



Stem Cell Therapeutics Corp.

Interim Unaudited Financial Statements

September 30, 2007

Stem Cell Therapeutics Corp.

Balance Sheets

[a development stage company]

(Unaudited)

As at,

	September 30, 2007	December 31, 2006
	\$	\$
ASSETS		
Current		
Cash and cash equivalents <i>[note 3]</i>	2,285,870	1,037,914
Restricted cash <i>[note 4]</i>	81,008	60,383
Accounts receivable	70,530	20,636
Prepaid expenses	298,440	168,174
	2,735,848	1,287,107
Property and equipment, net	56,014	60,938
Intellectual property, net	1,703,861	1,886,203
Other non-current assets	3,458	3,458
	4,499,181	3,237,706
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	728,284	426,516
Current portion of obligation under share purchase agreement	2,082,552	444,378
Current portion of capital lease obligation	5,313	7,275
	2,816,149	878,169
Long term obligations		
Obligation under share purchase agreement	-	1,434,786
Capital lease obligation	11,721	1,831
Commitments and contingencies <i>[note 10]</i>		
Shareholders' equity		
Share capital <i>[note 7]</i>	13,009,534	9,149,613
Contributed surplus <i>[note 9]</i>	1,007,409	753,253
Deficit	(12,345,632)	(8,979,946)
Total shareholders' equity	1,671,311	922,920
	4,499,181	3,237,706

See accompanying notes

Stem Cell Therapeutics Corp.
Statements of Loss and Comprehensive Loss

[a development stage company]

(Unaudited)

For the periods,

	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006	Cumulative from Inception on March 31, 2004 to September 30, 2007
	\$	\$	\$	\$	\$
OPERATING EXPENSES					
Research and development costs <i>[note 6]</i>	544,834	693,630	866,969	1,778,190	4,273,939
Professional fees	242,631	138,308	616,336	269,928	1,647,037
Management and consulting fees	79,721	79,720	420,216	257,619	1,182,348
General and administration	220,165	199,427	846,959	743,557	2,715,780
Stock option expense	85,102	66,252	279,303	237,867	1,124,026
Interest expense on obligation under share purchase agreement	68,541	75,123	203,388	218,254	871,273
Amortization of property and equipment	9,958	11,095	29,017	32,536	108,246
Amortization of intangibles	60,786	60,786	182,342	182,342	727,418
Total operating expenses	1,311,738	1,324,341	3,444,530	3,720,293	12,650,067
Interest income	35,242	25,866	78,844	75,900	304,435
Net loss and comprehensive loss for the period	1,276,496	1,298,475	3,365,686	3,644,393	12,345,632
Deficit, beginning of period	11,069,136	6,565,935	8,979,946	4,220,017	-
Deficit, end of period	12,345,632	7,864,410	12,345,632	7,864,410	12,345,632
Basic and diluted loss per share <i>[note 11]</i>	0.02	0.02	0.05	0.07	0.26

See accompanying notes

Stem Cell Therapeutics Corp.
Statements of Cash Flows
[a development stage company]
(Unaudited)

