



**Stem Cell Therapeutics Corp.**

Unaudited Consolidated Interim Financial Statements

March 31, 2009

MANAGEMENT'S COMMENTS ON  
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited interim consolidated financial statements of Stem Cell Therapeutics Corp. for the three months ended March 31, 2009, have been prepared by and are the responsibility of the Company's management. These statements have not been reviewed by the Company's external auditors.

**Stem Cell Therapeutics Corp.****Consolidated Balance Sheets**

[A development stage company. See note 1 - description of business and going concern uncertainty]

(unaudited)

	As at March 31, 2009 \$	As at December 31, 2008 \$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents <i>[note 3]</i>	5,456,232	6,400,486
Restricted cash <i>[note 4]</i>	83,532	83,112
Accounts receivable	69,258	57,897
Prepaid expenses	254,203	266,114
	<u>5,863,225</u>	6,807,609
Property and equipment, net	34,105	41,360
Intellectual property, net	1,338,504	1,399,286
	<u>7,235,834</u>	8,248,255
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	783,174	996,979
Current portion of capital lease obligation	7,253	7,253
	<u>790,427</u>	1,004,232
<b>Long Term Obligations</b>		
Capital lease obligation	1,199	3,192
Commitments and contingencies <i>[note 11]</i>		
<b>Shareholders' Equity</b>		
Share capital <i>[note 6]</i>	25,726,336	25,726,336
Contributed surplus <i>[note 8]</i>	1,595,675	1,507,539
Deficit	(20,877,803)	-19,993,044
<b>Total Shareholders' Equity</b>	<u>6,444,208</u>	7,240,831
	<u>7,235,834</u>	8,248,255

*Subsequent Event see Note 14**See accompanying notes*

On behalf of the Board:

*"Mark Wayne"*  
Chairman

*"Ian Brown"*  
Director

**Stem Cell Therapeutics Corp.**  
**Consolidated Statements of Loss, Comprehensive Loss and**  
**Deficit**

[A development stage company. See note 1 - Description of business and going concern uncertainty]

(unaudited)

	<b>For the three month period ended March 31, 2009</b>	For the three month period ended March 31, 2008	Cumulative from inception on March 31, 2004 to March 31, 2009
	\$	\$	\$
<b>OPERATING EXPENSES</b>			
Research and development costs <i>[note 5]</i>	422,281	644,891	8,376,591
Professional fees	171,540	163,211	2,891,971
Management and consulting fees	76,583	186,444	2,314,720
General and administration	112,488	376,792	4,204,251
Stock option expense <i>[note 8]</i>	88,137	73,489	1,792,703
Deemed interest expense on obligation under share purchase agreement	-	53,511	1,088,725
Amortization of property and equipment	7,255	6,937	158,675
Amortization of intangibles	60,782	60,776	1,092,774
Foreign Exchange (Gain)	(42,286)	(94,294)	(434,746)
<b>Total Operating Expenses</b>	<b>896,780</b>	<b>1,471,757</b>	<b>21,485,665</b>
Interest income	(12,021)	(117,571)	(607,862)
<b>Net loss and comprehensive loss for the period</b>	<b>884,759</b>	<b>1,354,186</b>	<b>20,877,803</b>
Deficit, beginning of period	19,993,044	14,433,527	-
<b>Deficit, end of period</b>	<b>20,877,803</b>	<b>15,787,713</b>	<b>20,877,803</b>
Basic and diluted loss per share <i>[note 12]</i>	0.01	0.01	0.32

*See accompanying notes*

**Stem Cell Therapeutics Corp.****Consolidated Statements of Cash Flows**

[A development stage company. See note 1 - description of business and going concern uncertainty]

(unaudited)

