



STEM CELL

THERAPEUTICS

Stem Cell Therapeutics Corp.

Management Discussion and Analysis
For the three and nine month periods ended September 30th, 2007

Dated: November 29, 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 and nine months ended September 30, 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 November 29, 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 and Canada, in order to investigate the safety and efficacy of NTx™-265 in humans. On April 10, 2007, the Company released interim results from the Phase IIa trial which showed that each of the four patients who had completed the therapy demonstrated significant recovery from their stroke symptoms.

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.

Highlights for the period July 1, 2007 to November 29, 2007.

On July 25, 2007 SCT initiated a pre-clinical comparator study designed to characterize the neuroregenerative effects of stem cell proliferative agents plus EPO in an animal model of traumatic brain injury (TBI). This study represents a promising new program launch that builds upon intellectual property held by SCT and supported by fundamental findings from the laboratory of Dr. Samuel Weiss at the University of Calgary.

On August 7, 2007 the Company announced the addition of a second Phase IIa site located at the Foothills Medical Center in Calgary, Alberta for its currently enrolling Phase IIa safety study, examining the safety and efficacy of its lead stroke-therapy regimen. The Company decided to open a second clinical trial site in view of the encouraging interim results obtained by Dr. Steven C. Cramer, Principal Investigator of the study. The initial trial is continuing at the University of California, Irvine Medical Center. The new Calgary site is lead by Dr. Michael Hill, MD, Associate Professor of Clinical Neurosciences at the University of Calgary and Director of the Stroke Unit at Foothills Medical Center, Calgary.

On September 25, 2007, SCT announced the grant of the Japanese patent numbered 3993560 and entitled "Combined Regulation of Neural Cell Production" to Stem Cell Therapeutics Inc. This patent protects a pharmaceutical composition for enhancing neuronal precursor cell formation in a variety of central nervous system (CNS) disorders including brain injury, stroke, Alzheimer's disease, Huntington's disease, and other CNS diseases. The strategy of using a therapeutic regimen of drugs to enhance neurogenesis, as taught in this patent, has the potential to be a key treatment for many CNS diseases.

On October 15, 2007 SCT announced the appointment of Mr. Scott Tannas, a senior financial and insurance brokerage executive, to the Board of Directors. SCT also announced that Dr. J.P. Castaigne had resigned from SCT's Board of Directors in order to focus on his current obligations at Angiochem Inc.

On November 9, 2007 SCT closed a bought deal financing. 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 SCT and one-half of one common share purchase warrant. Each whole warrant is exercisable to acquire one additional common share of SCT at a price of \$0.50 per share for 30 months.

On November 13, 2007 SCT appointed Dr. Francesco Bellini, Chairman, President and Chief Executive Officer of Neurochem Inc., an industry leader in the development of therapeutic drugs for the central nervous system, to its Board of Directors.

Development Programs

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.

The next step in the clinical development for NTx™-265 is completion of the Phase IIa clinical safety study in stroke. We expect to report the results of this study early in 2008.

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.

Traumatic Brain Injury

On July 25, 2007 SCT announced the initiation of a preclinical comparator study designed to characterize the neuroregenerative effects of stem cell proliferative agents plus EPO in an animal model of traumatic brain injury (TBI). This study represents a promising new program launch that builds upon intellectual property held by SCT and supported by fundamental findings from the laboratory of Dr. Samuel Weiss at the

University of Calgary. SCT recently announced encouraging results from the interim analysis of its continuing Phase IIa clinical study in stroke patients with the NTx™-265 regimen. The current study will explore a different but related therapeutic area, TBI.

The preclinical comparator study announced is sponsored by SCT and is designed to describe the ability of prolactin or hCG followed by EPO to promote recovery of the brain following moderate-to-serious acute cortical (white matter) injury to the brain. The expected result of this study, to be conducted at Louisiana State University under the leadership of Dr. Ludmila Belayev, is to compare proliferative agents plus EPO in a rat animal model of TBI.

Acute traumatic injury to the head resulting from automobile accidents, concussive explosions or serious athletic impact to the head represents serious events that cause loss of independence and demand intense medical intervention with recovery periods that often persist for months or years. A therapy with the ability to improve neurological and functional recovery after an acute injury, thereby increasing patient independence and decreasing rehabilitation time and cost, would represent an extremely important development. This is similar in concept to the stroke therapy that SCT is currently testing in stroke victims in a phase IIa clinical study.

Multiple Sclerosis

SCT has significant intellectual property around the use of neurogenic agents for treating demyelinating diseases such as Multiple Sclerosis. Previous scientific investigations have characterized two potentially important therapeutic effects of one of these agents, prolactin on the CNS: acting as both a neurogenic agent to increase the number of progenitor cells that mature into oligodendrocytes and as an agent that promotes remyelination of the brain in the presence of disease conditions. SCT was recently granted a key patent for the use of prolactin in neurologic diseases authored by Dr. Sam Weiss at an Alberta-based university and based on demonstrated insights into the effect of prolactin. Moreover, recent publications validating this concept suggest a potential new therapeutic platform upon which a MS based clinical program could be launched.

