

STEM CELL

THERAPEUTICS

Stem Cell Therapeutics Corp.

Management Discussion and Analysis
For the fiscal year ended December 31, 2009

Dated: April 13, 2010

Dated April 13, 2010

The following information should be read in conjunction with the Company's 2009 audited consolidated financial statements and notes thereto, which were 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 guidelines of National instrument 51-102 and covers the period from January 1, 2009 to April 13, 2010 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 ("CNS") disorders. SCT is a leader in the development of therapies that utilize drugs to stimulate a patient's own resident autologous stem cells. The Company's programs aim to repair neurological functions lost due to disease or injury. SCT's stem cell regenerative therapeutic approach was founded on the work of Dr. Samuel Weiss, Director of the Hotchkiss Brain Institute at the University of Calgary, who was awarded the Gairdner Award in April 2008 for this work on neural stem cells. SCT's lead product, NTx®-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.

SCT's primary program, NTx®-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 beginning 24-48 hours post stroke. Encouraging final clinical results from SCT's completed BETAS (Beta-hCG + Erythropoietin in Acute Stroke) Phase IIa stroke trial were presented at the International Stroke Conference in February 2009, showing clinically relevant recovery in 12 of 12 patients who received the complete regimen. In May of 2008, SCT began recruiting patients for its multi-centre, double-blind, placebo-controlled REGENESIS (a Phase II prospective, randomized, double-blind, placebo controlled study of NTx®-265: hCG and epoetin

alfa in acute ischemic stroke patients) Phase IIb stroke study for NTx®-265 with primary endpoints of safety and efficacy.

Due to safety findings in an unrelated German clinical study, the REGENESIS Phase IIb clinical trial was officially placed on clinical hold in September 2008 at the request of Health Canada and the U.S. Food and Drug Administration (“FDA”). The clinical hold was formally lifted by FDA on May 14, 2009. Health Canada approved the ‘dose response design study’ (“modified”) REGENESIS Phase IIb stroke trial on July 20th and the Drug Controller General of India (“DCGI”) followed shortly thereafter on July 21st issuing the Company a No Objection Letter (“NOL”) for the same protocol. The Phase IIb trial is being conducted at clinical sites in India, Canada and the United States. This trial is co-Led by two principle investigators: Dr. Steven C. Cramer from the University of California, Irvine and Dr. Michael D. Hill of Foothills Hospital at the University of Calgary. The recruitment target for this study was to enroll 128 patients. After reviewing our statistical methods of analysis it was determined that we can reach sufficient statistical power to analyze the study with the recruitment of 96 patients. The Indian, U.S., and Canadian protocols share the same design, as well as safety and efficacy endpoints.

On August 11, 2009, the Company announced the enrollment of its first patient in the modified REGENESIS Phase IIb stroke trial. The company has since announced receiving the go-ahead from three successful Data Safety Monitoring Board meetings (November 20th, 2009, January 11th, 2010 and February 9th, 2010). On February 16th, 2010 the Company announced that it has ceased recruiting in India, and on March 31, 2010 announced that the Company had closed patient enrollment of the modified Phase IIb trial using the 96 that were enrolled. A top-line read of the data is anticipated to be available in Q2 2010.

Operating Highlights for the period January 1, 2009 to April 13, 2010

- Presented positive final results for the BETAS Phase IIa clinical safety study in stroke in February 2009, including all U.S. and Canadian patient data
- Received FDA approval to proceed with the modified REGENESIS Phase IIb acute ischemic stroke trial
- Initiated and began enrolling patients in India and Canada for the modified REGENESIS Phase IIb acute ischemic stroke trial
- Complete enrollment in modified REGENESIS Phase IIb acute ischemic stroke study; Q1 10

Remaining Objectives for 2010

- Report Top-line REGENESIS Phase IIb data; Q2 10
- Complete preclinical study for hemorrhagic stroke; H2 10
- Complete ‘end of Phase II’ meeting with FDA; H2 10
- Initiate and enroll patients in a Phase IIa TBI clinical study; H1 10
- Initiate MS clinical Proof-of-Concept study; H2 10

Operating Results for the period January 1, 2009 to April 13, 2010

On January 12, 2009, the Company announced the appointment of Mr. Barry Herring as the new Vice President of Finance and Chief Financial Officer (“CFO”), effective January 1, 2009. Mr. Herring has 25 years experience as an accounting executive for companies in Canada and the United States. He has been a senior executive in public and private corporations within the energy and mining sector. Prior to joining SCT, Mr. Herring was the President, CFO and Director of Atlas Minerals Inc. Mr. Mark Wayne has

consequently resigned as part-time CFO but will remain on the Board of Directors of SCT as Chairman of the Board.

On February 9, 2009, the Company provided a corporate update of key corporate developments and strategies, announcing that it was actively pursuing the removal of the clinical hold through ongoing discussions with the FDA but as yet no formal notice had been received to lift the hold on its REGENESIS Phase IIb stroke trial. The Company therefore decided to investigate alternate stroke regimen options from within its patent portfolio that did not involve EPO. These alternate regimens followed the same therapeutic approach whereby adult stem cells are stimulated to proliferate and differentiate into neurons to replace damaged brain tissue.

On February 19, 2009, SCT announced a presentation of the complete positive results of the BETAS Phase IIa trial conducted by Drs. Steven C. Cramer, Michael D. Hill and David M. Brown at the International Stroke Conference, February 19, 2009 in San Diego, CA. The poster presentation was entitled “Safety of Beta-hCG and EPO in Acute Ischemic Stroke” and was a comprehensive evaluation of the safety and efficacy results of the completed BETAS Phase IIa trial.

Analysis of this trial by Dr. Steven C. Cramer, the Principle Investigator, highlighted three key conclusions:

1. No safety concerns were present: NTx®-265 administered to 12 patients with acute ischemic stroke showed no Serious Adverse Events related to treatment.
2. ALL 12 patients enrolled in the trial and completing day 90 review improved; each recovered at least 4 points on the National Institute of Health Stroke Scale (NIHSS) and, on average, patient improved was greater than 6 points.
3. The 9 day treatment of beta-hCG (β -hCG) followed by EPO, started within 48 hours of stroke onset, and directly translated from a preclinical protocol, appears to be relatively safe. This therapy had minimal hematological effects, and was associated with significant clinical gains.

On February 25, 2009, the Company announced the issuance of stock options to officers and directors of the Company. These options were issued in connection with a reduction of executive salaries and Board of Directors’ fees, all effective as of January 1, 2009. SCT issued an aggregate of 3,840,000 stock options to the Company’s officers and Board of Directors at an exercise price of C\$0.10 per share. These options will expire no later than February 25, 2014 subject to applicable vesting provisions. These options were awarded in accordance with the Company’s Stock Option Plan.