	<b>For the three month period ended March 31, 2009 \$</b>	<b>For the three month period ended March 31, 2008 \$</b>	<b>Cumulative from inception on March 31, 2004 to March 31, 2009 \$</b>
<b>OPERATING ACTIVITIES</b>			
Net loss and comprehensive loss for the period	<b>(884,759)</b>	(1,354,186)	(20,877,803)
<u>Add (deduct) items not involving cash</u>			
Stock option expense	<b>88,137</b>	73,489	1,792,703
Deemed interest expense on obligation under share purchase agreement	-	53,511	162,883
Amortization of property and equipment	<b>7,255</b>	6,937	158,675
Amortization of intangibles	<b>60,782</b>	60,776	1,092,774
Foreign exchange difference	<b>(42,286)</b>	(94,294)	(434,746)
	<b>(770,871)</b>	(1,253,767)	(18,105,514)
Changes in non-cash working capital items			
Accounts receivable	<b>11,361</b>	(91,568)	(69,258)
Prepaid expenses	<b>(11,911)</b>	96,055	(254,203)
Accounts payable and accrued liabilities	<b>(212,706)</b>	140,863	783,174
<b>Cash used in operating activities</b>	<b>(984,127)</b>	(1,108,417)	(17,645,803)
<b>INVESTING ACTIVITIES</b>			
Acquisition of property and equipment	-	(7,951)	(192,780)
Acquisition of intangibles	-	-	(926,161)
<b>Cash used in investing activities</b>	-	(7,951)	(1,118,941)
<b>FINANCING ACTIVITIES</b>			
Restricted cash	<b>(420)</b>	(416)	(83,532)
Net increase (decrease) in capital lease obligation	<b>(1,993)</b>	(1,329)	8,452
Issuance of share capital, net of share issue costs	-	(3,098)	23,861,310
<b>Net cash provided by (used in) financing activities</b>	<b>(2,414)</b>	(4,843)	23,786,229
<b>Net increase (decrease) in cash and cash equivalents during the period</b>			
	<b>(986,541)</b>	(1,121,211)	5,021,486
Deduct: Foreign exchange difference	<b>42,286</b>	94,294	434,746
Cash, and cash equivalents beginning of period	<b>6,400,486</b>	10,764,097	-
<b>Cash, and cash equivalents end of period</b>	<b>5,456,232</b>	9,737,180	5,456,232
<b>Deemed interest paid in cash</b>	-	-	874,655

*See accompanying notes*

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**Stem Cell Therapeutics Corp.**

[a development stage company]

**NOTES TO CONSOLIDATED UNAUDITED INTERIM FINANCIAL STATEMENTS**

(Amounts in Canadian dollars, unless otherwise noted)

March 31, 2009

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**1. DESCRIPTION OF BUSINESS AND GOING CONCERN UNCERTAINTY****A. Description of Business**

Stem Cell Therapeutics Corp. (the “Company” or “SCT”) 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.

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 and the FDA 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. At this time, the Company does not believe that this delay negatively affects the carrying value of the assets referenced in the consolidated financial statements for the period ending March 31, 2009. See Note 14.

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.

**B. Going Concern Uncertainty**

The Company's consolidated financial statements have been prepared on the going concern basis, which presumes the realization of assets and the discharge of liabilities and commitments in the normal course of business for the foreseeable future. The Company has incurred significant operating losses since its inception and used \$770,871 net cash in operating activities of continuing operations for the three months ending March 31, 2009. The continuation of the Company as a going concern is dependent upon its ability to finance its cash requirements which will allow it to continue its research and development activity and the commercialization of its stem cell related technologies. 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. Accordingly, there is significant uncertainty regarding the Company's ability to continue as a going concern.

These consolidated financial statements do not reflect any adjustments that might be necessary should the Company be unable to continue as a going concern.

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**Stem Cell Therapeutics Corp.**

[a development stage company]

**NOTES TO CONSOLIDATED UNAUDITED INTERIM FINANCIAL STATEMENTS**

(Amounts in Canadian dollars, unless otherwise noted)

March 31, 2009

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

These unaudited consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles (“GAAP”) and do not include all of the disclosures included in the Company’s annual audited consolidated financial statements. Accordingly, these financial statements should be read in conjunction with the Company’s most recent annual audited consolidated financial statements. The information as at and for the three months ended March 31, 2009 has been derived from the Company’s annual audited financial statements.

