



STEM CELL

THERAPEUTICS

Stem Cell Therapeutics Corp.

Management Discussion and Analysis
For the three month period ending March 31st, 2007

Dated: May 28, 2007

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The following information should be read in conjunction with the Corporation's unaudited financial statements as at and for the three months ended March 31, 2007 and 2006, and should also be read in conjunction with the audited financial statements and Management's Discussion and Analysis ("MD&A") for the year ended December 31, 2006.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

Where "we", "us", "our", "SCT", "Company" 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 including the Corporation's Annual Information Form can be found on SEDAR at www.sedar.com.

Certain information contained in this report constitutes 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.

This report covers the period from January 1, 2007 to May 28, 2007 unless otherwise noted.

Overview

Stem Cell Therapeutics Corp. is a biotechnology company focused on the development and commercialization of drug-based therapies to treat central nervous system diseases. SCT is a leader in the development of therapies that utilize drugs to stimulate a patient's own resident stem cells. The Company's programs aim to repair neurological functions lost due to disease or injury. Our currently enrolling Phase IIa clinical program for our lead product, NTx™-265, targets the treatment of stroke by repurposing approved and clinically well defined drugs. The Company's extensive patent portfolio of owned and licensed intellectual property supports the potential expansion into future clinical programs in numerous neurological diseases.

NTx™-265 is a therapeutic regimen of two drugs being developed by SCT for the treatment of stroke. Human chorionic gonadotropin (hCG) is the first drug administered in the regimen, and aims to increase the number of neural stem cells (NSCs) located in the brain of a patient suffering from a recent stroke. Erythropoietin (EPO) is the second drug administered in the regimen, and aims to promote the differentiation of these newly formed NSCs into new neurons. New neurons thus formed are anticipated to provide

benefit to the patient through the replacement of the brain cells that were lost or damaged by the stroke. Animal studies have shown a significant recovery in motor function in animals that have received a stroke followed by the NTx™-265 therapy. SCT is currently enrolling patients in a Phase IIa clinical trial in the United States in order to investigate the safety and efficacy of NTx™-265 in humans.

As a development stage company, the continuation of 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 decrease significantly or cease.

Operating Highlights for the period January 1, 2007 to May 28, 2007.

On April 10, 2007, SCT announced positive interim results from its currently enrolling Phase IIa clinical program for NTx™-265. This uncontrolled open label safety trial was designed to determine whether NTx™-265 could be safely administered to a population of patients with acute stroke. In addition to the trial's primary safety endpoint, a number of secondary endpoints are being studied to characterize early indicators of efficacy in patients receiving this novel stroke therapy.

As of April 10, 2007, five patients had been enrolled. Each had a moderate to severe stroke, defined by study entry criterion of National Institute of Health Stroke Scale (NIHSS; http://www.ninds.nih.gov/doctors/NIH_Stroke_Scale_Booklet.pdf) as the score between 6 (moderate) and 24 (severe); 0 being normal and 30 being non-responsive or comatose. Of these, four patients had safely completed the NTx™-265 regimen of human chorionic gonadotropin (hCG) and erythropoietin (EPO), initiated 24-48 hours after stroke. No drug-related Serious Adverse Events (SAE's) had been noted. A fifth study patient, a 79 year-old female with concomitant myocardial infarct and multi-organ failure, died before dosing was completed. This SAE was judged completely unrelated to the study drug regimen.

Accompanying the primary safety endpoint measures in this study is a battery of secondary endpoints that measure functional recovery. An earlier preclinical stroke study in rats established the proof of principle and impetus for proceeding into this clinical trial by demonstrating that administration of NTx™-265, as compared to a placebo, was associated with rapid and robust recovery of visual and tactile motor control of forelimb function, as well as reduced final infarct volume. Infarct volume is the term used to describe the volume of brain tissue affected by blockage of blood flow to that tissue. Interim results from the current Phase IIa NTx™-265 stroke clinical trial show that each of the patients who completed the therapy demonstrated significant recovery from their stroke symptoms. In addition, MRI readings at days 1 and 90 post-stroke, available from two of the patients, indicate that infarct volume had been reduced by 39-79% over this 90-day period. A copy of the MRI photos from one of the patients can be viewed on our website (www.stemcellthera.com).

