

PRESS RELEASE

BIOPOTENTIAL CAPITAL INC. ANNOUNCES PROPOSED QUALIFYING TRANSACTION WITH OSTA BIOPHARMA INC.

CALGARY, AB – August 20, 2004 - Biopotential Capital Inc., a capital pool company listed on the TSX Venture Exchange (TSX-V: BPLP), announces that it has entered into a letter agreement with Osta Biopharma Inc., a Montreal-based private company specialized in developing novel diagnostics and therapeutics for osteoporosis and osteoarthritis. The arm's length letter agreement provides for the acquisition by Biopotential of all the issued and outstanding shares of Osta for an aggregate purchase price of approximately \$7.4 million, payable by the issuance of 21,232,362 Biopotential common shares at a price of \$0.35 per share. The acquisition is intended to constitute Biopotential's Qualifying Transaction in accordance with the policies of the TSX Venture Exchange. In its final prospectus dated April 21, 2004 prepared in connection with its initial public offering, Biopotential disclosed that it had held initial discussions with Osta Biopharma Inc. as a potential target company for its Qualifying Transaction.

Osta BioPharma Inc.

Osta is a biopharmaceutical company that was incorporated under the *Canada Business Corporations Act* in 2002. The shareholders of Osta are Dr. Ajay Gupta, Dr. Andrew Karaplis, Leontis Teryazos, Richard Spizzirri, Dr. David Goltzman, Michael Voulieris and McGill University.

Osta is well advanced in the development of a pre-onset genetic based prognostic test for osteoporosis. Osta's prognostic test assesses an individual's risk of developing osteoporosis. A pilot human trial was successfully completed at a local hospital in Montreal. Osta has established research collaboration agreements with other institutions, including Helsinki University, Finland, to validate the test. A second larger human clinical study in Montreal and a study in collaboration with Helsinki University are currently on-going. These collaboration agreements are expected to result in significant savings in cost and time in the regulatory development of the prognostic test and to significantly reduce time to market. Upon completion of the clinical studies, Osta intends to license the prognostic test to diagnostic companies for marketing with the expectation of receiving royalties. Osta is currently undertaking discussions with such companies to establish potential licensing arrangements.

In addition to its diagnostic program, Osta is pursuing the development of novel therapeutics for the treatment of osteoporosis and osteoarthritis. Osta's osteoporosis therapeutic technology is focused on modulating the activity of osteoblasts, which build up bone, as opposed to current technologies which focus on osteoclasts that break down bone. Osta's novel osteoarthritis therapeutic is designed to prevent cartilage degeneration and promote cartilage regeneration. Osta has licensed its osteoporosis diagnostic and osteoporosis therapeutic technologies from McGill University, where Osta's research and development team developed the science. Patent applications for the osteoporosis therapeutic, osteoporosis diagnostic and osteoarthritis therapeutic technologies have been filed. Osta has not yet generated revenues or income from its products under development.

Based on unaudited financial statements for the six month period ended June 30, 2004, Osta had total assets of \$178,888, no long term debt, a deficit of \$282,545, a working capital deficiency of \$152,110 and research development expenses for the period of approximately \$59,000.

Terms of the Proposed Qualifying Transaction

The letter agreement provides that Biopotential will acquire all of the shares of Osta, for consideration payable by the issuance of common shares at a price of \$0.35 per share, on the basis of one Biopotential share for each Osta share.

In addition to 20,846,648 Osta shares currently issued and outstanding, Osta has debentures outstanding which will be converted into an aggregate of 385,714 Osta shares, at a price of \$0.35 per share, immediately before the share exchange with Biopotential on a one-for-one basis. Osta also has options outstanding in respect of an aggregate of 1,076,500 shares (at exercise prices of \$0.30 and \$0.35 per share) and warrants to purchase an aggregate of 71,429 Osta shares at a price of \$0.45 per share. Subject to regulatory approval, it is expected that the Osta options and warrants will be converted into options and warrants of Biopotential on a one-for-one basis, with the same exercise prices.

Subject to regulatory approval, Biopotential may, at the closing of the Qualifying Transaction, grant incentive stock options to acquire up to an additional 1,100,000 shares from its existing stock option plan to certain incoming officers, directors and employees, at an exercise price of \$0.35 per share. The existing Biopotential incentive stock options, in respect of an aggregate of 198,000 common shares, will remain unchanged.

A finder's fee of \$272,250 will be paid by Biopotential to CAJED Inc. on closing of the Qualifying Transaction, payable by the issuance of 675,000 Biopotential shares and \$36,000 in cash.

