

## **PRESS RELEASE**

### **BIOPOTENTIAL CAPITAL INC. ANNOUNCES SIGNING OF SHARE EXCHANGE AGREEMENT WITH OSTA BIOPHARMA INC.**

**CALGARY, AB – February 14, 2005** - Biopotential Capital Inc., a capital pool company listed on the TSX Venture Exchange (TSX-V: BPI.P), announces that it has signed the share exchange agreement with Osta Biopharma Inc., a Montreal-based private company specializing in developing novel diagnostics and therapeutics for osteoporosis and osteoarthritis. The arm's length agreement provides for the acquisition by Biopotential of all the issued and outstanding shares of Osta for an aggregate purchase price of approximately \$7.45 million, payable by the issuance of 21,289,504 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 the 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, Dr. David Goltzman, Leontis Teryazos, Richard Spizzirri, Michael Voulieris, Peter Srulovicz and McGill University.

Osta BioPharma Inc. 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. The test is based on several years of research and development work performed by Osta's researchers, who have demonstrated that alterations in the PTHrP gene are directly related to developing premature and severe osteoporosis. PTHrP protein has been shown by Osta's researchers to be expressed in the bone-forming cells of the skeleton (osteoblasts) and is critical for the proper proliferation, differentiation, function and survival of these cells. These processes are pivotal for maintaining appropriate bone density and preventing the development of osteoporosis and associated skeletal fractures. Osta's research team has established proof of concept through studies in transgenic mice, in which one copy of the PTHrP gene has been removed from all cells, as well as in transgenic mice where both copies of the gene have been removed only from the osteoblasts. Pilot human studies have also provided an initial proof of principle. In the first pilot human trial, conducted at a McGill University teaching hospital in Montreal, the bone mineral density of the participants was measured and in the opinion of Osta's researchers, an excellent correlation was observed between a polymorphism in the participant's PTHrP gene and bone mineral density. Osta initiated a second larger human clinical trial at a McGill University teaching hospital in Montreal in 2003. This clinical trial is in progress and the findings will be announced by Osta as soon as a study report is finalized.

Dr. Andrew Karaplis, Osta's President & Chief Scientific Officer commented: "Osta has also established a research collaboration agreement with Helsinki University, Finland, and has received 234 DNA samples from male subjects. This study is in progress and is expected to be completed in the second quarter of 2005. The results of this study will be announced by Osta as soon as a study report is finalized. The collaboration agreement is intended to provide savings in cost and time in the regulatory development of Osta's prognostic test and to reduce the time to market".

Osta is targeting the completion in the second quarter of 2005 of its on-going clinical studies in North America and Finland for the development of a pre-onset genetic based prognostic test for osteoporosis. Pending the successful completion of the current clinical studies, Osta plans to enter into marketing arrangements with large diagnostic companies in Europe and Asia by the end of 2005 and launch the prognostic test in the European and Asian markets. The company intends to initially launch the prognostic test in the United States on a 'home brew' basis, subject to Osta entering into a marketing agreement with a large diagnostic company in the United States. Osta will subsequently initiate the required steps for marketing approvals with both the U.S. Food and Drug Administration and the Canadian Therapeutic Product Directorate.

Osta's researchers at McGill University have conducted a study with human PTH (1-34) using one of its mouse models. Human PTH (1-34) is identical in structure to Forteo, which is the only bone anabolic agent approved by the FDA currently on the market. This study has demonstrated the usefulness of Osta's transgenic osteoporosis mouse model in the study of the effectiveness of novel bone anabolic agents in an animal model that is a true mimic of the actual genetic form of human osteoporosis, which accounts for approximately 80% of the etiology of the disease. This data was presented at the 26<sup>th</sup> Annual Meeting of the American Society of Bone and Mineral Research (ASBMR) held in Seattle, Washington from October 1-5, 2004. Osta is pleased to announce that this abstract was awarded the prestigious ASBMR Young Investigator Award for being the highest ranking abstract in its category. Osta intends to use this model for its own in-house drug development programs, as well as potentially licensing the model to various pharmaceutical and biotechnology companies involved in the development of bone anabolic agents.

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 majority of current technologies which focus on osteoclasts that break down bone. Osta's osteoporosis therapeutic strategy is based on the pioneering research work of Drs. Goltzman and Karaplis at McGill University who showed for the first time that PHEX, a metalloendopeptidase enzyme expressed almost exclusively on osteoblast surface cleaved PTH(1-34) and predicted that PTHrP will also be a substrate of PHEX based on homologies of PTH with PTHrP. Both PTH and PTHrP are well known to be critical bone anabolic agents and based on their discovery, Osta's researchers predicted that inhibition of PHEX activity could be used to increase local PTH and PTHrP levels in the bone microenvironment and hence, this would provide a novel means of treatment of metabolic bone diseases such as osteoporosis using small molecule PHEX inhibitors that could be taken orally. Osta plans to identify a drug candidate by the first quarter of 2006 and to initiate Phase I clinical trials in Europe by the second quarter of 2007, and in North America by the fourth quarter of 2007.

Osta's novel osteoarthritis therapeutic is designed to prevent cartilage degeneration and promote cartilage regeneration. Unlike the currently marketed products which aim to reduce the primary symptoms of osteoarthritis, namely pain and inflammation of joints, Osta believes that its proprietary osteoarthritis therapeutic under development could potentially address the core pathology of the disease and has the potential to promote cartilage regeneration and to prevent cartilage degeneration, thereby potentially preserving cartilage viability and function while maintaining joint structure and mobility. Osta plans to complete the pre-clinical trials by the fourth quarter of 2006 and initiate Phase I human clinical trials in Europe by the second quarter of 2007 and in North America by the third quarter of 2007.

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.

Dr. Ajay Gupta, Osta's Chairman & CEO commented "we are very pleased that the share exchange agreement with Biopotential has been signed and the resulting funding will enable our company to progress more rapidly with its exciting diagnostic and therapeutic projects".

Osta has not yet generated revenues or income from its products under development.

***Terms of the Proposed Qualifying Transaction***

The share exchange 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 20,903,790 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 will, at the closing of the Qualifying Transaction, grant incentive stock options to acquire up to an additional 1,250,000 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 27,944,504 issued and outstanding Biopotential shares. Of these, the current shareholders and other security holders of Osta will hold an aggregate of 21,289,504 shares (76.18%), the current shareholders of Biopotential will hold 5,980,000 shares (21.40%) and CAJED Inc. will hold 675,000 shares (2.41%).

***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. 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, Anterra Corporation, 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. 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 has served as a consultant to the Medical and/or Scientific Advisory Boards of Eli Lilly & Co., AMGEN, Merck & Company, Procter & Gamble Co. and Aventis Inc. Dr. Goltzman received the prestigious *Order of Canada* in 2000. 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. 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.

*Certain information in this press release is forward-looking and is subject to numerous risks and uncertainties. By their nature, such forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking statements. These risks include actions of Osta's competitors, and those inherent in scientific research and development.*

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