Each of the four patients who completed therapy to date was screened, enrolled, and had a stroke of moderate severity (enrollees have had baseline NIHSS score ranging from 6 to 10), and presented with a constellation of symptoms. The most common symptoms have been weakness and neglect, the latter referring to reduced attention to half of the visual space. Prior studies suggest that as many as 30% of patients hospitalized with a moderate-severe stroke can spontaneously recover within 90 days of stroke onset, with recovery being defined as achieving either a final NIHSS score of 0 or 1, or a decrease of at least 4 points in this scale. In the present study, all patients who have completed treatment and been evaluated out to day 90 have shown such a level of recovery. Further, each of these patients demonstrated a multifaceted improvement across their constellation of neurological deficits. An example of a patient's recovery from neglect after receiving NTx™-265 can be viewed on our website.

Development Program

The next step in the clinical development for NTx™-265 is completion of the Phase IIa clinical safety study in stroke. We expect to achieve this milestone and report the results of the study before year end.

Given the positive initial results, we are already preparing for a Phase IIb double-blind, randomized, placebo-controlled clinical trial focused on functional outcome measures. This would involve approximately 120 stroke patients in a number of different centers in North America and we hope to begin this program before year-end. Dr. Steven Cramer at the University of California, Irvine and Dr. Michael Hill at the University of Calgary, Calgary Health Region, have agreed to serve as co-Principal Investigators for this Phase IIb program.

The Phase IIb program is estimated to cost \$5.2 million. It will be necessary for the Company to raise additional funds to fund this program. Should the Company not be able to raise additional funds after the end of the second quarter of 2007, initiation of the Phase IIb program may be delayed.

It is a possibility that SCT may discover, in-license, or co-develop new chemical entities (NCE's) with a similar mechanism of action as the on market drugs in the NTx™-265 therapy. In this case the Company may have to undertake studies that will investigate the pharmacokinetics, toxicology profiles, and manufacturing process of these NCE's.

Additional programs are under consideration for development. Below is a summary of the programs that SCT is developing or has under consideration for future development.

Product	Indication	R&D	Pre-clinical	Phase I	Phase II	Phase III	
NTx™-265 (hCG & EPO)	Stroke	[Progress bar spanning R&D, Pre-clinical, Phase I, and Phase II]					
NTx™-428 (hCG & EPO)	Brain Trauma	[Progress bar spanning R&D and Pre-clinical]			*		
NTx™-488	Multiple Sclerosis	[Progress bar spanning R&D and Pre-clinical]					
NTx™-028 (EPO)	Schizophrenia	[Progress bar spanning R&D, Pre-clinical, Phase I, and Phase II]					

* Expect to proceed directly into Phase II based upon existing safety data for hCG and

Lead Program – Stroke

Stroke is the lead disease indication being targeted by the Company’s therapeutic approach. We have chosen stroke as our lead program because it represents both an attractive market opportunity and potentially a viable application for our technology platform.

A human stroke is essentially a heart attack in the brain, in which a reduction in blood flow occurs in certain regions due to a blockage, or bursting of a blood vessel. This interrupted blood flow causes a reduction in oxygen available to affected regions of the brain, and cells located there subsequently die. Normally, following injury, brain tissue does not spontaneously regenerate. Therefore, strokes typically cause irreversible damage. As stroke events can lead to a wide area of dead and damaged neural cells in the patient’s brain, and an associated loss of cognitive function and motor control, they can be extremely serious to those surviving the stroke. However, the regeneration of new, functional brain tissue may lead directly to an improvement in stroke patients’ motor control and thus to improved patient health and quality of life.

