BIOTIME INC
Form 10-Q
November 08, 2011

FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2011

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __ to

Commission file number 1-12830

BioTime, Inc.
(Exact name of registrant as specified in its charter)

California	94-3127919
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

1301 Harbor Bay Parkway, Suite 100
Alameda, California 94502
(Address of principal executive offices)

(510) 521-3390
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	o	Accelerated filer	x
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company	o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). o Yes x No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 50,247,744 common shares, no par value, as of October 31, 2011.

PART 1--FINANCIAL INFORMATION

Statements made in this Report that are not historical facts may constitute forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those discussed. Such risks and uncertainties include but are not limited to those discussed in this report under Item 1 of the Notes to Financial Statements, and in BioTime's Annual Report on Form 10-K filed with the Securities and Exchange Commission. Words such as "expects," "may," "will," "anticipates," "intends," "plans," "believes," "seeks," "estimates," and similar e identify forward-looking statements.

Item 1. Financial Statements

BIOTIME, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS	September 30, 2011 (unaudited)	December 31, 2010
CURRENT ASSETS:		
Cash and cash equivalents	$ 26,230,298	$ 33,324,924
Inventory	61,115	45,470
Prepaid expenses and other current assets	2,263,782	2,202,284
Total current assets	28,555,195	35,572,678
Equipment, net	1,291,368	710,766
Deferred license and consulting fees	887,599	1,550,410
Deposits	65,263	51,900
Intangible assets, net	20,076,306	15,386,905
TOTAL ASSETS	$ 50,875,731	$ 53,272,659
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 2,251,179	$ 1,929,874
Deferred grant income	271,247	261,777
Deferred license revenue, current portion	199,860	288,306
Total current liabilities	2,722,286	2,479,957
Commitments and contingencies		
LONG-TERM LIABILITIES:		
Deferred license revenue, net of current portion	936,019	1,048,757
Deferred rent, net of current portion	27,972	—
Other long term liabilities	272,720	318,288
Total long-term liabilities	1,236,711	1,367,045
EQUITY:		
Preferred shares, no par value, authorized 1,000,000 shares; none issued	—	—
Common shares, no par value, authorized 75,000,000 shares; 50,238,409 and 47,777,701 issued, and 48,952,235 and 47,777,701 outstanding at September 30, 2011 and December 31, 2010, respectively	114,739,837	101,135,428
Contributed capital	93,972	93,972
Accumulated other comprehensive (loss)/income	(99,488)	897,338
Accumulated deficit	(75,109,358)	(63,954,509)

Treasury stock at cost: 1,286,174 and nil shares at September 30, 2011 and December 31, 2010, respectively	(6,000,000)	—
Total shareholders' equity	33,624,963	38,172,229
Noncontrolling interest	13,291,771	11,253,428
Total equity	46,916,734	49,425,657
TOTAL LIABILITIES AND EQUITY	$ 50,875,731	$ 53,272,659

See accompanying notes to the condensed consolidated interim financial statements.

BIOTIME, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
REVENUES:				
License fees	$ 54,900	$ 73,255	$ 201,589	$ 204,439
Royalties from product sales	176,009	215,094	569,206	727,388
Grant income	746,426	418,412	1,605,612	1,208,602
Sale of research products	165,719	108,523	347,224	120,946
Total revenues	1,143,054	815,284	2,723,631	2,261,375
EXPENSES:				
Research and development	(3,445,708)	(1,808,357)	(9,572,436)	(4,397,109)
General and administrative	(1,929,711)	(1,464,631)	(6,377,390)	(3,961,375)
Total expenses	(5,375,419)	(3,272,988)	(15,949,826)	(8,358,484)
Loss from operations	(4,232,365)	(2,457,704)	(13,226,195)	(6,097,109)
OTHER INCOME/(EXPENSES):				
Interest income/(expense), net	2,911	(127)	19,705	(285)
Gain/(loss) on sale of fixed assets	(6,246)	950	(6,246)	950
Modification cost of warrants	—	(2,142,201)	—	(2,142,201)
Other income/(expense), net	(919)	(202,224)	223,944	(225,868)
Total other income/(expenses), net	$ (4,254)	$ (2,343,602)	$ 237,403	$ (2,367,404)
NET LOSS	(4,236,619)	(4,801,306)	(12,998,792)	(8,464,513)
Less: Net loss attributable to the noncontrolling interest	498,993	130,144	1,833,943	249,417
NET LOSS ATTRIBUTABLE TO BIOTIME, INC.	$ (3,737,626)	$ (4,671,162)	$ (11,154,849)	$ (8,215,096)
Foreign currency translation gain/(loss)	696,661	3,548	(901,881)	(2,363)
COMPREHENSIVE NET LOSS	$ (3,040,965)	$ (4,667,614)	$ (12,056,730)	$ (8,217,459)
BASIC AND DILUTED LOSS PER COMMON SHARE	$ (0.08)	$ (0.11)	$ (0.23)	$ (0.22)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING: BASIC AND DILUTED	49,330,358	42,653,125	48,827,928	38,010,958

See accompanying notes to the condensed consolidated interim financial statements.

BIOTIME, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended	
	September 30, 2011	September 30, 2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss attributable to BioTime, Inc.	$ (11,154,849)	$ (8,215,096)
Adjustments to reconcile net loss attributable to BioTime, Inc. to net cash used in operating activities:		
Depreciation expense	260,646	63,893
Amortization of intangible asset	1,626,476	320,833
Amortization of deferred license revenues	(162,943)	(301,462)
Amortization of deferred consulting fees	582,186	326,150
Amortization of deferred license fees	82,125	—
Amortization of deferred rent	32,403	(5,681)
Stock-based compensation	828,395	429,435
Options issued as independent director compensation	427,516	313,328
Write off of expired inventory	1,510	—
Loss on write-off of fixed assets	6,502	—
Modification cost of warrants	—	2,142,201
Share in net loss from associate	—	255,054
Net loss allocable to noncontrolling interest	(1,833,943)	(249,417)
Changes in operating assets and liabilities:		
Accounts receivable, net	(25,272)	(23,489)
Grant receivable	261,777	—
Inventory	21,154	(11,094)
Prepaid expenses and other current assets	(325,956)	17,625
Accounts payable and accrued liabilities	(581,072)	(55,561)
Other long term liabilities	(31,741)	—
Deferred revenues	(23,092)	37,500
Deferred grant income	9,878	—
Net cash used in operating activities	(9,998,300)	(4,955,781)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(780,524)	(166,447)
Loan to nonconsolidated company	—	(250,000)
Payment of license fee	(1,500)	(215,000)
Cash acquired as part of asset purchase, net of cash paid	3,150	—
Cash acquired in connection with merger	5,908	—
Cash paid in connection with acquisition	—	(80,000)
Security deposit received	250	3,997
Net cash used in investing activities	(772,716)	(707,450)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the exercise of stock options from employees	106,153	106,640
Proceeds from the exercise of stock options from directors	112,328	19,672
Proceeds from the exercise of stock options from outside consultant	4,700	417,350

Proceeds from the exercise of warrants	425,000	18,129,530
Proceeds from the sale of common shares of subsidiary	3,213,500	—
Net cash provided by financing activities	3,861,681	18,673,192
Effect of exchange rate changes on cash and cash equivalents	(185,291)	(9,299)
NET CHANGE IN CASH AND CASH EQUIVALENTS:	(7,094,626)	13,000,662
Cash and cash equivalents at beginning of period	33,324,924	12,420,932
Cash and cash equivalents at end of period	$ 26,230,298	$ 25,421,594
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	$ 1,073	$ 264
SUPPLEMENTAL SCHEDULE OF NON-CASH FINANCING AND INVESTING ACTIVITIES:		
Common shares issued in connection with investment in subsidiary	$ 6,000,000	$ —
Common shares issued in connection with the purchase of assets	$ 2,300,000	$ —
Common shares issued as part of merger	$ 2,600,000	$ —
Common shares issued as part of acquisition	$ —	$ 11,011,864
Warrants issued as part of merger	$ 954,879	$ —
Warrants issued as part of acquisition	$ —	$ 1,778,727
Warrants issued for service	$ —	$ 1,846,948

See accompanying notes to the condensed consolidated interim financial statements.

