common 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 fiscal 2006.

Conference Call and Web cast

Nexia will be holding a conference call on July 15, 2004 at 16:10, and this call will be broadcast live on the web at 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™ and BioSteel®. Protexia™ is being developed as a military prophylaxis and as a post-exposure therapy for civilian casualties of domestic terrorist attacks. BioSteel®, 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.

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™ 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.

CONSOLIDATED BALANCE SHEETS

(unaudited)

| As at | May 31, 2004 | August 31, 2003 |
|---|-------------------|-------------------|
| | \$ | \$ |
| ASSETS | | |
| Current | | |
| Cash and cash equivalents | 8,642,854 | 552,383 |
| Short-term investments | 2,718,422 | 16,415,440 |
| Investment tax credits receivable | 1,246,500 | 760,000 |
| Receivables | 513,454 | 649,450 |
| Prepays and other assets | 448,597 | 400,930 |
| Total current assets | 13,569,827 | 18,778,203 |
| Property, plant and equipment | 4,663,442 | 5,349,778 |
| Intellectual property | 1,320,183 | 1,434,190 |
| Long-term assets held-for-sale | 0 | 114,481 |
| | 19,553,452 | 25,676,652 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current | | |
| Accounts payable and accrued liabilities | 1,046,265 | 879,199 |
| Deferred revenues | 0 | 341,000 |
| Current portion of long-term debt | 203,821 | 191,142 |
| Total current liabilities | 1,250,086 | 1,411,341 |
| Long-term debt | 0 | 154,490 |
| | 1,250,086 | 1,565,831 |
| Shareholders' equity | | |
| Capital stock | 64,295,851 | 64,150,110 |
| Contributed surplus | 236,612 | 212,000 |
| Deficit | (46,229,097) | (40,251,289) |
| Total shareholders' equity | 18,303,366 | 24,110,821 |
| | 19,553,452 | 25,676,652 |

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICITS

(Unaudited)

| | Three-months ended May 31, 2004 | Three-months ended May 31, 2003 | Nine-months ended May 31, 2004 | Nine-months ended May 31, 2003 |
|---|---------------------------------------|---------------------------------------|--------------------------------------|--------------------------------------|
| | \$ | \$ | \$ | \$ |
| REVENUES | | | | |
| Contract revenues | 316,812 | 533,000 | 821,962 | 533,000 |
| Interest income | 63,887 | 133,989 | 277,378 | 448,147 |
| Miscellaneous revenue | 64,130 | 0 | 64,130 | 0 |
| Total revenues | 444,829 | 666,989 | 1,163,470 | 981,147 |
| EXPENSES | | | | |
| Research and development | 1,192,321 | 1,792,612 | 4,106,236 | 5,542,883 |
| Amortization | 219,491 | 283,872 | 683,690 | 821,733 |
| Total research and development | 1,411,812 | 2,076,484 | 4,789,926 | 6,364,616 |
| Investment tax credits and other government assistance | (240,171) | (374,700) | (735,707) | (817,140) |
| Net research and development | 1,171,641 | 1,701,784 | 4,054,219 | 5,547,476 |
| Business development | 406,313 | 439,404 | 1,578,047 | 1,485,625 |
| Administrative | 287,622 | 340,639 | 1,094,020 | 1,160,581 |
| Amortization | 27,552 | 44,896 | 97,136 | 132,434 |
| Loss on sale of fixed assets | 9,903 | 0 | 22,078 | 0 |
| Loss on foreign exchange | 6,329 | 70,633 | 20,676 | 103,669 |
| Interest on long-term debt | 6,978 | 12,788 | 24,645 | 43,088 |
| Write-down of intellectual property | 130,000 | 0 | 130,000 | 0 |
| Restructuring costs | 0 | 627,281 | 120,457 | 627,281 |
| Total expenses | 2,046,338 | 3,237,425 | 7,141,278 | 9,100,154 |
| Net Loss | (1,601,509) | (2,570,436) | (5,977,808) | (8,119,007) |
| Deficit, beginning of period | 44,627,588 | 34,815,860 | 40,251,289 | 29,267,289 |
| Deficit, end of period | 46,229,097 | 37,386,296 | 46,229,097 | 37,386,296 |
| Basic and diluted loss per share | 0.07 | 0.11 | 0.26 | 0.35 |
| Weighted average number of common shares | 23,259,628 | 23,095,679 | 23,173,470 | 23,044,182 |

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

| | Three-Three-months months ended ended May 31, 2003 May 31, 2004 | Three-months ended May 31, 2003 | Nine-months ended May 31, 2004 | Nine-months ended May 31, 2003 |
|---|--|---------------------------------------|--------------------------------------|--------------------------------------|
| | \$ | \$ | \$ | \$ |
| OPERATING ACTIVITIES | | | | |
| Net loss | (1,601,509) | (2,570,436) | (5,977,808) | (8,119,007) |
| Add items not affecting cash flows: | | | | |
| Loss on sale of fixed assets | 9,903 | 0 | 22,078 | 0 |
| Stock based compensation expense | 17,861 | 0 | 24,612 | 0 |
| Amortization of property, plant and equipment | 220,692 | 306,086 | 704,135 | 890,577 |
| Amortization of intellectual property | 26,351 | 22,682 | 76,691 | 63,590 |
| Write-down of intellectual property | 130,000 | 0 | 130,000 | 0 |
| Non-cash restructuring charge | 0 | 122,940 | 0 | 122,940 |
| | (1,196,702) | (2,118,728) | (5,020,292) | (7,041,900) |
| Changes in non-cash working capital balances relating to current operations | (385,394) | 461,378 | (572,105) | (89,836) |
| Cash flows relating to operating activities | (1,582,096) | (1,657,350) | (5,592,397) | (7,131,736) |
| INVESTING ACTIVITIES | | | | |
| Acquisition of property, plant and equipment | (2,166) | (86,896) | (10,740) | (630,831) |
| Acquisition of intellectual property | (17,599) | (82,929) | (92,676) | (360,396) |
| Maturity of short-term investments | 0 | 0 | 16,415,440 | 26,798,875 |
| Purchase of short-term investments | (2,718,422) | (11,207,058) | (2,718,422) | (13,957,822) |
| Proceeds from disposition of fixed assets | 26,384 | 0 | 85,336 | |
| Cash flows relating to investing activities | (2,711,803) | (11,376,883) | 13,678,938 | 11,849,826 |
| FINANCING ACTIVITIES | | | | |
| Issuance of common shares | 124,720 | 21,021 | 145,741 | 66,754 |
| Repayment of long-term debt | (48,286) | (77,178) | (141,811) | (227,020) |
| Cash flows relating to financing activities | 76,434 | (56,157) | 3,930 | (160,266) |
| Net change in cash and cash equivalents during the period | (4,217,465) | (13,090,390) | 8,090,471 | 4,557,824 |
| Cash and cash equivalents, beginning of the period | 12,860,319 | 20,717,639 | 552,383 | 3,069,425 |
| Cash and cash equivalents, end of the period | 8,642,854 | 7,627,249 | 8,642,854 | 7,627,249 |
| Supplemental cash flow information – Interest paid | 6,978 | 12,788 | 24,645 | 43,088 |

For additional information, please contact:

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