Upon completion of the Qualifying Transaction, it is expected that Biopotential will be a Tier 2 technology or industrial sector issuer pursuant to the policies of the TSX Venture Exchange. Upon closing of the Qualifying Transaction, it is expected that there will be 27,887,362 issued and outstanding Biopotential shares. Of these, the current shareholders and other security holders of Osta will hold an aggregate of 21,232,362 shares (76.14%), the current shareholders of Biopotential will hold 5,980,000 shares (21.44%) and CAJED Inc. will hold 675,000 shares (2.42%). On a fully diluted basis, there will be 29,773,291 shares, without taking into account additional shares which may be issued under the stock option plan.

The letter agreement further provides that Osta may issue up to five million additional shares prior to the completion of the Qualifying Transaction, in order to support its business plan. Any such shares will be issued at a minimum price of \$0.35 per share. There is no guarantee that any such shares will be issued and any share issuance will be the subject of a further press release by Biopotential. If issued, such shares will be exchanged on a one-for-one basis for Biopotential shares as part of the Qualifying Transaction.

Interim Financing Arrangements

Until the closing of the Qualifying Transaction, Biopotential has agreed to consider providing a secured loan to Osta in the amount of \$225,000 at an interest rate of prime plus 3% per annum. The proceeds of the loan, if any, would be used by Osta for general working capital purposes, including research and clinical costs and costs associated with its patent applications, pending completion of the Qualifying Transaction. The loan, if any, will be subject to regulatory approval and to the signing of a formal loan agreement. The letter agreement also provides that Biopotential will pay Osta \$25,000 as a non-refundable deposit.

Proposed Directors and Management Team

Immediately after the completion of the Qualifying Transaction, the new board of directors of Biopotential will consist of Dr. Ajay Gupta, Dr. Andrew Karaplis, Mr. James W. Beckerleg and Mr. James H. Coleman.

Dr. Ajay Gupta, Chairman and Chief Executive Officer of Osta - Dr. Gupta will be the Chairman of the board of directors and CEO of Biopotential. Dr. Gupta has more than 13 years of experience in the pharmaceutical and contract research organization industry (CRO) in corporate executive management, international business development, drug discovery and development, and medical device development, particularly in the areas of synthetic organic and medicinal chemistry, analytical and bioanalytical chemistry, drug delivery, design and conduct of preclinical and clinical studies, GMP manufacturing and regulatory affairs. Dr. Gupta formerly held the positions of Chief Operating Officer and Executive Vice-President of Therapeutics Delivery at BioSyntech Inc.; Director of Chemistry at Neurochem Inc.; Manager, GMP Synthesis/Senior Research Chemist at MDS Inc., formerly known as Phoenix International Life Sciences Inc.; and Director, Analytical/ADME/Pharmacy at ITR Laboratories Inc. Dr. Gupta holds a Ph.D. in synthetic organic chemistry from the University of Waterloo, Ontario. He did his post-doctoral research in biotechnology at McGill University and drug discovery at the University of Montreal. Dr. Gupta serves on the editorial advisory board of Bio Business magazine. He resides in Montreal, Quebec.

Dr. Andrew Karaplis, President and Chief Scientific Officer of Osta - Dr. Karaplis will be President and Chief Scientific Officer of Biopotential. Dr. Karaplis received his M.D. and Ph.D. from McGill University and did post-doctoral training at Harvard University medical school and at MIT. He is currently a Professor of Medicine and an Attending Physician in the Department of Medicine and the Director of the Metabolic Bone Disease Clinic at the Jewish General Hospital in Montreal. At McGill University, Dr. Karaplis serves as a member of the Division of Experimental Medicine and as an Associate Member of the Department of Human Genetics. He has served on the scientific advisory board of Eli Lilly & Co. since 2000 and Merck Frosst since 2004. Dr. Karaplis resides in Montreal, Quebec.

James W. Beckerleg, Director of Biopotential - Mr. Beckerleg received a Bachelor of Science degree from McGill University in 1969 and a Masters of Business Administration degree from Concordia University in 1976. He was Chairman of the Board of Directors of Canadian Pioneer Energy Inc., a public oil and gas company, from 1988 until the corporation merged with Cimarron Petroleum Ltd. in 1995. Mr. Beckerleg has been a director and/or officer of a number of public companies listed on The Toronto Stock Exchange, including Cogas Energy Inc., Argyll Energy Corp. and Calvert-Dale Estates Ltd. He is currently on the Board of Directors of Homburg Invest Inc., a company listed on The Toronto Stock Exchange. Mr. Beckerleg resides in Montreal, Quebec. Mr. Beckerleg is currently President, Treasurer and a director of Biopotential.

