



STEM CELL

THERAPEUTICS

Stem Cell Therapeutics Corp.

Unaudited Interim Financial Statements

March 31, 2008

Stem Cell Therapeutics Corp.

Balance Sheets

[a development stage company]

(unaudited)

	As at March 31, 2008 \$	As at December 31, 2007 \$
ASSETS		
Current		
Cash and cash equivalents [note 3]	9,737,180	10,764,097
Restricted cash [note 4]	81,843	81,427
Accounts receivable	231,156	139,588
Prepaid expenses	299,226	395,281
	<u>10,349,405</u>	<u>11,380,393</u>
Property and equipment, net	59,243	58,229
Intellectual property, net	1,582,299	1,643,075
Other non-current assets	3,458	3,458
	<u>11,994,405</u>	<u>13,085,155</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	890,176	749,313
Obligation under share purchase agreement [note 5]	1,540,629	1,487,118
Current portion of capital lease obligation	5,699	5,699
	<u>2,436,504</u>	<u>2,242,130</u>
Long Term Obligations		
Capital lease obligation	8,678	10,007
Commitments and contingencies [note 10]		
Shareholders' Equity		
Share capital [note 7]	24,076,338	24,079,436
Contributed surplus [note 9]	1,260,598	1,187,109
Deficit	(15,787,713)	(14,433,527)
Total Shareholders' Equity	<u>9,549,223</u>	<u>10,833,018</u>
	<u>11,994,405</u>	<u>13,085,155</u>

See accompanying notes

On behalf of the Board:

Ian Brown
Director

Mark Wayne
Director

Statements of Loss, Comprehensive Loss and Deficit

[a development stage company]

(unaudited)

	For the three month period ended March 31, 2008	For the three month period ended March 31, 2007	Cumulative from inception on March 31, 2004 to March 31, 2008
	\$	\$	\$
OPERATING EXPENSES			
Research and development costs [note 6]	644,891	257,293	5,901,813
Professional fees	163,211	168,161	2,015,032
Management and consulting fees	186,444	259,145	1,712,238
General and administration	282,498	283,557	3,227,082
Stock-based compensation	73,489	157,802	1,457,625
Deemed interest expense on obligation under share purchase agreement [note 5]	53,511	67,051	979,353
Amortization of property and equipment	6,937	9,469	125,779
Amortization of intellectual property	60,776	60,776	848,980
Total operating expenses	1,471,757	1,263,254	16,267,902
Interest income	117,571	12,525	480,189
Net loss and comprehensive loss for the period	1,354,186	1,250,729	15,787,713
Deficit, beginning of period	14,433,527	8,979,946	-
Deficit, end of period	15,787,713	10,230,675	15,787,713
Basic and diluted loss per share [note 11]	0.01	0.02	0.30

See accompanying notes

Statements of Cash Flows

[a development stage company]

(unaudited)

	For the three month period ended March 31, 2008	For the three month period ended March 31, 2007	Cumulative from inception on March 31, 2004 to March 31, 2008
	\$	\$	\$
OPERATING ACTIVITIES			
Net loss and comprehensive loss for the period	(1,354,186)	(1,250,729)	(15,787,713)
<u>Add (deduct) items not involving cash</u>			
Stock-based compensation	73,489	157,802	1,457,625
Deemed interest expense on obligation under share purchase agreement [note 5]	53,511	67,051	105,851
Amortization of property and equipment	6,937	9,469	125,779
Amortization of intellectual property	60,776	60,776	848,980
Foreign exchange difference	(94,294)	998	(169,428)
	(1,253,767)	(954,633)	(13,418,906)
Changes in non-cash working capital items			
Accounts receivable	(91,568)	6,844	(229,039)
Prepaid expenses	96,055	110,482	(299,226)
Accounts payable and accrued liabilities	140,863	30,803	890,176
Cash used in operating activities	(1,108,417)	(806,504)	(13,056,995)
INVESTING ACTIVITIES			
Acquisition of property and equipment	(7,951)	(6,816)	(165,737)
Acquisition of intellectual property	-	-	(327,000)
Other non-current assets	-	-	(3,458)
Cash used in investing activities	(7,951)	(6,816)	(496,195)
FINANCING ACTIVITIES			
Restricted cash	(416)	(60,000)	(81,843)
Net decrease in capital lease obligation	(1,329)	(1,783)	(7,029)
Settlement of long-term obligation under share purchase agreement	-	-	(651,497)
Issuance of share capital, net of share issue costs	(3,098)	3,811,145	23,861,311
Net cash provided by (used in) financing activities	(4,843)	3,749,362	23,120,942
Net increase (decrease) in cash and cash equivalents during the period	(1,121,211)	2,936,042	9,567,752
Foreign exchange difference	94,294	(998)	169,428
Cash and cash equivalents, beginning of period	10,764,097	1,037,914	-
Cash and cash equivalents, end of period	9,737,180	3,972,958	9,737,180
Deemed interest paid in cash	-	-	874,655

See accompanying notes

Stem Cell Therapeutics Corp.