Although prolactin has not yet been approved for marketing, an extensive body of developmental and regulatory studies characterizing prolactin has been completed. As a result, rapid regulatory approval of prolactin is anticipated once demonstrated to be safe and efficacious in clinical studies. SCT has initiated a proof of concept study with prolactin in a well established experimental animal model of Multiple Sclerosis. Successful completion of this preliminary non-clinical study is expected to quickly evolve into clinical programs to demonstrate efficacy in humans if they are successful.

Schizophrenia

SCT had an Option to Acquire agreement for a clinical stage program in Schizophrenia. (dated September 13, 2006 and subsequently renewed March 13, 2007) that was allowed to expire September 13, 2007. Although promising results were seen in a Phase II clinical study, SCT did not have the resources to exercise this option and undertake the

required additional clinical studies in Schizophrenia. No agreement to extend the option with the inventors of the study was concluded.

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 over 67 patents and pending patent applications, including three issued United States patents, and one issued Japanese patent. These make up 16 patent families which have been filed in the US and internationally. Seven of these patent families were filed by the Company and the remainder are being acquired through the 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.

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.

All payments have thus far been in cash, except the final payment which has not yet been made. At the Company's election the final payment can either be made by cash or through the issuance of common shares; provided that the Company is listed and has its shares 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 nine month period ended September 30, 2007 decreased by \$278,707 to \$3,365,686 (\$0.05 per common share) from the loss of \$3,644,393 (\$0.07 per common share) reported for the nine month period ended September 30, 2006. The primary reason for the decrease in loss was a substantial reduction in R&D expenses as discussed below. This decrease was partially offset by smaller increases in other expenses which are also discussed below. In addition, the loss for the three month period ended September 30, 2007 decreased by \$21,979 to \$1,276,496 (\$0.02 per common share) from the loss of \$1,298,475 (\$0.02 per common share) reported for the three month period ended September 30, 2006.

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 advance 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 currently has contracts with several research organizations in Canada, and the United States of America to further develop stem cell related therapies. For the nine months ended September 30, 2007, the total research and development charge was \$866,969 compared to \$1,778,190 for the nine month period ended September 30, 2006 (\$544,834 for the three month period ended September 30, 2007 compared to \$693,630 for the three month period ended September 30, 2006). The decrease in research and development costs for the nine months ended September 30, 2007 is mainly a function of (i) the completion of contracted preclinical studies that the Company was involved in during the first and second quarters of 2006; and (ii) a reimbursement of \$162,323 paid in the second quarter of 2006 for a preclinical study that was not completed. This reimbursement was received in the second quarter of 2007 and hence reduced research and development costs substantially in comparison to 2006.

Compared to the third quarter of 2006, licensing costs for the three month period ending September 30, 2007 also decreased. This is due to a license payment made to StemCells Inc. in the third quarter of 2006 for the cross license agreement made during that quarter.

During the third quarter preclinical development expenses also increased over the comparable quarter in 2006 due to the initiation of the TBI preclinical comparator study as well as the initiation of the study of prolactin in an animal model of MS.

The following analysis details costs 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 \$
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

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 nine months ended September 30, 2007 amounted to \$616,336 compared to \$269,928 for the nine months ended September 30, 2006 (\$242,631 for the three month period ended September 30, 2007 compared to \$138,308 for the three month period ended September 30, 2006). This change is mainly due to higher intellectual property legal fees as the Company continues to develop its intellectual property estate.

SCT's intellectual property estate continues to grow and mature; as such, there will be increasing expenses related to the filing, prosecution, and maintenance of the patents and patent applications that SCT currently has. For reference, upon SCT's formation and the purchase of Stem Cell Therapeutics Inc., the combined patent portfolio was 28 patent applications. As of the date of this report, the total patent pool now numbers 67 issued, pending, and provisional patents and is growing as more patents for example enter national phase filing, and additional new patents are filed and applied for.

Management and Consulting Fees

Management and consulting fees for the nine months ended September 30, 2007 totaled \$420,216 compared to \$257,619 for the nine months ended September 30, 2006. The increase for the nine month period is due to a severance payment paid during the first

quarter of 2007. There was no significant variation in three month period ended September 30 2007, compared to the prior period.

