

MANAGEMENT'S DISCUSSION AND ANALYSIS

Dated May 10, 2005

The following information should be read in conjunction with the Corporation's 2004 audited financial statements and notes thereto, which were prepared in accordance with Canadian generally accepted account principles ("GAAP").

Where "we", "us", "our", "SCT" or the "Corporation" is used, it is referring to Stem Cell Therapeutics Corp. unless otherwise indicated.

All amounts are in Canadian dollars, unless otherwise indicated.

Additional information relating to the Corporation can be found on SEDAR at www.sedar.com.

Certain information contained in management's discussion and analysis of our financial condition and results of our operations constitute forward looking statements. These statements relate to future events or to our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward looking statements.

Overview

Stem Cell Therapeutics Corp. (SCT) is a biotechnology company focused on the development of our technology platform and intellectual property to selectively induce a patient's own stem cells to proliferate in the brain. Our core technology has been demonstrated to increase the number of innate adult stem cells that grow in place when our therapeutic approach is applied to test animals. This fundamental technology will be further developed to create specific disease treatments for stroke, Huntington's disease, Alzheimer's disease and other neurodegenerative conditions. Our collaborators and researchers have used animals to demonstrate re-growth of functional brain cells from existing stem cells using our therapeutic approach. Since these tests were completed, we have identified additional agents that may be used for neurogenesis-promoting from which we have created a combination of agents and termed it NTxTM-265. We plan to test NTxTM-265 in humans concurrently with our advanced pre-clinical testing program.

As a development stage company, the continuation of the SCT's research and development activity and the commercialization of its stem cell related technologies are dependent on the Corporation's ability to complete its research and development programs and finance its cash requirements. The value of our intangible assets could become impaired should our research and development activities change significantly or cease.

Review of Operations

Net loss for the three month period ended March 31, 2005 was \$ 595,685 or \$0.01 per common share for the period. The loss is reflective of costs associated with intellectual property development, research contracts with an Alberta based university and certain contract research organizations, option grants and management fees.

Research and Development

The Corporation's research and development expenses consist primarily of fees paid to external service providers. We expect our research and development expenses to increase significantly over the next few years as our products enter clinical trials and we continue to advance other research and development programs. As a result of the risks and uncertainties that are discussed in the "Risk Factors" section, we are unable to estimate the specific timing and future costs of our research and development programs.

The Corporation had a contract with an Alberta based university to further develop stem cell related therapies. This contract expired subsequent to the year end on February 13, 2005 but is expected to be renewed for another one year period. For the three months ended March 31, 2005, the total research and development charge was \$51,409 with respect to the contract with the Alberta based university, as well as with a number of contract research organizations in Alberta.

Regarding NTxTM-265, our lead product candidate, we plan to continue with our pre-clinical studies in 2005, which we expect to take approximately one year to complete. Concurrently with these advanced pre-clinical studies we plan to begin testing in humans in late 2005. We have spent \$257,447 in research and development since inception up to March 31, 2005 and anticipate spending a further \$6 million to \$7 million over the next two years to achieve our development plan.

Professional Fees

Professional fees reflect charges for intellectual property development (i.e. patents), general corporate legal fees with regards to ongoing Corporation matters, as well as accounting and audit services. For the three months ended March 31, 2005, \$113,361 charge was expensed for these services which was primarily for intellectual property development.

Management and Consulting Fees

Management and consulting fees for the three months ended March 31, 2005 totaled \$92,373. This charge represents payroll charges for the Corporation's management as well as outside consultants.

General and Administration

General and administrative (G&A) expenses, for the three months ended March 31, 2005 were \$170,187. The expenses have increased primarily due to increased travel, conferences, and associated promotional activity, as well as the standard costs associated with office lease, exchange and regulatory fees, office supplies, printing, and courier.

Stock options

Compensation expense was recorded in the amount of \$62,520 for stock options granted and vested to employees for the three months ending March 31, 2005. This charge for the period ending March 31, 2005 related to the granting of 3,200,000 stock options at a price of \$0.25 per share to the Corporation's management during November 2004 (vesting over 36 months) and an additional 800,000 stock options granted during February 2005 (vesting over 36 months).

The following table summarizes the outstanding granted options of the Corporation's stock option plan as at May 10, 2005

Date Granted	Strike Price	Number of Options	Number Exercised / Date	Cash received
November 2005	\$0.25	3,925,000	-	-
February 2005	\$0.35	800,000	-	-

Intellectual Property

The value of the intellectual property purchased from Transition Therapeutics Inc. on October 4, 2004 was recorded based on the present value of the purchase price amortized over a 10 year period at 15% as an intellectual property asset. The current and long term portions of the corresponding purchase liability as well as the deemed interest expense was recorded accordingly at the end of March 31, 2005.

SCT had its first patent issued from the Stem Cell Therapeutics Inc. portfolio, which provides for a method of treating Parkinson's disease, on January 18, 2005.

The corporation continues to aggressively file patents on all new intellectual property that is developed under the research contract with an Alberta based university as well as that developed through our contracts with independent contract research organizations.

Amortization

Amortization for property and equipment over the three months ending March 31, 2005 was \$4,637. This increase was primarily due to new computer assets added and amortized over the period. All amortization was calculated on a straight line basis over the estimated useful lives of the assets.

Intellectual property assets, such as the intellectual property purchased via the Stem Cell Therapeutics Inc. agreement is amortized over a 10 year time frame using a straight line basis. The accumulated amortization for intellectual property amounted to \$59,956 for the three months ending March 31, 2005.