Patents and Proprietary Rights

The Company’s NTx™-265 technology was originally developed primarily by Dr. Samuel Weiss at an Alberta-based university. We acquired 100% ownership of this intellectual property from Dr. Weiss and his co-inventors in exchange for 3,636,364 shares in the Company and \$2,000 in cash consideration. The Company was formed specifically to commercialize this technology.

The Company currently owns or has rights to 60 pending patent applications and three issued United States patents. These make up 16 patent families which have been filed in the US and internationally. Six of these patent families were filed by the company and the remainder was acquired through acquisition of Stem Cell Therapeutics Inc. which occurred on October 4, 2004 (see “Acquisition of Stem Cell Therapeutics Inc.”).

Our intellectual property portfolio covers several methods and treatments for neurological disorders through the use of various approved drugs or other agents. In addition to NTx™-265, our intellectual property portfolio anticipates adding other products in our pipeline, as well as forming out-licensing opportunities. We intend to protect additional intellectual property developed by the Company through the filing of patent applications within the appropriate jurisdictions throughout the world.

Additionally, during the term of a research contract with an Alberta-based university and the laboratory of Dr. Weiss, under which we pay consideration to such Alberta-based university, we in turn acquire 100% ownership in any new intellectual property developed by Dr. Weiss and his research group pertaining to the development of novel methods to induce neurogenesis. Through this agreement the Company continues to file intellectual property protection around these assets, the cost of which is expensed.

Change in Accounting Policies

Effective January 1, 2007, the Company adopted the following new recommendations put forward by the Canadian Institute of Chartered Accountants (CICA): Handbook Section 1506, Accounting Changes; Section 3855, Financial Instruments - Recognition and measurement; Section 3865, Hedges; and Section 1530, Comprehensive Income. The adoption of these new standards resulted in changes in accounting for financial instruments however no unrealized gains or losses were recognized on these instruments as their booked values were equal to measurement basis adopted in compliance with the new recommendations. For the three month period ended March 31, 2007 net loss and comprehensive loss for the period were equal.

The Company confirms that it does not currently have any contracts with embedded derivatives.

Acquisition of Stem Cell Therapeutics Inc.

On October 4, 2004, the Company entered into a share purchase agreement to acquire all of the issued and outstanding shares of Stem Cell Therapeutics Inc. (the "Stem Cell Shares") from Transition Therapeutics Inc. ("Transition"). Pursuant to this agreement, the Company agreed to pay Transition an aggregate purchase price of \$3,500,000 as consideration for the Stem Cell Shares. The purchase price is payable in installments beginning at closing when the amount of \$325,000 was paid and thereafter payments are required on the anniversary of closing in each of the following four years in the amounts of \$475,000, \$400,000, \$650,000 and \$1,650,000, respectively. Except for the initial payment on closing, all subsequent payments may be made, at the Company's election, either by cash or through the issuance of common shares; provided that the Company may only elect to issue common shares as payment for the final installment if the common shares are at such time listed and posted for trading on a recognized stock exchange. At closing, the certificates representing the Stem Cell Shares were placed in escrow subject to the payment in full of the purchase price, such payment being secured by a security agreement.

Until full settlement of the obligation under the share purchase agreement, the Company lacks control over the acquired company's strategic operations and therefore the financial statements of the acquired company were not consolidated into these financial statements.

Financial performance

The Company's loss for the three month period ended March 31, 2007 increased by \$72,115 to \$1,250,729 from the loss of \$1,178,614 reported for the three month period ended March 31, 2006. This slight increase in loss is the result of increased intellectual property legal fees, increased management and consulting fees, increased general and administrative expenses, lower interest income and increased stock option expense offset by lower research and development costs. Detailed analysis follows:

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 advances through 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 and Uncertainties" section, we are unable to estimate the specific timing and future costs of our research and development programs.

