



## **ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON FRIDAY, NOVEMBER 11, 2005 AT 9:45 A.M.  
(TORONTO TIME), IN THE A/B ROOM (4<sup>TH</sup> FLOOR), TORONTO BOARD  
OF TRADE, 1 FIRST CANADIAN PLACE, 77 ADELAIDE STREET,  
DOWNTOWN TORONTO, ONTARIO**

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NOTICE OF MEETING

MANAGEMENT PROXY CIRCULAR

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## NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

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NOTICE IS HEREBY GIVEN that the annual meeting of shareholders of Nexia Biotechnologies Inc. (the "Company" or "Nexia") will be held in the A/B Room (4<sup>th</sup> floor), Toronto Board of Trade, 1 First Canadian Place, 77 Adelaide Street, Toronto, Ontario M5X 1C1, on November 11, 2005 at 9:45 a.m. (Toronto time), for the purposes of:

- (a) receiving the audited consolidated financial statements of the Company for the financial year ended May 31, 2005 and the report of the auditors thereon;
- (b) electing directors of the Company;
- (c) appointing Ernst & Young LLP, chartered accountants, as auditors of the Company for the next financial year and authorizing the directors to fix their remuneration; and
- (d) transacting such other business as may properly come before the meeting or any reconvening thereof, in case of adjournment.

Only shareholders registered at the close of business on October 12, 2005 will be entitled to receive notice of the meeting and will be entitled to vote, in person or by proxy.

DATED at Montreal, this 21<sup>st</sup> day of October, 2005.

By order of the Board of Directors

A handwritten signature in cursive script, appearing to read "William C. Garriock".

William C. Garriock  
Chairman of the Board

SHAREHOLDERS MAY EXERCISE THEIR RIGHTS BY ATTENDING THE MEETING OR BY COMPLETING AND RETURNING A FORM OF PROXY. SHOULD YOU BE UNABLE TO ATTEND THE MEETING IN PERSON, KINDLY COMPLETE, DATE AND SIGN THE ENCLOSED FORM OF PROXY AND RETURN IT IN THE ENVELOPE PROVIDED FOR THAT PURPOSE AT YOUR EARLIEST CONVENIENCE. TO BE VALID, PROXIES MUST REACH THE OFFICE OF COMPUTERSHARE INVESTOR SERVICES INC., 100 UNIVERSITY AVENUE, 9<sup>TH</sup> FLOOR, TORONTO, ONTARIO M5J 2Y1, NO LATER THAN THE CLOSE OF BUSINESS ON NOVEMBER 10, 2005 OR ON THE LAST BUSINESS DAY PRECEDING THE RECONVENING OF THE MEETING IN CASE OF ADJOURNMENT, OR MAY BE DELIVERED TO THE CHAIRMAN PRIOR TO THE COMMENCEMENT OF THE MEETING ON NOVEMBER 11, 2005 OR ON THE DAY OF ANY RECONVENING OF THE MEETING IN CASE OF ADJOURNMENT. YOUR SHARES WILL BE VOTED IN ACCORDANCE WITH YOUR INSTRUCTIONS AS INDICATED ON THE PROXY.



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## MANAGEMENT PROXY CIRCULAR FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON NOVEMBER 11, 2005

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### SOLICITATION OF PROXIES

**This Management Proxy Circular is provided in connection with the solicitation by the management of Nexia Biotechnologies Inc. (the "Company") of proxies for use at the annual meeting of shareholders of the Company (the "Meeting") to be held at the time and place and for the purposes mentioned in the Notice of Meeting, or at any reconvening thereof, in case of adjournment.**

Except as otherwise indicated, the information contained herein is given as of September 30, 2005. The solicitation will be made primarily by mail; however, employees of the Company or mandataries designated by the Company may also solicit proxies by telephone or in writing. The cost of the solicitation will be borne by the Company. Upon request, the Company will reimburse all brokers, banks, depositaries, nominees and other trustees for the reasonable expenses incurred by them in order to send the proxy documents to the beneficial owners of the shares of the Company.

