

Nexia Announces Agreement to Sell All Assets Associated With Protexia® to PharmAthene, Inc.

Special meeting of shareholders on February 28, 2005
to consider approval of transaction and reduction of stated capital

Montreal, Quebec, Canada, January 6, 2005 – Nexia Biotechnologies Inc. (“Nexia”) (TSX: NXB) today announced the signing of an asset purchase agreement providing for the sale of substantially all its operations and assets related to Protexia® (recombinant human butyrylcholinesterase) to a wholly-owned subsidiary of PharmAthene, Inc. (“PharmAthene”), a privately held biotechnology company focused on the development of biodefense therapeutics, based in Annapolis, Maryland, in consideration for

- US\$18 million in cash and Series C Convertible Preferred Shares (“Series C Shares”) of PharmAthene at about US\$0.91 per share,
- warrants to acquire Series C Shares (in an amount equal to 30% of the number of Series C Shares to be issued to Nexia) exercisable at about US\$0.91 per share and expiring in February 2008 (“US\$0.91 Warrants”) and
- warrants to acquire common shares of PharmAthene (in an amount equal to 18% of the number of Series C Shares to be issued to Nexia) (subject to reduction if certain milestones are met as specified) exercisable at US\$0.01 per share and expiring in October 2014 (“US\$0.01 Warrants”),

in each case, determined as described below.

PharmAthene will offer employment to substantially all of Nexia’s employees and will assume certain liabilities related to the transferred assets. Nexia will retain its current cash on hand, short-term investments and tax credit recoverables. Nexia will also retain assets associated with its BioSteel® program, which it intends to divest.

“Having examined available options, the Board of Directors has decided that shareholders will be best served through the sale of substantially all of Nexia's assets” said Mr. William C. Garriock, Nexia's Chairman of the Board, who also added: “While the Board of Directors believes in the long-term potential of the Protexia® program, given Nexia's limited financial resources and the uncertain prospect of raising additional capital in the current environment, it is important that shareholders be provided with the opportunity to consider this proposal.”

“We are enthusiastic about this opportunity to strengthen our biodefense portfolio and develop this critical therapeutic to provide a treatment for military personnel and civilians in the event of a chemical weapons attack. Protexia® is an essential product for soldiers and citizens which has been made possible by the vision, ingenuity, and impressive development work by the people at Nexia”, said David P. Wright, President & CEO of PharmAthene.

Special meeting of shareholders to consider transaction and reduction of stated capital

A special meeting of shareholders will be called, at the same time as the annual meeting to be held on February 28, 2005, to consider:

- the approval of the PharmAthene transaction and
- a distribution by way of reduction of capital to shareholders after closing of the PharmAthene transaction. (See "Adjustments to purchase consideration".)

Concurrent investment in PharmAthene

Two significant shareholders of Nexia, Ontario Teachers' Pension Plan Board ("OTPP") and Canadian Medical Discoveries Fund Inc. ("CMDF"), have signed a term sheet with PharmAthene contemplating concurrent investments in Series C Shares thereof in an aggregate minimum amount of US\$3.5 million, subject to an increase based upon the amount of the reduction of stated capital approved by the shareholders of Nexia and subject to certain conditions including that such reduction results in a distribution to shareholders of at least C\$0.60 per share.

Adjustments to purchase consideration

A minimum amount of US\$9.25 million in cash payable to Nexia by PharmAthene will be increased by any amount by which the concurrent investment by OTPP and CMDF in PharmAthene is greater than US\$3.5 million in the aggregate.

In particular, OTPP and CMDF, who own about 14% in the aggregate of Nexia's common shares, will invest their proceeds of the cash amount approved for distribution as a reduction of Nexia's stated capital. This additional investment by OTPP and CMDF will increase the cash payable to Nexia by PharmAthene. With the increase in the cash component of the transaction, a corresponding reduction in the amount of the consideration payable by PharmAthene in Series C Shares would be made and the numbers of warrants would be adjusted.

It is currently estimated by Nexia that the reduction of stated capital to be proposed to shareholders will be at least C\$0.60 per share. Were a C\$0.60 per share reduction of stated capital to be approved, this would result in an aggregate distribution to shareholders of C\$14 million and the consideration payable to Nexia by PharmAthene would be adjusted as follows (assuming a rate of exchange of C\$1.225 per US dollar):

- About US\$10.8 million;
- About US\$7.2 million in Series C Shares (or about 7.9 million Series C Shares);
- US\$0.91 Warrants to acquire about 2.4 million Series C Shares;
- US\$0.01 Warrants to acquire about 1.4 million common shares.