These consolidated financial statements have been prepared using the accounting policies described in the December 31, 2008 audited consolidated financial statements, except as noted below.

**Future Changes**

In December 2008, the CICA issued Section 1582 “Business Combinations”, which will replace CICA Section 1581 of the same name. Under this guidance, the purchase price used in a business combination is based on the fair value of shares exchanged at their market price at the date of the exchange. Currently the purchase price used is based on the market price of the shares for a reasonable period before and after the date the acquisition is agreed upon and announced. This new guidance generally requires all acquisition costs to be expensed, which currently are capitalized as part of the purchase price. Contingent liabilities are to be recognized at fair value at the acquisition date and re-measured at fair value through earnings each period until settled. Currently only contingent liabilities that are resolved and payable are included in the cost to acquire the business. In addition, negative goodwill is required to be recognized immediately in the earnings, unlike the current requirement to eliminate it by deducting it from the non-current assets in the purchase price allocation. Section 1582 will be effective for the Company on January 1, 2011 with prospective application. The Company is currently evaluating the impact of the adoption of the new section on its consolidated financial statements.

Additionally, in December 2008, the CICA issued Sections 1601 “Consolidated Financial Statements” and 1602 “Non-controlling Interests”, which replaces existing guidance under Section 1600 “Consolidated Financial Statements”. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards will be effective for the Company on January 1, 2011. The Company is currently evaluating the impact of the adoption of these new Sections on its consolidated financial statements.

**Recent accounting pronouncements**

In 2006, the Accounting Standards Board (“AcSB”) adopted a new strategic plan for financial

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**Stem Cell Therapeutics Corp.**

[a development stage company]

**NOTES TO CONSOLIDATED UNAUDITED INTERIM FINANCIAL STATEMENTS**

(Amounts in Canadian dollars, unless otherwise noted)

March 31, 2009

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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.

In 2009, the Company plans to commence the process to transition from current Canadian GAPP to IFRS. The Company’s transition plan, which in certain cases will be in process concurrently as IFRS is applied, includes the following three phases:

1. Scoping and diagnostic phase: This phase involves performing a high-level diagnostic assessment to identify key areas that may be impacted by the transition to IFRS. As a result of the diagnostic assessment, the potentially affected areas are ranked as high, medium or low priority.

2. Impact analysis, evaluation and design phase: In this phase, each area identified from the scoping and diagnostic phase will be addressed in order of descending priority. This phase involves specification of changes required to existing accounting policies, information systems and business processes, together with an analysis of policy alternatives allowed under IFRS.

3. Implementation and review phase: This phase includes execution of changes to information systems and business processes, completing formal authorization processes to approve recommended accounting policy changes and training. At the end of the implementation and review phase the Company will be able to compile financial statements compliant with IFRS.

The regulatory bodies that establish Canadian GAAP and IFRS have significant ongoing projects that could affect the ultimate differences that impact the Company’s consolidated financial statements in future years.

**3. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include unrestricted cash balances in bank accounts amounting to \$5,456,232 (\$6,400,486 as at December 31, 2008) and guaranteed investment certificates that can be redeemed without penalty. The following table shows details of these guaranteed investment certificates as at December 31, 2008:

<b>Value</b>	<b>Maturity date</b>	<b>Interest rate</b>	<b>Remarks</b>
<b>\$</b>			
4,879,903	November 10, 2009	Prime linked	Interest rate at investment date was 2.00% per annum, and is subject to change.

**4. RESTRICTED CASH**

Restricted cash balances of \$83,532 (\$83,112 as at December 31, 2008) deposited in an investment account with a bank, and yielding an annual interest rate of 2.05% (on December 31, 2008) and held

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**Stem Cell Therapeutics Corp.**

[a development stage company]

**NOTES TO CONSOLIDATED UNAUDITED INTERIM FINANCIAL STATEMENTS**

(Amounts in Canadian dollars, unless otherwise noted)

March 31, 2009

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by the bank as collateral for available credit facilities of equivalent value was offered to the Company.