The Corporation has contracts with several research organizations in Canada, the United States of America and in Europe to further develop stem cell related therapies. For the three months ended March 31, 2007, the total research and development charge was \$257,293 compared to \$548,102 for the three month period ended March 31, 2006. This decrease in research and development costs for the three months ended March 31, 2007 is mainly a function of the completion of contracted preclinical studies that the Company was involved in during the first quarter of 2006. The following analysis details costs for the two periods:

	2007	2006	Cumulative since inception
	\$	\$	\$
Clinical development	113,473	175,422	942,619
Preclinical development	-	141,508	814,871
Research	42,000	81,489	619,174
Salaries and bonuses	55,963	85,311	446,569
Consulting fees	14,115	38,554	354,740
Licensing Cost	-	-	291,122
Other costs	31,742	25,818	195,168
Research and development expenses	257,293	548,102	3,664,263

Professional Fees

Professional fees reflect charges for intellectual property development (i.e. patents), general corporate legal fees with regards to ongoing corporate matters, as well as accounting and audit services. Professional fees for the three months ended March 31, 2007 amounted to \$168,161 compared to \$73,956 for the three months ended March 31, 2006. This change is mainly due to higher intellectual property legal fees as the Company continues to develop its intellectual property estate.

Management and Consulting Fees

Management and consulting fees for the three months ended March 31, 2007 totaled \$259,145 compared to \$87,013 for the three months ended March 31, 2006. The increase is due to a severance payment paid during the first quarter of 2007.

General and Administration (G&A)

G&A expenses, for the three months ended March 31, 2007 were \$283,557 compared to \$242,392 for the three months ended March 31, 2006 with an increase of \$41,165. This increase is mainly due to an increase in investor relations and business development costs including associated travel costs.

Stock options

Stock options expense for the three month period ended March 31, 2007 amounted to \$157,802 compared to \$113,464 for the three month period ended March 31, 2006. The increase for the current period reflects options granted in the first quarter of 2007 as well as the cost associated with an extension of the exercise period for the options held by a former employee.

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 were recorded accordingly at March 31, 2007.

The change in net intellectual property balance from the December 31, 2006 balance is limited to the effect of amortization calculated for the first quarter of 2007.

The Corporation continues to 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 of property and equipment over the three months ended March 31, 2007 was \$9,469 compared to \$10,474 for the three month period ended March 31, 2006. This decrease is primarily due to assets that were disposed of during the first quarter of 2007. 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 period using a straight line basis. Amortization for intellectual property amounted to \$60,776 for the three months ended March 31, 2007.

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 short-term investments and cash balances. For the three months ended March 31, 2007, interest income accrued and received amounted to \$12,525 compared to \$28,732 for the three months ended March 31, 2006. The decrease is due to lower cash balances invested in interest bearing accounts or guaranteed investment certificates.

Summary of Quarterly Results

	As at, and for the three months ended							
	2007	2006				2005		
	March	December	September	June	March	December	September	June
Revenue(1)	12,525	\$9,776	\$25,866	\$21,303	\$28,732	\$29,990	\$34,247	\$35,917
Net loss	\$1,250,729	\$1,115,536	\$1,298,475	\$1,167,304	\$1,178,614	\$1,083,608	\$865,011	\$725,848
Basic and diluted loss per common share	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02	\$0.01
Total assets	\$6,051,992	\$3,237,706	\$4,061,031	\$5,766,306	\$6,934,528	\$7,929,121	\$8,473,903	\$9,511,232
Unrestricted cash and cash equivalents	\$3,972,958	\$1,037,914	\$1,600,612	\$3,045,722	\$4,623,813	\$5,551,187	\$6,084,348	\$7,061,821
Total long-term obligations (2)	\$1,434,831	\$1,436,617	\$1,438,535	\$1,818,391	\$1,820,175	\$1,821,914	\$1,824,110	\$1,937,903

(1) Interest income on cash balances

(2) Includes capital lease obligations and obligation under share purchase agreement

(3) The Corporation has not declared or paid any dividends since incorporation.