BIOTIME, INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

1. Organization, Basis of Presentation, and Summary of Select Significant Accounting Policies

General– - BioTime is a biotechnology company engaged in two areas of biomedical research and product development. BioTime has historically developed blood plasma volume expanders and related technology for use in surgery, emergency trauma treatment and other applications. BioTime's primary focus is in the field of regenerative medicine; specifically human embryonic stem ("hES") cell and induced pluripotent stem ("iPS") cell technology. Regenerative medicine refers to therapies based on stem cell technology that are designed to rebuild cell and tissue function lost due to degenerative disease or injury. hES and iPS cells provide a means of manufacturing every cell type in the human body and therefore show considerable promise for the development of a number of new therapeutic products. BioTime plans to develop stem cell products for research and therapeutic use through its subsidiaries. OncoCyte Corporation ("OncoCyte") is developing products and technologies to diagnose and treat cancer. ES Cell International Pte. Ltd. ("ESI"), a Singapore private limited company, develops and sells hES products for research use. BioTime Asia, Limited ("BioTime Asia"), a Hong Kong company, sells products for research use and may develop therapies to treat cancer, neurological, and orthopedic diseases. OrthoCyte Corporation ("OrthoCyte") is developing therapies to treat orthopedic disorders, diseases and injuries. ReCyte Therapeutics, Inc., formerly known as Embryome Sciences, Inc. ("ReCyte Therapeutics"), is developing therapies to treat vascular and blood diseases and disorders . Cell Cure Neurosciences Ltd. ("Cell Cure Neurosciences"), is an Israel-based biotechnology company focused on developing stem cell-based therapies for retinal and neurological disorders, including the development of retinal pigment epithelial cells for the treatment of macular degeneration, and treatments for multiple sclerosis. LifeMap Sciences, Inc. ("LifeMap") is advancing the development and commercialization of BioTime's embryonic stem cell database and plans to make the database available for use by stem cell researchers at pharmaceutical and biotechnology companies and other institutions through paid subscriptions or on a fee per use basis.

BioTime is focusing a portion of its efforts in the field of regenerative medicine on the development and sale of advanced human stem cell products and technology that can be used by researchers at universities and other institutions, at companies in the bioscience and biopharmaceutical industries, and at other companies that provide research products to companies in those industries. Products for the research market generally can be sold without regulatory (FDA) approval, and are therefore relatively near-term business opportunities when compared to therapeutic products.

BioTime's operating revenues have been derived almost exclusively from royalties and licensing fees related to the sale of its plasma volume expander product, Hextend.® BioTime began to make its first stem cell research products available during 2008, but has not yet generated significant revenues from the sale of those products. BioTime's ability to generate substantial operating revenue in the near term depends upon its success in developing and marketing or licensing its plasma volume expanders and stem cell products and technology for medical and research use. On April 29, 2009, the California Institute of Regenerative Medicine ("CIRM") awarded BioTime a $4,721,706 grant for a stem cell research project related to its ACTCellerate™ technology. The CIRM grant covers the period of September 1, 2009 through August 31, 2012 and is paid in quarterly installments. During the quarter ended September 30, 2011, BioTime received a quarterly payment of $392,666. Grant revenues for the three months ended September 30, 2011 also includes $22,409 and $331,351 from other grants received by OrthoCyte and Cell Cure Neurosciences. During 2010, BioTime also received $476,724 of a $733,438 grant awarded under the U.S. Government's Qualifying Therapeutic Discovery Project ("QTDP"). BioTime received the remaining QTDP award in the amount of $256,714 during the six months ended June 30, 2011. The entire award from QTDP was recognized as revenues in 2010.

The unaudited condensed consolidated interim balance sheet as of September 30, 2011, the unaudited condensed consolidated interim statements of operations and comprehensive loss for the three and nine months ended September 30, 2011 and 2010, and the unaudited condensed consolidated interim statements of cash flows for the nine months ended September 30, 2011 and 2010 have been prepared by BioTime’s management in accordance with the instructions from the Form 10-Q and Regulation S-X. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the financial position, results of operations, and cash flows at September 30, 2011 have been made. The condensed consolidated balance sheet as of December 31, 2010 is derived from BioTime's annual audited financial statements as of that date. The results of operations for the nine months ended September 30, 2011 are not necessarily indicative of the operating results anticipated for the full year of 2011.

Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted as permitted by regulations of the Securities and Exchange Commission ("SEC") except for the condensed consolidated balance sheet as of December 31, 2010, which was derived from audited financial statements. Certain previously furnished amounts have been reclassified to conform with presentations made during the current periods. It is suggested that these condensed consolidated interim financial statements be read in conjunction with the annual audited condensed consolidated financial statements and notes thereto included in BioTime's Form 10-K for the year ended December 31, 2010.

Principles of consolidation – BioTime's condensed consolidated financial statements include the accounts of its subsidiaries. The following table reflects BioTime's ownership at September 30, 2011 of the outstanding shares of its subsidiaries.

Subsidiary	BioTime Ownership	Country
ReCyte Therapeutics, Inc. (formerly Embryome Sciences, Inc.)	95.15%	USA
OncoCyte Corporation	75%	USA
OrthoCyte Corporation	100%	USA
ES Cell International Pte., Ltd.	100%	Singapore
BioTime Asia, Limited	81%	Hong Kong
Cell Cure Neurosciences, Ltd.	53.6%	Israel
LifeMap Sciences, Inc.	100%	USA
LifeMap Sciences, Ltd.	100% (1)	Israel

(1) LifeMap Sciences, Ltd. is a wholly-owned subsidiary of LifeMap Sciences, Inc

All material intercompany accounts and transactions have been eliminated in consolidation. As of September 30, 2011 and as of December 31, 2010, we consolidated OncoCyte, OrthoCyte, ReCyte Therapeutics, ESI, Cell Cure Neurosciences, BioTime Asia and LifeMap Sciences as BioTime has the ability to control their operating and financial decisions and policies through its ownership, and BioTime reflects the noncontrolling interest as a separate element of equity on its condensed consolidated balance sheet.

Certain significant risks and uncertainties - BioTime's operations are subject to a number of factors that can affect its operating results and financial condition. Such factors include but are not limited to, the following: the results of clinical trials of pharmaceutical products; the ability to obtain United States Food and Drug Administration and foreign regulatory approval to market its pharmaceutical products; the ability to develop new stem cell research products and technologies; competition from products manufactured and sold or being developed by other companies; the price and demand for products; the ability to obtain additional financing and the terms of any such financing that may be obtained; BioTime's ability to negotiate favorable licensing or other manufacturing and marketing agreements for its products; the availability of ingredients used in products; and the availability of reimbursement for the cost of pharmaceutical products (and related treatment) from government health administration authorities, private health coverage insurers, and other organizations.

Use of estimates – The preparation of condensed consolidated interim financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated interim financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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Revenue recognition – BioTime complies with SEC Staff Accounting Bulletin guidance on revenue recognition. Royalty and license fee revenues consist of product royalty payments and fees under license agreements and are recognized when earned and reasonably estimable. BioTime recognizes revenue in the quarter in which the royalty reports are received, rather than the quarter in which the sales took place. When BioTime is entitled to receive up-front nonrefundable licensing or similar fees pursuant to agreements under which BioTime has no continuing performance obligations, the fees are recognized as revenues when collection is reasonably assured. When BioTime receives up-front nonrefundable licensing or similar fees pursuant to agreements under which BioTime does have continuing performance obligations, the fees are deferred and amortized ratably over the performance period. If the performance period cannot be reasonably estimated, BioTime amortizes nonrefundable fees over the life of the contract until such time that the performance period can be more reasonably estimated. Milestone payments, if any, related to scientific or technical achievements are recognized in income when the milestone is accomplished if (a) substantive effort was required to achieve the milestone, (b) the amount of the milestone payment appears reasonably commensurate with the effort expended, and (c) collection of the payment is reasonably assured. Grant income and the sale of research products are recognized as revenue when earned. Revenues from the sale of research products are primarily derived from the sale of hydrogels and stem cell products.

Cash and cash equivalents – BioTime considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Accounts receivable and allowance for doubtful accounts - Trade accounts receivable and grants receivable are presented in the prepaid expenses and other current assets line item of the condensed consolidated balance sheet. Total trade receivables amounted to $250,300 and $125,000 and grants receivable amounted to $272,420 and $543,000 as of September 30, 2011 and December 31, 2010, respectively. These amounts are deemed fully collectible; as such BioTime did not recognize any allowance for doubtful accounts as of September 30, 2011 and December 31, 2010. BioTime evaluates the collectability of its receivables based on a variety of factors, including the length of time receivables are past due and significant one-time events and historical experience. An additional reserve for individual accounts will be recorded if BioTime becomes aware of a customer's inability to meet its financial obligations, such as in the case of bankruptcy filings or deterioration in the customer's operating results or financial position. If circumstances related to customers change, estimates of the recoverability of receivables would be further adjusted.

Concentrations of credit risk – Financial instruments that potentially subject BioTime to significant concentrations of credit risk consist primarily of cash and cash equivalents. BioTime limits the amount of credit exposure of cash balances by maintaining its accounts in high credit quality financial institutions. Cash equivalent deposits with financial institutions may occasionally exceed the limits of insurance on bank deposits; however, BioTime has not experienced any losses on such accounts.

Equipment – Equipment is stated at cost. Equipment is being depreciated using the straight-line method over a period of 36 to 84 months.

Inventory – Inventories are stated at the lower of cost or market. Cost, which includes amounts related to materials, labor, and overhead, is determined in a manner which approximates the first-in, first-out ("FIFO") method.

Treasury stock – BioTime accounts for BioTime common shares issued to subsidiaries for future potential working capital needs as treasury stock on the consolidated balance sheet. BioTime has the intent and ability to register any unregistered shares to support the marketability of the shares.