### Appointment of Proxies

The persons named in the enclosed form of proxy are directors or officers of the Company. **A shareholder has the right to appoint a person other than the persons designated in the form of proxy (who need not be a shareholder) to represent him or her at the Meeting. In order to do so, the shareholder must strike out the names of the persons named thereon and write such person's name in the appropriate space on the form of proxy.** Any proxy to be used at the Meeting must be received by the Company's transfer agent, Computershare Investor Services Inc., no later than the close of business on November 10, 2005 or on the last business day preceding any reconvening of the Meeting in case of adjournment or may be delivered to the Chairman of the Meeting on November 11, 2005 or at any reconvening of the Meeting, in case of adjournment.

### Revocation of Proxies

A shareholder executing the enclosed form of proxy has the power to revoke it by instrument in writing executed by the shareholder or an attorney authorized in writing or, where the shareholder is a corporation, by a duly authorized officer or attorney of the corporation. The instrument of revocation must be delivered to the Company's transfer agent, Computershare Investor Services Inc., 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1, at any time up to the close of business on the last business day preceding the date of the Meeting or any adjournment thereof or to the Chairman of the Meeting on the day of the Meeting or any adjournment thereof before any vote in respect of which the proxy is to be used shall have been taken.

### Exercise of Voting Rights by Proxies

The persons named in the enclosed form of proxy will exercise the voting rights attached to the shares for which they have received the proxy in accordance with the instructions indicated in the form of proxy. **In the absence of instructions, the voting rights attached to the shares shall be exercised IN FAVOUR of the election of the management's nominees for directors, as their names appear herein under the heading "Election of Directors" and IN FAVOUR of the appointment of auditors in accordance with the terms and conditions set out under the heading "Appointment of Auditors".**

The enclosed form of proxy confers discretionary power upon the proxyholder with respect to amendments to the matters set forth in the Notice of Meeting and with respect to all other matters which may properly be brought before the Meeting, or at any reconvening thereof, in case of adjournment. At the time of the printing of this

Management Proxy Circular, the management of the Company is not aware of any such amendment or other matter that may come before the Meeting. **If, however, such amendments or other matters do properly come before the Meeting or any reconvening thereof, in case of adjournment, the shares represented by the form of proxy will be voted at the discretion of the proxyholder in accordance with his judgment.**

## **Non-Registered Holders**

The information set forth in this section is important to the many shareholders who do not hold their common shares (the “Shares”) of the Company in their own names (the “Non-Registered Holders”). Non-Registered Holders should note that only proxies deposited by shareholders whose names appear on the records of the Company as the registered holders of Shares can be recognized and acted upon at the Meeting. However, in many cases, Shares of the Company beneficially owned by a Non-Registered Holder are registered either:

1. in the name of an intermediary (an “Intermediary”) that the Non-Registered Holder deals with in respect of the Shares, such as, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans; or
2. in the name of a clearing agency (such as The Canadian Depository for Securities Limited, or “CDS”), of which the intermediary is a participant.

In accordance with the requirements of National Instrument - 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*, the Company has distributed copies of the Notice of Meeting, this Management Proxy Circular and the accompanying form of proxy (collectively, the “Meeting Materials”) to the clearing agencies and intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are required to forward the Meeting Materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Very often, Intermediaries will use service companies to forward the Meeting Materials to Non-Registered Holders. Generally, Non-Registered Holders who have not waived the right to receive the Meeting Materials will either:

1. be given a proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature) which is completed as to the number of Shares beneficially owned by the Non-Registered Holder but which is otherwise uncompleted. This form of proxy need not be signed by the Non-Registered Holder. In this case, the Non-Registered Holder who wishes to submit a proxy should otherwise properly complete the form of proxy and deposit it with Computershare Investor Services Inc. as described above; or
2. more typically, be given a voting instruction form which must be completed and signed by the Non-Registered Holder in accordance with the directions on the voting instruction form.

