



STEM CELL

THERAPEUTICS

Stem Cell Therapeutics Corp.

Management Discussion and Analysis
For the fiscal year ended March 31, 2010

Dated: May 19, 2010

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The following information should be read in conjunction with the Company's 2010 unaudited consolidated financial statements and notes thereto as at and for the three months ended March 31, 2009 and 2010 and should be read in conjunction with the audited financial statements and management's discussion and analysis for the year ended December 31, 2009 as outlined in the Fiscal 2009 Annual Report and annual information form. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

Where "we", "us", "our", "SCT", "Company" or the "Corporation" is used, it is referring to Stem Cell Therapeutics Corp. and its wholly owned subsidiary Stem Cell Therapeutics Inc. unless otherwise indicated.

All amounts are in Canadian dollars, unless otherwise indicated.

Additional information relating to the Company including the Company's Annual Information Form can be found on SEDAR at www.sedar.com.

Certain information contained in this report constitutes forward-looking statements. These statements relate to future events or to our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements.

This management's discussion and analysis ("MD&A") has been prepared in accordance with the guidelines of National instrument 51-102 and covers the period from January 1, 2010 to May 19, 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 was being conducted at clinical sites in India, Canada and the United States. On August 11, 2009, the Company announced the enrollment of its first patient in the modified REGENESIS Phase IIb stroke trial. The company subsequently announced receiving the go-ahead from three successful Data Safety Monitoring Board meetings (November 20th, 2009, January 11th, 2010 and February 9th, 2010).

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. 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 May 25, 2010.

Operating Highlights for the period January 1, 2010 to May 19, 2010

- Completed enrollment in modified REGENESIS Phase IIb acute ischemic stroke study; Q1 10

Remaining Objectives for 2010

- Report Top-line REGENESIS Phase IIb data; May 25, 2010
- 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 traumatic brain injury (“TBI”) clinical study; H2 10
- Initiate MS clinical Proof-of-Concept study; H2 10

Operating Results for the period January 1, 2010 to May 19, 2010

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.”

Several presentations were 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, presented the modified REGENESIS Phase IIb protocol and study design on Wednesday February 24th, 2010.

Additionally, Dr. Ludmila Belayev of the Louisiana State University Health Sciences Center in New Orleans, LA, presented 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, 2010 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 8th, 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 please 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.

On April 16, 2010 SCT announced the receipt of approval from the TSX Venture Exchange (“TSX-V”) to extend the expiry date of the \$0.50 warrants issued in conjunction with a financing dated November 9, 2007 from May 9, 2010 to June 30, 2010.

On April 26, 2010 SCT announced that the 90- day follow up period for the last patient enrolled in the modified REGENESIS- Phase IIb stroke trial was reached. The modified REGENESIS- Phase IIb trial, a placebo controlled, double blinded, 3:1 randomized clinical study, enrolled 96 patients with acute ischemic stroke between August 2009 and January 24, 2010. This point in the trial was a major milestone, as it marked the completion of the patient assessment period and the beginning of the process of compilation, data analysis and reporting of top-line primary endpoint results for this key Phase IIb clinical trial of NTx®-265 in acute stroke.

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 vision or 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 on May 25, 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. 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 H2 2010.

Multiple Sclerosis

SCT has substantial intellectual property relating to the use of neurogenic agents for treating demyelinating diseases such as multiple sclerosis. Previous scientific investigations have characterized two potentially important therapeutic effects of prolactin on the CNS. In these published studies prolactin has been shown to act as both a neurogenic agent to increase the number of progenitor cells that mature into oligodendrocytes and as an agent that promotes remyelination of the brain in the presence of disease conditions.

SCT was 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, 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 evolve into a clinical program to demonstrate efficacy in patients diagnosed with multiple sclerosis. This work was presented at the major international meeting ECTRIMS 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, eight 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 three month period ended March 31, 2010 increased by \$406,777 to \$1,291,536 (\$0.01 per common share) from the loss of \$884,759 (\$0.01 per common share) reported for the three month period ended March 31, 2009. The primary reason for the increase in loss was an increase in research and development expenses, an increase in the stock option expense and an increase in general administration expenses and professional fees. The increase in the current period's loss was also due to the recording of a foreign exchange loss as compared to an exchange gain recorded in the first quarter of 2009.

Detailed analysis follows:

Research and Development

The Company's research and development 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. At this time we are unable to precisely estimate the specific timing and future costs of our research and development programs.

All research and development costs are expensed, and total \$10,859,975 since inception.

The increase in research and development costs amounting to \$119,346 was primarily due to the continuation of the modified Phase IIb stroke trial. These expenses totaled \$541,627 in 2010 compared to \$422,281 in 2009.

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

	For the three month period ended March 31, 2010	For the three month period ended March 31, 2009	Cumulative from Inception on March 31, 2004 to March 31, 2010
	\$	\$	\$
Clinical development	383,338	40,918	4,571,314
Preclinical development	-	253,052	1,671,047
Research	21,000	14,000	1,032,174
Salaries and bonuses	88,309	64,375	1,526,083
Consulting fees	20,953	40,481	843,346
Licensing cost	-	-	639,087
Other costs	28,027	9,455	576,924
Total research and development costs	541,627	422,281	10,859,975

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

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 \$3,593,616. Professional fees increased by \$61,073 to \$232,613 in 2010 as compared to \$171,540 in 2009. The increase is due to additional fees incurred securing patent protection for our intellectual property.