For the periods,

	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006	Cumulative from Inception on March 31, 2004 to September 30, 2007
	\$	\$	\$	\$	\$
OPERATING ACTIVITIES					
Net loss for the period	(1,276,496)	(1,298,475)	(3,365,686)	(3,644,393)	(12,345,632)
<u>Add (deduct) items not involving cash</u>					
Stock option expense	85,102	66,252	279,303	237,867	1,124,026
Accrued interest expense on obligation under share purchase agreement [note 5]	68,541	(213,510)	203,388	(70,379)	269,699
Amortization of property and equipment	9,958	11,095	29,017	32,536	108,246
Amortization of intangibles	60,786	60,786	182,342	182,342	727,418
	(1,052,109)	(1,373,852)	(2,671,636)	(3,262,027)	(10,116,243)
Changes in non-cash working capital items					
Accounts receivable	(23,321)	(1,046)	(49,894)	6,607	(68,413)
Prepaid expenses	(259,176)	189,851	(130,266)	(296,368)	(298,440)
Accounts payable and accrued liabilities	232,255	(145,706)	301,768	(322,003)	728,284
Cash used in operating activities	(1,102,351)	(1,330,753)	(2,550,028)	(3,873,791)	(9,754,812)
INVESTING ACTIVITIES					
Acquisition of property and equipment	(13,595)	-	(24,093)	(6,699)	(144,972)
Acquisition of intangibles	-	-	-	-	(327,000)
Other non-current assets	-	-	-	-	(3,458)
Cash used in investing activities	(13,595)	-	(24,093)	(6,699)	(475,430)
FINANCING ACTIVITIES					
Restricted cash	39,583	(520)	(20,625)	(902)	(81,008)
Net increase (decrease) in capital lease obligation	11,495	(2,469)	7,928	(7,814)	(4,372)
Settlement of long-term obligation under share purchase agreement	-	(111,367)	-	(111,367)	(273,425)
Issuance of share capital, net of share issuance costs	8,000	-	3,834,774	50,000	12,874,917
Cash provided by (used in) financing activities	59,078	(114,356)	3,822,077	(70,083)	12,516,112
Net increase (decrease) in cash and cash equivalents during the period	(1,056,868)	(1,445,109)	1,247,956	(3,950,573)	2,285,870
Cash and cash equivalents, beginning of period	3,342,738	3,045,723	1,037,914	5,551,187	-
Cash and cash equivalents, end of period	2,285,870	1,600,614	2,285,870	1,600,614	2,285,870
Cash interest paid	-	288,633	-	288,633	602,727

See accompanying notes

Stem Cell Therapeutics Corp.
[a development stage company]
NOTES TO INTERIM FINANCIAL STATEMENTS
September 30, 2007 (*unaudited*)

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 are 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. Subsequent to September 30, 2007 the Company completed a financing for gross proceeds of \$12.075 million (see note 13).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These unaudited interim financial statements have been prepared in accordance with The Canadian generally accepted accounting principles and do not include all of the disclosures included in the Company's annual financial statements. Accordingly, these unaudited interim financial statements should be read in conjunction with the Company's most recent annual financial statements. The information as at and for the year ended December 31, 2006 has been derived from the Company's audited financial statements.

Cash and cash equivalents

Cash includes cash on hand and bank balances. Cash equivalents are comprised of highly liquid investments having original terms to maturity of 90 days or less when acquired. Cash equivalents are valued at cost plus accrued interest which approximates fair value.

Further to the above, the accounting policies used in the preparation of these unaudited interim financial statements conform with those used in the Company's most recent annual financial statements except for the following:

Changes to accounting policies

Effective January 1, 2007, the Company adopted the new recommendations of 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. In accordance with the transitional provisions of the new standards, prior period financial statements were not restated.

Prior to adoption of the new recommendations, the Company's financial assets and liabilities were accounted for at their cost or amortized cost except for short-term investments which were carried at market value, if their market value declined below carrying value.

Section 1506 – Accounting Changes

This section provides expanded disclosures for changes in accounting policies, accounting estimates and corrections of errors. Under the new standard, accounting changes should be applied retroactively unless otherwise permitted or where impracticable to determine. As well, voluntary changes in accounting policy are made only when required by a primary source of GAAP or the change results in more relevant and reliable information. The Company has not had any such changes which impacted the interim financial statements.

Section 3855 – Financial Instruments – Recognition and Measurement

Under the new standards, while financial assets and financial liabilities are initially recognized at fair value, they are subsequently revalued based on their classification and readjusted to account for any changes in their value. The classification of the financial assets and liabilities depends on the purpose for which the financial

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instruments were acquired and their characteristics. Section 3855 provides guidance on the recognition and measurement of financial assets, financial liabilities and derivative financial instruments.

Held-for-trading

Financial assets and financial liabilities in this classification are acquired with the intention of generating profits. The Company may also designate as held-for-trading upon initial recognition, any financial instrument whose fair value can be reliably measured. These instruments are accounted for at fair value with the change in the fair value from short-term fluctuation in price recognized immediately in net income or loss.