The majority of brokers now delegate responsibility for obtaining instructions from clients to the Independent Investor Communications Corporation (“IICC”). The IICC typically mails a proxy form to the Non-Registered Holders and asks such Non-Registered Holders to return such proxy form to the IICC (the IICC form also allows completion of the voting instructions form by telephone). The IICC then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Shares to be represented at a shareholders’ meeting. A Non-Registered Holder receiving a proxy form from the IICC cannot use that proxy to vote Shares directly at the Meeting, the proxy must be returned to the IICC well in advance of the Meeting in order to have the Shares voted.

Shares held by brokers or their agents or nominees can be voted for or against resolutions only upon the instructions of the Non-Registered Holder. Without specific instructions, brokers and their agents and nominees are prohibited from voting Shares for the broker’s clients. The purpose of these procedures is to permit Non-Registered Holders to direct the voting of the Shares they beneficially own. Should a Non-Registered Holder who receives either a proxy or a voting instruction form wish to attend and vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should strike out the names of the persons named in the proxy and insert the Non-Registered Holder’s (or such other person’s) name in the blank space provided, or, in the case of a voting instruction form, follow the corresponding directions on the form. In either case, **Non-Registered Holders should carefully follow the instructions of their Intermediaries and their service companies and ensure that instructions respecting the voting of their Shares are communicated to the appropriate person.**

## Voting Shares and Principal Holders Thereof

The shareholders whose names are registered on the lists of shareholders of the Company as at the close of business on October 12, 2005 (the "Record Date"), being the date fixed by the Company for the determination of the registered holders of Shares who are entitled to receive notice of the Meeting, will be entitled to exercise the voting rights attaching to the Shares in respect of which they are so registered at the Meeting, or any adjournment thereof, if present or represented by proxy thereat.

As at the close of business on October 12, 2005, there were 23,427,539 Shares issued and outstanding. Shareholders are entitled to one vote per Share.

As at September 30, 2005, to the knowledge of the directors and officers of the Company, the following persons beneficially owned directly or indirectly, or exercised control or direction over shares carrying more than 10% of the votes attached to the outstanding Shares of the Company.

<u>Shareholders</u>	<u>Number of Shares Beneficially Owned Directly or Indirectly, or Over Which Control or Direction is Exercised</u>	<u>Percentage of Class</u>
MDS Funds .....	4,525,353	19.3%
Jeffrey D. Turner .....	2,573,545	11.0%

## Election of Directors

The Board of Directors of the Company (the "Board of Directors" or the "Board") annually reviews its composition with respect to the skills, experience and expertise of its members and draws up, for purposes of review and approval by the Board of Directors, a list of nominees to be proposed as directors of the Company.

The articles of incorporation, as amended, of the Company stipulate that the Board of Directors shall consist of a minimum of one and a maximum of 15 directors. The Board has fixed the number of directors at three and accordingly, management will propose the three persons named in the table below as nominees for election as directors of the Company. Management does not contemplate that any of the nominees will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, it is intended that discretionary authority shall be exercised by the persons named in the accompanying form of proxy to vote the proxy for the election of any other person or persons in place of any nominee or nominees unable to serve. Each director elected will hold office until the close of the next annual meeting of shareholders or until his or her successor is appointed or elected.

The following table sets forth the name of each person proposed by management of the Company as a nominee for election to the position of director, the year in which each nominee first became a director of the Company, the position or office held with the Company, the principal occupation of each nominee and the number of Shares of the Company which each nominee beneficially owned directly or indirectly or over which he exercised control or direction as at September 30, 2005.

<b>Name and Municipality of Residence</b>	<b>Direct or Since</b>	<b>Position or Office With The Company</b>	<b>Principal Occupation</b>	<b>Number of Shares Beneficially Owned Directly or Indirectly or Over Which Control or Direction is Exercised <sup>(5)</sup></b>
William C. Garriock <sup>(1)(3)(4)</sup> Toronto, Ontario	1993	President, CEO and Chairman of the Board of Directors	President and Company Director, Garry Oaks Advisors; former Chairman, MDS Sciex, Division of MDS Inc. and former Executive-at-large, MDS Inc. (a health and life sciences company)	15,000
Larry P. Milligan, Ph.D. <sup>(1)(2)(3)</sup> Guelph, Ontario	1993	Director	Network Manager AFMNet	6,500
Philip Blake. <sup>(1)(2)(3)</sup> Toronto, Ontario	2004	Director and Chair of the Audit Committee	President and Chief Executive Officer of Bayer Inc.	—

