

Financial statements of

BIOPOTENTIAL CAPITAL INC.

March 31, 2004

BIOPOTENTIAL CAPITAL INC.

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BIOPOTENTIAL CAPITAL INC.

Balance Sheet

As at March 31, 2004

Assets

Current assets

Cash	\$	74,441
Deferred charges (note 3)		38,125
		<hr/>
		112,566

Liabilities

Current liabilities

Accrued liabilities		19,125
		<hr/>

Shareholders' equity

Capital stock (note 4)		101,500
Deficit		(8,059)
		<hr/>
		93,441
		<hr/>
		\$ 112,566

See accompanying notes to financial statements.

Approved on Behalf of the Board:

..... Director

..... Director

BIOPOTENTIAL CAPITAL INC.
Statement of Loss and Deficit
For the Period From Incorporation to March 31, 2004

Revenue

Interest income \$ 41

Expenses

Professional fees 8,100

Net loss and deficit for the period 8,059

Loss per share basic and diluted (note 2) \$ (0.06261)

Weighted average number of common shares
outstanding for the period 128,712

See accompanying notes to financial statements.

BIOPOTENTIAL CAPITAL INC.
Statement of Cash Flows
For the Period From Incorporation to March 31, 2004

Cash flows from operating activities

Net loss	\$ (8,059)
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Changes in non-cash working capital:	
Increase in deferred charges	(38,125)
Increase in accrued liabilities	19,125
	<hr/> (19,000)
Cash flows from operating activities	<hr/> (27,059)

Cash flows from financing activities

Issuance of common shares	101,500
<hr/>	
Net increase in cash	74,441
Cash – beginning of period	-
Cash – end of period	<hr/> \$ 74,441 <hr/>

See accompanying notes to financial statements.

BIOPOTENTIAL CAPITAL INC.

Notes to Financial Statements

Period Ended March 31, 2004

1. Statutes of incorporation and nature of business

Biopotential Capital Inc. (the "Company"), incorporated under the Canada Business Corporations Act on January 9, 2004, is classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange Inc. (the "Exchange").

The principle business of the Company will be the identification and evaluation of assets or businesses for acquisition with a view to completing a Qualifying Transaction, as defined by the Exchange.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following accounting policies:

Stock-option compensation plan

The Company has elected to apply the fair value method to account for options granted to its directors and officers. Under this method, compensation costs should be measured at the grant date based on the fair value of the award and should be recognized over the related service period.

The cost of the stock option compensation plan is recognized in the statement of loss with a corresponding credit to contributed surplus using the fair value based method of Accounting of Awards. (refer to note 4(b)).

Loss per share

Loss per share is calculated using the weighted average number of shares outstanding during the period. Diluted loss per share is calculated using the weighted average number of shares outstanding during the period based on the application of the treasury stock method for the calculation of the dilutive effect of stock options.

The diluted loss per share is equal to the basic earnings per share due to the anti-dilutive effect of stock options.

Use of estimates

In preparing the Company's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Actual results may differ from these estimates.

BIOPOTENTIAL CAPITAL INC.

Notes to Financial Statements

Period Ended March 31, 2004

3. Deferred charges

Deferred charges are incurred for the potential Qualifying Transaction. These deferred charges are capitalized and amortized on a straight-line basis over a period of five years commencing in the 2005 fiscal year. If the transaction does not close or if the revenue stream from the potential Qualifying Transaction does not meet expectations, these costs will be written-off as a charge to operations.

4. Capital stock

(a) The authorized and issued capital stock of the Company consists of the following:

Authorized: Unlimited number of common shares and an unlimited number of preferred shares without nominal or par value.

Issued:

580,000	Common shares	\$	101,500
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Pursuant to the terms of an Escrow Agreement, 580,000 of the issued and outstanding common shares will be held in escrow and released as at 10% thereof on the issuance of the Final Exchange Bulletin (the "initial release") and an additional 15% will be released on each of the dates which are 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the initial release.

(b) Incentive stock options

The Company has adopted an incentive stock option plan in accordance with the Exchange requirements, which provides that the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and technical consultants of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance does not exceed 10% of the issued and outstanding common shares exercisable for a period of up to five (5) years from the date of grant.

BIOPOTENTIAL CAPITAL INC.

Notes to Financial Statements

Period Ended March 31, 2004

4. Capital stock (cont'd.)

(b) Incentive stock options (cont'd.)

In addition, the number of common shares reserved for issuance to any individual director or officer shall not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding common shares. The Board of Directors determines the price per common share and the number of common shares, which may be allotted to each director, officer, employee and consultant and all other terms and conditions of the option, subject to the rules of the Exchange.

Options must be exercised within 90 days of termination of employment or cessation of position with the Company, provided that if the cessation of office, directorship, consulting arrangement or employment was by reason of death, the option must be exercised within 12 months after such death, subject to the expiry date of such option.

As of March 31, 2004, the Company has not granted any options.

5. Financial instruments

Fair value

The carrying amounts for cash and accrued liabilities on the balance sheet approximate their fair value because of the limited term of these instruments.

BIOPOTENTIAL CAPITAL INC.

Notes to Financial Statements

Period Ended March 31, 2004

6. Subsequent events

Pursuant to a prospectus filed April 26, 2004 with the securities regulatory authorities in the provinces of Alberta, British Columbia and Ontario and an Agency Agreement (the "Agency Agreement") dated March 24, 2004, between the Company and Research Capital Corporation (the "Agent"), the Company is offering a minimum of 5,400,000 common shares at \$0.35 per common share to the public. The agent's commission is estimated to be a total of \$189,000 if the minimum offering is subscribed. In addition, the Agent will receive an agency fee of \$5,000 and will be reimbursed for its legal fees incurred pursuant to the offering, which shall not exceed \$8,000 plus disbursements and G.S.T.. The total minimum subscription must be raised within 90 days of the date of the receipt for the final prospectus relating to the offering, otherwise all funds collected under subscriptions will be returned and the offering cancelled.

Pursuant to the Agency Agreement and subject to the closing of this offering, the Company will grant an option to the Agent to purchase a number of common shares equal to 10% of the total number of common shares sold under the offering, at a price of \$0.35 per common share, representing 540,000 common shares if the minimum offering is subscribed. This option will expire 18 months from the date of listing of the common shares on the Exchange.

The Company will grant incentive stock options to the directors and officers of the Company, in aggregate, 198,000 common shares at a price of \$0.35 per common share, exercisable for a period of five years from the date of grant (the "Incentive Stock Options"). The Incentive Stock Options must be granted within 90 days of the issuance of a receipt for the prospectus.