General and Administration (G&A)

G&A expenses, for the nine months ended September 30, 2007 were \$846,959 compared to \$743,557 for the nine months ended September 30, 2006 representing an increase of \$103,402 (\$220,165 for the three month period ended September 30, 2007 compared to \$199,427 for the three month period ended September 30, 2006). 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 nine month period ended September 30, 2007 amounted to \$279,303 compared to \$237,867 for the nine month period ended September 30, 2006 (\$85,102 for the three month period ended September 30, 2007 compared to \$66,252 for the three month period ended September 30, 2006). The increase for the nine month period reflects options granted in the first and second quarter of 2007.

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 September 30, 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, second and third 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 and contracts with independent research organizations and internally by the Company.

Amortization

Amortization of property and equipment over the nine months ended September 30, 2007 was \$29,017 compared to \$32,536 for the nine month period ended September 30, 2006 (\$9,958 for the three month period ended September 30, 2007 compared to \$11,095 for the three month period ended September 30, 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 \$182,342 for the nine month periods

ended September 30, 2007 and 2006 (\$60,786 for the three month period ended September 30, 2007 as well as the three month period ended September 30, 2006).

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 nine months ended September 30, 2007, interest income earned amounted to \$78,844 compared to \$75,900 for the nine months ended September 30, 2006 (\$35,242 for the three month period ended September 30, 2007 compared to \$25,866 for the three month period ended September 30, 2006). Interest income increased for the nine and three month periods ended September 30, 2007 due to an increase in cash balances resulting from financings completed in the first quarter of 2007.

Summary of Quarterly Results

	As at, and for the three months ended							
	2007			2006				2005
	September	June	March	December	September	June	March	December
Revenue(1)	\$35,242	\$31,077	\$12,525	\$9,776	\$25,866	\$21,303	\$28,732	\$29,990
Net loss	\$1,276,496	\$838,461	\$1,250,729	\$1,115,536	\$1,298,475	\$1,167,304	\$1,178,614	\$1,083,608
Basic and diluted loss per common share	\$0.02	\$0.01	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02
Total assets	\$4,499,181	\$5,370,281	\$6,051,992	\$3,237,706	\$4,061,031	\$5,766,306	\$6,934,528	\$7,929,121
Unrestricted cash and cash equivalents	\$2,285,870	\$3,342,738	\$3,972,958	\$1,037,914	\$1,600,612	\$3,045,722	\$4,623,813	\$5,551,187
Total long-term obligations (2)	\$11,721	\$1,434,783	\$1,434,831	\$1,436,617	\$1,438,535	\$1,818,391	\$1,820,175	\$1,821,914

(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 continuing losses 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 \$2,366,878 at September 30, 2007.

As of September 30, 2007 the working capital (current assets minus current liabilities) for the Corporation was a deficiency of \$80,301 (compared to a surplus of \$408,938 as of December 31, 2006).

On November 9, 2007 the Company completed a \$10.5 million financing with an additional \$1.575 million raised from an overallotment option, through a short form prospectus offering. The net proceeds from this offering (see below "Financing Activities") increased SCT's working capital to an estimated \$10.8 million as of November 9, 2007.

At September 30, 2007 there were 68,386,864 common shares, 6,120,000 class B shares, 5,636,889 common share options, and 6,937,500 common share purchase warrants outstanding. As of November 29, 2007 there are 103,279,864 common shares, 6,120,000 class B shares, 8,015,556 common share options, and 25,912,500 common share purchase warrants outstanding.

Financing Activities

On November 9, 2007 the Company completed a \$10.5 million financing with an additional \$1.575 million raised from an overallotment option in the form of a short form prospectus that involved the offering of 34,500,000 units in total priced at \$0.35 per unit, 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 \$0.50 for a period of 30 months from the date of issuance of the warrant.

The net proceeds to the Corporation from the sale of the Units are approximately \$10.9 million after deducting the Underwriters' Fee and the estimated expenses of the offering.

The Corporation intends to use the estimated net proceeds of the offering primarily to fund the ongoing clinical development of its Phase IIb clinical stroke program. The balance will be allocated to fund other research and development programs, including traumatic brain injury and multiple sclerosis, and to meet working capital and current corporate needs, including but not limited to costs associated with ensuring the protection of the Corporation's intellectual property.

As of November 29, 2007 the gross proceeds raised since inception by the Company totaled \$26,275,635, including \$ 4 million that was raised via two private placements that were completed in the first quarter of 2007 and \$12.075 million raised during November of 2007.

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 balances are currently invested in interest bearing Guaranteed Investment Certificates, interest-bearing and non interest-bearing bank accounts.

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 nine month period ended September 30, 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.

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.

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

Proposed 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.

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 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. The value of the Company's intangible assets could become impaired should its research and development activities change significantly or cease.

The Corporation has a significant number of patent filings in progress as well as others that are being acquired through the Stem Cell Therapeutics Inc. purchase, four of which have been issued to date, three in the United States and one in Japan. 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 2007.