<sup>(1)</sup> Member of the Audit Committee

<sup>(2)</sup> Member of the Compensation Committee

<sup>(3)</sup> Member of the Nominating Committee

<sup>(4)</sup> In April 2001, Mr. Garriock assumed the role of Director, Chairman and acting President of Ultravision Inc. to assist in the turnaround of the company. He ceased to be acting President shortly thereafter and resigned as Chairman and Director in July 2002. Ultravision subsequently filed a notice of intent to make a proposal under the Bankruptcy and Insolvency Act (Canada) in July 2002 and made an assignment under the Bankruptcy and Insolvency Act (Canada) in September 2002.

<sup>(5)</sup> This information, which was not verified independently by the Company, was furnished by the directors individually.

Each of the persons named above has held the principal occupation indicated beside his name for the past five years, other than Mr. Blake, who from July 2000 to June 2002 was Executive Vice President of Bayer Inc.

**Unless instructions are given to abstain from voting with respect to the election of directors, the persons named in the enclosed form of proxy intend to vote IN FAVOUR of the election of the nominees named above.**

## **OTHER CONSIDERATIONS**

### **Completion of Asset Sale Transaction with PharmAthene**

As described in greater details in the Management Information Circular dated February 3, 2005 and in the audited consolidated financial statements of the Company for the financial year ended May 31, 2005, on March 7, 2005, the Company's shareholders approved the sale of substantially all of the Company's operations and assets related to Protexia® (recombinant human butyrylcholinesterase) to a wholly-owned subsidiary of PharmAthene, Inc., a privately held biotechnology company focused on the development of biodefense therapeutics, based in Annapolis, Maryland, United States (the "Asset Sale Transaction"). The transaction, which was announced on January 6, 2005, was completed on March 14, 2005 with the purchase consideration of \$21,642,000 (US\$18,000,000), composed of \$13,460,000 (US\$11,189,240) in cash and \$8,182,000 (US\$6,810,760) in share and warrant consideration.

All of the operations and assets related to Protexia® were sold, including receivables, property, plant and equipment and intellectual property, and PharmAthene, Inc. assumed the liabilities, including severance payments, related to the Protexia® operation and the long-term debt.

The Company retained its cash and cash equivalents, short-term investments and investment tax credits recoverable as well as the liabilities not associated with Protexia® and was responsible for paying its costs related to the Asset Sale Transaction.

## Reduction of Stated Capital and Special Cash Distribution

Concurrent with the approval of the Asset Sale Transaction, the Company's shareholders approved a reduction in the stated capital for the 23,427,539 issued and outstanding Shares, which resulted in a distribution to the shareholders on March 23, 2005 of \$0.72 per share or \$16,867,828 in the aggregate.

## Changes to Nexia's Operations Subsequent to the Asset Sale Transaction

Subsequent to the Asset Sale Transaction:

- the remaining Nexia employees ceased to be employed by Nexia and joined PharmAthene, Inc.;
- Nexia had no permanent full-time employees;
- the Board of Directors was reduced to the current Board of three members;
- the remaining pre-transaction members of management departed and were replaced by Chairman William C. Garriock as President and Chief Executive Officer and Dejan Ristic as Chief Financial Officer, both serving these posts on a part-time basis;
- Nexia's financial year end was changed from August 31 to May 31;
- trading of Nexia's Shares was moved from the Toronto Stock Exchange to the NEX board of the TSX Venture Exchange;
- the compensation of the directors and officers of the Company was revised to the levels described elsewhere in this Management Proxy Circular;
- as of the date of the Asset Sale Transaction, all of the outstanding employee options vested, and were subsequently cancelled upon expiry of the 90 day exercise period; and
- Nexia's activities have been substantially reduced and are now limited to overseeing Nexia's investment in PharmAthene, Inc. and minimal activities related to BioSteel®.

