

Stem Cell Therapeutics Corp.

(Unaudited)



Stem Cell Therapeutics Corp.

First Quarter 2005 Financial Statements
(Unaudited)

March 31, 2005

Stem Cell Therapeutics Corp.

(Unaudited)

BALANCE SHEETS

As at,

	March 31 2005 \$	December 31 2004 \$
ASSETS		
Current		
Cash	7,599,790	422,899
Short-term investment	40,000	40,000
Accounts receivable	56,117	14,151
Prepaid expenses	17,632	78,804
	7,713,539	555,854
Property and equipment, net	56,514	45,150
Intangibles, net	2,311,685	2,371,641
	10,081,738	2,972,645
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	182,382	101,402
Current portion of obligation under share purchase agreement	314,671	237,507
Current portion of capital lease obligation	2,805	2,803
	499,858	350,712
Obligation under share purchase agreement	1,924,221	1,924,221
Capital lease obligation	1,655	2,343
Shareholders' equity		
Share capital <i>[note 4]</i>	8,984,393	1,490,593
Contributed surplus	217,161	154,641
Deficit	(1,545,550)	(949,865)
Total shareholders' equity	7,656,004	695,369
	10,081,738	2,972,645

See accompanying notes

Stem Cell Therapeutics Corp.

(Unaudited)

STATEMENT OF LOSS AND DEFICIT

For the period ended,

	March 31, 2005	Cumulative from Inception on March 31, 2004 to March 31, 2005
	\$	\$
OPERATING EXPENSES		
Research and development costs <i>[note 3]</i>	51,409	257,447
Professional fees	113,361	307,757
Management and consulting fees	92,373	210,196
General and administration	170,187	291,747
Stock option expense	62,520	237,161
Deemed interest expense on obligation under share purchase agreement	77,164	152,613
Amortization of property and equipment	4,637	8,795
Amortization of intangibles	59,956	119,594
	631,607	1,585,310
Interest income	35,922	39,760
Net loss for the period	595,685	1,545,550
Deficit beginning of period	949,865	-
Deficit, end of period	1,545,550	1,545,550
Basic and diluted loss per share	0.01	0.07

See accompanying notes

STATEMENT OF CASH FLOWS

For the period ended,

	March 31, 2005 \$	Cumulative from Inception on March 31, 2004 to March 31, 2005 \$
OPERATING ACTIVITIES		
Net loss for the period	(595,685)	(1,545,550)
Add items not involving cash		
Stock option expense	62,520	237,161
Deemed interest expense on obligation	77,164	152,613
Amortization of property and equipment	4,637	8,795
Amortization of intangibles	59,956	119,594
	(391,408)	(1,027,387)
Changes in non-cash working capital items		
Accounts receivable	(41,966)	(56,117)
Prepaid expenses	61,172	(17,632)
Accounts payable and accrued liabilities	71,980	182,382
Cash used in operating activities	(300,222)	(918,754)
INVESTING ACTIVITIES		
Acquisition of property and equipment	(16,001)	(65,309)
Acquisition of Intangibles	-	(327,000)
Short Term Investment	-	(40,000)
Cash used in investing activities	(16,001)	(432,309)
FINANCING ACTIVITIES		
Net increase (decrease) in capital lease obligation	(686)	4,460
Issuance of share capital, net of share issue costs	7,493,800	8,946,393
Net cash provided by financing activities	7,493,114	8,950,853
Net increase in cash during the period	7,176,891	7,599,790
Cash, beginning of period	422,899	-
Cash, end of period	7,599,790	7,599,790

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

1. DESCRIPTION OF BUSINESS

Stem Cell Therapeutics Corp. (the "Company") was incorporated under the laws of Alberta on March 31, 2004 with nominal share capital. On October 19, 2004, the Company changed its name from Neurogenesis Biotech Corp. to Stem Cell Therapeutics Corp. The Company was created to further develop and commercialize stem cell related technologies acquired from an Alberta based university. To date, the Company has not earned product revenue and is considered to be in the development stage.

