



STEM CELL

THERAPEUTICS

Stem Cell Therapeutics Corp.

Management Discussion and Analysis
For the three and nine month periods ended September 30th, 2008

Dated: November 25, 2008

Dated November 25, 2008

The following information should be read in conjunction with the Company's unaudited financial statements as at and for the three and nine months ended September 30, 2008 and 2007, 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, 2007.

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. and its wholly owned subsidiary Stem cell Therapeutics Inc., 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 November 25, 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, NTxTM-265, targets the treatment of stroke by repurposing approved and clinically well defined drugs. The Company's extensive patent portfolio supports the potential expansion into future clinical programs in numerous other neurological diseases such as traumatic brain injury and multiple sclerosis.

Our primary program, NTxTM-265, is a therapeutic regimen of two approved and clinically well-defined drugs, human Chorionic Gonadotropin (hCG) and Erythropoietin (EPO), targeting the treatment of stroke. The twin objectives of the regimen are to stimulate the growth and differentiation of new neurons to replace the brain cells that were lost or damaged by the stroke, and importantly, to direct motor, visual and cognitive

recovery after acute ischemic stroke. Animal studies have shown a significant recovery in motor function after receiving the NTx™-265 regimen 24-48 hours post stroke. Encouraging clinical results in SCT's BETAS Phase IIa stroke trial were presented at the International Stroke Conference in February 2008, showing clinically relevant recovery in 8 of 8 patients who received the complete regimen. In May of 2008 SCT began recruiting patients for its multi-centre, double-blind, placebo-controlled REGENESIS Phase IIb stroke study for NTx™-265 with primary endpoints of safety and efficacy. In September the REGENESIS clinical trial was officially placed on hold at the request of Health Canada. The Company is actively in discussions with Health Canada to have this hold lifted so that the trial may resume, but there has been no formal resolution of this matter at this time.

Operating results for the period July 1, 2008 to November 25, 2008.

On September 4, 2008, SCT announced that it had received results from the Data Safety Monitoring Board (DSMB) that provides oversight for the Company's Phase IIb REGENESIS trial. The DSMB advised that it had completed a safety analysis and had recommended the trial continue as per the protocol. The REGENESIS Phase IIb clinical trial is designed to demonstrate that the NTx(TM)-265 therapy is both a safe and effective therapy capable of improving recovery after acute ischemic stroke. The mandate of the DSMB is to provide objective, independent monitoring of patient safety during the REGENESIS trial. This review was the second of several regularly scheduled reviews by the four-member DSMB that will occur over the duration of the trial.

On September 15, 2008, SCT announced it has received a No Objection Letter (NOL) from Health Canada for the Company supported, investigator led Phase IIa single centre, open label study to characterize the safety of hCG and EPO in severe traumatic brain injury (TBI). Dr. David Zygun, MD, MSc, FRCPC, Assistant Professor in the Departments of Critical Care Medicine, Clinical Neurosciences and Community Health Sciences, University of Calgary, Foothills Medical Centre, Calgary Health Region, will be the Principal Investigator for this Phase IIa

On September 18, 2008 the Company announced that it had received a letter from Health Canada and a verbal request from the U.S. Food and Drug Association (FDA) calling for a temporary 'full clinical hold' on its currently enrolling REGENESIS Phase IIb stroke trial in Canada, and to not begin recruiting in the U.S., respectively. Additionally, Health Canada requested that recruitment not begin in the recently announced traumatic brain injury trial. The reason for these requests was that a trend in data found from a third party's stroke trial being conducted in Germany, which is unrelated to the Company's trial, reported safety results that required further analysis. SCT has been in discussions with Health Canada with the objective of having the hold removed so that the trial can resume, but there has no formal resolution to this matter at this time.

