

Osta Biotechnologies Inc.

MANAGEMENT'S DISCUSSION & ANALYSIS

Dated August 26, 2005

For the Quarter Ended June 30, 2005

The following discussion is management's analysis of the operating and financial data for Osta Biotechnologies Inc. (formerly, Biopotential Capital Inc.) (the "Corporation"), for the period ended June 30, 2005. It should be read in conjunction with the accompanying financial statements for the period ended June 30, 2005.

The Corporation is a development-stage biopharmaceutical company whose principal business is to carry out research and development work for diagnostic and therapeutic products specific to osteoporosis, osteoarthritis and Alzheimer's disease.

Completion of the Qualifying Transaction

On May 3, 2005, the Corporation announced it had completed its Qualifying Transaction with Osta Biopharma Inc. ("Osta") and, on May 9, 2005, the TSX Venture Exchange issued a bulletin accepting the filing of the Corporation's Qualifying Transaction, as 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 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, starting from May 3, 2005.

Immediately following 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 with respect to 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 and available on SEDAR at: www.sedar.com.

Consolidation of Financial Statements

For the three month period ended June 30, 2005, the financial statements of the Corporation and Osta are presented on a consolidated basis.

Outstanding Shares

At June 30, 2005, the Corporation had 27,930,219 common shares issued and outstanding. Options to acquire an aggregate of 2,624,500 common shares have been granted to directors officers and consultants 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 and 71,429 Common Shares have been reserved for issuance pursuant to all outstanding common share purchase warrants.

Working Capital

As at June 30 2005, the Corporation had cash and cash equivalents, sundry receivables investment tax credit receivables and prepaid expenses in the aggregate amount of \$1,355,798 and accounts payable and accrued liabilities of \$236,449, resulting in working capital of \$1,119,349, compared to a negative working capital of \$303,670 as at March 31, 2005. The change in working capital is due to defraying the costs of the qualifying transaction with Osta and the effects of consolidating the financial statements of the Corporation and its wholly owned subsidiary Osta. On a consolidated basis, the March 31, 2005 working capital figure is that of Osta.

Revenues and Expenses

During the quarter ended June 30, 2005, the Corporation had revenues of \$3,333, consisting of interest income. The Corporation had aggregate expenses during the quarter of \$145,068 resulting in a loss per share of nil for the quarter ended June 30, 2005.

Name Change

Persuant to a Certificate of Amendment issued by Industry Canada on July 19, 2005, Biopotential Capital Inc. changed its name to Osta Biotechnologies Inc. and subsequently changed its ticker symbol on the TSX Venture Exchange from "BPI" to "OBI".