

STEM CELL

THERAPEUTICS

Stem Cell Therapeutics Corp.

Management Discussion and Analysis
For the three months ended March 31st, 2008

Dated: May 16, 2008

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The following information should be read in conjunction with the Company's unaudited financial statements as at and for the three months ended March 31, 2006 and 2007, and should also be read in conjunction with the audited financial statements and Management's Discussion and Analysis ("MD&A") for the three months ended March 31, 2008.

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 Company including the Company'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 management's discussion and analysis ("MD&A") has been prepared in accordance with the requirements of National Instrument 51-102 and covers the period from January 1, 2008 to May 16, 2008 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 disorders. 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 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 other neurological diseases such as traumatic brain injury and multiple sclerosis.

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. These newly formed neurons are thought 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 has conducted the “BETAS”- Phase IIa clinical trial in the United States and Canada in order to investigate the safety and efficacy of NTx™-265 in human stroke patients. On April 10, 2007, the Company released interim results from the Phase IIa trial and on February 20, 2008 the Company released further results from the trial, both of which showed positive outcomes as discussed in more detail in this report. The Company is in the process of commencing a Phase IIb prospective, randomized, double-blind, placebo controlled study of NTx™-265 called REGENESIS.

2008 Milestones

- Complete enrolment in the Phase IIb clinical stroke study for NTx™-265
- Initiate Phase IIa clinical study for Traumatic Brain Injury
- Complete animal efficacy studies for Multiple Sclerosis

Operating results for the period January 1, 2008 to May 16, 2008.

On January 8, 2008 the Company announced that it had been granted a new patent in Australia entitled "Differentiation of Neural Stem Cells and Therapeutic Use Thereof". This patent protects the combination of prolactin with agents such as erythropoietin (EPO) or pituitary adenylate cyclase activating polypeptide (PACAP) for treating patients suffering from a variety of central nervous system (CNS) disorders including brain injury, stroke, Alzheimer's disease, multiple sclerosis (MS), Huntington's disease, amyotrophic lateral sclerosis, Parkinson's disease, and other CNS diseases. The strategy of using a therapeutic regimen of drugs to produce neuronal or glial precursor cells, as taught in this patent, has the potential to be a key treatment for many CNS disorders.

On February 20, 2008, the Company announced favorable results from the investigator led BETAS (Beta-hCG + Erythropoietin in Acute Stroke), Phase IIa, open label, safety trial conducted at the University of California, Irvine and Hoag Presbyterian Memorial Hospital, Newport Beach, CA. This trial was the first to test the safety of NTx™-265 in patients suffering acute ischemic stroke and to conduct a preliminary assessment of functional recovery in this patient population.

Results from the BETAS trial, as announced February 20, 2008, showed no serious adverse events related to NTx™-265 in the 13 patients enrolled. Of these, 8 patients completed the 90 day assessment term and each of them showed a clinically relevant improvement in their National Institutes of Health Stroke Scale (NIHSS) score of 4 points or greater. Patients entered the trial with NIHSS scores ranging from 6-19 (moderate to severe). In these patients, average baseline NIHSS was 8.3 and improved in 8 of 8 patients to an average day 90 NIHSS of 2.5 plus, an improvement in NIHSS score of 5.8 plus. Five of these 8 patients had a day 90 Barthel Index score of 95-100 (out of 100); consistent with excellent outcome. Specific assessments of neurological recovery affected by NTx™-265 were also favorable, including the Arm Motor Fugl-Meyer Scale, an arm motor recovery assessment; Trailmaking A test, a measure of cognitive function;

and measures of neglect and aphasia. Further, the drug regimen decreased the size of the infarct in 6 out of 8 patients overall, given a mean decrement in all 8 of about 10%.

On April 16, 2008 the Company announced that Dr. Samuel Weiss, Director of the Hotchkiss Brain Institute at the University of Calgary, had received the distinguished Gairdner Award. This esteemed award was granted to Dr. Weiss "for his seminal discovery of adult neural stem cells in the mammalian brain and its importance in nerve cell regeneration".

Dr. Weiss discovered that the adult brain can produce new cells - adult stem cells - that can grow into new brain cells called neurons. The finding raised the prospect of regenerating damaged nerves with stem cells the brain can produce itself. Dr Weiss' stem cell regenerative work is the foundation of SCT's therapeutic approach to stroke, traumatic brain injury and multiple sclerosis. He continues his association with SCT as a key member of its Scientific Advisory Board.