Held-to-maturity

Financial instruments included in this category have fixed maturity or determinable payments and management intends and has the ability to hold these instruments to maturity. The financial assets classified as held-to-maturity are measured at amortized cost using the effective interest method and the gain and loss is recognized immediately in net income or loss.

Loans, Receivables and Other Liabilities

This category includes all loans and receivables, except debt securities, and other liabilities that are not classified as held-for-trading. They are measured at amortized cost using the effective interest method and the gain and loss is recognized immediately in net income or loss.

Available-for-sale

Financial assets classified as available-for-sale are carried at fair value which represents the bid price when financial assets are quoted in active markets. For available-for-sale investments in equity securities for which there is no quote in active markets, they are measured at cost. The gain or loss originating from subsequent measurement is recognized in other comprehensive income or loss and is transferred to net income or loss when the asset is derecognized. Any unrealized gain or loss of foreign exchange related to available-for-sale financial instruments is also recognized in other comprehensive income or loss and transferred to net income when the asset is derecognized. Impairment write-downs relating to available-for-sale financial instruments are immediately recognized in net income or loss.

As at January 1, 2007, the Company has elected the following classifications for its financial assets and liabilities:

	<u>Classification</u>	<u>Measurement</u>
<u>Financial assets</u>		
Accounts receivable	Receivables	Amortized cost
<u>Financial liabilities</u>		
Accounts payable	Other liabilities	Amortized cost
Obligation under share purchase agreement	Other liabilities	Amortized cost

The Company does not currently have any outstanding contracts with embedded derivatives.

Section 3865 – Hedges

Under the new standard, hedges may be designated as either fair value hedges or cash flow hedges and hedges of net investments in self-sustaining foreign operations. The Company does not currently use hedging instruments as a policy; therefore, the adoption of this section does not have any impact on the Company's financial statements.

Section 1530 – Comprehensive Income

The comprehensive income section introduces new requirements for certain situations, including where financial instruments are classified as available-for-sale. The gain or loss on subsequent measurement and unrealized gain or loss on foreign exchange on these financial instruments is recognized in other comprehensive income (loss). Comprehensive income (loss) is comprised of the Company's net income (loss) and other comprehensive income (loss). For the three and nine months ended September 30, 2007, net loss and comprehensive loss for the period were equal.

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Future Accounting Changes

The CICA has issued the following new Handbook Sections, which will become effective on January 1, 2008 for Stem Cell Therapeutics Corp.:

- Section 3862, "Financial Instruments – Disclosures";
- Section 3863, "Financial Instruments – Presentation";
- Section 1535, "Capital disclosures".

These new Sections carry forward unchanged presentation requirements of Section 3861 "Financial Instruments – Disclosure and Presentation"; and converge with the capital disclosure-related amendments to International Accounting Standards.

Section 3862 places an increased emphasis on disclosures about the risks associated with both recognized and unrecognized financial instruments and how these risks are managed and also simplifies the disclosures about concentrations of risk, credit risk, liquidity risk and market risk currently found in Section 3861. Additional requirements include: more extensive disclosures about exposures to liquidity; currency and other price risks and an analysis of the sensitivity of net income for possible changes thereto; more specific disclosures about collateral; and details of liabilities that are in default or in breach of their terms and conditions.

Section 3863 carries forward, without change, the presentation-related requirements of Section 3861.

Section 1535 requires the disclosure of: an entity's objectives, policies and processes for managing capital; quantitative data about what the entity regards as capital; whether the entity has complied with any capital requirements; and if it has not complied, the consequences of such non-compliance.

The Company is in the process of assessing the full impact of these new Sections on its financial statements.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include unrestricted cash balances in bank chequing and savings accounts amounting to \$1,255,870 (\$1,037,914 as of December 31, 2006) and guaranteed investment certificates that can be redeemed within 30 days of purchase without penalty. The following table shows details of these guaranteed investment certificates as of September 30, 2007 (no such balances existed as of December 31, 2006):

Value	Maturity date	Interest rate	Remarks
\$			
1,030,000	March 31, 2008	Prime linked	Interest rate at investment date was 4% per annum, and is subject to change.