[a development stage company]

NOTES TO FINANCIAL STATEMENTS

(unaudited)

(Amounts in Canadian dollars, unless otherwise noted)

March 31, 2008

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 activities 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. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of presentation**

These unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles and do not include all of the disclosures included in the Company's annual audited financial statements. Accordingly, these financial statements should be read in conjunction with the Company's most recent annual audited financial statements. The information as at and for the three months ended March 31, 2008 has been derived from the Company's annual audited financial statements.

Adoption of new accounting policies

These financial statements have been prepared using the accounting policies described in the 2007 annual audited financial statements, except as noted below.

Effective January 1, 2008 the Company adopted the following new accounting standards of the Canadian Institute of Chartered Accountants ("CICA"):

Handbook Section 3862, *Financial Instruments – Disclosure*, which establishes standards for the disclosure of financial instruments including disclosing the significance of financial instruments and the nature and extent of risks arising from financial instruments. Note 12 discusses financial instruments and related risks. The adoption of this new standard had no impact on the Company's financial position or results of operations.

Handbook Section 3863, *Financial Instruments – Presentation*, which carries forward, without change, the presentation-related requirements of Section 3861. The adoption of this new standard had no impact on the Company's financial position or results of operations.

Handbook Section 1535, *Capital Disclosures*, which requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity's objectives, policies and processes for managing capital. Effective January 1, 2008, the Company adopted this standard. The adoption of this standard had no material impact on the Company's financial statements.

Handbook Section 3064, *Goodwill and Intangible Assets*, which establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This standard also provides guidance for the recognition of internally developed intangible assets, whether separately acquired or internally developed, and provides guidance for the treatment of preproduction and start-up costs and requires

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[a development stage company]

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(Amounts in Canadian dollars, unless otherwise noted)

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that these costs be expensed as incurred. The adoption of this new standard had no impact on the Company's financial position or results of operations.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include unrestricted cash balances in bank accounts amounting to \$661,658 (\$1,260,097 as at December 31, 2007) 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 at March 31, 2008:

Value	Maturity date	Interest rate	Remarks
\$			
2,075,522	Renewed daily	1.35%	Guaranteed investment certificates are denominated in US dollars.
7,000,000	November 10, 2008	Prime linked	Interest rate at investment date was 4.25% per annum, and is subject to change.

4. RESTRICTED CASH

The restricted cash balances of \$81,843 (\$81,427 as at December 31, 2007) represents the amount deposited in an investment account with a bank yielding an annual interest rate of 2.05% (at March 31, 2008) and held by the bank as collateral for available 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 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 interim financial statements. Payments for 2005, 2006 and 2007 were made in cash rather than by issuing the Company's common 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.

Stem Cell Therapeutics Corp.
[a development stage company]

NOTES TO FINANCIAL STATEMENTS

(unaudited)

(Amounts in Canadian dollars, unless otherwise noted)

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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 during the periods indicated:

	For the three month period ended March 31, 2008	For the three month period ended March 31, 2007	Cumulative from inception on March 31, 2004 to March 31, 2008
	\$	\$	\$
Clinical development	222,840	113,473	1,674,635
Preclinical development	80,373	-	1,245,244
Research	42,000	42,000	787,174
Salaries and bonuses	119,684	55,963	855,807
Consulting fees	106,896	14,115	616,178
Licensing Costs	-	-	344,647
Other costs	73,098	31,742	378,128
Research and development expenses	644,891	257,293	5,901,813

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 share capital

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.