Patent costs – Costs associated with obtaining patents on products or technology developed are expensed as general and administrative expenses when incurred. This accounting is in compliance with guidance promulgated by the Financial Accounting Standards Board (the "FASB") regarding goodwill and other intangible assets.

Research and development – BioTime complies with FASB requirements governing accounting for research and development costs. Research and development costs are expensed when incurred, and consist principally of salaries, payroll taxes, consulting fees, research and laboratory fees, and license fees paid to acquire patents or licenses to use patents and other technology from third parties.

Foreign currency translation gain/(loss) and Comprehensive loss - In countries in which BioTime operates, and the functional currency is other than the U.S. dollar, assets and liabilities are translated using published exchange rates in effect at the condensed consolidated balance sheet date. Revenues and expenses and cash flows are translated using an approximate weighted average exchange rate for the period. Resulting translation adjustments are recorded as a component of accumulated other comprehensive income on the condensed consolidated balance sheet. For the nine months ended September 30, 2011 and 2010, comprehensive loss includes loss of $901,881 and $2,363, respectively which is entirely from foreign currency translation.

Income taxes – BioTime accounts for income taxes in accordance with the accounting principles generally accepted in the United States of America ("GAAP") requirements, which prescribe the use of the asset and liability method, whereby deferred tax asset or liability account balances are calculated at the balance sheet date using current tax laws and rates in effect. Valuation allowances are established when necessary to reduce deferred tax assets when it is more likely than not that a portion or all of the deferred tax assets will not be realized. Effective January 1, 2007, BioTime adopted the provisions of a FASB Interpretation on accounting for uncertainty in income taxes. The FASB guidance also prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not sustainable upon examination by taxing authorities. BioTime recognizes accrued interest and penalties related to unrecognized tax benefits as income tax expense. No amounts were accrued for the payment of interest and penalties as of September 30, 2011 and December 31, 2010. Management is currently unaware of any tax issues under review

Stock-based compensation – BioTime adopted accounting standards governing share-based payments, which require the measurement and recognition of compensation expense for all share-based payment awards made to directors and employees, including employee stock options, based on estimated fair values. In March 2005, the SEC issued additional guidelines which provide supplemental implementation guidance for valuation of share-based payments. BioTime has applied the provisions of this guidance in such valuations as well. Consistent with those guidelines, BioTime utilizes the Black-Scholes Merton option pricing model. BioTime's determination of fair value of share-based payment awards on the date of grant using that option-pricing model is affected by BioTime's stock price as well as by assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, BioTime's expected stock price volatility over the term of the awards, and the actual and projected employee stock option exercise behaviors. The expected term of options granted is derived from historical data on employee exercises and post-vesting employment termination behavior. The risk-free rate is based on the United States Treasury rates in effect during the corresponding period of grant. Although the fair value of employee stock options is determined in accordance with recent FASB guidance, changes in the subjective assumptions can materially affect the estimated value. In management's opinion, the existing valuation models, including Black-Scholes Merton, may not provide an accurate measure of the fair value of BioTime's employee stock options because the option-pricing model value may not be indicative of the fair value that would be established in a willing buyer/willing seller market transaction.

Impairment of long-lived assets – BioTime's long-lived assets, including intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. If an impairment indicator is present, BioTime evaluates recoverability by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the assets. If the assets are impaired, the impairment recognized is measured by the amount by which the carrying amount exceeds the estimated fair value of the assets.

Deferred license and consulting fees – Deferred license and consulting fees consist of the value of warrants issued to third parties for services and to the minority shareholder in BioTime Asia for consulting services, and deferred license fees paid to acquire rights to use the proprietary technologies of third parties. The value of the warrants is being amortized over the period the services are being provided, and the license fees are being amortized over the estimated useful lives of the licensed technologies or licensed research products. See Note 6.

Loss per share – Basic net loss per share is computed by dividing net loss available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted net loss per share reflects the weighted-average number of common shares outstanding plus the potential effect of dilutive securities or contracts which are convertible to common shares, such as options and warrants (using the treasury stock method) and shares issuable in future periods, except in cases where the effect would be anti-dilutive. Diluted loss per share for the three

and nine months ended September 30, 2011 and 2010 excludes any effect from 3,119,647 options and 636,613 warrants, and 3,542,000 options and 3,440,832 warrants, respectively, as the inclusion of those options and warrants would be antidilutive.

Fair value of financial instruments – The fair value of BioTime's assets and liabilities, which qualify as financial instruments under FASB guidance regarding disclosures about fair value of financial instruments, approximate the carrying amounts presented in the accompanying condensed consolidated balance sheets.

Effect of recently issued and recently adopted accounting pronouncements – In April 2010, the FASB issued an Accounting Standards Update ("ASU") which provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for research or development transactions. Research or development arrangements frequently include payment provisions whereby a portion or all of the consideration is contingent upon milestone events such as successful completion of phases in a study or achieving a specific result from the research or development efforts. The amendments in this standard provide guidance on the criteria that should be met for determining whether the milestone method of revenue recognition is appropriate. This standard is effective for fiscal years and interim periods within those years beginning on or after June 15, 2010, with early adoption permitted. This standard became effective for BioTime on January 1, 2011. The adoption of these provisions did not have a material impact on BioTime's condensed consolidated financial statements.

In December 2010, the FASB issued ASU 2010-29, Business Combinations — Disclosure of Supplementary Pro Forma Information for Business Combinations , ("ASU 2010-29"), that amends ASC Subtopic 805-50, Business Combinations — Disclosures , and requires public entities that are required to present comparative financial statements to disclose revenue and earnings of the combined entity as though the business combination that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendment also requires public entities to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. BioTime adopted the provisions of ASU 2010-29. The adoption of these provisions did not have a material impact on BioTime's condensed consolidated financial statements.

In June 2011, the FASB issued ASU No. 2011-05, Comprehensive Income (ASC Topic 220): Presentation of Comprehensive Income, ("ASU 2011-05") which amends current comprehensive income guidance. This accounting update eliminates the option to present the components of other comprehensive income as part of the statement of shareholders' equity. Instead, BioTime must report comprehensive income in either a single continuous statement of comprehensive income which contains two sections, net income and other comprehensive income, or in two separate but consecutive statements. ASU 2011-05 will be effective for public companies during the interim and annual periods beginning after December 15, 2011 with early adoption permitted. BioTime does not believe that the adoption of ASU 2011-05 will have a material impact on its consolidated results of operation and financial condition.

2. Inventory

At September 30, 2011, BioTime, held $46,870 of inventory of finished products on-site at its corporate headquarters in Alameda, California. At that same date $14,245 of inventory of finished products was held by a third party on consignment. At December 31, 2010, ReCyte Therapeutics, in which BioTime owns approximately a 95% interest, held $29,600 of inventory of finished products at its corporate headquarters and $15,870 of inventory of finished products was held by a third party on consignment. The inventory held by ReCyte Therapeutics was transferred to BioTime in connection with the change in focus of the subsidiary's business from the production and sale of products for the research market to the development of therapeutic products to treat vascular and blood disease and disorders.

3. Equipment

At September 30, 2011 and December 31, 2010, equipment, furniture and fixtures were comprised of the following:

	September 30, 2011 (unaudited)	December 31, 2010
Equipment, furniture and fixtures	$ 1,729,056	$ 876,708
Accumulated depreciation	(437,688)	(165,942)
Equipment, net	$ 1,291,368	$ 710,766

Depreciation expense amounted to $260,646 and $63,893 for the nine month periods ended September 30, 2011 and 2010, respectively. The difference between the depreciation expense recognized in the condensed consolidated statement of operations and the increase in accumulated depreciation of $271,746 per the condensed consolidated balance sheet is entirely attributed to foreign currency rates.

4. Intangible assets

At September 30, 2011 and December 31, 2010, intangible assets and accumulated intangible assets were comprised of the following:

	September 30, 2011 (unaudited)	December 31, 2010
Intangible assets	$ 22,455,905	$ 16,208,116
Accumulated amortization	(2,379,599)	(821,211)
Intangible assets, net	$ 20,076,306	$ 15,386,905

BioTime amortizes its intangible assets over an estimated period of 10 years on a straight line basis. BioTime recognized $1,626,476 in amortization expense of intangible assets during the nine months ended September 30, 2011. The difference between the amortization expense recognized in the condensed consolidated statement of operations and the increase in accumulated amortization of $1,558,388 per the condensed consolidated balance sheet is entirely attributed to foreign currency rates.

5. Accounts Payable and Accrued Liabilities

At September 30, 2011 and December 31, 2010, accounts payable and accrued liabilities consisted of the following:

	September 30, 2011 (unaudited)	December 31, 2010
Accounts payable	$ 982,508	$ 1,036,145
Accrued bonuses	—	367,822
Other accrued liabilities	1,268,671	525,907
	$ 2,251,179	$ 1,929,874

6. Royalty Obligation and Deferred License Fees

BioTime amortizes deferred license fees over the estimated useful lives of the licensed technologies or licensed research products. BioTime is applying a 10 year estimated useful life to the technologies and products that it is currently licensing. The estimation of the useful life any technology or product involves a significant degree of inherent uncertainty, since the outcome of research and development or the commercial life a new product cannot be known with certainty at the time that the right to use the technology or product is acquired. BioTime will review its amortization schedules for impairments that might occur earlier than the original expected useful lives.