Development Programs

Stroke

The primary focus of Stem Cell Therapeutics development activities are aimed at rapidly advancing NTx™-265 for the treatment of Acute Ischemic Stroke. Stroke was chosen as our lead program because it represents both an large, attractive market opportunity with few competitors and potentially a viable application for our neuro-regeneration technology platform.

A human stroke can be compared to a heart attack but located in the brain, and occurs due to a reduction in blood flow to certain regions due to a blockage, or rupture of a blood vessel's wall. This interrupted blood flow causes a reduction in oxygen available to affected regions of the brain, and cells located there subsequently die. After acute ischemic injury stroke, brain tissue has a limited capacity to spontaneously repair, regenerate or regain lost functionality. Therefore, injury due to stroke is frequently irreversible, recovery is insufficient and a extensive recovery periods may take from months to years. Moderate to severe acute ischemic stroke induce a wide area of dead and damaged neural cells within a patient's brain. Loss of brain matter, is accompanied by a varied array of symptoms including loss of cognitive function, loss of motor control to one side or both sides of the body, loss of visual on other symptoms that creates a syndrome from which patient, family and medical practitioners must address. . However, regeneration of new, functional brain matter is widely believed to directly influence the prognosis for improvement in stroke patients' syndrome of symptoms, increase recovery time and decrease the dependence of recovering patients on family and the medical system.

The next step in the clinical development for NTx™-265 is completion of the REGENESIS trial - a Phase IIb double-blind, randomized, placebo-controlled clinical trial focused on functional outcome measures. This will involve approximately 134 stroke patients in a number of different centers in Canada. We expect to begin recruiting

patients during the second quarter of 2008. Patient enrolment is expected to be completed by the end of 2008 with top-line efficacy data expected to be released before the end of the first quarter of 2009. 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

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) last year. 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. 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 that induces improved neurological recovery or functional recovery after an acute injury, would increase patient independence, decrease rehabilitation time and cost, represents a new important scientific advancement and medical development.

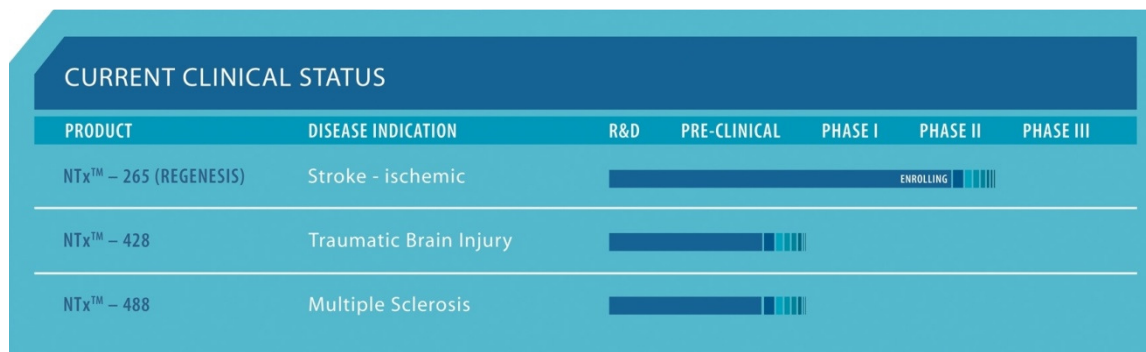
The preclinical comparator study announced is sponsored by SCT and is designed to characterize the ability of either hCG or prolactin followed by EPO to promote recovery of the brain following moderate-to-serious acute cortical (white matter) injury to the brain. The expected result of this study, to be conducted at Louisiana State University under the leadership of Dr. Ludmila Belayev, is to compare the two proliferative agents plus EPO in a rat animal model of TBI. Results of this study are expected mid-year 2008.

Building upon the results of this study, and those previously obtained, a phase IIa TBI clinical study is anticipated to start at one site in Canada in Q3 2008. This approach is similar in concept to the stroke therapy that SCT is currently proving in patients with acute ischemic stroke victims in the phase IIa clinical study.

Multiple Sclerosis

SCT has substantial intellectual property relating to the use of neurogenic agents for treating demyelinating diseases such as Multiple Sclerosis. Previous scientific investigations have characterized two potentially important therapeutic effects of prolactin on the CNS. In these published studies prolactin has been shown to act 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 (Journal of Neuroscience, Feb 21 2007 White Matter Plasticity and Enhanced Remyelination in Maternal CNS by Drs Yong and Weiss) strongly support and validate

the concept that prolactin may represent a potential new therapeutic platform for the treatment of white matter injury, and an impetus for a clinical program aimed at treating patients with 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.