**5. 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 programs:

	<b>For the Three Month Period Ended March 31, 2009</b>	<b>For the Three Month Period Ended March 31, 2008</b>	<b>Cumulative from Inception on March 31, 2004 to March 31, 2009</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Clinical development	<b>40,918</b>	222,840	2,676,896
Preclinical development	<b>253,052</b>	80,373	1,670,216
Research	<b>14,000</b>	42,000	927,174
Salaries and bonuses	<b>64,375</b>	119,684	1,191,577
Consulting fees	<b>40,481</b>	106,896	822,357
Licensing cost	-	-	584,287
Other costs	<b>9,455</b>	73,098	504,084
Total research and development costs	<b>422,281</b>	644,891	8,376,591

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

**6. SHARE CAPITAL****[a] Authorized**

The authorized share capital of the Company consists of an unlimited number of common shares, Class B shares and First Preferred Shares, in each case without nominal or par value. Common shares are voting, and may receive dividends as declared at the discretion of the directors. Class B shares are non-voting and convertible to common shares at the holder's discretion, on a one-for-one basis. Upon dissolution or wind-up of the Company, Class B shares participate rateably with the common shares in the distribution of the Company's assets. Preferred shares have voting rights as decided upon by the Board of Directors at the time of grant. Upon dissolution or wind-up of the Company, First Preferred Shares are entitled to priority over common and Class B shares.

**Stem Cell Therapeutics Corp.**

[a development stage company]

**NOTES TO CONSOLIDATED UNAUDITED INTERIM FINANCIAL STATEMENTS**

(Amounts in Canadian dollars, unless otherwise noted)

March 31, 2009

**[b] Issued and outstanding**

	<b>Number of shares</b>	
	#	\$
<b>Common</b>		
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
	18,986,364	1,328,010
Share issuance costs	-	(7,417)
<b>Balance, December 31, 2004</b>	<b>18,986,364</b>	<b>1,320,593</b>
Proceeds from Initial Public Offering at \$0.25 per share, January 6, 2005	34,000,000	8,500,000
Conversion of Class B to Common, January 10, 2005 (iv)	80,000	2,000
Conversion of Class B to Common, April 1, 2005 (v)	120,000	3,000
Options exercised, October 14, 2005 (vi)	175,000	76,750
	34,375,000	8,581,750
Share issuance costs	-	(1,006,200)
<b>Balance, December 31, 2005</b>	<b>53,361,364</b>	<b>8,896,143</b>
Conversion of Class B to Common, January 11, 2006 (vii)	120,000	3,000
Options exercised, March 21, 2006 (viii)	25,000	11,470
Options exercised, April 26, 2006 (ix)	175,000	77,000
Conversion of Class B to Common, July 15, 2006 (x)	120,000	3,000
<b>Balance, December 31, 2006</b>	<b>53,801,364</b>	<b>8,990,613</b>
Conversion of Class B to Common, January 11, 2007 (xi)	<b>120,000</b>	<b>3,000</b>
Issuance of shares in private placement, February 1, 2007 (xii)	<b>10,000,000</b>	<b>2,000,000</b>
Share issuance costs, February 1, 2007	-	(144,390)
Issuance of shares in private placement, March 27, 2007 (xiii)	<b>4,000,000</b>	<b>2,000,000</b>
Issuance of shares covering financing costs, March 27, 2007 (xiv)	<b>151,000</b>	<b>113,250</b>
Share issuance costs, 2nd private placement in 2007	-	(182,712)
Options exercised, April 13, 2007 (xv)	<b>100,000</b>	<b>44,050</b>
Exercise of share purchase warrants during June, 2007 (xvi)	<b>62,500</b>	<b>15,625</b>
Conversion of Class B to Common, July 11, 2007 (xvii)	<b>120,000</b>	<b>3,000</b>
Options exercised, September 12, 2007 (xviii)	<b>32,000</b>	<b>14,098</b>
Options exercised, October 1, 2007 (xix)	<b>63,500</b>	<b>27,972</b>