[b] Issued and outstanding share capital

	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

Stem Cell Therapeutics Corp.*[a development stage company]***NOTES TO FINANCIAL STATEMENTS***(unaudited)*

(Amounts in Canadian dollars, unless otherwise noted)

March 31, 2008

	18,986,364	1,328,010
Share issuance costs	-	(7,417)
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 shares (iv) & (v)	200,000	5,000
Options exercised, October 14, 2005 (vi)	175,000	76,750
	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 shares (vii) & (viii)	240,000	6,000
Options exercised, (ix)	200,000	88,470
Balance, December 31, 2006	53,801,364	8,990,613
Issuance of shares in private placement, February 1, 2007 (xi)	10,000,000	2,000,000
Share issuance costs, February 1, 2007	-	(144,390)
Issuance of shares in private placement, March 27, 2007 (xii)	4,000,000	2,000,000
Issuance of shares covering financing costs, March 27, 2007 (xiii)	151,000	113,250
Share issuance costs, second private placement in 2007	-	(182,712)
Exercise of share purchase warrants during June 2007 (xiv)	62,500	15,625
Issuance of shares in short form prospectus, November 9, 2007 (xvi)	34,500,000	12,075,000
Share issuance costs – short form prospectus	-	(1,216,258)
Conversion of Class B to common shares, (x) & (xv)	240,000	6,000
Options exercised, (xvii)	655,000	269,308
Balance, December 31, 2007	103,409,864	23,926,436
Conversion of Class B to common shares, (xviii)	120,000	3,000
Share issuance costs – short form prospectus of November 2007	-	(3,098)
Balance, March 31, 2008	103,529,864	23,926,338
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 (ii)	(4,000,000)	(100,000)
Balance, December 31, 2004	6,800,000	170,000
Conversion of Class B to common shares, (iv) & (v)	(200,000)	(5,000)
Balance, December 31, 2005	6,600,000	165,000
Conversion of Class B to common shares, (vii) & (viii)	(240,000)	(6,000)
Balance, December 31, 2006	6,360,000	159,000
Conversion of Class B to common shares, (x) & (xv)	(240,000)	(6,000)
Balance, December 31, 2007	6,120,000	153,000
Conversion of Class B to common shares, (xviii)	(120,000)	(3,000)
Balance, March 31, 2008	6,000,000	150,000
Share Capital, March 31, 2008	109,529,864	24,076,338

Stem Cell Therapeutics Corp.*[a development stage company]***NOTES TO FINANCIAL STATEMENTS***(unaudited)*

(Amounts in Canadian dollars, unless otherwise noted)

March 31, 2008

(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 of \$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 July 15, 2006, 120,000 Class B shares were converted to 120,000 common shares on a one-for-one basis.

(ix) The following table provides details of stock options exercised during 2006:

Date	Number of issued shares	Exercise price	Total proceeds	Amount transferred from contributed surplus	Total increase in share capital
March 21, 2006	25,000	0.25	6,250	5,220	11,470
April 26, 2006	175,000	0.25	43,750	33,250	77,000
	<u>200,000</u>		<u>50,000</u>	<u>38,470</u>	<u>88,470</u>

(x) On January 11, 2007, 120,000 Class B shares were converted to 120,000 common shares on a one-for-one basis.

(xi) On February 1, 2007, the Company completed a \$2,000,000 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.

(xii) On March 27, 2007, the Company completed a \$2,000,000 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.

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

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

(xv) On July 11, 2007, 120,000 Class B shares were converted to 120,000 common shares on a one-for-one

Stem Cell Therapeutics Corp.*[a development stage company]***NOTES TO FINANCIAL STATEMENTS***(unaudited)*

(Amounts in Canadian dollars, unless otherwise noted)

March 31, 2008

basis.

(xvi) On November 9, 2007, the Company completed a \$12,075,000 bought deal of 34,500,000 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 \$0.50 until May 9, 2010.

(xvii) The following table provides details of stock options exercised during 2007:

Date	Number of issued shares	Exercise price	Total proceeds	Amount transferred from contributed surplus	Total increase in share capital
April 13, 2007	100,000	0.25	25,000	19,050	44,050
September 12, 2007	32,000	0.25	8,000	6,098	14,098
October 01, 2007	63,500	0.25	15,875	12,097	27,972
October 22, 2007	109,500	0.25	27,375	20,860	48,235
November 19, 2007	170,000	0.25	42,500	32,385	74,885
November 27, 2007	50,000	0.25	12,500	9,525	22,025
December 07, 2007	130,000	0.25	32,500	5,543	38,043
	<u>655,000</u>		<u>163,750</u>	<u>105,558</u>	<u>269,308</u>

(xviii) On January 3, 2008, 120,000 Class B shares were converted to 120,000 common shares on a one-for-one basis.