Revenue

As an early development stage company developing biotechnology related products for the treatment of disease, we have not generated any revenues from product sales to date and do not expect to do so for a number of years. This is primarily due to the long time line that is required to develop drugs that are proven in a clinical setting in humans to be safe and useful for treating a particular disease state. Revenues to date include only interest income generated on our cash balances. For the three months ending March 31, 2005, interest income accrued and received amounted to \$35,922.

Summary of Quarterly Results

The following unaudited quarterly information is presented dollars except for per share amounts:

	2005	2004		
	March	December	September	June
Revenue(1)	35,922	1,966	1,872	Nil
Net loss	595,685	471,412	148,878	119,121
Basic and diluted loss per common share	0.01	0.01	0.01	0.02
Total assets	10,081,738	632,723	1,023,735	525,086
Total cash(2)	7,599,790	429,145	962,073	525,086
Total long-term debt	1,655	2,343	2,801	Nil
Cash dividends declared	Nil	Nil	Nil	Nil

(1) Interest income on cash balances

(2) Cash deposits only

Liquidity and Capital Resources

The Corporation's primary capital needs are for funds to support our scientific research and development activities including pre-clinical and clinical trials and capital expenditures for development of facilities and working capital.

The Corporation's specific capital commitments include payment to lease office space which will total \$31,831 from April 1, 2005 until expiry of the lease on December 31, 2005. We will also incur capital expenses pursuant to service agreements for the next five years for a total of \$1,940 through 2010.

The Corporation has raised significant operating capital since its inception. For the nine-months ending December 31, 2004, gross proceeds of \$1,460,010 was raised from initial subscribers to the Corporation's capital as well as from the exercise of options. On January 6, 2005 the Corporation closed its Initial Public Offering and raised gross proceeds of \$8,500,000.

Outstanding shares as of March 31, 2005 totaled 53,066,364 common shares and 6,720,000 class B shares

This capital has provided the Corporation with the resources required to establish the corporate office, further develop intellectual property pursuant to an Alberta based university research contract, as well as provide the initial payment for the purchase of the intellectual property held by Stem Cell Therapeutics Inc. from Transition Therapeutics Inc.

Additionally, these capital resources will provide the means to advance our lead product NTx™-265 into advanced pre-clinical studies as well as concurrent clinical studies in humans.

As of March 31, 2005 the working capital (current assets minus current liabilities) for the Corporation was \$ 7,213,681.

Financing Activities

The Corporation closed its initial public offering on January 6, 2005 and began trading on the TSX-Venture exchange under the symbol SSS. 34,000,000 common shares were issued from treasury at \$0.25 per share. An underwriters' commission of 9% of the aggregate gross proceeds realized from the Offering with expenses netted \$7,640,453 to the company.

As of March 31, 2005, the gross proceeds raised since inception by the Corporation totaled \$9,960,010.

Outstanding shares as of May 10, 2005 totalled 53,186,364 common shares and 6,600,000 class B shares.

The Corporation's ability to continue as a going concern is contingent upon its ability to obtain additional sources of funding to finance future operations. Efforts will be required to obtain these additional funds, but there is no assurance that additional financing will be available on acceptable terms, if at all.

Investing Activities

The Corporation has invested capital into intellectual property development and patent filing activities and basic corporate office infrastructure.

Related Party Transactions

Pursuant to a sub-lease agreement entered into with LaunchVision Research Inc. (controlled by a director of the Company), the Company incurred rent expense of \$13,582 for the three month period ending March 31, 2005, which is included in general and administration expense. No amount is owing at March 31, 2005.

Risks and Uncertainties

Prospects for companies in the biotechnology industry may generally be regarded as uncertain given the nature of the industry. Accordingly, investments in biotechnology companies should be regarded as highly speculative. The realization of our long-term potential will be dependent upon the successful development and commercialization of products and product candidates currently under development. We can make no assurance that these products and product candidates will be developed or that they will receive regulatory approval. Our new products and product candidates are currently in the research and development stages, the highest risk stages for a company in the biotechnology industry.

We can make no assurance that our research and development programs will result in commercially viable products and product candidates. To achieve profitable operations, we, alone or with others, must successfully develop, launch and market our products and product candidates. To obtain regulatory approvals for the products and product candidates being developed and to achieve commercial success, clinical trials must demonstrate that the products and product candidates are safe for human and/or animal use and that they demonstrate efficacy. Unsatisfactory results obtained from a particular study relating to a research and development program may cause the company or its collaborators to abandon their commitments to that program. We can make no assurance that any future tests, if undertaken, will yield favourable results.

The Corporation has several patent filings in progress that it has filed as well as others recently acquired from Stem Cell Therapeutics Inc., only one of which has been issued to date. The Corporation's success is dependent upon its ability to obtain these patents; however, there is no guarantee that they will be obtained, and, if obtained, the Corporation may not be able to successfully defend any subsequent infringements to these patents. The Corporation is currently unaware that it has infringed any existing patents issued to third parties and the Corporation's success will, in part, depend on operating without such infringement. The presence of such patents could severely limit the Corporation's ability to conduct its existing research and/or require financial resources to defend litigation, which may be in excess of the Corporation's ability to raise such funds. Additionally, the Corporation relies on trade secrets, know-how and other proprietary information as well as requiring its employees, consultants, advisors and collaborators to sign confidentiality agreements.