On March 29, 2009, SCT announced that Dr. Joshua M. Hare, MD, FACC, Louis Lemberg Professor of Medicine and Director, Interdisciplinary Stem Cell Institute at the University of Miami, presented the “Effects of Combination of Proliferative Agents and Erythropoietin (EPO) on Left Ventricular Remodeling Post-Myocardial Infarction” at the 58th Annual American College of Cardiology Conference in Orlando, Florida. The study, conducted by Dr. Hare’s team at the University of Miami, described the effects of two drug regimens: hCG plus EPO (NTx®-265 regimen) and a regimen composed of prolactin (“PRL”) then EPO. Both of the regimens were dosed in a similar manner, following a severe left ventricular coronary occlusion (heart attack) in rats.

The study demonstrated that after a severe myocardial infarction (“MI”), the left ventricle chamber dimension increased by approximately 200% and decreased in ejection fraction by about 44%. Systemic treatment with hCG, EPO or hCG plus EPO (NTx®-265 regimen) significantly limited the expansion of

ventricular chamber dimension and reversed the effects on ejection fraction by approximately 50%. Prolactin, however, did not have this effect.

Dr. Hare concluded “that hCG alone or in combination with EPO may be an effective therapeutic strategy to ameliorate post-MI remodeling. The absence of this same effect with PRL suggests a direct effect of on NTx®-265 on the myocardium.” Moreover, Dr. Hare also believes that “given the established safety profile of hCG in humans, clinical trials may be warranted as a next step”.

On April 30, 2009, Dr. Alan Moore, President and CEO, was invited to present at EDC’s 8th Annual Life Science Conference in Miami, Florida. Dr. Moore discussed SCT’s unique regenerative stem cell therapy and how it will be the frontier of personalized healthcare specifically in the key areas of stroke, traumatic brain injury and multiple sclerosis.

On May 14, 2009, SCT received verbal confirmation from the FDA that the clinical hold was lifted and then shortly thereafter on May 16, 2009, SCT received a formal letter from the FDA confirming immediate removal of the clinical hold placed on the Phase IIb stroke trial, September 18, 2008. This allowed SCT to commence the recruitment of patients under an amended protocol using NTx®-265 for the Company’s Phase IIb clinical trial treating acute ischemic stroke.

On May 19, 2009, the Company was issued United States Patent No. 7,534,765, entitled “Pregnancy Induced Oligodendrocyte Precursor Cell Proliferation Regulated by Prolactin”. This patent covers methods of using prolactin for enhancing the formation of oligodendrocytes *in vivo*, which is valuable to treat diseases associated with loss of myelin-producing oligodendrocytes (white matter diseases).

“This patent bolsters our intellectual property position around the use of prolactin for treating demyelinating neurodegenerative diseases such as multiple sclerosis (“MS”) in which the myelin sheath surrounding the axon of neurons is damaged. The finding that prolactin enhances oligodendrocyte production and remyelination is what stimulated the development of our NTx®-488 program for MS, with preclinical studies being completed in preparation for Phase II clinical trials.” Stated Dr. Alan Moore, President and CEO, “Importantly, as covered by other SCT patents, prolactin also stimulates neural stem cell proliferation and neurogenesis. Prolactin is therefore expected to repair both the myelin damage and the neuronal damage in MS, which is necessary for full functional recovery, and makes prolactin a unique MS drug candidate.”

On June 22, 2009, SCT announced that Dr. Samuel Weiss, Director of the Hotchkiss Brain Institute at the University of Calgary, provided the keynote address and Dr. Allen Davidoff, VP Product Development at SCT, was a member of a response panel at the Alberta Council of Technologies hosted event in Calgary, June 23, 2009, at the Alberta Research Council. Dr Weiss’ work founded SCT, and he remains a key member of SCT’s Scientific Advisory Board.

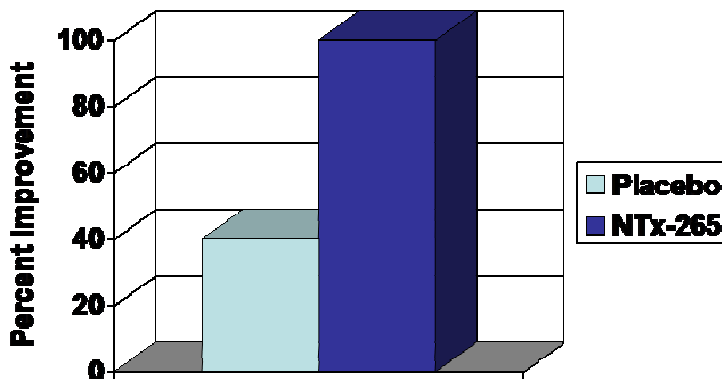
On July 9, 2009, the Company was issued two patents in India: Indian Patent No. 229684 entitled, “Combined Regulation of Neural Cell Production” and Indian Patent No. 229924 entitled, “A Composition for Increasing Neural Stem Cell Number and In Vitro Method of Using the Same”. Together, these patents cover pharmaceutical compositions for increasing neural stem cell number or for producing specialized neural stem cell progeny, with the compositions comprising prolactin in combination with other neural stem cell proliferating agents or differentiating agents, such as EPO. Methods for using prolactin and other such agents in neural stem cell culture are also covered, with the resulting cells being useful, for example, in regenerative transplant therapy.

On July 20, 2009, SCT received a No Objection Letter (“NOL”) from Health Canada for the modified REGENESIS protocol using NTx®-265 for a Phase IIb clinical trial treating acute ischemic stroke.

On July 21, 2009, SCT received an NOL from the Drug Controller General of India (“DCGI”) to initiate the Phase Iib acute ischemic stroke trial. This investigational new drug (“IND”) opening study is a double-blind, randomized, placebo-controlled clinical trial of its lead program, NTx®- 265, for the treatment of acute ischemic stroke. The DCGI response allowed initiation of the modified REGENESIS protocol for the Phase Iib clinical trial in acute ischemic stroke, which is co-Led by two principle investigators: Dr. Steven C. Cramer from the University of California, Irvine and Dr. Michael D. Hill of the Foothills Hospital at the University of Calgary.