On October 1, 2008, SCT was issued Australian Patent No. 2003250697, entitled "Oligodendrocyte Production from Multipotent Neural Stem Cells". This patent, issued on August 14, 2008, covers methods of producing oligodendrocytes from neural stem cells using granulocyte-macrophage colony stimulating factor (GM-CSF), interleukin 3 (IL-3), or interleukin 5 (IL-5), either *in vivo* or in cell culture, as well as oligodendrocyte

compositions produced by such methods. This is the first patent to issue in this patent family. This technology adds to the depth of SCT's patent portfolio by expanding the repertoire of pharmaceutical agents that can be used to activate neural stem cells, in this case to produce oligodendrocytes. Neurodegenerative demyelinating diseases such as multiple sclerosis are associated with loss of myelin-producing oligodendrocytes. Further, GM-CSF fits into the Company's "repurposing" approach of using old drugs in new indications for expediting entry into the marketplace. Whether SCT develops this technology in-house or utilize it as an out-licensing opportunity, this patent adds to SCT's arsenal of commercialization opportunities.

On October 3, 2008, SCT announced that it had elected to pay the final installment of the intellectual property acquisition of Stem Cell Therapeutics Inc. to Transition Therapeutics Inc. (TSX: TTH, NASDAQ: TTHI, "Transition") in common shares. The final payment of \$1,650,000 was paid by SCT to Transition by issuing 23,272,633 shares, based on a 10-day average trading price of approximately C\$0.07.

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 a large, attractive market opportunity with few competitors and a key first 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 dies quickly in the absence of gas and nutrient exchange and has a limited capacity to spontaneously repair, regenerate or regain lost functionality. For this reason, injury due to stroke is frequently irreversible, recovery is insufficient and extensive recovery periods that range from months to years accompanied by intensive physiotherapy are required. Moderate to severe acute ischemic stroke is accompanied by the loss of a large number of 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. It is generally accepted that improved prognosis is directly related to maintenance of brain matter. Thus, this therapeutic approach using NTx™-265 for increasing regeneration of new, functional brain matter represents a novel approach that may directly influence a patient's prognosis and the degree of improvement of a stroke patient's symptoms. A final benefit that results from improved speed and robustness of recovery is decreased 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 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. Dr. Steven Cramer at the University of California, Irvine and Dr. Michael Hill at the University of Calgary, Calgary Health Region, are serving as co-Principal Investigators for this Phase IIb program.

The Company is also planning to conduct a Phase IIb acute ischemic stroke trial in the U.S. similar to the Canadian-based 'REGENESIS' trial. The recruitment target for this U.S. study is to enroll 20-30 patients at two enrolling sites. The U.S. and Canadian Phase IIb clinical stroke studies share similar protocols, safety and efficacy endpoints. This U.S. companion study of the Canadian Phase IIb study is a key component of the pre-pivotal Phase III program as we aspire to meet worldwide regulatory acceptance and because the FDA sets a critical regulatory standard.

On May 28, 2008, SCT announced enrollment of the first patient in its REGENESIS Phase IIb stroke trial. Enrollment in the U.S. Phase IIb study was expected to begin in Q4 2008 and finish in Q2 2009. Both the Canadian and U.S. trials are currently on clinical hold at the request of Health Canada and the FDA as noted above. Discussions with Health Canada and the FDA are ongoing and management is hopeful that the hold will be lifted in Canada before the end of 2008, but there can be no certainty in this regard. Prior to the initiation of the clinical hold, patient enrollment in Canada had been slower than anticipated such that it seemed unlikely that the Company would be able to meet its objective of enrollment completion for the end of 2008. As a result, SCT began investigating the possibility of conducting a portion of the Phase IIb trial in India. An application for regulatory approval was filed in August. The Company is continuing to pursue this approach and expects to make a decision before year-end.

Traumatic Brain Injury

SCT has completed 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. 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 mentioned previously was sponsored by SCT and was 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 objective of this study, conducted at Louisiana State University under the leadership of Dr. Ludmila Belayev, was to compare two proliferative agents,

hCG plus EPO versus prolactin plus EPO, in a rat animal model of TBI. Topline analysis shows that both regimens work equally well to reverse the behavioural and anatomical effects of TBI. Formal data from this study will be presented in the future in written and oral format.