BioTime did not amortize deferred license fees during the first nine months of 2010 on the basis that sales of products under the licenses had not yet begun. Because BioTime has modified its procedure for amortizing deferred license fees during the fourth quarter of 2010, certain differences have resulted in BioTime's research and development expenses, total expenses, and net loss for the three and nine months ended September 30, 2011 as compared to the three and nine months ended September 30, 2010. Had BioTime amortized deferred license fees during the three and nine months ended September 30, 2010, the amount of amortization would have been $26,479 and $79,437, respectively. BioTime does not believe that the difference was material to its results of operations for the prior period. Amortization of deferred license fees recognized during the three and nine months ended September 30, 2011 amounted to $27,375 and $82,125, respectively.

During January 2008, BioTime entered into a Commercial License and Option Agreement with Wisconsin Alumni Research Foundation ("WARF"). The WARF license permits BioTime to use certain patented and patent pending technology belonging to WARF, as well as certain stem cell materials, for research and development purposes, and for the production and marketing of products used as research tools, including in drug discovery and development. BioTime or ReCyte Therapeutics will pay WARF royalties on the sale of products and services using the technology or stem cells licensed from WARF. The royalty will range from 2% to 4%, depending on the kind of products sold. The royalty rate is subject to certain reductions if BioTime also becomes obligated to pay royalties to a third party in order to sell a product. In March 2009, BioTime amended its license agreement with WARF. The amendment increased the license fee from the original $225,000 to $295,000, of which $225,000 was paid in cash and $70,000 was paid by delivering BioTime common shares having a market value of $70,000 as of March 2, 2009. The amendment extended until March 2, 2010 the dates for payment of the $215,000 balance of the cash license fee and $20,000 in remaining reimbursement of costs associated with preparing, filing, and maintaining the licensed patents. The commencement date for payment of an annual $25,000 license maintenance fee was also extended to March 2, 2010. The licensing fees less the amortized portion were included in deferred license fees in BioTime's condensed consolidated balance sheet as of September 30, 2011 and December 31, 2010.

During July 2008, ReCyte Therapeutics entered into a License Agreement with Advanced Cell Technology, Inc. ("ACT"), under which ReCyte Therapeutics acquired exclusive worldwide rights to use ACT's "ACTCellerate" technology for methods to accelerate the isolation of novel cell strains from pluripotent stem cells. ReCyte Therapeutics paid ACT a $250,000 license fee and will pay an 8% royalty on sales of products, services, and processes that utilize the licensed technology. Once a total of $1,000,000 of royalties has been paid, no further royalties will be due. The license will expire in twenty years or upon the expiration of the last to expire of the licensed patents, whichever is later. The $250,000 license fee less the amortized portion is included in deferred license fees in BioTime's condensed consolidated balance sheet as of September 30, 2011 and December 31, 2010.

During August 2008, ReCyte Therapeutics entered into a License Agreement and a Sublicense Agreement with ACT under which ReCyte Therapeutics acquired world-wide rights to use an array of ACT technology (the "ACT License") and technology licensed by ACT from affiliates of Kirin Pharma Company, Limited (the "Kirin Sublicense"). The ACT License and Kirin Sublicense permit the commercialization of products in human therapeutic and diagnostic product markets.

The technology licensed by ReCyte Therapeutics covers methods to transform cells of the human body, such as skin cells, into an embryonic state in which the cells will be pluripotent. Under the ACT License, ReCyte Therapeutics paid ACT a $200,000 license fee and will pay a 5% royalty on sales of products, services, and processes that utilize the licensed ACT technology, and 20% of any fees or other payments (other than equity investments, research and development costs, loans and royalties) received by ReCyte Therapeutics from sublicensing the ACT technology to third parties. Once a total of $600,000 of royalties has been paid, no further royalties will be due. The license will expire in twenty years or upon the expiration of the last-to-expire of the licensed patents, whichever is later. The $200,000 license fee payment less the amortized portion is included in deferred license fees in BioTime's condensed

consolidated balance sheet as of September 30, 2011 and December 31, 2010.

Under the Kirin Sublicense, ReCyte Therapeutics has paid ACT a $50,000 license fee and will pay a 3.5% royalty on sales of products, services, and processes that utilize the licensed ACT technology, and 20% of any fees or other payments (other than equity investments, research and development costs, loans and royalties) received by ReCyte Therapeutics from sublicensing the Kirin Technology to third parties. ReCyte Therapeutics will also pay to ACT or to an affiliate of Kirin Pharma Company, Limited ("Kirin"), annually, the amount, if any, by which royalties payable by ACT under its license agreement with Kirin are less than the $50,000 annual minimum royalty due. Those payments by ReCyte Therapeutics will be credited against other royalties payable to ACT under the Kirin Sublicense. The license will expire upon the expiration of the last to expire of the licensed patents, or May 9, 2016 if no patents are issued. The $50,000 license fee payment less the amortized portion is included in deferred license fees in BioTime's condensed consolidated balance sheet as of September 30, 2011 and December 31, 2010.

In February 2009, ReCyte Therapeutics entered into a Stem Cell Agreement with Reproductive Genetics Institute ("RGI"). In partial consideration of the rights and licenses granted to ReCyte Therapeutics by RGI, BioTime issued to RGI 32,259 common shares, having a market value of $50,000 on the effective date of the Stem Cell Agreement. This $50,000 payment less the amortized portion is included in deferred license fees in BioTime's condensed consolidated balance sheet as of September 30, 2011 and December 31, 2010.

Through BioTime's acquisition of the assets of Cell Targeting, Inc. during March 2011, BioTime acquired a royalty-bearing, exclusive, worldwide license from the Sanford-Burnham Medical Research Institute ("SBMRI") to use certain patents pertaining to homing peptides for preclinical research investigations of cell therapy treatments, and to enhance cell therapy products for the treatment and prevention of disease and injury in conjunction with BioTime's own proprietary technology or that of a third party. BioTime assigned the SBMRI license to OncoCyte during July 2011. OncoCyte will pay SBMRI a royalty of 4% on the sale of pharmaceutical products, and 10% on the sale of any research-use products that OncoCyte develops using or incorporating the licensed technology; and 20% of any payments OncoCyte receives for sublicensing the patents to third parties. The royalties payable to SBMRI may be reduced by 50% if royalties or other fees must be paid to third parties in connection with the sale of any products. An annual license maintenance fee is payable each year during the term of the license, and after commercial sales of royalty bearing products commence, the annual fee will be credited towards OncoCyte's royalty payment obligations for the applicable year. OncoCyte will reimburse SBMRI for 25% of the costs incurred in filing, prosecuting, and maintaining patent protection, subject to OncoCyte's approval of the costs.

Cell Cure Neurosciences has entered into an Amended and Restated Research and License Agreement with Hadasit Medical Research Services and Development Ltd. ("Hadasit") under which Cell Cure Neurosciences received an exclusive license to use certain of Hadasit's patented technologies for the development and commercialization for hES cell-derived cell replacement therapies for retinal degenerative diseases. Cell Cure Neurosciences paid Hadasit 249,058 New Israeli Shekels as a reimbursement for patent expenses incurred by Hadasit, and pays Hadasit quarterly fees for research and product development services under a related Product Development Agreement. If Teva exercises its option to commercialize OpRegen,™ it will pay Cell Cure Neurosciences an initial license fee, plus milestone payments as the clinical development and commercialization of the product progress, and royalties on sales of OpRegen.™ Royalty payments would range from 6% to 10% of the net sale price of OpRegen,™ depending upon the total amount of annual sales. The license fee and milestone payments would total $29.5 million if clinical trials are successful and the product is sold in the United States and one or more European Union countries. The royalty payments will be reduced by 50% with respect to sales in any country in which a generic equivalent product is being sold by a third party unrelated to Teva. Payments of like amounts would be made to Cell Cure Neurosciences if OpRegen-Plus™ is successfully developed and marketed in the United States and one or more European Union countries.

If Teva does not exercise its option and Cell Cure Neurosciences instead commercializes OpRegen™ or OpRegen-Plus™ itself or sublicenses the Hadasit patents to a third party for the completion of development or commercialization of OpRegen™ or OpRegen-Plus,™ Cell Cure Neurosciences will pay Hadasit a 5% royalty on sales of products that utilize the licensed technology. Cell Cure Neurosciences will also pay sublicensing fees ranging from 10% to 30% of any payments Cell Cure Neurosciences receives from sublicensing the Hadasit patents to companies other than Teva. Commencing in January 2017, Hadasit will be entitled to receive an annual minimum royalty payment of $100,000 that will be credited toward the payment of royalties and sublicense fees otherwise payable to Hadasit during the calendar year.

