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Nexia Announces Second Quarter Results and Provides Corporate Update

(in Canadian dollars except if otherwise indicated)

Montreal, Canada, April 14, 2005 — Nexia Biotechnologies Inc. (“Nexia”) (TSX: NXB) today announced, its second quarter 2005 results, and provided additional details on the completion of the sale transaction with PharmAthene and completion of the special return of capital \$0.72 per share, as well as corporate and management changes and a change in its year end to May 31, from August 31.

FINANCIAL UPDATE

The net loss for the quarter ended February 28, 2005 decreased by \$706,000 to \$1.81 million (\$0.08 per share) from \$2.51 million (\$0.11 per share) for the quarter ended February 29, 2004. The decrease was due to reductions in all spending categories, offset slightly by lower overall revenues. Expenses related to the sale transaction, incurred in the second quarter of 2005, of approximately \$1.36 million, of which \$1.0 million was recorded as a prepaid expense as at February 28, 2005 will be charged against the sale proceeds in the quarter ended May 31, 2005. Nexia expects to record a gain on sale of these assets of approximately \$15.6 million during the quarter ending May 31, 2005.

Revenues

Contract revenues for the quarter ended February 28, 2005 decreased to \$116,000 from \$252,000 for the quarter ended February 29, 2004. The revenues relate to the research contract with the U.S. Army to develop Protexia, that was completed in December 2004. Interest revenues for the quarter ended February 28, 2005 decreased by \$64,000 to \$41,000 from \$105,000 for the quarter ended February 29, 2004. The decrease in interest revenues was primarily due to lower cash balances. Following the sale transaction, as described in the subsequent events section, only interest revenues are expected to be generated.

Research and Development Expenses

Gross R&D expenses, including amortization expense of \$174,000 (\$224,000 in 2004), for the quarter ended February 28, 2005 decreased by \$514,000 to \$1.35 million from \$1.86 million for the quarter ended February 29, 2004. The decrease was primarily the result of reduced expenses attributable BioSteel® program, including the closure on the US farm facilities in the first quarter of 2004, which were partially offset by Protexia® development costs. Following the sale transaction, as described in the subsequent events section, the R&D expenditures are expected to be minimal.

Investment tax credits and other government assistance (“ITC”) in the quarter ended February 28, 2005 decreased by \$98,000 to \$210,000 from \$308,000 for the quarter ended February 29, 2004. The decrease is due to the reduction in other government assistance to nil in the current quarter in comparison to \$110,000 in the comparable quarter of the previous year. These grants were received from the Canadian Department of National Defence. Following the sale transaction, as described in the subsequent events section, the ITC realized are expected to be minimal.

Business Development Expenses

Business development expenses for the quarter ended February 28, 2005 decreased by \$400,000 to \$411,000 from \$811,000 for the quarter ended February 29, 2004, which was primarily due higher professional fees and severance payments recorded in 2004. Following the sale transaction, as described in the subsequent events section, the business development expenditures are expected to be substantially reduced, and will relate primarily to exploring the BioSteel® related opportunities.

Administrative Expenses

Administrative expenses decreased by \$61,000 to \$395,000 for the quarter ended February 28, 2005 from \$456,000 for the quarter ended February 29, 2004, which was due to a reduction in the use of professional services and lower staffing levels. Following the sale transaction, as described in the subsequent events section, the administrative expenditures are expected to be reduced substantially, and will relate primarily to overseeing Nexia's investment in PharmAthene, BioSteel® related activities and costs related to maintaining public company requirements.

Liquidity and Capital Resources

Nexia had cash and cash equivalents and short-term investments of \$5.44 million at February 28, 2005. The major uses of funds during the three-month ended February 28, 2005, included \$3.16 million used for operations and \$261,000 invested in property, plant, equipment and intellectual property, compared to \$2.56 million and \$27,000 respectively, for the three-month ended February 29, 2004. As at March 31, 2005 the Company had 23,427,539 common shares and 1,538,850 stock options outstanding.

As described in the subsequent events section, the Company received \$13.5 million (\$11.2 US million) in cash on March 14th, 2005, related to the sale transaction, and on March 23, 2005 distributed to its shareholders a special \$0.72 per share, reduction in stated capital of \$16.9 million. Immediately following the distribution, Nexia had \$2.3 million in cash and cash equivalents and estimated working capital of \$2.8 million. Considering the substantially reduced operations of Nexia, management believes that the Company's cash, cash equivalents, short-term investments and other working capital should be sufficient to finance its operations and capital needs for approximately 36 to 48 months. However, should Nexia be required to exercise its rights related to PharmAthene warrants, additional funds may be required.