Building upon the results of this animal study, and those previously obtained, a Phase IIa TBI clinical study was anticipated to start at one site in Canada in Q3 2008. This study was also placed on clinical hold at the request of Health Canada, as discussed above.

Multiple Sclerosis

SCT has substantial intellectual property relating to the use of neurogenic agents for treating demyelinating diseases such as multiple sclerosis (MS). 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 two key patents for the use of prolactin in neurologic diseases authored by Dr. Samuel Weiss from the University of Calgary 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 a preliminary non-clinical study undertaken by Dr Wee Yong at University of Calgary is expected to quickly evolve into a clinical program to demonstrate efficacy in patients diagnosed with multiple sclerosis. The results of this study are anticipated to be announced in early 2009, and the follow-on clinical study that will be lead by Dr Luann Metz at the University of Calgary is anticipated to begin in Q3 2009. This study is expected to be funded by an outside grant to the University of Calgary.

Patents and Proprietary Rights

The Company's NTx™-265 technology was originally developed primarily by Dr. Samuel Weiss at the University of Calgary. 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 81 pending patent applications, five issued U.S. patents, four issued Australian patents and one issued Japanese patent. These make up 16 patent families which have been filed in the U.S. and internationally.

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 the University of Calgary and the laboratory of Dr. Weiss, under which we pay consideration to the 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 was payable in installments beginning at closing when the amount of \$325,000 was paid and thereafter payments were 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 were made in cash, except the final payment of \$1,650,000 which was paid by the issuance of 23,272,633 common shares on October 3, 2008. As the payment was made after the end of Q3, it is not reflected in the current financial statements.

Financial performance

The Company’s loss for the nine month period ended September 30, 2008 increased by \$961,051 to \$4,326,737 (\$0.04 per common share) from the loss of \$3,365,686 (\$0.05 per common share) reported for the nine month period ended September 30, 2007. The primary reason for the change in the reported loss figure is the increase in research and development costs.

Research and Development

The Company’s research and development costs consist primarily of fees paid to external service providers. Our research and development expenses were expected to increase significantly over the next few years as our products advanced through clinical trials, however the recent hold imposed by Health Canada and the FDA has made the timing and extent of our future research and development expenses uncertain. As a result of the hold and the risks and uncertainties that are discussed in the “Risk and Uncertainties” section, we are unable to precisely estimate the specific timing and future costs of our research and development programs.

All research and development costs are expensed, and total \$7,419,292 since inception.

Research and development costs increased to \$2,162,370 for the nine months ended September 30, 2008 compared to \$866,969 for the nine months ended September 30, 2007 (\$744,744 for the three month period ended September 30, 2008 compared to \$544,834 for the three month period ended September 30, 2007). This increase of \$1,295,401 for the nine month period ended September 30, 2008 was primarily due to the progress of Phase IIb clinical trials and preclinical development throughout the period.

The following is a breakdown of R&D costs for the periods indicated:

	Three months ended September 30, 2008	Three months ended September 30, 2007	Nine months ended September 30, 2008	Nine months ended September 30, 2007	Cumulative from inception on March 31, 2004 to September 30, 2008
	\$	\$	\$	\$	\$
Clinical development	451,207	121,564	1,095,250	263,496	2,547,045
Preclinical development	31,374	184,804	192,120	22,481	1,356,991
Research	42,000	42,000	126,000	126,000	871,174
Salaries and bonuses	76,165	76,382	313,526	199,262	1,049,649
Consulting fees	67,728	41,086	243,032	92,468	752,314
Licensing cost	51,075	53,525	51,075	53,525	395,722
Other costs	25,195	25,473	141,367	109,737	446,397
Research and development costs	744,744	544,834	2,162,370	866,969	7,419,292

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 \$2,364,192. Professional fees for the nine months ended September 30, 2008 decreased by \$103,965 to \$512,371 from \$616,336 for the nine months ended September 30, 2007 (\$154,759 for the three month period ended September 30, 2008 compared to \$242,631 for the three month period ended September 30, 2007).