4. RESTRICTED CASH

Restricted cash balances include \$81,008 (\$60,383 as of December 31, 2006) deposited in an investment account with a bank yielding an annual interest rate of 2.05% (on September 30, 2007) and held by the bank as collateral for credit facilities of equivalent value offered to the Company.

5. OBLIGATION UNDER SHARE PURCHASE AGREEMENT

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. ["Stem Cell"] from Transition Therapeutics Inc. ["Transition"], which represents an acquisition of intellectual property.

The Company agreed to pay Transition an aggregate purchase price of \$3,500,000. The purchase price is payable in installments beginning on closing, October 4, 2004, in the amount of \$325,000, and on the anniversary of closing in each of the following four years in the amount of \$475,000, \$400,000, \$650,000 and \$1,650,000, respectively. Except for the initial payment, all subsequent payments may be made, at the

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Company's election, by either cash or 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.

On closing, the certificates representing the Stem Cell shares were placed in escrow subject to the payment in full of the purchase price. 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. The fourth payment under the agreement amounting to \$650,000 has been made in cash subsequent to September 30, 2007. Payments for 2005, 2006 and 2007 were made in cash rather than by issuing Company's shares. As part of the share purchase agreement, the Company is subject to commitments for future royalty payments [see note 10(c)].

As the Company has use of the intellectual property during the installment period, the commitment to acquire Stem Cell has been recorded as a liability based on the discounted present value of the purchase installments.

6. RESEARCH AND DEVELOPMENT PROJECTS

The Company is involved in the research and development of therapeutics focused on the stimulation of stem cells for the treatment of neurological diseases. The following costs have been incurred for research and development work performed to September 30 of the year indicated:

	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006	Cumulative from Inception on March 31, 2004 to September 30, 2007
	\$	\$	\$	\$	\$
Clinical development	121,564	85,780	263,496	407,101	1,092,642
Preclinical development	184,804	119,561	22,481	416,930	837,352
Research	42,000	43,187	126,000	186,000	703,174
Salaries and bonuses	76,382	49,930	199,262	158,065	589,867
Consulting fees	41,086	61,256	92,468	206,924	433,093
Licensing cost	53,525	291,122	53,525	291,122	344,647
Other costs	25,473	42,794	109,737	112,048	273,164
Research and development expenses	544,834	693,630	866,969	1,778,190	4,273,939

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

7. 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 rateably with the common shares in the distribution of the Company's assets. Preferred shares have voting rights as decided upon by the Board of Directors at the time of grant. Upon dissolution or wind-up of the Company, Preferred shares are entitled to priority over common and Class B shares.

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[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
Conversion of Class B to Common, November 19, 2004 (ii)	4,000,000	100,000
Options exercised, November 21, 2004 (iii)	800,000	55,000
	<hr/>	
	18,986,364	1,328,010
Share issuance costs	-	(7,417)
	<hr/>	
Balance, December 31, 2004	18,986,364	1,320,593
Proceeds from Initial Public Offering 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
Conversion of Class B to Common, April 1, 2005 (v)	120,000	3,000
Options exercised, October 14, 2005 (vi)	175,000	76,750
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	34,375,000	8,581,750
Share issuance costs	-	(1,006,200)
Balance, December 31, 2005	53,361,364	8,896,143
Conversion of Class B to Common, January 11, 2006 (vii)	120,000	3,000
Options exercised, March 21, 2006 (viii)	25,000	11,470
Options exercised, April 26, 2006 (ix)	175,000	77,000
Conversion of Class B to Common, July 15, 2006 (x)	120,000	3,000
Balance, December 31, 2006	53,801,364	8,990,613
Conversion of Class B to Common, January 11, 2007 (xi)	120,000	3,000
Issuance of shares in private placement, February 1, 2007 (xii)	10,000,000	2,000,000
Share issuance costs, February 1, 2007	-	(144,390)
Issuance of shares in private placement, March 27, 2007 (xiii)	4,000,000	2,000,000
Issuance of shares covering financing costs, March 27, 2007 (xiv)	151,000	113,250
Share issuance costs, 2nd private placement in 2007	-	(182,712)
Options exercised, April 13, 2007 (xv)	100,000	44,050
Exercise of share purchase warrants during June, 2007 (xvi)	62,500	15,625
Conversion of Class B to Common, July 11, 2007 (xvii)	120,000	3,000
Options exercised, September 12, 2007 (xviii)	32,000	14,098
	<hr/>	
Balance, September 30, 2007	68,386,864	12,856,534