The continuation of the Company's research and development activity and the commercialization of its stem cell related technologies is dependent on the Company's ability to complete its research and development programs, achieve future profitable operations and finance its cash requirements. The outcome of these matters cannot be predicted at this time. The value of the Company's intangible assets could become impaired should their research and development activities change significantly or cease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited interim financial statements of Stem Cell Therapeutics Corp. have been prepared in accordance with Canadian generally accepted accounting principles, following the same accounting policies as the financial statements of the Company as at December 31, 2004. The disclosures included below are incremental to those included in the annual financial statements. The unaudited interim financial statements should be read in conjunction with the Company's financial statements and notes thereto for the nine-month period ended December 31, 2004.

3. RESEARCH AND DEVELOPMENT PROJECTS

The Company is involved in the research and development of therapeutics involved in the stimulation of stem cells for the treatment of neurological diseases. The following costs have been incurred for research and development work performed for the three month period ending March 31, 2005:

	\$
Research and development expense costs	51,409

All research and development costs incurred to date have been expensed. No revenue has been earned from commercialization of the Company's technology.

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

4. SHARE CAPITAL

[a] Authorized

The authorized share capital of the Company consists of an unlimited number of common shares, Class B shares and First Preferred shares, in each case without nominal or par value. Common shares are voting, and may receive dividends as declared at the discretion of the directors. Class B shares are non-voting and convertible to common shares at the holder's discretion, on a one-for-one basis. Upon dissolution or wind-up of the Company, Class B shares participate ratably with the Common shares in the distribution of the Company's assets.

[b] Issued and outstanding

	Number of shares #	\$
Common		
Formation of Company, March 31, 2004	1,000,000	10
Acquisition of intellectual property, April 1, 2004 (i)	3,636,364	18,000
Proceeds from issuance at \$0.025 per share, April 14, 2004	2,000,000	50,000
Proceeds from issuance at \$0.10 per share, June 7, 2004	2,550,000	255,000
Proceeds from issuance at \$0.15 per share, August 19, 2004	4,000,000	600,000
Proceeds from issuance at \$0.25 per share, November 19, 2004	1,000,000	250,000
Options exercised, November 21, 2004 (ii)	800,000	55,000
Conversion of Class B to common, November 19, 2004 (iii)	4,000,000	100,000
	18,986,364	1,328,010
Financing Costs	—	(7,417)
Balance, December 31, 2004	18,986,364	1,320,593
Proceeds from IPO at (\$0.25 per share), January 6, 2005	34,000,000	8,500,000
Conversion of Class B to common, January 10, 2005(iv)	80,000	2,000
	34,080,000	8,502,000
Financing Costs	—	(1,006,200)
Balance, March 31, 2005	53,066,364	8,816,393

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

Class B		
Proceeds from issuance at \$0.025 per share, April 20, 2004	10,800,000	270,000
Conversion of Class B to common, November 19, 2004	(4,000,000)	(100,000)
Balance, December 31, 2004	6,800,000	170,000
Conversion of Class B to common, January 10, 2005	(80,000)	(2,000)
Balance, March 31, 2005	6,720,000	168,000
Share Capital, March 31, 2005	59,786,364	8,984,393

- (i) On April 1, 2004 3,636,364 Common shares were issued for the acquisition of intellectual property, the value of the shares was based on the fair value of the intellectual property acquired, \$18,000.
- (ii) On November 21, 2004, 600,000 options were exercised at a price of \$0.025 and 200,000 options were exercised at a price of \$0.10. In addition, contributed surplus of \$20,000 was reclassified to share capital upon exercise of the options.
- (iii) On November 19, 2004, 4,000,000 Class B shares were converted to 4,000,000 Common shares on a one to one basis.
- (iv) On January 10, 2005 80,000 Class B shares were converted to 80,000 Common shares on a one to one basis.

[c] Employee stock options

The following table summarizes the activity of the Company's stock option plan as at March 31, 2005:

	March 31, 2005	
	Number of Options	Weighted- average exercise price
	#	\$
Outstanding, January 1, 2005	3,925,000	0.25
Granted	800,000	0.35
Exercised	—	—
Cancelled	—	—
Outstanding, end of period	4,725,000	0.27
Options exercisable at period end	769,444	0.26

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

The fair value of options granted to employees and directors of the Company during the period ended March 31, 2005 was estimated on the date of grant using the Black Scholes option pricing model with the following assumptions:

Risk-free interest rate	5%
Volatility	100%
Dividend yield	0%

5. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current period.