On July 27, 2009, the Company provided an update on key corporate developments and strategies. SCT conducted a meta-analysis of the combined BETAS Phase Iia clinical stroke trial data and REGENESIS Phase Iib clinical stroke trial data. At the time the clinical hold was placed on the REGENESIS Phase Iib trial, seven patients had been recruited, and subsequently they completed their 90-day evaluation period. Because this trial was placebo controlled, patients received either placebo or NTx®-265 and so could be combined with patient data from the non-placebo controlled BETAS Phase Iia trial where patients only received NTx®-265. By performing this type of statistical analysis, the Company was able to compare the combined data from 19 patients: 14 of which received drug (12 from BETAS Phase Iia and 2 from REGENESIS Phase Iib) and 5 patients who received placebo (all from REGENESIS Phase Iib). A decrease in the National Institute of Health Stroke Score (“NIHSS”) represents an improvement in a patient’s functionality, and importantly for a recovering patient, a decrease of 4 units in the NIHSS scale is considered a clinically relevant improvement. Of the 5 patients who received placebo, the average NIHSS actually increased by +0.7 points and out of the 14 patients who received NTx®-265, the NIHSS decreased by 8.1 points. The p-value from this meta-analysis was < 0.0001, statistically significant.

For both the BETAS Phase Iia trial and REGENESIS Phase Iib trial, a patient that showed a decrease of 4 NIHSS points or greater was considered a responder. Hence the meta-analysis, when expressed as percentage responders, stated that the placebo group showed a 40% response (2 out of 5) whereas the NTx®-265 treated group showed a 100% response (14 out of 14) resulting in a p-value of $p < 0.01$, again statistically significant. The diagram below summarizes the improvement of patients in both the placebo group and NTx®-265 treated group.



On July 30, 2009, SCT announced the acceptance and publication of the paper entitled “Open labeled, uncontrolled pharmacokinetic study of single intramuscular hCG dose in healthy male volunteers” by the International Journal of Clinical Pharmacology and Therapeutics, Vol. 47, August 2009. This paper was authored by Drs. Alan Moore, President & CEO, Allen Davidoff, VP Product Development and Yan Yang, Clinical Research Associate, all of SCT; Dr. Michael D. Hill of Foothills Hospital at the University of Calgary, and Dr. Steven C. Cramer, from the University of California, Irvine.

On August 4, 2009, Dr. Alan Moore, President and CEO, presented at the Advanced Technology Applications for Combat Casualty Care (“ATACCC”) 2009 conference which is the U.S. Department of Defense’s premier scientific meeting. Dr. Moore discussed patient recovery from brain injury by pharmacological (‘drug-induced’) activation of endogenous neural adult stem cells in traumatic brain injury (“TBI”) and stroke. This discussion of recovery was supported by SCT’s Phase IIa and Phase IIb clinical data in acute ischemic stroke patients and SCT’s preclinical data from animal models of TBI.

Pursuant to an early warrant exercise incentive program that closed on August, 7, 2009, warrant holders exercised 1,878,000 warrants for the same number of common shares and provided the Company with \$300,480 in proceeds.

On August 11, 2009, SCT announced enrollment of the first patient in its modified REGENESIS Phase IIb acute ischemic stroke trial. The modified REGENESIS trial is a double-blind, randomized, placebo-controlled Phase IIb clinical trial for SCT’s lead program, NTx®-265, for the treatment of acute ischemic stroke. This first patient was enrolled by the clinical team of Dr. Vijaya Pamidimukkala from the Lalitha Super Specialties Hospital Pvt Ltd in Guntur, Hyderabad, A.P.

On September 11, 2009, Dr. V. Wee Yong, of the Hotchkiss Brain Institute from the University of Calgary, presented on behalf of SCT at the 25th Congress of the European Committee for the Treatment and Research in Multiple Sclerosis (“ECTRIMS”) held in Düsseldorf, Germany, September 9-12, 2009. Dr. V. Wee Yong’s presentation discussed the safety and efficacy of prolactin in the animal model of multiple sclerosis (“MS”), experimental autoimmune encephalomyelitis. The result of the work Dr. Yong and his team have done, has led to the design of a clinical trial in MS with Dr. Yong’s colleagues at the University of Calgary, specifically Drs. Luanne Metz and Fiona Costello of the MS Clinic at the Foothills Medical Centre in Calgary, Alberta, and SCT.

On September 23, 2009, Dr. Alan Moore, President and CEO, was featured in the panel discussion “Commercialization of Stem Cells and International Market Trends” at the 2009 World Stem Cell Summit being held in Baltimore, Maryland, September 21-23.

On October 2, 2009, Dr. Alan Moore, presented at the Banff Venture Forum 2009 where he provided an overview of the Company’s clinical and pre-clinical stage programs, including the Phase IIb stroke trial with Drs. Steven C. Cramer of the University of California, Irvine and Michael D. Hill of the Foothills Hospital at the University of Calgary, as co-lead investigators; as well as the soon-to-commence multiple sclerosis (“MS”) phase II trial with prolactin, lead by Drs. Luanne Metz and Fiona Costello of the MS Clinic at the Foothills Medical Centre in Calgary, Alberta.

On October 8, 2009, SCT announced that it had entered into an Agent agreement under which they agreed to raise approximately \$1.0 million in connection with the sale of 8,340,000 units of the Corporation (“Units”) at a price of \$0.12 per Unit (the “Offering”). Each Unit consisted of one common share of the Corporation (“Common Share”) and one common share purchase warrant (the “Warrants”). Each Warrant entitles the holder thereof to purchase one Common Share at a price of \$0.15 at any time during the period of 12 months from the closing date. Additionally, SCT has granted the Agent an option to increase the Offering by up to \$500,000 on the same terms. Concurrently, the Corporation undertook to sell \$1.0 million of additional Units on a non-brokered private placement basis on the same terms as the Offering.

Dr. Alan Moore, President and CEO of SCT, commented on the Offering as follows:

“This financing will provide us with additional working capital to lengthen our runway after completion of the NTx®™-265 stroke trial to facilitate potential partnering discussions. It will also allow us to support the initiation of a Phase II multiple sclerosis trial. We are pleased with the recruiting rate of the stroke trial to date, which currently stands at 17 enrolled patients. We have 10 sites recruiting patients at this time and expect to have additional sites recruiting by the end of the month. We are gratified with the support shown by our investors and the progress we have made at this early stage of the stroke trial.”

On October 29, 2009, SCT announced that it had closed the previously announced financing. In total \$2,186,941 of gross proceeds were raised in this financing as consideration for the issuance of 18,224,507 units (“the Units”). The Units were sold to the public at a price of \$0.12 per Unit, with each Unit consisting of one common share of SCT (“Common Share”) and one common share purchase warrant (“Warrant”). Each Warrant is exercisable to acquire one additional Common Share at a price of \$0.15 per share for 12 months from the closing date. A total commission of \$165,835 was paid to registered dealers in connection with the financing. Additionally, as part of the Agent agreement, SCT issued 474,476 Broker Warrants. Each Broker Warrant is exercisable to acquire one Common Share at a price of \$0.12 per share for 12 months from the closing date.