SUBSEQUENT EVENTS

Completion of Sale Transaction with PharmAthene

On March 7, 2005, Nexia's, shareholders approved the sale of substantially all its operations and assets related to Protexia® (recombinant human butyrylcholinesterase) to a wholly-owned subsidiary of PharmAthene ("PharmAthene"), a privately held biotechnology company focused on the development of biodefense therapeutics, based in Annapolis, Maryland, USA. The shareholders' vote took place on March 7th at Nexia's Annual and Special Meeting of Shareholders. The transaction, which was announced on January 6, 2005 was completed on March 14, 2005 with the purchase consideration of approximately \$21.6 million (US \$18.0 million) payable to Nexia as follows:

- \$13.5 million (US \$11.2 million) in cash;
- 7.5 million Series C Convertible Preferred Shares ("Series C Shares") of PharmAthene to be issued at US\$0.91 per share, with value of approximately \$8.1 million (US \$6.8 million), and:
 - 2.3 million warrants to acquire Series C Shares exercisable at about US\$0.91 per share and expiring in March 2008; and
 - 1.3 million warrants to acquire common shares of PharmAthene (subject to reduction if certain milestones are met by PharmAthene as specified in the warrants) exercisable at US\$0.01 per share and expiring in October 2014.

All of the operations and assets related to Protexia® were disposed of. This includes receivables, property, plant and equipment and intellectual property, and PharmAthene has assumed the liabilities related to the Protexia® operation and the long-term debt, and all of Nexia's remaining employees joined PharmAthene. PharmAthene has also agreed to reimburse Nexia for certain severance payments incurred before the sale transaction and will reimburse severance payments for all employees which were not hired by PharmAthene. Nexia retains its cash and cash equivalents, short-term investments and investment tax credits recoverable as well as the liabilities not associated with Protexia® and will be responsible for paying its costs associated with the sale transaction, estimated at \$1.36 million, during the quarter. As per the provisions of Nexia's Stock Option incentive plan, all unvested stock options vest upon a change in

control or the sale of substantially all assets and as a result of this transaction Nexia's options have vested and a non-cash expense of approximately \$205,000 related to the vesting of these options will be recorded in the quarter ending May 31, 2005. Nexia's activities, after the completed transaction, will be essentially limited to overseeing its investment in PharmAthene and exploring partnering or divestiture alternatives for the BioSteel® program. As such it is expected that the expenses and revenues will be substantially reduced in the period following the divestiture. As a result of this transaction, Nexia will hold approximately 10% interest in PharmAthene.

Reduction of Stated capital and Special Cash Distribution

Concurrently with their approval of the transaction, the shareholders of Nexia have also approved a reduction of the stated capital of the issued and outstanding common shares of Nexia which resulted in a distribution to the shareholders of \$ 0.72 per share (\$16.9 million) on March 23, 2005. For additional information, please review the Management Proxy Circular at www.sedar.com.

CORPORATE CHANGES

Nexia's activities, after the completed transaction, will be essentially limited to overseeing its investment in PharmAthene, exploring partnering or divestiture alternatives for the BioSteel® program, and every effort is being made to reduce costs. Regarding personnel, all of Nexia's employees were transferred to PharmAthene, except Dr. Jeffrey D. Turner who resigned as President and CEO. Nexia's management and board wish to thank these employees for their contributions over the years. Mr. William C. Garriock will serve as the President and CEO and Mr. Dejan Ristic will serve as CFO. Nexia's Board of Directors has been reduced to 4 including; Dr. Larry Milligan, Mr. Philip Blake, Dr. Harold Hafs and William C. Garriock as Chairman. Nexia thanks Mr. John Lawson, Mr. Peter Jansen, Ms. Rosemary Zigrossi, Dr. J.C. Renondin and Dr. Jeffrey Turner for their service on Nexia's Board.

As a result of the completion of the sale transaction with PharmAthene, Nexia's Board of Directors approved the change in Nexia's financial year-end from August 31 to May 31. As a result, Nexia will be filing a short nine-month year-end financial statements as of May 31, 2005 with the comparative twelve month period ending August 31, 2004. These annual financial statements will be filed within 90 days from the new year end, on or before August 29, 2005. The August 31, 2005 financial statements and the MD&A for the first quarter of fiscal 2006 year ending May 31, 2006 will be issued on or before October 15, 2005, and 45 days thereafter for each of the second and third quarters, on or before Jan 14, 2006 and April 14, 2006, for the second and third quarter ending November 30, 2005 and February 28, 2006, respectively. Prior year quarterly information already issued will be used for comparative purposes.

ABOUT NEXIA

For more information, please visit Nexia's website at www.nexiabiotech.com and Nexia's continuing disclosure filings at www.sedar.com.

FORWARD-LOOKING STATEMENT AND OTHER IMPORTANT INFORMATION

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. Nexia specifically disclaims any obligation to update these forward-looking statements. Nexia assumes no responsibility with respect to any information contained herein relating to any entity other than itself. Website addresses referred to herein are provided for convenience purposes only and information contained therein is not incorporated herein by reference, nor does Nexia assume any responsibility in connection therewith. For more information, please visit www.sedar.com. BioSteel® is a registered trademark of Nexia Biotechnologies Inc. in Canada.