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**Stem Cell Therapeutics Corp.**

[a development stage company]

**NOTES TO CONSOLIDATED UNAUDITED INTERIM FINANCIAL STATEMENTS**

(Amounts in Canadian dollars, unless otherwise noted)

March 31, 2009

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Options exercised, October 22, 2007 (xx)	109,500	48,235
Issuance of shares in short form prospectus, November 9, 2007 (xxi)	34,500,000	12,075,000
Share issuance costs - short form prospectus	-	(1,216,258)
Options exercised, November 19, 2007 (xxii)	170,000	74,885
Options exercised, November 27, 2007 (xxiii)	50,000	22,025
Options exercised, December 7, 2007 (xxiv)	130,000	38,043
<b>Balance, December 31, 2007</b>	<b>103,409,864</b>	<b>23,926,436</b>
Conversion of Class B to Common, January 3, 2008 (xxv)	120,000	3,000
Issuance of shares to Transition, October 4, 2008 (xxvi)	23,272,633	1,650,000
Conversion of Class B to Common, October 14, 2008 (xxvii)	6,000,000	150,000
Share issuance costs 2008	-	(3,100)
<b>Balance, December 31, 2008</b>	<b>132,802,497</b>	<b>25,726,336</b>
<b>Class B</b>		
Proceeds from issuance at \$0.025 per share, April 20, 2004	10,800,000	270,000
Conversion of Class B to Common, November 19, 2004	(4,000,000)	(100,000)
<b>Balance, December 31, 2004</b>	<b>6,800,000</b>	<b>170,000</b>
Conversion of Class B to Common, January 10, 2005 (iv)	(80,000)	(2,000)
Conversion of Class B to Common, April 1, 2005 (v)	(120,000)	(3,000)
<b>Balance, December 31, 2005</b>	<b>6,600,000</b>	<b>165,000</b>
Conversion of Class B to Common, January 11, 2006 (vii)	(120,000)	(3,000)
Conversion of Class B to Common, July 15, 2006 (x)	(120,000)	(3,000)
<b>Balance, December 31, 2006</b>	<b>6,360,000</b>	<b>159,000</b>
Conversion of Class B to Common, January 11, 2007 (xi)	(120,000)	(3,000)
Conversion of Class B to Common, July 11, 2007 (xvii)	(120,000)	(3,000)
<b>Balance, December 31, 2007</b>	<b>6,120,000</b>	<b>153,000</b>
Conversion of Class B to Common, January 3, 2008 (xxv)	(120,000)	(3,000)
Conversion of Class B to Common, October 14, 2008 (xxvii)	(6,000,000)	(150,000)
<b>Balance, December 31, 2008 and March 31, 2009</b>	<b>-</b>	<b>-</b>
<b>Share Capital, December 31, 2008 and March 31, 2009</b>	<b>132,802,497</b>	<b>25,726,336</b>

(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.

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**Stem Cell Therapeutics Corp.**

[a development stage company]

**NOTES TO CONSOLIDATED UNAUDITED INTERIM FINANCIAL STATEMENTS**

(Amounts in Canadian dollars, unless otherwise noted)

March 31, 2009

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(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 6, 2005, the Company completed its Initial Public Offering raising gross proceeds of \$8,500,000 by issuing 34,000,000 common shares at a price of \$0.25 per share.

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

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

(vii) 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.

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

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

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

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

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

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

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

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

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

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**Stem Cell Therapeutics Corp.**

[a development stage company]

**NOTES TO CONSOLIDATED UNAUDITED INTERIM FINANCIAL STATEMENTS**

(Amounts in Canadian dollars, unless otherwise noted)

March 31, 2009

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

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

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

(xx) On October 1, 2007, 63,500 options were exercised at \$0.25. Contributed surplus of \$12,097 was reclassified to share capital upon exercise of the options.

(xxi) On October 22, 2007, 109,500 options were exercised at \$0.25. Contributed surplus of \$20,860 was reclassified to share capital upon exercise of the options.

(xxii) 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.