On November 12, 2009, Dr. Allen Davidoff, Vice President of Product Development, presented at the 2009 Neural Regeneration Workshop which took place in Albuquerque, New Mexico at the Sandia National Laboratories, a U.S. Government facility. Dr. Davidoff discussed “A drug based approach to Neurogenesis and recovery after acute neurologic injury”. Sandia National Laboratories and the Center for Neurotechnology Studies of the Potomac Institute for Policy Studies hosted a workshop series to gather information on the restoration of neural function through treatments involving replacement of injured and diseased brain tissue. One of the key objectives of this workshop series was to discover treatments that restore lost or damaged brain tissue in order to support function recovery, specifically relating to traumatic brain injury developed in combat. Two parallel workshops were held, the first was in Washington DC on November 4, 2009; and the second in Albuquerque, NM on November 12, 2009. The objective of these workshops was to assess the scientific and technical state-of-the-art treatments and chart a path of research and development leading to innovation in the treatment of brain injury and disease through restoration of neural tissue.

On November 20, 2009, SCT announced it has been advised by the Data Safety Monitoring Board (“DSMB”) that a regularly scheduled safety analysis has been completed and the DSMB has recommended the Phase IIb stroke trial to continue as per the protocol. The DSMB is a group of independent clinical experts that review the ongoing conduct of a clinical trial to ensure continuing patient safety.

Dr. Alan Moore, President and CEO, commented as follows:

“We are very pleased to receive a positive safety review of the Phase IIb stroke trial. Review results and enrollment updates will be announced after each DSMB meeting as progress continues for the Phase IIb trial. We are also happy to report that 32 patients are currently enrolled in our Phase IIb stroke study. At this time, we estimate that Phase IIb patient enrollment will be complete by the end of Q1 2010 or early in Q2 2010. This will be followed by a 90-day period for completion of patient assessments so we expect top-line data to be available by the end of Q2 2010 or early in Q3 2010.”

On November 25, 2009, SCT announced that Dr. Allen Davidoff, VP of Product Development, will be moderating a meeting and panel discussions as part of a public forum discussing “Demystifying innovations and advancing the commercialization of Alberta’s emerging technologies” in Regenerative Medicine.

This public forum was held in Calgary this evening from 7:00-9:30pm at the Kerby Seniors Centre. The Alberta Council of Technologies (“ABCtech”) and BioAlberta co-hosted a second, similar public forum the following evening in Edmonton.

On December 10, 2009, SCT announced that it has been granted U.S. Patent No. 7,604,993 entitled “Combined Regulation of Neural Cell Production”. The claims cover the use of prolactin in combination with a variety of other biological agents for producing neuronal or glial precursor cells *in vivo* or *in vitro*.

Dr. Alan Moore, President and CEO, commented as follows:

“This patent expands and strengthens our proprietary position around prolactin. Evidence from our current research suggests that prolactin may be an important biological molecule for regeneration of white matter injury in diseases like multiple sclerosis, spinal cord injury and other chronic neurological diseases.”

On December 11, 2009, SCT announced that it has been granted U.S. Patent No. 7,629,169 entitled “Methods for the Production of Platelet-Derived Growth Factor-Responsive Neural Precursor Cells”. The claims cover methods of producing and self-renewing PDGF-responsive precursor (“PRP”) cells in culture using PDGF and FGF-2. This is the first patent to issue in this family.

Dr. Alan Moore, President and CEO, commented as follows:

“This patent is important to us because the technology allows for the production of large numbers of PRP cells, also known as oligodendrocyte progenitor cells, meaning it will be of particular interest as a therapy for a variety of neurodegenerative diseases such as multiple sclerosis, Parkinson’s disease and other chronic neurological diseases.”

On January 11, 2010, SCT announced it has been advised by the Data Safety Monitoring Board (“DSMB”) that its second regularly scheduled safety analysis has been completed and the DSMB has recommended for the Phase IIb acute ischemic stroke trial to continue as per protocol.

Dr. Alan Moore, President and CEO, commented as follows:

“64 patients have been enrolled to-date in our modified REGENESIS Phase IIb acute ischemic stroke study. With all of the planned clinical trial sites in India, Canada and the U.S. recruiting patients for the Phase IIb acute ischemic stroke trial, and continuing with the steady patient enrollment rate, we anticipate Phase IIb patient enrollment to be complete by the end of Q1 2010 and for top-line data to be available after the 90-day patient assessment review period is complete, approximately by the end of Q2 2010. Notably, this remains aligned with the timeline stated in the announcement of the first positive DSMB review on November 20, 2009.”

In regard to the traumatic brain injury (“TBI”) clinical trial, the Company continues to work with Dr. David Zygun from the Department of Critical Care at the University of Calgary, Foothills Medical Centre. The Phase IIa TBI clinical trial is expected to begin enrolling patients in the first half of this year.

SCT is also working closely with Drs. Luanne Metz and Fiona Costello of the Multiple Sclerosis Clinic at the Foothills Medical Centre in Calgary, Alberta to facilitate the advancement of the multiple sclerosis clinical program.

“2010 is going to be a banner year for SCT,” said Dr. Alan Moore, “and we are working diligently to achieve a number of important company milestones that should, in turn, translate into maximized shareholder and corporate value.”

On January 28, 2010, 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 human Chorionic Gonadotropin (“hCG”) & Erythropoietin (“EPO”) in severe traumatic brain injury (“TBI”) patients . 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 TBI trial.

Dr. Alan Moore, President and CEO, commented as follows:

“We are pleased to receive the go-ahead from Health Canada for this TBI clinical trial using the same drug regimen as in the modified REGENESIS Phase IIb acute ischemic stroke study to treat TBI patients. TBI represents such a huge unmet medical need as currently there are no marketed products available to treat TBI, leaving patients with lifelong disabilities. As the therapeutic regimen for TBI is the same one being used in our Phase IIb acute ischemic stroke trial, we anticipate this TBI trial to expand our existing safety database for NTx®-265 as well as efficacy measures.”

The protocol of the Phase IIa TBI study has been reviewed by Health Canada. Approval by the University of Calgary’s Office of Medical Bioethics is pending and once received will permit TBI patient enrollment in the Phase IIa TBI study at the Calgary Foothills Medical Centre.

Dr. David Zygun, Principal Investigator, commented as follows:

“The development of a new therapeutic regimen to treat traumatic brain injury is urgently warranted. TBI is common and is the single most important injury contributing to traumatic mortality and morbidity. Severe traumatic brain injury comprises only 10% of all brain injuries, but contributes the greatest proportion of deaths, disability, and cost related to brain injuries both in Canada and around the world. Using rigorous methodology, we hope to ultimately translate initial discoveries from the laboratory of Dr. Samuel Weiss at the University of Calgary into improvements in TBI patient outcomes. This initial safety assessment is an essential component of the process that will lead to larger efficacy trials.”