If Teva does not exercise its option to license OpRegen™ or OpRegen-Plus™ and instead Cell Cure Neurosciences or a sublicensee other than Teva conducts clinical trials of OpRegen™ or OpRegen-Plus, ™ Hadasit will be entitled to receive certain payments from Cell Cure Neurosciences upon the first attainment of certain clinical trial milestones in the process of seeking regulatory approval to market a product developed by Cell Cure Neurosciences using the licensed

patents. Hadasit will receive $250,000 upon the enrollment of patients in the first Phase I clinical trial, $250,000 upon the submission of Phase II clinical trial data to a regulatory agency as part of the approval process, and $1 million upon the enrollment of the first patient in the first Phase III clinical trial.

Through its merger with Glycosan BioSystems, Inc. (discussed in Note 9) during March 2011, OrthoCyte acquired a license from the University of Utah to use certain patents in the production and sale of certain hydrogel products. Under the License Agreement, OrthoCyte will pay a 3% royalty on sales of products and services performed that utilize the licensed patents. Commencing in 2013, OrthoCyte will be obligated to pay minimum royalties to the extent that actual royalties on products sales and services utilizing the patents are less than the minimum royalty amount. The minimum royalty amounts are $15,000 in 2013, $22,500 in 2014, and $30,000 each year thereafter during the term of the License Agreement. OrthoCyte shall also pay the University of Utah 30% of any sublicense fees or royalties received under any sublicense of the licensed patents.

OrthoCyte will pay the University of Utah $5,000 upon the issuance of each of the first five licensed patents issued in the United States, subject to reduction to $2,500 for any patent that the University has licensed to two or more other licensees for different uses. OrthoCyte will also pay a $225,000 milestone fee within six months after the first sale of a “tissue engineered product” that utilizes a licensed patent. A tissue engineered product is defined as living human tissues or cells on a polymer platform, created at a place other than the point-of-care facility, for transplantation into a human patient.

During August 2011, BioTime entered into a License Agreement with Cornell University for the worldwide development and commercialization of technology for the differentiation of human embryonic stem cells into vascular endothelial cells.

Cornell will be entitled to receive a nominal initial license fee and nominal annual license maintenance fees. The obligation to pay annual license maintenance fees will end when the first human therapeutic products developed under the license is sold. BioTime will pay Cornell a milestone payment upon the achievement of a research product sale milestone amount, and will make milestone payments upon the attainment of certain United States Food and Drug Administration (FDA) approval milestones for therapeutic products developed under the license, including (i) the first Phase II clinical trial dosing of a human therapeutic product, (ii) the first Phase III clinical trial dosing of a human therapeutic product; (iii) FDA approval of the first human therapeutic product for age-related vascular disease; and (iv) FDA approval of the first human therapeutic product for cancer.

BioTime will pay Cornell royalties on the sale of products and services using the license, and will share with Cornell a portion of any cash payments, other than royalties, that BioTime receives for the grant of sublicenses to non-affiliates. The potential royalty percentage rates to be paid to Cornell will be in the low to mid-single digit range depending on the product. BioTime will also reimburse Cornell for costs related to the patent applications and any patents that may issue that are covered by the license.

In conjunction with the License Agreement, BioTime also entered into a Sponsored Research Agreement under which scientists at Weill Cornell Medical College will engage in certain research for BioTime over a three year period beginning August 2011.

7. Equity

Warrants

BioTime has issued warrants to purchase its common shares as payments for services and in connection certain business acquisitions. At September 30, 2011, 636,613 warrants to purchase common shares with a weighted average exercise price of $9.13 and a weighted average remaining contractual life of 1.94 years were outstanding.

Preferred Shares

BioTime is authorized to issue 1,000,000 preferred shares. The preferred shares may be issued in one or more series as the board of directors may by resolution determine. The board of directors is authorized to fix the number of shares of any series of preferred shares and to determine or alter the rights, references, privileges, and restrictions granted to or imposed on the preferred shares as a class, or upon any wholly unissued series of any preferred shares. The board of directors may, by resolution, increase or decrease (but not below the number of shares of such series then outstanding) the number of shares of any series of preferred shares subsequent to the issue of shares of that series.

Treasury Stock

BioTime accounts for BioTime common shares issued to subsidiaries for future potential working capital needs as treasury stock on the consolidated balance sheet. BioTime has the intent and ability to register any unregistered shares to support the marketability of the shares.

As of September 30, 2011, BioTime had no issued and outstanding preferred shares.

Common Shares

BioTime is authorized to issue 75,000,000 common shares with no par value. As of September 30, 2011, BioTime had issued and outstanding 50,238,409 common shares.

During the three and nine months ended September 30, 2011, BioTime received total cash of $25,600 and $223,181 from the exercise of 80,000 and 360,660 options, respectively, with average cash receipts of $0.32 and $0.62 per share, respectively.

During the three and nine months ended September 30, 2011, BioTime received total cash of $8,700 and $425,000 from the exercise of 2,900 and 219,000 warrants, respectively, with average cash receipts of $3.00 and $1.94 per share, respectively.

During the nine months ended September 30, 2011 and 2010, BioTime recognized stock-based compensation expenses of $1,255,911 and $742,763, respectively, due to stock options granted to employees and directors. During the nine months ended September 30, 2011 and 2010, BioTime granted 301,593 and 155,000 options, respectively, under its 2002 Stock Option Plan. During the nine months ended September 30, 2011, 11,876 options were forfeited. No options were forfeited in the same period in the prior year.

During August 2011, BioTime's subsidiary, OncoCyte sold 3,000,000 shares of common stock to a private investor who is also a BioTime shareholder for $3,000,000 in cash and OncoCyte sold to BioTime 7,000,000 shares of OncoCyte common stock for $1,000,000 in cash and 1,286,174 BioTime common shares having a market value of $6,000,000. These BioTime common shares are accounted for as treasury stock as of September 30, 2011.

8. Cell Targeting, Inc. Asset Purchase

On January 28, 2011, BioTime acquired substantially all of the assets of Cell Targeting, Inc. ("Cell Targeting"), a company that was engaged in research in regenerative medicine. The assets acquired consist primarily of patents, patent applications, and licenses to use certain patents. BioTime issued 261,959 of common shares and paid Cell Targeting $250,000 in cash to acquire the assets. The assets will be used by OncoCyte, which is developing cellular therapeutics for the treatment of cancer using vascular progenitor cells engineered to destroy malignant tumors.

The asset purchase is being accounted for as a business combination under the acquisition method of accounting. This means that even though BioTime did not directly assume and will not directly pay Cell Targeting's debts or other liabilities, for financial accounting purposes Cell Targeting's financial statements as of January 28, 2011, the date of the acquisition, are being consolidated with those of BioTime. In accordance with Accounting Standards Codification 805, Business Combinations ("ASC 805"), the total purchase consideration is allocated to the net tangible and identifiable intangible assets acquired and the Cell Targeting liabilities outstanding based on the estimated fair value of the assets and the amount of the liabilities as of January 28, 2011. BioTime amortizes intangible assets over their useful lives, which BioTime estimates to be 10 years.

The total purchase price of $2,550,000 is being allocated as indicated:

Components of the purchase price:		
BioTime common shares	$	2,300,000
Cash		250,000
Total purchase price	$	2,550,000

Preliminary allocation of purchase price:		
Assets acquired and Liabilities assumed:		
Cash	$	253,150
Other current assets		2,443
Intangible assets		3,012,640
Current liabilities		(718,233)
Net assets acquired	$	2,550,000

The fair value of the shares issued was $8.78, the average closing price per share of BioTime common shares as reported on the NYSE Amex for the twenty (20) trading days immediately preceding the third trading day prior to the closing date, January 28, 2011.

9. Merger with Glycosan BioSystems, Inc.

On March 21, 2011, BioTime completed the merger of Glycosan BioSystems, Inc. (“Glycosan”) into OrthoCyte. Through the merger, OrthoCyte acquired all of Glycosan's assets, including manufacturing equipment, inventory, and technology licenses, and assumed Glycosan's obligations, which at March 18, 2011 totaled approximately $252,000 and primarily consisted of trade payables, accrued salaries, legal fees, and repayment of amounts advanced to Glycosan. BioTime issued 332,903 common shares and 206,613 warrants to purchase BioTime common shares in connection with the merger.

The merger is being accounted for under the acquisition method of accounting. In accordance with ASC 805, the total purchase consideration is allocated to the net tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values as of March 21, 2011. BioTime amortizes intangibles over their useful lives, which BioTime estimates to be 10 years. In accordance with ASC 805, BioTime does not amortize goodwill. The purchase price was allocated using the information currently available, and may be adjusted after obtaining more information regarding, among other things, asset valuations, liabilities assumed, and revisions of preliminary estimates.