Closing conditions and shareholder approval

The transaction is subject to certain closing conditions, including that Nexia's shareholders approve a reduction of the stated capital of the issued and outstanding common shares resulting in a distribution to shareholders of at least C\$0.60 per share, that regulatory and other consents be obtained from governmental bodies and other third parties and that OTPP and CMDF execute before the mailing of the proxy circular relating to the special meeting of shareholders of Nexia definitive agreements relating to their concurrent investment in PharmAthene.

The transaction must be approved by a majority of not less than two-thirds of the votes cast by the shareholders voting thereon and present in person or by proxy at the meeting held to consider its approval. To that end, Nexia will mail a proxy circular in late January 2005 that will provide additional information concerning the transaction. CMDF and other investors to which MDS Capital Corp. provides management or advisory services and OTPP, together owning or controlling an aggregate of 27% of Nexia's common shares, have agreed with PharmAthene to vote their shares in favour of the transaction, subject to certain exceptions.

After the transaction

Nexia's activities, after the transaction, will be essentially limited to overseeing its investment in PharmAthene. Accordingly, Nexia intends to reduce to the fullest extent possible the size of its board of directors and its management structure. In particular, Dr. Jeffrey D. Turner and Mr. Dana L. Rath will resign as President and CEO and Vice President Finance and Administration respectively. In addition, Nexia will cease to meet certain listing requirements of the TSX, including the requirement to carry on an active business. Therefore, Nexia intends to apply to transfer its listing to NEX. NEX is an open auction market on which trading takes place using the same electronic system as the TSX Venture Exchange.

ABOUT PHARMATHENE

PharmAthene, Inc. is a privately-held biotechnology company dedicated to the rapid development of biotherapeutics to address biological pathogens and chemicals that may be used as weapons of bioterror. Two products are currently in preclinical development for *Bacillus anthracis* (anthrax). ToxBlox™, a therapeutic anti-toxin for treatment of symptomatic patients infected with anthrax and MDX-1303 (in collaboration with Medarex, Inc.), a fully human, high affinity monoclonal antibody for pre- and post-exposure prophylaxis and a therapy for symptomatic patients.

PharmAthene recently announced the closing of a US\$50 million Series B Convertible Preferred Share financing. The transaction was led by MPM Capital (www.mpmcapital.com) and co-led by Bear Stearns Health Innoventures (www.healthinnoventures.com). HealthCare Ventures (www.hcven.com) also participated in the financing and thereby increased its pre-existing US\$15 million investment in PharmAthene.

For more information on PharmAthene, please visit www.pharmathene.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. Nexia's lead product is Protexia®, which is funded by a tripartite development consortia consisting of Nexia, and the U.S. and Canadian militaries.

Protexia®, which is recombinant human butyrylcholinesterase, is being developed as a military prophylaxis and as a post-exposure therapy for civilian casualties in the event of a potential chemical nerve agent terrorist attack. Protexia®'s capability as a medical countermeasure has been demonstrated in vivo to protect animals from multiple lethal doses of a broad spectrum of nerve agent chemical weapons.

For more information, please visit Nexia's website at www.nexiabiotech.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, including risks and uncertainties discussed in Nexia's filings with Canadian regulatory authorities, the approval of the transaction described herein by shareholders and the satisfaction of all conditions relating thereto and to the financing arrangements entered into among CMDF, OTPP and PharmAthene (including obtaining all required consents or approvals). 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. While Nexia anticipates that subsequent events and developments may cause Nexia's views to change, 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.

This news release and the information contained herein does not constitute nor is it intended to constitute a solicitation of proxies in connection with the special meeting of shareholders of Nexia Biotechnologies Inc. to be held to consider the proposed transaction. Nexia will be sending a proxy circular to its shareholders and will be filing other documents regarding the proposed transaction. For more information, please visit www.sedar.com. **Before making any voting or investment decision, shareholders of Nexia and investors are urged to read the proxy circular regarding the proposed transaction and any other relevant documents carefully in their entirety when they become available because they will contain important information about the proposed transaction.**

Protexia® and BioSteel® are registered trademarks of Nexia Biotechnologies Inc. in Canada.

CONTACT INFORMATION

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