On February 9, 2010, SCT announced it has been advised by the Data Safety Monitoring Board (“DSMB”) that its third and final regularly scheduled safety analysis has been completed and the DSMB has recommended for the Phase IIb acute ischemic stroke trial to continue as per protocol.

Dr. Alan Moore, President and CEO, commented as follows:

“Since the initiation of the modified REGENESIS Phase IIb acute ischemic stroke study, 96 patients have been enrolled in the study. We continue to anticipate that patient enrollment for the Phase IIb stroke trial will be complete by the end of Q1 2010 and for top-line data to be available after the 90-day patient assessment review period is complete, approximately by the end of Q2 2010.”

On February 16, 2010 SCT announced that it will focus the remaining patient enrollment of the modified Phase IIb stroke trial in Canada and the U.S. and will no longer recruit patients from India. As standard practice, the Drug Controller General of India (“DCGI”) limits the amount of patients that participate in clinical trials from companies that are not located in India and SCT has been advised that the stroke trial has reached its limit of recruiting patients from India.

This decision by the DCGI was not based on any safety or mortality concerns. As announced, the Data Safety Monitoring Board (“DSMB”) completed three safety analyses and recommended for the Phase IIb acute ischemic stroke trial to continue as per protocol after each analysis.

Dr. Alan Moore, President and CEO, commented as follows:

“We have moved quickly through the modified REGENESIS Phase IIb stroke trial so far, having enrolled 96 patients in six months, and we will now be focusing our remaining patient recruitment efforts in Canada and the U.S. instead of India. Given our historic recruiting rate in North America, it now appears unlikely that we will be able to complete the enrollment of 128 patients by the end of Q1 2010, as previously announced. We will also be reviewing alternate methods of data analysis to possibly allow an earlier study conclusion prior to recruiting the original goal of 128 patients.”

On February 24, 2010 SCT announced several presentations that will be made on behalf of SCT during the American Stroke Association's International Stroke Conference 2010 ("ISC 2010"), February 24-26 at the Henry B. Gonzalez Convention Center in San Antonio, TX.

Drs. Steven C. Cramer of the University of California, Irvine, CA, and Michael D. Hill of the Foothills Medical Centre at the University of Calgary, AB, co-Principal Investigators of the Phase IIb acute ischemic stroke trial, will be presenting the modified REGENESIS Phase IIb protocol and study design on Wednesday February 24th.

Additionally, Dr. Ludmila Belayev of the Louisiana State University Health Sciences Center in New Orleans, LA, will be presenting animal stroke data with growth factors, such as human Chorionic Gonadotropin, improving long-term outcomes when administered the first few days after stroke.

SCT also hosted a Focus Group meeting on February 24th at the ISC 2010 for neurologists, clinicians, study nurses and other attendees of the Conference to listen to presentations by Drs. Steven C. Cramer and Michael D. Hill.

On March 10, 2010 the Company announced the acceptance and publication of the paper entitled “The Beta-hCG + Erythropoietin in Acute Stroke (BETAS) Study” by the American Heart Association journal Stroke, on March 8, 2010. This paper was authored by Dr. Steven C. Cramer, from the University of California, Irvine, Dr. David Brown at Hoag Memorial Hospital Presbyterian, New Port Beach, Dr. Michael D. Hill of Foothills Hospital at the University of Calgary, and colleagues.

Dr. Allen Davidoff, VP of Product Development, commented as follows:

“The Stroke journal published by the American Heart Association is the top journal in the field of stroke research. Stem Cell Therapeutics is pleased to congratulate Dr. Steven C. Cramer, David Brown and Michael Hill for their efforts, acceptance and successful publication of this novel study by this highly respected, peer reviewed journal. Previously this work has only appeared in abstracts. This publication marks another important milestone in the development of NTx®-265 and provided the continued evidence of clinical safety and the foundation for the proof of concept study modified REGENESIS.”

The BETAS study was designed to provide the first evidence that NTx®-265 could be safely administered to patients with acute ischemic stroke. Patients from 3-centers were enrolled in an open-label trial in which they were given sequential administration of human chorionic gonadotropin (“hCG”) followed by erythropoietin (“EPO”), NTx®-265. Fifteen human subjects were administered a course of

NTx®-265 24-48 hours after stroke onset and then followed for 90 days. The study found that NTx®-265 appeared to be safe and patients showed improved clinical outcomes compared to published data on similar untreated stroke patients as well as a trend towards reduced infarct volumes over time in comparison to data previously described elsewhere. This preliminary examination of behavioural and motor domains highlighted priority areas that will be important to address in future studies. These results strongly supported the safety of NTx®-265 and provide evidence for the achievability of this treatment in stroke.

On March 31, 2010 the Company announced that it closed patient enrollment of the modified Phase IIb stroke trial on March 31st, 2010 and will analyze the data as they become available. Using a modified statistical approach the Company will analyze its trial data using the 96 patients that were enrolled.

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 program is completion of the phase IIb modified REGENESIS study. We had planned to recruit 128 patients (subsequently reduced to 96) and completed recruiting on March 31, 2010. A top-line read of the data is anticipated in Q2 2010.

Traumatic Brain Injury

Stem Cell Therapeutics 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, and 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. Lumila Belayev, was to compare two proliferative agents, hCG plus EPO versus prolactin plus EPO, in a rat animal model of TBI. Top-line analysis shows that both regimens work equally well to reverse the behavioral 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. We announced January 28th 2010 that we had received an NOL from Health Canada for the modified TBI clinical study, and expect to be enrolling patients H1 2010.

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. This work was presented at the major international meeting ECOTRIMS in September, 2009. We plan to begin a phase II proof of concept study in MS patients, funded by the Canadian Stem cell Consortium, beginning H2 2010.

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 86 pending patent applications, seven issued U.S. patents, four issued Australian patents, two issued in India and one issued Japanese patent. These make up 15 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 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”) which was completed on October 3, 2008. 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 and on the anniversary of closing in each of the following four years. 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.

Financial performance

The Company’s loss for the year ended December 31, 2009 decreased by \$902,624 to \$4,656,893 (\$0.03 per common share) from the loss of \$5,559,517 (\$0.05 per common share) reported for the year ended December 31, 2008. The primary reason for the decrease in loss was a decrease in general and administration expense, management and consulting fees, research and development expenses, professional fees and because there was no deemed interest paid in the year. The decrease in these expenses was partially offset by the recording of a foreign exchange loss, as well as a decrease in interest income and an increase in stock option expense. Discussion of these variations follows.