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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 (iv)	(80,000)	(2,000)
Conversion of Class B to Common, April 1, 2005 (v)	(120,000)	(3,000)
Balance, December 31, 2005	6,600,000	165,000
Conversion of Class B to Common, January 11, 2006 (vii)	(120,000)	(3,000)
Conversion of Class B to Common, July 15, 2006 (x)	(120,000)	(3,000)
Balance, December 31, 2006	6,360,000	159,000
Conversion of Class B to Common, January 11, 2007 (xi)	(120,000)	(3,000)
Conversion of Class B to Common, July 11, 2007 (xvii)	(120,000)	(3,000)
Balance, September 30, 2007	6,120,000	153,000
<hr/> Share Capital, September 30, 2007	<hr/> 74,506,864	<hr/> 13,009,534

(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 19, 2004, 4,000,000 Class B shares were converted to 4,000,000 Common shares on a one for one basis.

(iii) 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.

(iv) On January 10, 2005, 80,000 Class B shares were converted to 80,000 Common shares on a one-for-one basis.

(v) On April 1, 2005, 120,000 Class B shares were converted to 120,000 Common shares on a one for one basis.

(vi) On October 14, 2005, 175,000 options were exercised at a price of \$0.25. Contributed surplus of \$33,000 was reclassified to share capital upon exercise of the options.

(vii) On January 11, 2006, 120,000 Class B shares were converted to 120,000 Common shares on a one-for-one basis.

(viii) On March 21, 2006, 25,000 options were exercised at a price of \$0.25. Contributed surplus of \$5,220 was reclassified to share capital upon exercise of the options.

(ix) On April 26, 2006, 175,000 options were exercised at a price of \$0.25. Contributed surplus of \$33,250 was reclassified to share capital upon exercise of the options.

(x) On July 15, 2006, 120,000 Class B shares were converted to 120,000 Common shares on a one-for-one basis.

(xi) On January 11, 2007, 120,000 Class B shares were converted to 120,000 Common shares on a one for one

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basis.

(xii) On February 1, 2007, the Company completed a \$2 million private placement of 10,000,000 units, each unit consisting of one common share and one-half of one common share purchase warrant. Each full warrant entitles the holder to purchase one additional common share for \$0.25 until February 1, 2009.

(xiii) On March 27, 2007, the Company completed a \$2 million private placement of 4,000,000 units, each unit consisting of one common share and one-half of one common share purchase warrant. Each full warrant entitles the holder to purchase one additional common share for \$0.75 for the first year following closing and at \$1.00 for the second year following closing.

(xiv) On March 27, 2007, the Company issued 151,000 shares as part of financing costs associated with the private placement closed on March 27, 2007.

(xv) On April 13, 2007, 100,000 options were exercised at a price of \$0.25. Contributed surplus of \$19,050 was reclassified to share capital upon exercise of the options.

(xvi) During June 2007, 62,500 stock purchase warrants were exercised at \$0.25.

(xvii) On July 11, 2007, 120,000 Class B shares were converted to 120,000 Common shares on a one for one basis.

(xviii) On September 12, 2007, 32,000 options were exercised at \$0.25. Contributed surplus of \$6,097 was reclassified to share capital upon exercise of the options.

[c] Employee stock options

The following table summarizes the activity of the Company's stock option plan as at September 30, 2007:

	Number of options	Weighted-average exercise price \$
Outstanding, January 1, 2007	4,555,556	0.27
Granted	1,230,000	0.38
Exercised	(132,000)	0.25
Cancelled	(16,667)	0.34
Outstanding, end of period	<u>5,636,889</u>	0.29
Exercisable, end of period	4,496,000	0.31

The fair value of options granted to employees, consultants and directors of the Company during the nine months ended September 30, 2007 was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	5%
Volatility	96% - 125%
Dividend yield	0%
Expected life	5 years

The options have been allocated pursuant to a 10% rolling stock option plan which was reapproved by the Company's shareholders at its annual general meeting held on May 28, 2007. Pursuant to the new stock option plan, the Company may grant stock options to purchase up to an aggregate of 10% of the Company's issued and outstanding share capital. As of September 30, 2007, the Company is entitled to issue an additional 1,201,797 stock options under this plan.