CONTACT INFORMATION

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investors@nexiabiotech.com**FINANCIAL STATEMENTS****CONSOLIDATED
BALANCE SHEETS**

As at	February 28, 2005 \$	August 31, 2004 \$
	[unaudited]	
ASSETS		
Current		
Cash and cash equivalents	5,438,848	604,470
Short-term investments	—	10,624,216
Investment tax credits recoverable	1,117,000	730,000
Receivables	475,488	264,251
Prepays and other assets	1,446,005	332,968
Total current assets	8,477,341	12,555,905
Property, plant and equipment	4,172,883	4,416,765
Intellectual property	600,547	282,149
	13,250,771	17,254,819
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	824,519	1,177,893
Current portion of long-term debt	52,602	154,490
Total current liabilities	877,121	1,332,383
Shareholders' equity		
Capital stock	64,370,763	64,370,763
Contributed surplus	308,601	258,263
Deficit	(52,305,714)	(48,706,590)
Total shareholders' equity	12,373,650	15,922,436
	13,250,771	17,254,819

For complete financial statements, please visit www.sedar.com.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICITS

(Unaudited)

	Three-months ended February 28/29,		Six-months ended February 28/29,	
	2005	2004	2005	2004
	\$	\$	\$	\$
REVENUES				
Contract revenues	115,168	252,450	427,815	505,150
Interest income	40,789	104,937	88,836	213,491
Total revenues	155,957	357,387	516,651	718,641
EXPENSES				
Research and development	1,175,602	1,639,612	2,192,749	2,913,915
Amortization	173,627	223,785	341,648	464,199
Total research and development	1,349,229	1,863,397	2,534,397	3,378,114
Investment tax credits and other government assistance	(210,000)	(307,949)	(387,000)	(495,536)
Net research and development	1,139,229	1,555,448	2,147,397	2,882,578
Business development	410,671	811,021	1,191,017	1,171,734
Administrative	394,952	455,629	707,853	806,398
Amortization	23,044	32,597	48,192	69,584
Loss on sale of fixed assets	-	12,175	-	12,175
Loss (Gain) on exchange rate	(7,338)	(4,175)	13,208	14,347
Interest on long-term debt	3,548	8,432	8,108	17,667
Restructuring	-	-	-	120,457
Total expenses	1,964,106	2,871,127	4,115,775	5,094,940
Net Loss	(1,808,149)	(2,513,740)	(3,599,124)	(4,376,299)
Deficit, beginning of period	50,497,565	42,113,848	48,706,590	40,251,289
Deficit, end of period	52,305,714	44,627,588	52,305,714	44,627,588
Basic and diluted loss per share	0.08	0.11	0.15	0.19
Weighted average number of common shares	23,366,789	23,133,330	23,366,789	23,129,527

For complete financial statements, please visit www.sedar.com.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three-months ended February 28/29,		Six-months ended February 28/29,	
	2005	2004	2005	2004
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net loss	(1,808,149)	(2,513,740)	(3,599,124)	(4,376,299)
Add items not affecting cash flows:				
Loss on sale of fixed assets	-	12,175	-	12,175
Amortization of property, plant and equipment	187,399	230,376	373,661	483,443
Amortization of intellectual property	9,272	26,006	16,179	50,340
Stock-based compensation expense	28,500	6,751	50,338	6,751
	(1,582,978)	(2,238,432)	(3,158,946)	(3,823,590)
Changes in non-cash working capital balances relating to current operations	(1,573,420)	(319,176)	(2,064,648)	(186,711)
Cash flows from operating activities	(3,156,398)	(2,557,608)	(5,223,594)	(4,010,301)
INVESTING ACTIVITIES				
Acquisition of property, plant and equipment	(108,655)	(5,395)	(129,779)	(8,574)
Acquisition of intellectual property	(152,220)	(21,767)	(334,577)	(75,077)
Maturity of short-term investments	7,180,270	5,208,382	10,624,216	16,415,440
Purchase of short-term investments	-	58,952	-	58,952
Cash flows relating to investing activities	6,919,395	5,240,172	10,159,860	16,390,741
FINANCING ACTIVITIES				
Issuance of common shares	-	1,256	-	21,021
Repayment of long-term debt	(51,489)	(47,264)	(101,888)	(93,525)
Cash flows relating to financing activities	(51,489)	(46,008)	(101,888)	(72,504)
Net change in cash and cash equivalents during the period	3,711,508	2,636,556	4,834,378	12,307,936
Cash and cash equivalents, beginning of the period	1,727,340	10,223,763	604,470	552,383
Cash and cash equivalents, end of the period	5,438,848	12,860,319	5,438,848	12,860,319
Supplemental cash flow information				
Interest paid	3,548	8,432	8,108	17,667

For complete financial statements, please visit www.sedar.com.