The total purchase price for the merger of $3,554,879 is being allocated as indicated:

Components of the purchase price:	
BioTime common shares	$ 2,600,000
BioTime warrants	954,879
Total purchase price	$ 3,554,879
Preliminary allocation of purchase price:	
Assets acquired and Liabilities assumed:	
Cash	$ 5,908
Other current assets	64,520
Property, plant and equipment, net	81,183
Intangible assets	3,592,039
Current liabilities	(188,771)
Net assets acquired	$ 3,554,879

The fair value of the shares issued was $7.81, the average closing price of BioTime common shares as reported on the NYSE Amex for the 10 trading days immediately preceding February 11, 2011, the date of the Merger Agreement. The fair value of the warrants issued was computed using a Black Scholes Merton option pricing model, which utilized the following assumptions: expected term of three years, which is equal to the contractual life of the warrants; risk-free rate of 1.12%; no expected dividend yield; 109.01% expected volatility; a stock price of $7.56; and an exercise price of $10.

10. Unaudited Pro Forma Interim Financial Information – Nine Months Ended September 30, 2011 and 2010

The following unaudited pro forma information gives effect to the acquisition of Cell Targeting, Glycosan, ESI and Cell Cure as if the acquisition took place on January 1, 2010. The pro forma information does not necessarily reflect the results of operations that would have occurred had the entities been a single company during the periods presented.

	Nine Months Ended	
	September 30, 2011 (Unaudited)	September 30, 2010 (Unaudited)
Revenues	$2,966,547	$ 2,643,141
Net loss available to common shareholders	$(13,033,673)	$ (10,758,610)
Net loss per common share – basic and diluted	$(0.27)	$ (0.27)

11. Subsequent Events

During July 2011, BioTime was awarded a $335,900 Small Business Innovation Research grant from the National Institutes of Health to develop HyStem® microcarriers for the propagation of human stem cells and as a means of cell delivery for human clinical applications. The grant period is from September 30, 2011 to September 29, 2012. BioTime will start drawing from this grant in the fourth quarter.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

We are a biotechnology company engaged in two areas of biomedical research and product development. Initially we developed blood plasma volume expanders and related technology for use in surgery, emergency trauma treatment, and other applications. Currently we are primarily focused on regenerative medicine, an emerging field of therapeutic product development based on recent discoveries in stem cell research.

Our lead blood plasma expander product, Hextend,® is a physiologically balanced intravenous solution used in the treatment of hypovolemia, a condition caused by low blood volume, often from blood loss during surgery or injury. Hextend maintains circulatory system fluid volume and blood pressure, and keeps vital organs perfused during surgery and trauma care. Hextend is manufactured and distributed in the United States by Hospira, Inc., and in South Korea by CJ CheilJedang Corp ("CJ"), under license from us.

"Regenerative medicine" refers to an emerging field of therapeutic product development that may allow all human cell and tissue types to be manufactured on an industrial scale. Historically speaking, this has never been possible in the past, and was made possible by the first isolation of human embryonic stem ("hES") cells and creation of induced pluripotent stem ("iPS") cells. These cells are called "pluripotent stem cells" because they have the unique property of being able to branch out into each and every kind of cell in the human body such as the cell types that make up the brain, the blood, the heart, the lungs, the liver, and other tissues. Unlike adult-derived stem cells that have limited potential to become different cell types, pluripotent stem cells may have vast potential to supply an array of new regenerative therapeutic products, especially those targeting the large and growing markets associated with age-related degenerative disease. Unlike pharmaceuticals that require a molecular target, therapeutic strategies in regenerative medicine are generally aimed at regenerating the affected cells and tissues, and therefore may have broader applicability.

Our efforts in regenerative medicine include the development and sale of products designed for research applications as well as for diagnostic and therapeutic uses. We offer advanced human stem cell products and technology that can be used by researchers at universities, at companies in the bioscience and biopharmaceutical industries, and at other companies that provide research products to companies in those industries. Research products generally can be marketed without regulatory approval, and are therefore relatively near-term business opportunities, especially when compared to therapeutic products.

We have organized several subsidiaries to undertake our cell replacement therapeutic programs, diagnostic product programs, and our research product programs. We will partly or wholly fund these subsidiaries, recruit their management teams, assist them in acquiring technology, and provide general guidance for building the subsidiary companies. We may license patents and technology to the subsidiaries that we do not wholly own under agreements that will entitle us to receive royalty payments from the commercialization of products or technology developed by the subsidiaries.

The following table shows our subsidiaries, their respective principal fields of business, our percentage ownership, and the country where their principal business is located:

Subsidiary	Field of Business	BioTime Ownership	Country
ReCyte Therapeutics, Inc.	Blood and vascular diseases including coronary artery disease iPS cell banking	95.15%	USA
OncoCyte Corporation	Cancer	75%	USA
OrthoCyte Corporation	Orthopedic diseases, including osteoarthritis Biocompatible hydrogels that mimic the human extracellular matrix	100%	USA
ES Cell International Pte. Ltd.	Stem cell products for research, including cell lines produced under clinical “good manufacturing practices” (“GMP”)	100%	Singapore
BioTime Asia, Limited	Ophthalmologic, skin, musculo-skeletal system, and hematologic diseases. Stem cell products for research	81%	Hong Kong
Cell Cure Neurosciences, Ltd.	Age-related macular degeneration Multiple sclerosis Parkinson’s disease	53.6%	Israel
LifeMap Sciences, Inc	Stem cell data base	100%	USA

Hextend® and PentaLyte® are registered trademarks of BioTime, Inc., and ESpan™, and ESpy™ are trademarks of BioTime, Inc. HyStem® is a registered trademark and Extracel™ is a trademark of OrthoCyte Corporation. ReCyte™ is a trademark of ReCyte Therapeutics, Inc. OpRegen™ and OpRegen-Plus™ are trademarks of Cell Cure Neurosciences, Ltd. ACTCellerate™ is a trademark licensed to us by Advanced Cell Technology, Inc.

We were incorporated in 1990 in the state of California. Our principal executive offices are located at 1301 Harbor Bay Parkway, Alameda, California 94502. Our telephone number is (510) 521-3390.

Recent Developments

During July 2011, BioTime was awarded a $335,900 Small Business Innovation Research grant from the National Institutes of Health to develop HyStem® microcarriers for the propagation of human stem cells and as a means of cell delivery for human clinical applications. The grant period is from September 30, 2011 to September 29, 2012. BioTime will start drawing down against this grant in the fourth quarter.

During August 2011, we entered into a License Agreement with Cornell University for the worldwide development and commercialization of technology developed at Weill Cornell Medical College for the differentiation of human embryonic stem cells into vascular endothelial cells. The technology may provide an improved means of generating vascular endothelial cells on an industrial scale, and will be utilized by us in diverse products, including those under development at our subsidiary ReCyte Therapeutics, Inc. to treat age-related vascular disease, and products being developed at our subsidiary OncoCyte Corporation targeting the delivery of toxic payloads to cancerous tumors.

We and our subsidiaries plan to use the Cornell technology with our ACTCellerate™ technology to produce highly purified monoclonal embryonic vascular endothelium. See Note 6 to Condensed Consolidated Interim Financial Statements.

In conjunction with the Cornell License Agreement, during August 2011, we also entered into a three year Sponsored Research Agreement under which scientists at Weill Cornell Medical College, led by Sina Y. Rabbany, PhD, will engage in research with the goals of (1) verifying the ability of progenitor cells, derived by our subsidiary ReCyte Therapeutics using our ACTCellerate technology, to generate stable populations of vascular endothelial cells, (2) testing the functionality and transplantability of the vascular endothelial cells in animal models to see if the transplanted cells generate new vascular tissue, and (3) using Glycosan hydrogels, produced by our subsidiary OrthoCyte, and other materials as “scaffolds” for the three-dimensional propagation of vascular endothelial cells into vascular tissues suitable for transplantation.

During August 2011, our subsidiary, OncoCyte sold 3,000,000 shares of common stock to a private investor who is also a BioTime shareholder for $3,000,000 in cash, and OncoCyte sold l to us 7,000,000 shares of OncoCyte common stock for $1,000,000 in cash and 1,286,174 BioTime common shares having a market value of $6,000,000. These BioTime common shares are accounted for as treasury stock as of September 30, 2011. OncoCyte will use the funds raised from the sale of the shares for the expansion of its development of novel proprietary diagnostics and therapeutics for cancer in humans. OncoCyte's research has demonstrated that many of the same genes associated with the normal growth of embryonic stem cells are abnormally reactivated by cancer cells. Based on this finding, and utilizing its proprietary algorithms, OncoCyte has discovered and filed patent applications on over 100 novel cancer-associated genes. OncoCyte expects to use its new financing in part to expand its current patent portfolio of nine patent filings on these new genes and to advance the development and commercialization of resulting novel diagnostic and therapeutic products. In addition to its new diagnostic product line, OncoCyte is continuing to develop cellular therapeutics for cancer therapy that will take advantage of the unique biology of vascular endothelial precursor cells. OncoCyte's goal is to derive vascular endothelial cells that can be engineered to deliver a toxic payload to the developing blood vessels of a tumor to specifically remove malignant tumors while not affecting nearby normal tissues in the body.