(xxiii) On November 19, 2007, 170,000 options were exercised at \$0.25. Contributed surplus of \$32,385 was reclassified to share capital upon exercise of the options.

(xxiv) On November 27, 2007, 50,000 options were exercised at \$0.25. Contributed surplus of \$9,525 was reclassified to share capital upon exercise of the options.

(xxv) On December 7, 2007, 130,000 options were exercised at \$0.25. Contributed surplus of \$5,543 was reclassified to share capital upon exercise of the options.

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

(xxvii) On October 4, 2008, 23,272,633 common shares were issued to Transition Therapeutics Inc. as the final payment for the share purchase agreement to acquire all of the issued and outstanding shares of Stem Cell. The value per share of \$0.07 was calculated by the weighted average of common shares traded in the 10 days prior to issuance.

(xxviii) On October 14, 2008, 6,000,000 Class B shares were converted to 6,000,000 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 period ending March 31, 2009.

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**Stem Cell Therapeutics Corp.**

[a development stage company]

**NOTES TO CONSOLIDATED UNAUDITED INTERIM FINANCIAL STATEMENTS**

(Amounts in Canadian dollars, unless otherwise noted)

March 31, 2009

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	<b>Number of Options</b>	<b>Weighted-average exercise price \$</b>
<b>Outstanding, January 1, 2009</b>	<b>7,481,103</b>	<b>0.31</b>
Granted	<b>4,640,000</b>	<b>0.10</b>
Exercised	-	-
Forfeited	-	-
<b>Outstanding, March 31, 2009</b>	<b>12,121,103</b>	<b>0.23</b>
<b>Exercisable, March 31, 2009</b>	<b>6,007,147</b>	<b>0.29</b>

**7. SHARE PURCHASE WARRANTS**

The Company has issued warrants for the purchase of common shares, for a specified price for a specific period of time. The following table contains information regarding the warrants to acquire common shares outstanding as of March 31, 2009.

	<b>Number of warrants</b>	<b>Number of common shares underlying warrants</b>	<b>Exercise price</b>	<b>Expiry date</b>
Warrants issued in connection with short form prospectus closed on November 9, 2007	17,250,000	17,250,000	\$0.50	May 9, 2010
Broker Warrants issued in connection with short form prospectus closed on November 9, 2007	1,725,000	1,725,000	\$0.35	May 9, 2010

**8. CONTRIBUTED SURPLUS**

The following table summarizes the change in contributed surplus for the period ending March 31, 2009.

	<b>\$</b>
Balance, January 1, 2009	<b>1,507,539</b>
Stock-based compensation	<b>88,137</b>
Exercise of stock options	-
<b>Balance, March 31, 2009</b>	<b>1,595,675</b>

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**Stem Cell Therapeutics Corp.**

[a development stage company]

**NOTES TO CONSOLIDATED UNAUDITED INTERIM FINANCIAL STATEMENTS**

(Amounts in Canadian dollars, unless otherwise noted)

March 31, 2009

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**9. CAPITAL DISCLOSURES**

The Company's objective in managing capital is to ensure a sufficient liquidity position to finance its research and development activities, general and administrative expenses, working capital and overall capital expenditures, including those associated with patents. The Company makes every attempt to manage its liquidity to minimize shareholder dilution when possible.

The Company defines capital as total shareholders' equity. To fund its activities, the Company has followed an approach that relies almost exclusively on the issuance of common equity. Since inception, the Company has financed its liquidity needs primarily through share issuance. The Company believes that funds from operations as well as from existing financing agreements will be sufficient to meet the Company's cash requirements for the next twelve months.

The capital management objectives remain the same as for the previous fiscal year. When possible, the Company tries to optimize its liquidity needs by non-dilutive sources, including interest income, to respond to changes in economic conditions and the risk characteristics of underlying assets. The Company has no debt. The Company is not subject to any capital requirements imposed by external parties.

**10. FINANCIAL RISK MANAGEMENT****[a] Fair values**

The Company's financial instruments recognized on the consolidated balance sheet consist of cash, accounts receivable, and accounts payable. The fair values of these recognized financial instruments approximate their carrying values due to their short-term maturity.