**Additional information about the Asset Sale Transaction and ensuing events can be accessed through the Company's securities filings on SEDAR at [www.sedar.com](http://www.sedar.com).**

## Remuneration of Directors

**Prior to the Asset Sale Transaction described above under "Other Considerations":** Each director of Nexia who was not a full-time employee of the Company was eligible for the following remuneration: a) a retainer of 7,500 options per year; b) \$500 for participation in a telephonic meeting of the Board and \$1,250 for attendance at each quarterly or special meeting of the Board; and c) \$500 per meeting for participation in a committee of the Board and an additional \$500 per meeting to chair a committee of the Board.

**Subsequent to the Asset Sale Transaction described above under "Other Considerations":** Each director of Nexia is eligible for the following remuneration: a) a quarterly retainer of \$2,500; b) \$600 for participation in a telephonic meeting of the Board or a committee of the Board; and c) \$1,250 for attendance at each quarterly, annual or special meeting of the Board or a committee of the Board.

There is an average of four meetings of the Board per year. During the financial year ended May 31, 2005, the number of meetings was higher due to several meetings of the special committee of the Board formed in connection with the Asset Sale Transaction. For the financial year ended May 31, 2005, the Company paid an aggregate of \$176,083 and granted nil options to acquire Shares to its directors who were not full-time employees of the Company.

## Compensation of Executive Officers

As indicated in the section titled “Other Considerations”, prior to the end of the financial year ended May 31, 2005, the executive officers of the Company departed subsequent to the Asset Sale Transaction and were replaced on March 16, 2005 by William C. Garriock, the Chairman of the Board, as President and Chief Executive Officer and Dejan Ristic as Chief Financial Officer, both serving these posts on a part-time basis.

The following table sets forth, for the financial years ended May 31, 2005 and August 31, 2004 and 2003, the aggregate remuneration paid by Nexia to William C. Garriock, Chairman, President and Chief Executive Officer, and to Dejan Ristic, Chief Financial Officer (the “Named Executive Officers”). As at May 31, 2005, no other individual was serving as an executive officer of Nexia.

		Summary Compensation Table			Long-Term	
		Annual Earned Compensation			Compensation	
Name and Principal Position	Year <sup>(1)</sup>	Salary (\$)	Bonus (\$)	Other Annual Compensation (\$) <sup>(2)</sup>	Number	All Other Compensation (\$)
					of Securities under Options Granted <sup>(3)</sup>	
William C. Garriock <sup>(4)</sup> President and Chief Executive Officer	2005	12,500	—	—	—	—
	2004	—	—	—	—	—
	2003	—	—	—	—	—
Dejan Ristic <sup>(5)</sup> Chief Financial Officer	2005	30,675	—	—	—	—
	2004	12,950	—	—	—	—
	2003	86,700	5,000	—	7,000	—

- (1) Subsequent to the Asset Sale Transaction, the Company changed its financial year end from August 31 to May 31. The references to 2005 in the above table refer to the Company’s nine-month financial year ended May 31, 2005. The references to 2004 and 2003 in the above table refer to the Company’s financial years ended August 31, 2004 and 2003, respectively.
- (2) Perquisites and other benefits paid to each of the Named Executive Officers in 2005, 2004 and 2003 did not exceed the lesser of 10% of the total annual salary and bonus of such Named Executive Officer for the relevant financial year and \$50,000.
- (3) Options granted during the financial year ended August 31, 2003 relate to performance for the financial year ended August 31, 2002. No options were authorized or granted by the Board of Directors to the Named Executive Officers during the financial years ended May 31, 2005 and August 31, 2004.
- (4) Mr. Garriock assumed the position of President and Chief Executive Officer on March 16, 2005 and is compensated at an annual rate of \$60,000. In addition to his compensation as President and Chief Executive Officer, Mr. Garriock also received payments in the amount of \$64,933 during the financial year ended May 31, 2005 in connection with his functions as the Chairman of the Board and member of the special committee of the Board of Directors formed in connection with the Asset Sale Transaction.
- (5) Mr. Ristic assumed the position of Chief Financial Officer on a part-time basis on March 16, 2005. The services of Mr. Ristic are provided to the Company since March 2, 2005 under a services agreement between Exceleris Inc. and the Company pursuant to which such services are billed at a rate of \$150 per hour and paid to Exceleris Inc. The Company also paid \$3,815 to Exceleris Inc. for other services rendered during the financial year ended May 31, 2005. Exceleris Inc. is also entitled to reimbursement of out-of-pocket expenses. Mr. Ristic is the President and Chief Executive Officer of Exceleris Inc., which is wholly-owned by Mr. Ristic, a resident of Montreal, Quebec. Mr. Ristic was the Corporate Controller of the Company from October 2000 to October 2003 and related compensation paid and options granted for these periods are indicated in the above table for 2003 and 2004.