The following is an analysis of professional fees charges for the periods indicated:

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007	Cumulative from Inception on March 31, 2004 to September 30, 2008
	\$	\$	\$	\$	\$
Auditing and accounting fees	-	11,955	31,128	34,971	296,713
Legal fees – Intellectual property	137,655	256,962	430,027	561,597	1,763,262
Legal fees – Other	17,104	(26,286)	51,216	19,768	304,217
Total professional fees	154,759	242,631	512,371	616,336	2,364,192

Management and Consulting Fees

Management and consulting fees total charges for the nine month period ended September 30, 2008 increased by \$172,322 to \$592,538 compared to \$420,216 for the period ended September 30, 2007. It should be noted that management and consulting fees for the nine month period ended September 30, 2008 included a severance payment of \$133,333 to a former officer and for the nine months period ended September 30, 2007 included a severance payment of \$165,000 to another former officer of the Company. The main reason for the increase in these fees is caused by the board of directors retainers and attendance fees being booked in 2008 with no such costs being booked in 2007, as well as salary increases for Company's management, including paying a salary to one of the Company's officers for the first time in 2008 while in previous years the compensation of this officer was limited to grants of stock options.

General and Administration (G&A)

General and administrative expenses for the nine months period ended September 30, 2008 decreased by \$140,093 to \$706,866 from \$846,959 for the nine month period ended September 30, 2007. General and administrative costs for the three months period ended September 30, 2008 decreased by \$78,450 to \$141,715 from \$220,165 for the three months period ended September 30, 2007. The decrease resulted mainly from decrease in investor relations and promotional costs for the nine and three months period ended September 30, 2008 compared to the same periods in 2007 and a foreign exchange gain of \$117,149 recorded in 2008 compared to a foreign exchange loss of \$7,277 booked in 2007. Substantial foreign exchange gains occurred in 2008 on cash and cash equivalent balances denominated in U.S. dollars.

Stock-based Compensation

Stock-based Compensation since inception total \$1,621,187. Charges for the nine months ended September 30, 2008 decreased to \$237,051 from \$279,303 for the nine months ended September 30, 2007. The decrease is mainly due to new stock options granted and vested immediately in the first and second quarters of 2007. Stock option expenses for the three months period ended September 30, 2008 decreased by \$2,974 from \$85,102 for the three months ended September 30, 2007 to \$82,128 for the three months ended September 30, 2008. The decrease was mainly caused by cost for stock options grants in prior years being amortized in the third quarter of 2007 while the expense was fully amortized before or during the third quarter of 2008.

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, 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. On October 3, 2008 the Company elected to pay the final installment of the

intellectual property acquisition of Stem Cell Therapeutics Inc. to Transition Therapeutics Inc. in common shares. The final payment of \$1,650,000 (which included an interest charge of \$1,763 for the 4 days between the date of these financial statements and settlement date) was paid by SCT to Transition by issuing 23,272,633 shares, based on a 10-day average trading price of approximately C\$0.07.

The change in net intellectual property balance from December 31, 2007 is limited to the effect of amortization calculated during the nine months ended September 30, 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 81 pending patent applications, five issued U.S. patents, four issued Australian patents and one issued Japanese patent. These make up 16 patent families which have been filed in the U.S. and internationally.

Amortization

Total amortization charges since inception are \$1,111,011. Amortization charges for property and equipment decreased to \$21,629 for the nine months ended September 30, 2008 from \$29,017 for the nine months ended September 30, 2007 (decreased to \$7,344 for the three months ended September 30, 2008 from \$9,958 for the three months ended September 30, 2007). This decrease 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 the remainder of 2008 as there are no plans for major additions to existing property and equipment.

Amortization charges for intellectual property assets remained almost constant for the nine and three month periods ended September 30, 2008 and September 30, 2007. No intellectual property asset additions were made during the nine month period ended September 30, 2008. All amortization was calculated on a straight-line basis over the estimated useful lives of the assets.