During August 2011, four hES cell lines: ESI-035, ESI-049, ESI-051 and ESI-053, developed by our subsidiary ESI were approved by the National Institutes of Health (NIH) for inclusion in the NIH Human Embryonic Stem Cell Registry. This approval opens the door to the use of these cell lines in federally funded research. Two other ESI hES cell lines, ESI-014 and ESI-017, were previously included in the NIH Human Embryonic Stem Cell Registry. The ESI hES cell lines were derived using procedures and documentation that are in compliance with current Good Tissue Practices (cGTP) and current Good Manufacturing Practices (cGMP), are free of animal feeder cells and have been assessed for pluripotency and karyotypic stability. In collaboration with the California Institute of Regenerative Medicine, we have supplied research grade versions of these lines to dozens of researchers throughout California, including those in the University of California system. We have also derived the complete genome sequence of five of the ESI hES cell lines to facilitate the development of products derived from these cell lines. One of the ESI cell lines is being utilized by a large pharmaceutical company for potential use in its product development program.

Plasma Volume Expander Products

Royalties and licensing fees related to our plasma volume expander products, primarily Hextend, comprise a significant part of our operating revenues. Hextend has become the standard plasma volume expander at a number of prominent teaching hospitals and leading medical centers and is part of the Tactical Combat Casualty Care protocol of the United States Armed Forces.

Under our license agreements, Hospira and CJ will report sales of Hextend and pay us the royalties and license fees due on account of such sales after the end of each calendar quarter. We recognize such revenues in the quarter in which the sales report is received, rather than the quarter in which the sales took place. Accordingly, our royalty revenues for the three months ended September 30, 2011 consist of royalties on sales of Hextend made by Hospira and CJ during the period beginning March 1, 2011 and ending June 30, 2011.

Regenerative Medicine

Products for Research Use

We are marketing our stem cell products for research through our website biotimeinc.com. By an agreement with us, Millipore Corporation became a worldwide distributor of certain ACTCellerate™ human embryonic progenitor cell ("hEPC") lines and related ESpan™ growth media. We made our initial delivery of six hEPC lines to Millipore during January 2010, and these lines are being marketed and distributed on a worldwide basis. The companies anticipate jointly launching additional cell lines and associated optimized ESpan™ growth media for the in vitro propagation of each progenitor cell line in the future. The ACTCellerate™ hEPC lines and ESpan™ growth media products distributed by Millipore may also be purchased directly from us on our website biotimeinc.com. In addition to the products that we are co-marketing with Millipore, we now offer 102 other ACTCellerate™ hEPC lines for sale on biotimeinc.com , and we anticipate adding additional cell lines and related ESpan™ growth media and differentiation kits over time. We are also offering ACTCellerate™ hEPCs and ESpan™ growth media in Asia through BioTime Asia's distribution agreement with Shanghai Genext Medical Technology Co., Ltd.

Following our acquisition of Glycosan during May 2011, we began marketing HyStem® and Extracel™ PEGel hydrogel products for research purposes. We are also working to develop a HyStem® based product as a medical device for the implant of adult stem cells or therapeutic cells derived from hES cells.

During November and December 2010, we signed agreements with the California Institute for Regenerative Medicine ("CIRM") and the University of California system to distribute five human embryonic stem cell lines produced under the standard of GMP. The agreement provides for the lines to be distributed in two phases. In the first phase, BioTime provided research grade versions of the lines under a material transfer agreement that restricts the use to research use only. We provided research-grade cell lines free of charge to CIRM-funded and California-based researchers until April 30, 2011. Since that date, researchers may purchase the research-grade cells from us at a price of $2,800 per ampoule. As of September 30, 2011 we had provided research-grade lines to 28 researchers under this program, including researchers at Stanford University, the University of California San Francisco, the University of Southern California, the University of California Davis, the University of California Los Angeles, the University of California San Diego, California State University Fullerton as well as other institutions.

In the second phase, we are making the GMP-grade cell lines, along with certain documentation, available to researchers. The complete genomic DNA sequence information will be made available by the end of November 2011. We will charge a price for the GMP-grade cell lines that covers our production and delivery costs. Although no royalties will be payable to us by researchers who acquire the cell lines for research use, researchers who desire to use the GMP cell lines for therapeutic or diagnostic products, or for any other commercial purposes, may do so only after signing commercialization agreements acceptable to us. Commercialization agreements under this program will entitle us to receive royalties on net sales not to exceed 2% of net sales, reducible to 1.5% if the researcher must pay any other royalties in connection with the commercialization of their product.

We are still in the process of launching our first products for stem cell research and cannot yet predict the amount of revenue that may be generated by these new products.

Research and Development Programs in Regenerative Medicine and Stem Cell Research

The following table summarizes the most significant achievements in our primary research and development programs in stem cell research and regenerative medicine.

Company	Product Program	Status
BioTime(1) and ES Cell International Pte. Ltd. ("ESI")	ACTCellerate™ cell lines/growth media/reagent kits for stem cell research	Nearly 300 products for stem cell research are now being offered, including ACTCellerate™ hEPCs, ESpan™ cell line optimal growth media, and reagent cell differentiation kits. We plan to add additional cell lines, growth media, and differentiation kits with characterization of new hEPCs
	GMP hES cell lines	ESI has developed and offers for sale GMP hES cell lines for research purposes. Six ESI hES cell lines have been approved by the NIH for use in federally funded research.
BioTime(1)	CIRM-funded research project addressing the need for industrial-scale production of purified therapeutic cells	Conducted long-term stability studies of hEPCs using commercial-type culture processes to demonstrate phenotypic stability and genotypic stability during culture expansion. Attempting to define a molecular signature of cell surface markers that would be unique to a given hEPC cell line to permit development of reagents to those markers that can be used to purify the target hEPCs intended for therapy. Mapping cell surface protein expression directly on hEPCs using large collections of commercially available antibodies and have begun testing those antibodies as affinity reagents for purifying target hEPCs. Identifying peptide reagents that show specificity for cell surface targets on hEPCs and could thus be used directly as affinity reagents.
OncoCyte	Vascular endothelial cells that can be engineered to deliver a toxic payload to the developing blood vessels of a tumor	Developed a derivation protocol that can reproducibly produce populations of endothelial cells with levels of purity and efficiency above those reported in the published literature. Established broad range of support assays to monitor and measure vascular endothelial cell differentiation process. Initiated in vivo experiments monitoring incorporation of endothelial cells into developing mouse vasculature and into the developing vasculature of human tumor xenografts.

		Completed initial development of a toxic payload transgene system which can be induced at the site of tumors to destroy cancer cells.
	Genetic markers for cancer diagnosis	Demonstrated that many of the same genes associated with the normal growth of embryonic stem cells are abnormally reactivated by cancer cells. Based on this finding, and utilizing its proprietary algorithms, OncoCyte has discovered and filed patent applications on over 100 novel cancer-associated genes.
OrthoCyte	Cartilage repair using embryonic progenitor cells	Identified several cell lines that displayed molecular markers consistent with the production of definitive human cartilage. Confirmed chondrogenic potential in joint defects in rat models of osteoarthritis . Demonstrated that those cell lines can be combined with BioTime's HyStem Rx matrices to formulate a combination product for treating cartilage deficits.
	Biocompatible hydrogels that mimic the human extracellular matrix	Developed Extracel PEGgel and HyStem hydrogel products for basic laboratory research use Conducted pre-clinical development of HyStem Rx as an implantable cell delivery device Conducted toxicology studies of Hystem-Rx in the brains of laboratory mice. Results show no difference in reactive astrocytes, macrophages/microglia, neuronal number or blood vessel structure between saline controls and Hystem-Rx. There was no evidence of granulomata or foreign body reaction around either saline or Hystem-Rx injection sites. Two U.S. patents issued on hydrogels

Company	Product Program	Status
ReCyte Therapeutics	Therapeutic products for cardiovascular and blood diseases utilizing its proprietary ReCyte™ iPS technology.	Evaluating effects of telomere length on growth potential of iPS cells and iPS-derived progenitor lines. Through BioTime, formed a collaboration with researchers at Cornell Weill Medical College to derive clinical vascular endothelium for the treatment of age-related vascular disease. Demonstrated the feasibility of producing highly purified product using ACTCellerate™ technology.
BioTime	Hextend – Blood plasma volume expanders	Hextend is currently marketed to hospitals and physicians in the USA and Korea. Activities include complying with all regulatory requirements and promotional activities.
BioTime Asia	Distributing ACTCellerate hEPC lines growth media and reagents	Initial sales of cell lines, growth media, and differentiation kits, to customers in Asia.
Cell Cure Neurosciences	OpRegen™ and OpRegen-Plus™ for treatment of age related macular degeneration	Conducted animal model studies to establish proof of concept. Developed directed differentiation as efficient method for short culture period to produce a supply of retinal pigment epithelial cells. Granted Teva Pharmaceutical Industries, Ltd. an option to complete clinical development of, and to manufacture, distribute, and sell, OpRegen™ and OpRegen-Plus™
LifeMap	Stem cell database	Developing a database that will permit users to follow the development of embryonic stem cell lines to the thousands of progenitor cell lines and cell lineages branching from them. We aim to enable researchers to determine which cells they need for their research and provide the cell-related information necessary to better understand and develop therapeutics for various diseases such as diabetes, Parkinson's disease, heart failure, arthritis, muscular dystrophy, spinal cord injury, macular degeneration, hearing loss, liver failure, and many other disorders where cells and tissues become dysfunctional and need to be replaced.