- The decrease in general and administrative expenses amounting to \$474,995 was primarily the result of a cost cutting initiative undertaken in 2009 to preserve cash resources in order to complete our clinical trial. These expenses totaled \$590,972 in 2009 compared to \$1,065,967 in 2008.
- Management and consulting fees in 2009 totaled \$328,070 compared to \$712,343 in 2008. The decrease of \$384,273 was the result of the cost cutting initiative of 2009 previously referred to.
- The decrease in research and development expenses was primarily due to the cost cutting initiative the Company made during the year. Additionally, licensing costs in 2008 were higher as a result of a milestone payment in that year. This was partially offset by an increase in NTx®-265 technology development expenses resulting in the commencement of the modified REGENESIS Phase Iib stroke trial in the second half of 2009. Research and development expenses amounted to \$2,364,038 compared to \$2,697,388 during 2008.
- Professional fees were reduced by \$228,042 to \$640,570 in 2009 as compared to \$868,612 in 2008. This reduction in 2009 is also the result of the Company’s cost cutting initiative.
- In 2009 there was no deemed interest expense (2008 - \$162,882) because the underlying obligation was paid in 2008.

- A foreign exchange loss of \$31,446 was recognized in 2009 compared to a gain of \$311,248 for 2008. This is due to the effect of a depreciation of the U.S. dollar on the cash balance in the U.S. bank account maintained by the Company during the current year.
- Interest income for 2009 resulted from interest paid on our cash and cash equivalents, and amounted to \$19,738 compared to \$233,223 for 2008. This decrease is due to lower balances and lower interest rates earned in 2009.
- The stock option expense increased to \$451,867 in 2009 from \$320,430 in 2008. This is the result of options issued in 2009.

In upcoming periods, the Company's losses are expected to increase, primarily because of increased clinical expenditures, as the Company continues the development of the NTx®-265 product through a Phase IIb clinical trial, and as a result of increased research and development expenditures on other products and programs of interest.

The Company has incurred significant operating losses since its inception and used \$925,205 and \$4,089,622 of net cash in operating activities of continuing operations for the three and twelve months ended December 31, 2009, respectively. 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.

Selected annual information

The following table is a summary of selected audited consolidated financial information of the Company for 2009 and 2008:

| | December 31, 2009 | December 31, 2008 |
|---|----------------------|----------------------|
| | \$ | \$ |
| Interest income | (19,738) | (233,223) |
| Net loss | 4,656,893 | 5,559,517 |
| Basic and diluted net loss per common share | 0.03 | 0.05 |
| Total assets | 5,909,169 | 8,248,255 |
| Total long-term liabilities | - | 3,192 |

Research and Development

The Company's research and development ("R&D") costs consist primarily of fees paid to external service providers. Our research and development expenses are expected to increase significantly over the next few years as our products advance through clinical trials. As a result of 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 fees are expensed and total \$10,318,348 since inception.

Research and development expenses decreased to \$2,364,038 for the fiscal year ended December 31, 2009 from \$2,697,388 for the fiscal year ended December 31, 2008. This decrease of \$333,350 was primarily due to the cost cutting initiative of 2009 that reduced R&D salaries, contracted research costs,

consulting fees and other costs. Finally the licencing costs in 2009 were reduced as a result of the timing of contracted payments.

The following is a breakdown of R&D costs:

| | Twelve Months Ended December 31, 2009 | Twelve Months Ended December 31, 2008 | Cumulative from Inception on March 31, 2004 to December 31, 2009 |
|---------------------------------------|--|--|--|
| | \$ | \$ | \$ |
| Clinical development | 1,551,998 | 1,184,183 | 4,187,976 |
| Preclinical development | 253,883 | 252,293 | 1,671,047 |
| Research | 98,000 | 168,000 | 1,011,174 |
| Salaries and bonuses | 310,572 | 391,079 | 1,437,774 |
| Consulting fees | 40,517 | 272,594 | 822,393 |
| Licensing cost | 54,800 | 239,640 | 639,087 |
| Other costs | 54,268 | 189,599 | 548,897 |
| Research and development costs | 2,364,038 | 2,697,388 | 10,318,348 |

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 \$3,361,002. Professional fees for the year ended December 31, 2009 decreased to \$640,570 from \$868,612 for the year ended December 31, 2008. This decrease of \$228,042 is due to less use of third party resources and delaying patent filing costs where possible. The following is an analysis of professional fees charges:

| | 2009 | 2008 | Cumulative since inception |
|------------------------------------|----------------|---------|----------------------------------|
| | \$ | \$ | \$ |
| Auditing and accounting fees | 47,483 | 88,995 | 402,063 |
| Legal fees – Intellectual property | 541,975 | 708,872 | 2,584,082 |
| Legal fees – Other | 51,112 | 70,745 | 374,857 |
| Total professional fees | 640,570 | 868,612 | 3,361,002 |

SCT's intellectual property estate continues to grow and mature; as such, there will be increasing expenses related to the filing, prosecution, and maintenance of the patents and patent applications that SCT currently has. For reference, upon SCT's formation and the purchase of Stem Cell Therapeutics Inc., the combined patent portfolio was 28 patent applications. As of the date of this report, the total patent portfolio consist of 86 pending patent applications, seven issued U.S. patents, four issued Australian patents, two issued Indian patents and one issued Japanese patent. These make up 15 patent families which have been filed in the U.S. and internationally. The Company's patent portfolio continues to grow as more applications enter national phase filing and additional new applications are filed.

Management and Consulting Fees

Management and consulting fees decreased to \$328,070 for the year ended December 31, 2009 from \$712,343 for the year ended December 31, 2008. This decrease of \$384,273 was due to a management-led initiative to cut costs and preserve capital for the resumption of the REGENESIS Phase IIb stroke trial.

General and Administration (G&A)

General and administrative expenses decreased to \$590,972 for the year ended December 31, 2009 from \$1,065,967 for the year ended December 31, 2008. This decrease of \$474,995 resulted from the cost cutting initiative implemented in 2009.

Stock options

Stock option expenses since inception total \$2,156,433. Stock option expenses increased to \$451,867 for the year ended December 31, 2009 from \$320,430 the year ended December 31, 2008. The increase was due to stock option grants made in 2009.

The following table shows the granted, exercised, forfeited and outstanding options under the Company's stock option plan as at April 13, 2010. All options have a five year expiry from the date of grant, and vest either immediately, over six months or over a three year period.

| Number of Options Granted | Number of Options Exercised | Number of Options Forfeited/Expired | Number of Options Outstanding |
|--|--|--|--|
| 20,050,000 | 1,030,000 | 5,007,500 | 14,012,500 |

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 December 31, 2008. As of that date, the total liability associated with this transaction is nil as the remaining liability balance has been paid.