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8. SHARE PURCHASE WARRANTS

The Company has issued warrants for the purchase of common shares, for a specified price for a specific period of time. The following table contains information regarding the warrants to acquire common shares outstanding as of September 30, 2007.

	Number of warrants	Number of common shares underlying warrants	Exercise price	Expiry date
Warrants issued in connection with private placement closed on February 1, 2007	4,937,500	4,937,500	\$0.25	February 1, 2009
Warrants issued in connection with private placement closed on March 27, 2007	2,000,000	2,000,000	\$0.75 ⁽¹⁾	March 27, 2009

(1) Warrants issued March 27, 2007 entitle the holders to purchase each common share for \$0.75 for the first year following closing and at \$1.00 for the second year following closing. The lower exercise price was used in the above schedule.

9. CONTRIBUTED SURPLUS

The following table summarizes the change in contributed surplus for the nine month period ended September 30, 2007 :

	September 30, 2007
Balance, beginning of period	753,253
Stock option expense	279,303
Exercise of stock options	(25,147)
Balance, end of period	1,007,409

10. COMMITMENTS AND CONTINGENCIES

[a] Operating leases

The Company leases its office space under contract which covers a three year period effective from January 1, 2006. Annual costs under this contract are limited to an annual rent charge of \$38,780 and annual operating costs estimated to be \$34,154, with a total expected cost of \$91,168 over the remainder of the contract life.

[b] Research contracts

Expected charges within the fourth quarter of 2007 under an ongoing research contract with an Alberta-based university amounts to \$42,000. In addition, The Company has entered into a new contract with the same university which will continue from July 1, 2007 to June 30, 2008, expected costs under the new contract amount to \$196,000.

The Company has accepted a proposal from a Canadian based clinical trials research organization to carry out work for the Phase IIb clinical trial in stroke, total estimated cost under the first phase of the contract amounts to \$315,687. The entire amount will be expensed during the fourth quarter of 2007. Also, associated with the Phase IIb clinical trial in stroke is work by certain US contractors which will amount to US\$703,885 over the course of the trial.

The Company has accepted proposals from certain US based research organizations to carry on additional

Stem Cell Therapeutics Corp.
[a development stage company]
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preclinical development work, expected additional payments under the contracts amount to US\$211,965.

[c] Contingency

Pursuant to the share purchase agreement from Transition [see note 5], royalty payments may become due and payable in accordance with this agreement upon realization of sales or licensing of patent rights from intellectual property in the Stem Cell Therapeutics Inc. portfolio. When the Company realizes sales of products or processes, a royalty of 2% of net sales will become payable to Transition. In addition, if patent rights are licensed, a royalty of 5% of the consideration for such licenses will become payable.

11. LOSS PER COMMON SHARE

Loss per common share is calculated using the weighted average number of common shares outstanding during the nine month period ended September 30, 2007 of 65,768,153 (53,630,302 for the nine month period ended September 30, 2006). The cumulative weighted average number of common shares since inception to September 30, 2007 was 46,840,525. The Company has excluded all outstanding stock options, share purchase warrants, and Class B shares from the calculation of diluted loss per share because all such securities are considered anti-dilutive.

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period presentation.

13. SUBSEQUENT EVENTS

On November 9, 2007, the Company closed the previously announced bought deal financing with a syndicate of underwriters. Gross proceeds of \$12.075 million were raised, which includes the exercise in full of a 15% overallotment option, resulting in 34,500,000 Units (the "Units") being sold to the public pursuant to a short form prospectus. The Units were sold to the public at a price of \$0.35 per Unit, with each Unit consisting of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant is exercisable to acquire one additional common share of the Company at a price of \$0.50 per share for 30 months.