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

	For the three month period ended March 31, 2010	For the three month period ended March 31, 2009	Cumulative from inception on March 31, 2004 to March 31, 2010
	\$	\$	\$
Auditing and accounting fees	12,500	-	414,563
Legal fees – Intellectual property	211,589	156,242	2,795,672
Legal fees – Other	8,524	15,297	383,381
Total professional fees	232,613	171,540	3,593,616

Management and Consulting Fees

Management and consulting fees increased to \$80,786 for the three months ended March 31, 2010 from \$76,583 for the three months ended March 31, 2009. This represents an increase of \$4,203 in the current period.

General and Administration

General and administrative expenses in 2010 totaled \$180,529 compared to \$112,488 in 2009. The increase of \$68,041 was the result of an increased level of activity in the quarter.

Stock-based Compensation

Stock-based Compensation since inception total \$2,338,373. Charges for the three months ended March 31, 2010 increased to \$181,940 from \$88,137 for the three months ended March 31, 2009. The increase is due to the timing of stock options granted during 2009.

The following table shows the granted, exercised, forfeited and outstanding options under the Company's stock option plan as at May 19, 2010. All options have a five year expiry from the date of grant and either vest immediately or six months or three years after the grant date.

Number of Options Granted	Number of Options Exercised	Number of Options Forfeited	Number of Options Outstanding
20,050,000	1,030,000	5,807,500	13,212,500

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 change in net intellectual property balance from December 31, 2009 is limited to the effect of

amortization calculated during the three months ended March 31, 2010.

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, eight 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.

Amortization

Amortization charges for property and equipment decreased to \$4,663 for the three months ended March 31, 2010 from \$7,255 for the three months ended March 31, 2009. This decrease of \$2,592 is due to computer equipment being fully amortized in 2009. All amortization was calculated on a straight line basis over the estimated useful lives of the assets.

Amortization charges for intellectual property assets remained constant (\$60,782 for the three month period ended March 31, 2010 and 2009). No intellectual property asset additions were made during three month period ended March 31, 2009.

The Company anticipates that intellectual property assets amortization charges will remain within the same level during 2009 as there are no plans for major additions to existing intellectual property assets to be capitalized. All amortization was calculated on a straight-line basis over the estimated useful lives of the assets.

Revenue

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

Interest income for the three month period ended March 31, 2010 is \$675 as compared to \$12,021 for the three month period ended March 31, 2009. This decrease of \$11,346 in interest income primarily resulted from lower cash balances throughout the three month period ended March 31, 2010 as well as lower interest rates earned on the Company's cash balances during the current period. Since inception the total interest earned by the Company amounted to \$616,254.

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 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 \$1,171,304 of net cash in operating activities of continuing operations for the three month period ending March 31, 2010. 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.

Summary of Quarterly Results

	As at, and for the three months ended								
	March 2010 \$	2009				2008			
		December \$	September \$	June \$	March \$	December \$	September \$	June \$	
Revenue ¹	675	4,712	319	2,686	12,021	(16,322)	63,737	68,237	
Net loss	1,291,536	1,287,693	1,495,524	989,236	884,759	1,232,781	1,434,711	1,537,839	
Basic and diluted loss per common share	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	
Total assets	4,599,650	5,909,169	5,006,767	5,839,464	7,235,834	8,248,255	9,468,938	10,616,754	
Unrestricted cash and cash equivalents	3,338,527	4,505,571	3,517,483	4,267,042	5,456,232	6,400,486	7,311,748	8,394,583	
Total long-term obligations ²	-	-	-	-	1,199	3,192	6,022	7,350	

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.

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 \$3,338,527 at March 31, 2010. Currently management believes there are sufficient resources to complete the modified REGENESIS Phase IIb stroke trial.

As of March 31, 2010 the working capital (current assets minus current liabilities) of the Company was \$3,071,718 (\$4,100,869 as of December 31, 2009).

Outstanding securities as of March 31, 2010 totaled 153,005,004 common shares 33,970,983 common share purchase warrants and 13,212,500 common share options.

Outstanding securities as of May 19, 2010 are 155,521,671 common shares 31,454,316 common share purchase warrants and 13,212,500 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% overallotment 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 24 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 May 19, 2010 the gross proceeds raised since inception by the Company totaled \$29,515,334. These capital resources have provided the means to advance our lead product NTx®-265 through the Phase IIa clinical trial final reporting period and 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. The monthly charges under this contract amount to \$7,000.

Expected future costs under a cross licensing agreement that the Company entered into in 2006 include an ongoing annual license maintenance fee of US \$50,000, 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 is obligated to make future payments of (a) US\$500,000 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 payable upon its commercialization.

Changes to Accounting Policies

These consolidated financial statements have been prepared using the accounting policies described in the 2009 audited consolidated financial statements. There have been no changes to accounting policies

Recent accounting pronouncements

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.

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 GAAP 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.