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 73 patents and pending patent applications, including four issued United States patents, three issued Australian 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 three month period ended March 31, 2008 increased by \$103,457 to \$1,354,186 (\$0.01 per common share) from the loss of \$1,250,729 (\$0.02 per common share) reported for the three month period ended March 31, 2007. The primary reason for the increase in loss was an increase in research and development costs offset by a decrease in management and consulting fees, stock-based compensation and an increase in interest income. Detailed analysis follows:

Research and Development

The Company’s research and development costs 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.

All research and development costs are expensed, and total \$5,901,813 since inception.

Research and development costs increased to \$644,891 for the three months ended March 31, 2008 from \$257,293 for the three months ended March 31, 2007. This increase of \$387,598 was primarily due to the progress of phase IIb clinical trials and preclinical development throughout the first quarter of 2008.

The following is a breakdown of R&D costs for 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

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.

Since inception, these fees total \$2,015,032. Professional fees for the three months ended March 31, 2008 decreased by \$4,950 to \$163,211 from \$168,161 for the three months ended March 31, 2007.

The following is an analysis of professional fees charges for 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
	\$	\$	\$
Auditing and accounting fees	15,133	5,291	280,718
Legal fees – Intellectual property	128,050	137,170	1,461,285
Legal fees – Other	20,028	25,700	273,029
Total professional fees	163,211	168,161	2,015,032

Management and Consulting Fees

Management and consulting fees decreased to \$186,444 for the three months ended March 31, 2008 from \$259,145 for the three months ended March 31, 2007. This decrease of \$72,701 is caused by the fact that the first quarter of 2007 included a severance payment which increased these expenses for that period.

General and Administration (G&A)

General and administrative expenses remained relatively unchanged for the three months ended March 31, 2008 and 2007.

Stock-based Compensation

Stock-based Compensation since inception total \$1,457,625. Charges for the three months ended March 31, 2008 decreased to \$73,489 from \$157,802 for the three months ended March 31, 2007. The decrease is mainly due to new stock options granted during the first 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 March 31, 2008. As of that date, the long term liability associated with this transaction is nil as the remaining liability balance is payable within one year.

The change in net intellectual property balance from December 31, 2007 is limited to the effect of amortization calculated during the three months ended March 31, 2008.

The Company 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.

The Company currently owns or has rights to 65 pending patent applications, four issued United States patents, three issued Australian 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 was acquired through the acquisition of Stem Cell Therapeutics Inc. which occurred on October 4, 2004.

Amortization

Total amortization charges since inception are \$974,759. Amortization charges for property and equipment decreased to \$6,937 for the three months ended March 31, 2008 from \$9,469 for the three months ended March 31, 2007. This decrease of \$2,532 is due to property and equipment disposed of during 2007 and assets which economic useful life ended in 2007. All amortization was calculated on a straight line basis over the estimated useful lives of the assets.

The Company anticipates that property and equipment amortization charges will remain within the same level during 2008 as there are no plans for major additions to existing

property and equipment. All amortization was calculated on a straight-line basis over the estimated useful lives of the assets.

Amortization charges for intellectual property assets remained constant (\$60,776 for the three month period ended March 31, 2008 and March 31, 2007). No intellectual property asset additions were made during three month period ended March 31, 2008.

The Company anticipates that intellectual property assets amortization charges will remain within the same level during 2008 as there are no plans for major additions to existing intellectual property assets to be capitalized. All amortization was calculated on a straight-line basis over the estimated useful lives of the assets.

Revenue

As an early development stage biotechnology company we have not generated any revenues from product sales to date and do not expect to do so for a number of years. This is primarily due to the long time line that is required to develop drugs that are proven in a clinical setting in humans to be safe and useful for treating a particular disease state. Revenues to date include only interest income generated on our cash balances.

Interest income for the three month period ended March 31, 2008 is \$117,571 as compared to \$12,525 for the three month period ended March 31, 2007. This increase of \$105,046 in interest income primarily resulted from higher cash balances throughout the three month period ended March 31, 2008 resulting from financing transactions completed throughout 2007. Since inception the total interest earned by the Company amounted to \$480,189.