The Company anticipates that intellectual property assets amortization charges will remain within the same level during the remainder of 2008 as there are no plans for major additions to existing intellectual property assets to be capitalized.

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 nine month period ended September 30, 2008 was \$249,545 (\$63,737 for the three months period then ended) as compared to \$78,844 for the nine month period ended September 30, 2007 (\$35,242 for the three months period then ended). This increase in interest income primarily resulted from higher cash balances throughout the nine and three month periods ended September 30, 2008 resulting from financing transactions completed in 2007. Since inception the total interest earned by the Company amounted to \$612,163.

Summary of Quarterly Results

	As at, and for the three months ended							
	2008			2007				2006
	September	June	March	December	September	June	March	December
Revenue(1)	\$63,737	\$68,237	\$117,571	\$58,183	\$35,242	\$31,077	\$12,525	\$9,776
Net loss	\$1,434,711	\$1,537,839	\$1,354,186	\$2,087,895	\$1,276,496	\$838,461	\$1,250,729	\$1,115,536
Basic and diluted loss per common share	\$0.01	\$0.01	\$0.01	\$0.02	\$0.02	\$0.01	\$0.02	\$0.02
Total assets	\$9,468,938	\$10,616,754	\$11,994,405	\$13,085,155	\$4,499,181	\$5,370,281	\$6,051,992	\$3,237,706
Unrestricted cash and cash equivalents	\$7,311,748	\$8,394,583	\$9,737,180	\$10,764,097	\$2,285,870	\$3,342,738	\$3,972,958	\$1,037,914
Total long-term obligations (2)	\$6,022	\$7,350	\$8,678	\$10,007	\$11,721	\$1,434,783	\$1,434,831	\$1,436,617

- (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.

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 cash equivalents as of September 30, 2008 is \$7,311,748. In light of the regulatory hold on our clinical trials, we are unable to forecast our specific cash requirements over the next 12 months. If, as anticipated, the hold is removed in Canada, we may require additional funding in order to complete the clinical trials. There is no assurance that such financing will be available if and when required.

As of September 30, 2008 the working capital (current assets minus current liabilities) of the Company was \$5,229,752 (\$9,138,263 as of December 31, 2007). This calculation includes a deduction of \$1,648,237 for the final payment under a share purchase obligation. As noted earlier under “*Acquisition of Stem Cell Therapeutics Inc.*” this payment was made by the issuance of shares.

Outstanding securities as of September 30, 2008 and November 25, 2008 totaled 103,529,864 common shares, 6,000,000 class B shares, 25,912,500 common share purchase warrants and 7,930,556 common share options.

As of September 30 and November 25, 2008 the gross proceeds raised through equity financing since inception by the Company totalled \$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.

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 \$18,233 for the remainder of 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.

Costs for additional 2008 contracted clinical activities remain unceratin due to the ongoing clinical hold.

Expected annual costs under a cross-licensing agreement that the Company entered into in 2006 include an ongoing annual license maintenance fee of US\$50,000. The annual cost for 2008 has already been included in 2008 third quarter financial statements.

[c] Contingency

Pursuant to the share purchase agreement from Transition (see note 5 to the third quarter financial statements), 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 with Stem Cells Inc 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 nine months ended September 30, 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 September 30, 2008 financial statements discuss 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.

Recent Accounting Pronouncements

In 2006, the Accounting Standards Board (AcSB) adopted a new strategic plan for financial reporting in Canada, "Accounting Standards in Canada: New Directions". For publicly accountable enterprises (PAEs), the AcSB will converge Canadian GAAP with International Financial Reporting Standards (IFRS) over a period from 2006 to 2011. After this time period, Canadian GAAP will be replaced by IFRS and cease to exist as a separate, distinct basis of financial reporting for PAEs. Canada will continue to maintain its own standard-setting capability to carry out the strategic direction outlined above, although roles, structures, processes and resources may evolve.

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. As noted earlier herein, our clinical trials are currently on hold at the request of Health Canada and the FDA and we are uncertain if and when such hold will be lifted.

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. 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.