The change in net intellectual property balance from the December 31, 2008 balance is limited to the effect of amortization calculated during 2009. The Company's review of the carrying value of the intellectual property as at December 31, 2009, determined no impairment write down being required.

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 86 pending patent applications, seven issued U.S. patents, four issued Australian patents, two Indian issued patents and one issued Japanese patent. These make up 15 patent families which have been filed in the U.S. and internationally.

Amortization

Total amortization charges since inception are \$1,453,080. Amortization charges for property and equipment decreased to \$26,540 from \$32,578 for the year ended December 31, 2008. This decrease of \$6,038 was due to property and equipment reaching the end of their useful life in 2008 and 2009. 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 increase slightly as there are plans to upgrade the computer system in 2010.

Amortization charges for intellectual property assets were essentially unchanged in 2009 at \$243,128 from \$243,788 in 2008. No intellectual property asset additions were made during 2009.

The Company anticipates that intellectual property assets amortization charges will remain within the same level during 2010 as there are no plans for major additions to existing intellectual property assets to be capitalized on the financial statements. 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 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 year ended December 31, 2009 was \$19,738 as compared to \$233,223 for the year ended December 31, 2008. The decrease of \$213,485 in interest income is the result of lower cash balances and lower interest rates in 2009. Since inception the total interest earned by the Company amounted to \$615,579.

Summary of Quarterly Results

| | As at, and for the three months ended | | | | | | | |
|--|---------------------------------------|-----------|-----------|-----------|-----------|-----------|------------|------------|
| | 2009 | | | | 2008 | | | |
| | December | September | June | March | December | September | June | March |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenue ¹ | 4,712 | 319 | 2,686 | 12,021 | (16,322) | 63,737 | 68,237 | 117,571 |
| Net loss Basic and diluted loss per common share | 1,287,693 | 1,495,524 | 989,236 | 884,759 | 1,232,781 | 1,434,711 | 1,537,839 | 1,354,186 |
| | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 |
| Total assets Unrestricted cash and cash equivalents | 5,909,169 | 5,006,767 | 5,839,464 | 7,235,834 | 8,248,255 | 9,468,938 | 10,616,754 | 11,994,405 |
| Total long- term obligations ² | - | - | - | 1,199 | 3,192 | 6,022 | 7,350 | 8,678 |

¹Interest income on cash balances

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

*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.

2009 Fourth Quarter Review

Statements of loss for the three-month periods ended December 31, 2009 and 2008 are as follows:

| | 2009 | 2008 |
|--|------------------|-----------|
| | \$ | \$ |
| OPERATING EXPENSES | | |
| Research and development costs | 657,607 | 535,018 |
| Professional fees | 155,547 | 356,241 |
| Management and consulting fees | 92,068 | 119,806 |
| General and administration | 195,428 | 241,950 |
| Stock option expense | 107,463 | 83,379 |
| Deemed interest expense on obligation under share purchase agreement | - | 1,763 |
| Amortization of property and equipment | 5,333 | 10,949 |
| Amortization of intellectual property | 60,782 | 61,452 |
| Foreign Exchange (Gain) | 18,177 | (194,099) |
| Total operating expenses | 1,292,405 | 1,216,459 |
| Interest income | (4,712) | 16,322 |
| Net loss for the period | 1,287,693 | 1,232,781 |

Results of Operations

For the three-month period ended December 31, 2009; the Company's net loss increased to \$1,287,693 compared to \$1,232,781 for the three-month period ended December 31, 2008. Clinical development activities increased in the fourth quarter of 2009 as a result of active recruiting in the modified REGENESIS Phase IIb stroke trial resulting in an increase in research and development costs. Stock option expense increased due to stock option grants issued in 2009. A foreign exchange loss resulted from the appreciation of the Canadian dollar negatively impacting the carrying value of the US\$ bank account maintained by the Company. Interest income also decreased as result of the Company maintaining lower cash balances as well as a decrease in interest rates in 2009. Offsetting the above, professional fees, management and consulting fees, general and administrative expenses were all reduced based on a management-led initiative to cut costs to preserve funds for the resumption of the modified REGENESIS Phase IIb trial. Further, the interest expense under the share purchase agreement was reduced to \$0 in the fourth quarter of 2009 as the final payment was made under the share purchase agreement to Transition on October 3, 2008.

Research and Development

The Company's research and development costs increased to \$657,608 for the three-month period ended December 31, 2009 compared to \$535,018 for the three-month period ended December 31, 2008. A breakdown of these costs is as follows:

| | 2009 | 2008 |
|---------------------------------------|----------------|----------------|
| | \$ | \$ |
| Clinical development | 581,607 | 88,933 |
| Preclinical development | 8,074 | 60,173 |
| Research | 4,200 | 42,000 |
| Salaries and bonuses | 79,529 | 77,553 |
| Consulting fees (recovery) | (27,370) | 29,562 |
| Licensing costs | - | 188,565 |
| Other costs | 11,568 | 48,232 |
| Research and development costs | 657,608 | 535,018 |

Preclinical costs in the fourth quarter of 2009 were more than the comparable fourth quarter of 2008 due to the ongoing costs associated with the enrollment of patients in the modified REGENESIS Phase IIb stroke trial. This was offset partially by the absence of any licensing costs in the fourth quarter of 2009 as compared to a milestone payment to StemCells Inc that was made in the fourth quarter of 2008.

Professional fees

Professional fees for the three-month period ended December 31, 2009 amounted to \$155,547 compared to \$356,421 for the three-month period ended December 31, 2008. This decrease was the result of the Company's cost cutting initiative in 2009. Analysis of these expenses is as follows:

| | 2009 | 2008 |
|------------------------------------|----------------|----------------|
| | \$ | \$ |
| Auditing and accounting fees | 16,315 | 57,867 |
| Legal fees – Intellectual property | 138,248 | 278,845 |
| Legal fees – Other | 984 | 19,529 |
| Total professional fees | 155,547 | 356,241 |

Management and Consulting Fees

Management and consulting fees for the three-month period ended December 31, 2009 amounted to \$92,068 compared to \$119,806 for the three-month period ended December 31, 2008. This decrease was the result of the Company's cost cutting initiative.

General and Administration (G&A)

General and administrative expenses amounted to \$195,428 for the three-month period ended December 31, 2009 compared to \$241,950 for the three-month period ended December 31, 2008. This decrease reflects a decrease in office operating costs in the three-month period ended December 31, 2009

compared to the three-month period ended December 31, 2008 as a result of the Company's cost cutting initiative.

Stock options

Stock option charges for the three-month period ended December 31, 2009 amounted to \$107,463 compared to \$83,379 for the three-month period ended December 31, 2008. This increase is due to the issuance of stock options in 2009.