The quarterly results of the Corporation reflect the increase in net losses between the periods as the Company continues its preclinical and clinical development activities and incurs administrative costs to sustain activities.

Liquidity and Capital Resources

Overview

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

The Company's cash and cash equivalent (unrestricted and restricted) were \$4,093,341 at March 31, 2007. The Company raised additional funds through a private placement of shares in February and March, 2007 (see Financing Activities section) and currently the Company believes that it has adequate financial resources for anticipated expenditures until the end of the first quarter of 2008.

As of March 31, 2007 the working capital (current assets minus current liabilities) for the Corporation was \$3,188,802 (\$408,938 as of December 31, 2006).

Outstanding shares as of March 31, 2007 totaled 68,072,364 common shares, 6,240,000 class B shares, 5,535,556 common share options, and 7,000,000 common share purchase warrants outstanding. As of May 28, 2007 there are 68,172,364 common shares, 6,240,000 class B shares, 5,685,556 common share options, and 7,000,000 common share purchase warrants outstanding.

Financing Activities

As of May 28, 2007 the gross proceeds raised since inception by the Company totaled \$14,078,760.

The Company closed a private placement of 10,000,000 units on February 1, 2007 for \$2,000,000, each unit consisting of one common share of SCT and one-half of one common share purchase warrant. Each full warrant entitles the holder to purchase one additional common share of SCT for \$0.25 until February 1, 2009. Certain registrants were paid an aggregate cash commission of \$115,409 in connection with this private placement. The common shares and warrants were legended with a restricted resale period which expires on June 2, 2007.

The Company closed a second private placement of 4,000,000 units on March 27, 2007 for \$2,000,000, each unit consisting of one common share of SCT and one-half of one common share purchase warrant. Each full warrant entitles the holder to purchase one additional common share of SCT for \$0.75 until March 28, 2008 or at \$1.00 until March 28, 2009. Certain registrants were paid a finders fee of 151,000 common shares of SCT in connection with this private placement. All securities issued in connection with this financing were legended with a restricted resale period which expires on July 27, 2007.

The use of proceeds from the sale of the units will include:

- completion of key support activities for receipt of final Phase IIa program results by end of 2007
- completion of planning for the Phase IIb program in stroke with NTx™-265 including IND submission
- initiation of pre-clinical programs for a second clinical indication.

The Corporation's ability to continue operation in the long run is contingent upon its ability to obtain additional sources of funding to finance future operations. Efforts will be made 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. Cash is currently in interest bearing Guaranteed Investment Certificates, interest-bearing and non interest-bearing bank accounts.

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 Corporation or its collaborators to abandon their commitments to that program. We can make no assurance that any future tests, if undertaken, will yield favorable results.

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. It will be necessary for the Company to

raise additional funds for the continuing development and commercialization of its programs. Should the Company not be able to raise additional funds after the end of the second quarter of 2007, it will be required to curtail some of its research and development activities planned in the third and fourth quarters of 2007, until the necessary funds are available. The outcome of these matters cannot be predicted at this time. The value of the Company's intangible assets could become impaired should its research and development activities change significantly or cease.

The Corporation has several patent filings in progress 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 patent grants in relevant jurisdictions; however, there is no guarantee patents will be granted, and, if granted, 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.

Disclosure Controls and Procedures

The Corporation's Chief Executive Officer and Chief Financial Officer evaluated the Corporation's disclosure controls and procedures as of December 31, 2006 and have concluded, based on that evaluation, that the Corporation's disclosure controls and procedures as of such date provide a reasonable level of assurance that material information relating to the Corporation is disclosed.

Management believes these controls to have been effective and adequate in controlling the release of material information in a factual and timely manner. As such, there have been no changes in the Corporation's internal control over financial reporting in the first quarter of 2007.