Summary of Quarterly Results

	As at, and for the three months ended							
	2008	2007				2006		
	March	December	September	June	March	December	September	June
Revenue (1)	\$117,571	\$58,183	\$35,242	\$31,077	\$12,525	\$9,776	\$25,866	\$21,303
Net loss	\$1,354,186	\$2,087,895	\$1,276,496	\$838,461	\$1,250,729	\$1,115,536	\$1,298,475	\$1,167,304
Basic and diluted loss per common share	\$0.01	\$0.02	\$0.02	\$0.01	\$0.02	\$0.02	\$0.02	\$0.02
Total assets	\$11,994,405	\$13,085,155	\$4,499,181	\$5,370,281	\$6,051,992	\$3,237,706	\$4,061,031	\$5,766,306
Unrestricted cash and cash equivalents	\$9,737,180	\$10,764,097	\$2,285,870	\$3,342,738	\$3,972,958	\$1,037,914	\$1,600,612	\$3,045,722
Total long-term obligations (2)	\$8,678	\$10,007	\$11,721	\$1,434,783	\$1,434,831	\$1,436,617	\$1,438,535	\$1,818,391

(1) Interest income on cash and cash equivalents balances

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

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

The quarterly results of the Company reflect continuing losses as the Company continues its preclinical and clinical development activities and incurs administrative costs to sustain activities.

Increase in the 2007 fourth quarter net loss is mainly caused by increase in research and development costs and management and consulting fees during this quarter. For further discussion of financial results of the 2007 fourth quarter, refer to the management discussion and analysis of December 31, 2007.

Liquidity and Capital Resources

Overview

The Company'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 short-term investments totaled \$9,737,180 at March 31, 2008. Expected cash needs for 2008 amount to \$8.8 million. This includes the \$1,650,000 payment due to Transition Therapeutics Inc. on September 30, 2008, which the Company can elect to pay in shares instead of cash. See "Acquisition of Stem Cell Therapeutics Inc.". The Company believes that it has adequate financial resources for anticipated expenditures until the end of the first quarter of 2009.

As of March 31, 2008 the working capital (current assets minus current liabilities) of the Company was \$7,912,901 (\$9,138,263 as of December 31, 2007).

Outstanding securities as of March 31, 2008 and May 16, 2008 totaled 103,529,864 common shares 6,000,000 class B shares, 25,912,500 common share purchase warrants and 7,680,556 common share options.

As of May 16, 2008 the gross proceeds raised through equity financing since inception by the Company totaled \$26,308,135. These capital resources have provided the means to advance our lead product NTx™-265 through the Phase IIa clinical trial final reporting period and into commencement of the Phase IIb clinical trial program, as well as additional programs for other indications 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 Company's intellectual property.

The Company'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 Company 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.

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 a contract with an Alberta-based university. Monthly charges under this contract amount to \$14,000. 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. Total costs under the new contract amount to \$196,000. Expected costs for the remainder of 2008 under the new 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.

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.

Change in Accounting Policies

The company's financial statements as at and for the three months ended March 31, 2008 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 to the March 31, 2008 financial statements 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 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.

Risks and Uncertainties

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

We can make no assurance that our research and development programs will result in commercially viable products and product candidates. To achieve profitable operations, we, alone or with others, must successfully develop, launch and market our products and product candidates. To obtain regulatory approvals for the products and product candidates being developed and to achieve commercial success, clinical trials must demonstrate that the products and product candidates are safe for human and/or animal use and that they demonstrate efficacy. Unsatisfactory results obtained from a particular study relating to a research and development program may cause the Company or its collaborators to abandon their commitments to that program. We can make no assurance that any future tests, if undertaken, will yield 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 Company 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 Company'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 Company may not be able to successfully defend any subsequent infringements to these patents. The Company is currently unaware that it has infringed any existing patents issued to third parties and the Company's success will, in part, depend on operating without such infringement. The presence of such patents could severely limit the Company's ability to conduct its existing research and/or require financial resources to defend litigation, which may be in excess of the Company's ability to raise such funds. Additionally, the Company 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 Company's Chief Executive Officer and Chief Financial Officer evaluated the Company's disclosure controls and procedures as of March 31, 2008 and have concluded, based on that evaluation, that the Company's disclosure controls and procedures as of such date provide a reasonable level of assurance that material information relating to the Company 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 Company's internal control over financial reporting in the three month period ended March 31, 2008.