**[b] Credit risk**

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, which are maintained with a high-credit quality financial institution.

**[c] Liquidity risk**

Liquidity risk is the risk that, as a result of operational liquidity requirements, the Company will not have sufficient funds to settle a transaction on the due date, will be forced to sell financial assets at a price which is less than what they are worth, or will be unable to settle or recover a financial asset.

The Company's operating cash requirements are continuously monitored by management. As factors impacting cash requirements change, liquidity risks may necessitate the need for the Company to raise capital by issuing equity. The Company also mitigates liquidity risk by maintaining an insurance program to minimize exposure to insurable losses.

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**Stem Cell Therapeutics Corp.**

[a development stage company]

**NOTES TO CONSOLIDATED UNAUDITED INTERIM FINANCIAL STATEMENTS**

(Amounts in Canadian dollars, unless otherwise noted)

March 31, 2009

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As at December 31, 2008, the Company had available \$6,400,486 of cash and cash equivalents. The Company believes it has sufficient funding through operations and the use of this facility to meet foreseeable financial obligations.

**[d] Market risk**

The significant market risk exposures affecting the financial instruments held by the Company, are those related to interest rates and foreign currency exchange rates which are explained as follows:

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. Cash and cash equivalents bear interest at a variable rate. Accounts receivable, other receivables, accounts payable and accrued liabilities bear no interest. The Company has no other interest-bearing financial instruments.

Based on the value of variable interest-bearing cash equivalents during the year ended December 31, 2008, and assumed 0.5% increase or 0.5% decrease in interest rates during such period would have an impact of \$40,000 on interest income. The Company does not currently use interest rate hedges or fixed interest rate contracts to manage the Company's exposure to interest rate fluctuations.

*Foreign exchange risk*

The Company makes certain payments in United States dollars. As a result, fluctuations in the value of the Canadian dollar relative to the United States dollar can result in foreign exchange gains and losses. The Company does not currently have any agreements to fix or hedge the exchange rate of the Canadian dollar to the United States dollar.

**11. COMMITMENTS AND CONTINGENCIES****[a] Operating leases**

The Company leases its office space under contract which covered a three year period effective from January 1, 2006. At the expiry of this lease, the Company has elected to continue the lease on a month-to-month basis.

**[b] Research contracts**

The Company has an ongoing research contract with an Alberta-based university. Monthly charges under this contract amount to \$7,000 until June 2009.

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.

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**Stem Cell Therapeutics Corp.**

[a development stage company]

**NOTES TO CONSOLIDATED UNAUDITED INTERIM FINANCIAL STATEMENTS**

(Amounts in Canadian dollars, unless otherwise noted)

March 31, 2009

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**[c] Contingency**

Pursuant to the share purchase agreement from Transition, 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.

As part of the cross licensing agreement with a third party entered into in 2006, the Company paid US\$150,000 in 2008 (nil in 2007). Future payments of (a) US\$500,000 is payable upon the successful completion of a Phase II clinical trial using the drugs referenced under the cross-license agreement, and (b) US\$1,000,000 payment payable upon its commercialization.

**12. LOSS PER COMMON SHARE**

Loss per common share is calculated using the weighted average number of common shares outstanding during the three month period ending March 31, 2009 of 132,802,497 (103,527,227 as at March 31, 2008). The Company has excluded all outstanding stock options, and share purchase warrants from the calculation of diluted loss per share because all such securities are considered anti-dilutive.

**13. SEGMENTED INFORMATION**

The Company operates in a single business segment focused on the discovery, development and commercialization of novel therapeutics, substantially all of the Company's operations, assets and employees are located in Canada.

**14. SUBSEQUENT EVENT**

On May 14, 2009 the Company received notification from the FDA that the clinical hold placed on the REGENESIS Phase IIb stroke trial on September 18, 2008 was removed. This permits the re-initiation of clinical studies for NTx@-265 under a modified REGENESIS protocol.

**15. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the current year's presentation.