James H. Coleman, Director of Biopotential - Mr. Coleman is a senior partner of the law firm of Macleod Dixon LLP of Calgary, Alberta, counsel to Biopotential. Mr. Coleman has been with Macleod Dixon since 1974. Mr. Coleman has been a director and/or officer of a number of public companies listed on The Toronto Stock Exchange, including Bitech Petroleum Corporation, Anadime Corporation and Pangea Goldfields Inc. He is currently on the Board of Directors of Arawak Energy Corporation, Homburg Invest Inc., Gold Reserve Inc., RSX Energy Inc., MegaGold Corporation, Great Basin Energies Inc. and Energold Mining Ltd. Mr. Coleman resides in Calgary, Alberta. Mr. Coleman is currently a director of Biopotential.

Upon completion of the Qualifying Transaction, in addition to Dr. Gupta and Dr. Karaplis, the new management team of Biopotential will consist of: Dr. David Goltzman, Senior Vice-President, Research

and Development, Mr. Joel Cohen, Chief Financial Officer, and Mr. Alain C. Geahchan, Director, Investor Relations.

Dr. David Goltzman, Senior Vice-President of Osta and the Chairman of Osta's Scientific Advisory Board & Clinical Advisory Board - Dr. Goltzman will be Senior Vice-President, Research and Development and Chairman of Biopotential's Scientific Advisory Board and Clinical Advisory Board. He is currently a Professor of Medicine and Physiology at McGill University and an attending physician at Royal Victoria Hospital, Montreal. Until recently, Dr. Goltzman was the Chairman of Medicine at McGill University and Physician-in-Chief of McGill University Health Centre. Dr. Goltzman was the President of the American Society of Bone and Mineral Research in 2000 and is on the scientific advisory board of Eli Lilly & Co. and the medical advisory boards of Merck & Company, Procter & Gamble Co. and Aventis Inc. Dr. Goltzman resides in Montreal, Quebec.

Joel Cohen, Chief Financial Officer of Osta - Mr. Cohen will be the CFO of Biopotential. Mr. Cohen was an investment banker at Canaccord Capital Corporation from 1999 to 2002, where he specialized in biotechnology financings. He holds a Bachelor of Commerce degree in Finance from Concordia University and is a Chartered Financial Analyst. Mr. Cohen resides in Montreal, Quebec.

Alain C. Geahchan - Mr. Geahchan will be the Director, Investor Relations of Biopotential. Mr. Geahchan has more than 14 years of experience in the pharmaceutical industry. His previous work experiences include: sales of over-the-counter products at Dow Pharmaceutical, a division of Dow Chemical Canada; at Eli Lilly Canada, in various specialty sales positions as well as management of oncology phase III and IV clinical trials in the province of Quebec; at Beecham Canada, where he held the position of National Manager, Training and Development; at PeerMed, a company specializing in continuing medical education for physicians; and at Biosyntech Inc., where he held the position of Director, Investor Relations. Mr. Geahchan resides in Montreal, Quebec.

Conditions to Completion of Qualifying Transaction

The completion of the proposed Qualifying Transaction is subject to a number of conditions, including, but not limited to, acceptance by the TSX Venture Exchange, other regulatory approvals, completion of satisfactory legal, accounting and financial due diligence by both Biopotential and Osta, approval by the boards of directors of Biopotential and Osta, and completion of formal agreements, including a share exchange agreement between Biopotential and all of Osta's security holders. It is not expected that the Qualifying Transaction will be subject to approval by Biopotential's shareholders. There can be no assurance that the Qualifying Transaction will be completed as proposed or at all.

Research Capital Corp., subject to completion of satisfactory due diligence, has agreed to act as sponsor in connection with the Qualifying Transaction. An agreement to sponsor should not be construed as any assurance with respect to the merits of the transaction or the likelihood of completion.

Investors are cautioned that, except as disclosed in the management information circular or filing statement to be prepared in connection with the proposed Qualifying Transaction, any information released or received with respect to the transaction may not be accurate or complete and should not be relied upon. Trading in the securities of a capital pool company should be considered highly speculative.

The TSX Venture Exchange has in no way passed upon the merits of the proposed transaction and has neither approved nor disapproved the contents of this press release. The TSX Venture Exchange does not accept responsibility for the adequacy or accuracy for this release.

For further information, please contact:

Jim Beckerleg
President and Treasurer
Biopotential Capital Inc.
Telephone: (514) 841-9725

Dr. Ajay Gupta
Chairman & Chief Executive Officer
Osta Biopharma Inc.
Telephone: (514) 426-8203