The aggregate amount of compensation paid by the Company to its directors and officers as a group during the financial year ended May 31, 2005 was \$933,038. As mentioned above under “Other Considerations”, all of the officers of the Company departed subsequent to the Asset Sale Transaction which was completed on March 14, 2005. Furthermore, the Company did not grant any options to its directors or Named Executive Officers during the financial year ended May 31, 2005.

## Stock Option Plan

On December 7, 2000, the Board of Directors adopted its current stock option plan (the "Plan"). Under the Plan, Nexia may grant options thereunder to purchase Shares to full-time employees, officers, directors, members of the scientific advisory board and consultants of Nexia.

The total number of Shares which may be issued pursuant to the Plan will not exceed 3,369,905 Shares. The maximum number of Shares which may be optioned in favour of any single individual shall not exceed the maximum number allowed pursuant to the rules of applicable regulatory authorities.

The terms, exercise price and number of Shares covered by each option as well as the vesting periods of such options will be determined by the Board of Directors at the time the options are granted to beneficiaries but will not be more favourable than those permitted by the applicable regulatory authorities. Options granted under the Plan may not be assigned and will, at most, expire ten years from the date of the grant.

During the financial year ended May 31, 2005, none of the Named Executive Officers was granted options to purchase Shares or exercised options to purchase Shares. The following table sets forth information concerning unexercised options held by each Named Executive Officer as at May 31, 2005.

### Aggregated Option Exercises During the Most Recently Completed Financial Year and Financial Year-End Option Values

Name	Securities Acquired on Exercise	Aggregate Value Realized (\$)	Unexercised Options as at May 31, 2005 which are Exercisable / Unexercisable	Value of Unexercised in-the-Money Options as at May 31, 2005 which are Exercisable / Unexercisable (\$) <sup>(1)</sup>
William C. Garriock	—	—	60,000 / Nil	Nil <sup>(1)</sup> / Nil
Dejan Ristic	—	—	Nil / Nil	Nil / Nil

(1) Based on the closing price of the Shares on NEX board of the TSX Venture Exchange on May 31, 2005, being \$0.20, the unexercised options held by Mr. Garriock were not in-the-money as at May 31, 2005.

## Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information as of May 31, 2005 with respect to compensation plans under which equity securities of the Company are authorized for issuance.

Plan Category	Number of Shares to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans <sup>(1)</sup>
Equity compensation plans approved by the shareholders .....	1,341,850 <sup>(2)</sup>	\$3.28 <sup>(2)</sup>	2,028,055 <sup>(2)</sup>
Equity compensation plans not approved by the shareholders .....	—	—	—

(1) Excludes the number of shares to be issued upon exercise of outstanding options, warrants and rights.

(2) As of the date of the Asset Sale Transaction, all of the outstanding employee options vested and were subsequently cancelled upon expiry of the 90-day exercise period. Therefore, as at October 12, 2005, the number of Shares to be issued upon exercise of outstanding options, warrants and rights was 127,500, the weighted-average exercise price of outstanding options, warrants and rights was \$2.82 and the number of securities remaining available for future issuance under equity compensation plans was 3,242,405.

## **Indebtedness of Directors and Executive Officers**

As of September 30, 2005, no director or officer of the Company, or proposed nominee for election as a director of the Company, or any associate thereof, was indebted to the Company.