Amortization

Amortization charges for property and equipment decreased to \$5,333 for the three-month period ended December 31, 2009 compared to \$10,949 for the three-month period ended December 31, 2008. This decrease was due to property and equipment reaching the end of their useful life ended in 2008 and 2009

Amortization charge for intellectual property assets was essentially unchanged at \$60,782 for the three-month period ended December 31, 2009 from \$61,452 for the three-month period ended December 31, 2008.

Interest income

Interest income for the three-month period ended December 31, 2009 was \$4,712 compared to a reversal of \$16,322 recorded for the three-month period ended December 31, 2008. The reversal in 2008 resulted from accrual corrections.

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 unrestricted cash and cash equivalents totaled \$4,505,571 at December 31, 2009. Currently management believes there are sufficient resources to complete the modified REGENESIS Phase IIb stroke trial.

As of December 31, 2009 the working capital (current assets minus current liabilities) of the Company was \$4,100,869 (\$5,803,377 as of December 31, 2008).

Outstanding securities as of December 31, 2009 totaled 152,905,004 common shares 34,070,983 common share purchase warrants and 14,012,500 common share options.

Outstanding securities as of April 13, 2010 are 153,005,004 common shares 33,970,983 common share purchase warrants and 14,012,500 common share options.

The Company has raised significant operating capital since its inception on March 31, 2004. On January 6, 2005 the Company closed its Initial Public Offering issuing 34,000,000 common shares at a price of \$0.25 per share which raised gross proceeds of \$8,500,000. On February 1, 2007 the Company closed a \$2.0 million private placement of 10 million units; each unit consisting of one common share of SCT and one-half of one common share purchase warrant. Each full warrant entitled the holder to purchase one additional common share of SCT for \$0.25 until February 1, 2009. On March 27, 2007 the Company

closed a second \$2.0 million private placement of 4 million units, each unit consisting of one common share of SCT and one-half of one common share purchase warrant. Each full warrant entitled the holder to purchase one additional common share of SCT for \$0.75 per share in the first year and \$1.00 per share until the end of the second year. On November 9, 2007, the Company closed a bought deal financing with a syndicate of underwriters. Gross proceeds of \$12.075 million were raised, which included the exercise in full of a 15% over-allotment option, resulting in 34,500,000 Units (the "Units") being sold to the public pursuant to a short form prospectus. The Units were sold to the public at a price of \$0.35 per Unit with each Unit consisting of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant is exercisable to acquire one additional common share of the Company at a price of \$0.50 per share for 30 months. In addition, the Company issued 1,725,000 Broker warrants entitling warrant holders to acquire one common share at a price of \$0.35 per share for a period of 30 months after the closing of the financing. The net proceeds to the Company from the sale of the Units were approximately \$10.9 million after deducting the underwriters' fee and the expenses of the offering. Pursuant to an early warrant exercise incentive program that closed on August 7, 2009, warrant holders exercised 1,878,000 warrants for the same number of common shares and provided the Company with \$300,480 in proceeds. Pursuant to a financing which closed on October 29, 2009, a total of \$2,186,941 gross proceeds were raised as consideration for the issuance of 18,224,507 units at a price of \$0.12. Each unit consisted of one common share of the Corporation and one common share purchase warrant. Each Warrant is exercisable to acquire one additional Common Share at a price of \$0.15 per share for 12 months from the closing date. A total commission of \$91,099 (8% of gross proceeds raised) was paid to J.F. Mackie & Company Ltd. ("the Agent") in connection with the brokered portion of the financing. Additionally, the Agent received 474,475 Broker Warrants. Each Broker Warrant is exercisable to acquire one Common Share at a price of \$0.12 per share for 12 months from the closing date. A total commission of \$74,736 was paid to registered dealers in connection with the non-brokered portion of the financing on the basis of 8% of gross proceeds by registered brokers.

As of April 13, 2010 the gross proceeds raised since inception by the Company totaled \$29,122,834. 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 TBI and MS, 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 in the current economic climate 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 and cash equivalent balances are currently invested in interest bearing Guaranteed Investment Certificates and non interest-bearing bank accounts.

Commitments and Contingencies

[a] Operating leases

The Company leased its office space under contract which covered a one year period effective from July 1, 2009. Annual costs under this contract were limited to an annual rent charge of \$55,400 and annual operating costs estimated to be \$66,979 with a total committed cost of \$122,379 for the term of the lease.

[b] Research contracts

The Company has an ongoing research contract with an Alberta-based university. In 2008, the monthly charges under this contract amounted to \$14,000. As part of the Company's cost cutting initiative, this contract was reduced to a monthly cost of \$7,000 in 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, paid annually.

[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\$50,000 in 2009 (versus US\$150,000 in 2008). 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.

Changes to Accounting Policies

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

Effective January 1, 2009, the Company adopted the following new accounting standards of The Canadian Institute of Chartered Accountants ("CICA"):

Handbook Section 3862, *Financial Instruments – Disclosures*, During 2009, CICA Handbook was amended to include enhanced disclosures about inputs to fair value measurement, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs, other than quoted prices in active markets, that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The amendments to section 3862 also clarify and enhance liquidity risk disclosures for financial and derivative financial liabilities and strengthen the relationship between qualitative and quantitative disclosures about liquidity risk. Section 3862 was adopted by the Company in the financial statements for the year ended December 31, 2009. The amendments are to be applied on a prospective basis, and comparative information was not required in the first year of adoption.

In January 2009, the Emerging Issues Committee (EIC) issued a new abstract, EIC-173: *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*. The EIC concluded that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and liabilities, including derivative financial instruments. There has been no impact on the financial statements from the adoption of this accounting policy.

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.

In 2010, the Company plans to continue 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. This phase has been completed.
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. The Company has identified the changes that will be required to adopt the new reporting guidelines and during 2010 will be testing the new accounting policies and systems.
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. In 2010 the Company will be preparing, but not reporting accounts consistent with IFRS in order to ensure the adequacy of the accounting policies and systems as well as to provide comparative balances when the IFRS compliant Financial Statements are reported in 2011.

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.

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 the Company's long-term potential will be dependent upon the successful development and commercialization of products and product candidates currently under development. The Company can make no assurance that these products and product candidates will be developed or that they will receive regulatory approval. New products and product candidates currently in the research and development stages are the highest risk stages for a company in the biotechnology industry.

SCT can make no assurance that its research and development programs will result in commercially viable products and product candidates. To achieve profitable operations, the Company, alone or with others, must successfully develop, launch and market its 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 its commitments to that program. SCT 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 were acquired through the Stem Cell Therapeutics Inc. purchase. 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.