[c] Employee stock options

The following table summarizes the activity of the Company's stock option plan for the three months ended March 31, 2008:

	Number of Options	Weighted-average exercise price \$
Outstanding, January 1, 2008	7,885,556	0.32
Expired	(205,000)	0.26
Outstanding, March 31, 2008	7,680,556	0.32
Exercisable, March 31, 2008	4,762,445	0.30

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(Amounts in Canadian dollars, unless otherwise noted)

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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 at March 31, 2008:

	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
Warrants issued in connection with short form prospectus closed on November 9, 2007 (including 1,725,000 brokers' warrants)	18,975,000	18,975,000	\$0.50	May 9, 2010

(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 three months ended March 31, 2008:

	\$
Balance, January 1, 2008	1,187,109
Stock based compensation	73,489
Balance, March 31, 2008	1,260,598

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 committed cost of \$54,700 for 2008.

[b] Research contracts

The Company has an ongoing research contract with an Alberta-based university. Monthly charges under this contract amount to \$14,000. In addition, the Company has a separate contract with the same university which will continue from July 1, 2007 to June 30, 2008. Total costs under this separate contract amount to \$196,000. Expected costs for the remainder of 2008 under this separate contract amount to \$49,000.

Additional contracted costs for 2008 include pre-clinical activities at a cost of \$145,000 and clinical activities at a cost of \$1,509,000.

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Expected future costs under a cross-licensing agreement that the Company entered into in 2006 include an ongoing annual license maintenance fee of US \$50,000.

[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.

Contingent future costs under a cross licensing agreement that the Company entered into in 2006 amount to US\$1,650,000, payable in several tranches upon the achievement of certain product development targets.

11. LOSS PER COMMON SHARE

Loss per common share is calculated using the weighted-average number of common shares outstanding during the three month period ended March 31, 2008 of 103,527,227 (60,694,197 for the three month period ended March 31, 2007). The cumulative weighted-average number of common shares since inception to March 31, 2008 is 52,994,342. 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. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities, capital lease obligation and obligation under share purchase agreement. As at March 31, 2008, there are no significant differences between the carrying values of these financial instruments and their estimated market values.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk on its cash and cash equivalents, restricted cash and accounts receivable in the event of non-performance by counterparties, but does not anticipate such non-performance. The maximum exposure to credit risk of the Company at the end of the period is the carrying value of its cash and cash equivalents, restricted cash and accounts receivable.

The Company mitigates its exposure to credit risk by maintaining its primary operating and investment bank accounts with chartered banks in Canada.

The Company also mitigates its exposure to credit risk by monitoring the credit risk and credit standing of counterparties.

Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk through its cash and cash equivalents and restricted cash.

Fluctuations in market interest rates do not have a significant impact on the Company's results of operations due to the short-term nature of interest bearing cash and cash equivalents and restricted cash balances. A change of 1% in interest rates can lead to an increase or decrease of interest income by \$94,000.***Currency risk***

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Currency risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk from the purchase of goods and services primarily in the United States. The Company mitigates its foreign exchange risk through the purchase of foreign currencies in sufficient amounts to settle its foreign accounts payable as well as covering short-term foreign currency needs. A change of \$0.01 in exchange rates can result in a foreign exchange gain or loss of \$22,000.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure as described in note 13 to these interim financial statements.

13. CAPITAL DISCLOSURE

The Company's objective when managing capital is to maintain adequate cash resources to support planned activities which include the clinical trial program, administrative costs and intellectual property expansion and protection. The Company includes shareholders' equity and cash and cash equivalents in the definition of capital. The Company does not have any debt other than trade accounts payable and obligation under share purchase agreement. The Company also has commitments and contingencies discussed further under note 10.

In managing capital, the Company estimates its future cash requirements by preparing a budget and a multiyear plan annually for review and approval by the Company's board of directors (the "Board"). The budget establishes the approved activities for the upcoming year and estimates the costs associated with these activities. The multiyear plan estimates future activity along with the potential cash requirements and is based on the Company's assessment of its current clinical trial progress along with the expected results from the coming year's activity. Budget to actual variances are prepared monthly and reviewed by the Company's management.

Historically, funding for the Company's plan is primarily managed through the issuance of additional common shares and common share purchase warrants that upon exercise are converted to common shares. Management regularly monitors the capital markets attempting to balance the timing of issuing additional equity with the Company's progress through its clinical trial program, general market conditions, and the availability of capital. There are no assurances that funds will be made available to the Company when required.

The Company is not subject to externally imposed capital requirements.