

## **MANAGEMENT'S DISCUSSION & ANALYSIS**

**Dated May 30, 2005**

**For the Quarter Ended March 31, 2005**

The following discussion is management's analysis of the operating and financial data for Biopotential Capital Inc. (the "Corporation") for the period ended March 31, 2005. It should be read in conjunction with the accompanying financial statements for the period ended March 31, 2005.

As a capital pool corporation that had not completed its qualifying transaction as of March 31, 2005, the Corporation did not undertake any business activities other than to pursue the completion of a Qualifying Transaction within the meaning of the TSX Venture Exchange's Policy 2.4.

### **Qualifying Transaction**

As disclosed in a press release issued on August 20, 2004, the Corporation announced that it had entered into an agreement with Osta BioPharma Inc. ("Osta"), a Montreal-based biopharmaceutical company to be acquired in a reverse takeover transaction. Osta is specialized in developing novel diagnostics and therapeutics for osteoporosis, osteoarthritis and Alzheimer's disease.

Completion of the acquisition was subject to a number of conditions including, but not limited to, satisfaction of all conditions imposed by the TSX Venture Exchange, other regulatory approvals, completion of satisfactory legal, accounting and financial due diligence by both the Corporation and Osta, and completion of formal agreements.

### **Outstanding Shares**

As at March 31, 2005, the Corporation had 5,980,000 common shares issued and outstanding. Options to acquire an aggregate of 198,000 common shares have been granted to directors and officers of the Corporation pursuant to the terms of the Corporation's incentive stock option plan. In addition, an option to acquire an aggregate of 540,000 common shares has been granted to the Corporation's agent in conjunction with the Corporation's initial public offering.

### **Working Capital**

As at March 31, 2005, the Corporation had cash and cash equivalents, sundry receivables and prepaid expenses in the aggregate amount of \$1,561,248 and accounts payable of \$34,493, resulting in working capital of \$1,526,755, compared to working capital of \$1,562,819 as at December 31, 2004. These funds will be used in part to defray the costs of the proposed Qualifying Transaction with Osta.

## **Revenues and Expenses**

During the quarter ended March 31, 2005, the Corporation had revenues of \$6,795, consisting of interest income. The Corporation had aggregate expenses during the quarter of \$18,279, resulting in a loss per share of nil for the quarter ended March 31, 2005.

## **Subsequent Transaction**

On May 3, 2005, the Corporation announced it had completed its Qualifying Transaction with Osta and, on May 9, 2005, the TSX Venture Exchange issued a bulletin accepting the filing of the Corporation's Qualifying Transaction described in its Filing Statement dated April 20, 2005.

At the closing of the Qualifying Transaction, the Corporation acquired all of the issued and outstanding shares of Osta with an ascribed value of approximately \$7.45 million. In exchange, the Corporation issued a total of 21,950,219 common shares at a price per share of \$0.35 to the shareholders of Osta, representing 78.6 % of the 27,930,219 common shares of the Corporation issued and outstanding after the closing of the Qualifying Transaction.

The 21,950,219 common shares issued by the Corporation at the closing are subject to a hold period which expires on September 4, 2005. A total of 18,045,000 common shares issued by the Corporation to five principal shareholders of Osta are subject to a three-year escrow in accordance with the policies of the TSX Venture Exchange. One sixth of the shares will be released from escrow every six months.

At the closing, the Corporation also granted stock options in respect of a total of 1,250,000 common shares to its officers, directors and one consultant. The options may be exercised at a price of \$0.35 per share until May 3, 2010.

Detailed information respecting the completion of the Qualifying Transaction may be found in the Corporation's press release filed May 4, 2005 and material change report filed May 5, 2005 with Canadian securities regulatory authorities on [www.sedar.com](http://www.sedar.com).