## **Directors' and Officers' Liability Insurance**

**Prior to the Asset Sale Transaction described above under "Other Considerations":** Nexia carried liability insurance in an amount limited to \$15,000,000 per event and policy year with respect to its directors and officers ("D&O") as a group with a deductible of up to \$50,000 per occurrence payable by the Company. Upon the completion of the Asset Sale Transaction, this D&O policy was converted into a run-off coverage, covering acts prior to the Asset Sale Transaction, for six years at an approximate cost of \$50,000 per year.

**Subsequent to the Asset Sale Transaction described above under "Other Considerations":** Nexia carries liability insurance, covering acts after the Asset Sale Transaction, in an amount limited to \$10,000,000 per event and policy year with respect to its directors and officers as a group with a deductible of up to \$50,000 per occurrence payable by the Company.

The total premium in respect of D&O insurance for the financial year ended May 31, 2005 was \$58,348 and was paid by the Company.

## **Appointment of Auditors**

Management proposes the appointment of Ernst & Young LLP, chartered accountants, as auditors of the Company. Ernst & Young LLP, chartered accountants, have been the auditors of the Company since its inception. Their mandate will continue until the close of the next annual meeting of shareholders or until their successors are appointed. The directors will fix the remuneration of the auditors at a future meeting of the Board of Directors.

**Unless instructions are given to abstain from voting with regard to the appointment of auditors, the persons named in the enclosed form of proxy intend to vote FOR the appointment of Ernst & Young LLP, chartered accountants, as auditors of the Company and will authorize the Board of Directors to fix their remuneration.**

## **Management Contracts**

Mr. Dejan Ristic assumed the position of Chief Financial Officer on a part-time basis on March 16, 2005. The services of Mr. Ristic are provided to the Company since March 2, 2005 pursuant to a services agreement between Exceleris Inc. and the Company pursuant to which such services are billed at a rate of \$150 per hour and paid to Exceleris Inc. The Company also paid \$3,815 to Exceleris Inc. for other services rendered in 2005. Exceleris Inc. is also entitled to reimbursement of out-of-pocket expenses. Mr. Ristic is the President and Chief Executive Officer of Exceleris Inc., which is wholly-owned by Mr. Ristic, a resident of Montreal, Quebec.

## **Availability of Documents**

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information related to the Company is provided in the Company's comparative financial statements and management's discussion and analysis thereon for the financial year ended May 31, 2005.

The Company provides the following documents to any person who requests same from the Chief Financial Officer of the Company, addressed to Nexia Biotechnologies P.O. Box 187, Jean-Talon Branch, Montreal, Quebec H1S 2Z2:

- a copy of the audited consolidated financial statements of the Company for the last financial year, together with the auditors' report thereon, which are included in the Company's Annual Report for the fiscal year ended May 31, 2005 as well as a copy of the interim financial statements of the Company subsequent to the financial statements for its most recently completed financial year; and
- a copy of the Notice of Meeting and this Management Proxy Circular.

The Company may require the payment of reasonable expenses if documents are requested by a person who is not a holder of the Company's securities, unless the Company makes a distribution of its securities in accordance with a simplified prospectus, in which case such documents will be provided at no charge.

### **Interest of Management and Others in Transactions**

Other than the interests of certain persons in connection with the Asset Sale Transaction which were disclosed in the Management Information Circular of the Company dated February 3, 2005, none of the proposed nominees for election as director of the Company and no informed person (as described in Form 51-102F5) of the Company or of a body corporate which is an insider (nor any of their associates or affiliates) had any material interest in any transaction since the commencement of the Company's last financial year which has materially affected or could materially affect the Company.

### **Shareholders Proposals for Next Annual Meeting of Shareholders**

Shareholder proposals must be submitted no later than July 24, 2006 to be considered for inclusion in next year's Management Proxy Circular for the purposes of the 2006 annual meeting of shareholders of the Company.

### **Approval of the Management Proxy Circular**

The Directors of the Company have approved the contents and the sending of this Management Proxy Circular.

By order of the Board of Directors  
Montreal, Quebec, October 21, 2005



William C. Garriock  
Chairman of the Board