(1) During late December 2010, our subsidiary, Embryome Sciences, Inc., changed its name to ReCyte Therapeutics, Inc. in conjunction with a change of its business focus to the research and development of therapeutic products to treat blood and vascular diseases and disorders. Embryome Sciences' research products business and ACTCellerate™ hEPC research and development projects, including related patent and technology rights, are being assigned to BioTime or other BioTime subsidiaries.

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The inherent uncertainties of developing new products for stem cell research and for medical use make it impossible to predict the amount of time and expense that will be required to complete the development and commence commercialization of new products. There is no assurance that we or any of our subsidiaries will be successful in developing new technologies or stem cell products, or that any technology or products that may be developed will be proven safe and effective for diagnosing or treating diseases in humans, or will be successfully commercialized. Most of our potential therapeutic products are at a very early stage of preclinical development. Before any clinical trials can be conducted by us or any of our subsidiaries, the company seeking to conduct the trials would have to compile sufficient laboratory test data substantiating the characteristics and purity of the stem cells, conduct animal studies, and then obtain all necessary regulatory and clinical trial site approvals, after which a team of physicians and statisticians would need to be assembled to perform the trials. Clinical trials will be costly to undertake and will take years to complete. See our discussion of the risks inherent in our business and the impact of government regulation on our business in the “Risk Factors” section of this report.

We believe each of our subsidiaries has sufficient capital to carry out its current research and development plan during 2011. We may provide additional financing for our subsidiaries, or obtain financing from third parties, based on the following: our evaluation of progress made in their respective research and development programs, any changes to or the expansion of the scope and focus of their research, and our projection of future costs. See “Liquidity and Capital Resources” for a discussion of our available capital resources, our potential need for future financing, and possible sources of capital.

Critical Accounting Policies

Treasury stock – BioTime accounts for BioTime common shares issued to subsidiaries for future potential working capital needs as treasury stock on the consolidated balance sheet. BioTime has the intent and ability to register any unregistered shares to support the marketability of the shares.

Revenue recognition – We comply with SEC Staff Accounting Bulletin guidance on revenue recognition. Royalty and license fee revenues consist of product royalty payments and fees under license agreements and are recognized when earned and reasonably estimable. We recognize revenue in the quarter in which the royalty reports are received rather than the quarter in which the sales took place. When we are entitled to receive up-front nonrefundable licensing or similar fees pursuant to agreements under which we have no continuing performance obligations, the fees are recognized as revenues when collection is reasonably assured. When we receive up-front nonrefundable licensing or similar fees pursuant to agreements under which we do have continuing performance obligations, the fees are deferred and amortized ratably over the performance period. If the performance period cannot be reasonably estimated, we amortize nonrefundable fees over the life of the contract until such time that the performance period can be more reasonably estimated. Milestone payments, if any, related to scientific or technical achievements are recognized in income when the milestone is accomplished if (a) substantive effort was required to achieve the milestone, (b) the amount of the milestone payment appears reasonably commensurate with the effort expended, and (c) collection of the payment is reasonably assured. Grant income is recognized as revenue when earned.

Patent costs – Costs associated with obtaining patents on products or technology developed are expensed as general and administrative expenses when incurred. This accounting is in compliance with guidance promulgated by the Financial Accounting Standards Board (“FASB”) regarding goodwill and other intangible assets.

Research and development – We comply with FASB requirements governing accounting for research and development costs. Research and development costs are expensed when incurred, and consist principally of salaries, payroll taxes, consulting fees, research and laboratory fees, and license fees paid to acquire patents or licenses to use patents and other technology from third parties.

Stock-based compensation – We have adopted accounting standards governing share-based payments, which require the measurement and recognition of compensation expense for all share-based payment awards made to directors and employees, including employee stock options, based on estimated fair values. We utilize the Black-Scholes Merton option pricing model. Our determination of fair value of share-based payment awards on the date of grant using an option-pricing model is affected by our stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, expected stock price volatility over the term of the awards, and the actual and projected employee stock option exercise behaviors. The expected term of options granted is derived from historical data on employee exercises and post-vesting employment termination behavior. The risk-free rate is based on the United States Treasury rates in effect during the corresponding period of grant. Although the fair value of employee stock options is determined in accordance with recent FASB guidance, changes in the subjective assumptions can materially affect the estimated value. In management's opinion, the existing valuation models may not provide an accurate measure of the fair value of employee stock options because the option-pricing model value may not be indicative of the fair value that would be established in a willing buyer/willing seller market transaction.

Impairment of long-lived assets – Our long-lived assets, including intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. If an impairment indicator is present, we evaluate recoverability by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the assets. If the assets are impaired, the impairment recognized is measured by the amount by which the carrying amount exceeds the estimated fair value of the assets.

Deferred license and consulting fees – Deferred license and consulting fees consist of the value of warrants issued to third parties for services and to the minority shareholder in BioTime Asia for its participation in the organization of that company, and deferred license fees paid to acquire rights to use the proprietary technologies of third parties. The value of the warrants is being amortized over the lives of the warrants, and deferred license fees over the estimated useful lives of the licensed technologies or licensed research products. The estimation of the useful life any technology or product involves a significant degree of inherent uncertainty, since the outcome of research and development or the commercial life of a new product cannot be known with certainty at the time that the right to use the technology or product is acquired. We will review its amortization schedules for impairments that might occur earlier than the original expected useful lives. See also Note 6 to the Condensed Consolidated Interim Financial Statements.

Principles of consolidation – Our condensed consolidated financial statements include the accounts of our wholly-owned subsidiaries, OrthoCyte, LifeMap Sciences, and ESI, the accounts of ReCyte Therapeutics, a subsidiary of which we owned approximately 95% of the outstanding shares of common stock as of September 30, 2011; the accounts of OncoCyte, a subsidiary of which we owned approximately 75% of the outstanding shares of common stock as of September 30, 2011; the accounts of BioTime Asia, a subsidiary of which we owned approximately 81% of the outstanding shares as of September 30, 2011, and the accounts of Cell Cure Neurosciences, a subsidiary of which we owned approximately 53.6% of the outstanding shares as of September 30, 2011. All material intercompany accounts and transactions have been eliminated in consolidation. The condensed consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States and with the accounting and reporting requirements of Regulation S-X of the SEC.

Results of Operations

Revenues

Hospira and CJ report sales of Hextend and pay us royalties due on account of those sales within 90 days after the end of each calendar quarter. We recognize those revenues in the quarter in which the sales report is received, rather than the quarter in which the sales took place. Our royalty revenues for the three months ended September 30, 2011 consist of royalties on sales of Hextend made by Hospira and CJ during the period beginning April 1, 2011 and ending June 30, 2011. Royalty revenues recognized for the third quarter of 2011 were $142,798 from Hospira and $31,459 from CJ. Total royalties of $176,009 for the quarter decreased 18% from royalties of $215,094 received during the same period last year. Royalty revenues recognized from the sale of Hextend and other research products during the nine months period ended September 30, 2011 and 2010 amounted to $569,206 and $727,388.

Based on sales of Hextend that occurred during the third quarter of 2011, we received royalties of $156,284 from Hospira and $29,402 from CJ during the fourth quarter of 2011. Total royalties of $185,686 for the fourth quarter decreased 15% from royalties of $218,073 received during the same period last year. These royalties will be reflected in our financial statements for the fourth quarter of 2011.

The decrease in royalties received from Hospira is largely attributable to a drop in the price of competitive products in the hospital sales market, which forced Hospira to lower the price of Hextend, resulting in lower sales revenues for

them and lower royalties for us.

We recognized as revenue $39,801 and $73,225 of license fees from CJ and Summit Pharmaceuticals International Corporation during the three months ended September 30, 2011 and 2010, respectively. License fees for the nine months ended September 30, 2011 and 2010 amounted to $141,930 and $219,678, respectively. The license fees were received from CJ during April 2003 and July 2004, and from Summit during December 2004 and April and October of 2005, but full recognition of the license fees has been deferred, and is being recognized over the life of the contracts, which has been estimated to last until approximately 2019 based on the current expected life of the governing patent covering our products in Korea and Japan. See Note 1 to the Condensed Consolidated Interim Financial Statements. License fees for the three and nine months ended September 30, 2011 also includes $15,099 and $59,659, respectively earned through ESI. License fees for the nine months ended September 30, 2010 includes reversal of $15,010 for ESI due to over recognition of license fees prior to our acquisition of ESI in May 2010.

We recognized revenue of $392,666 and $1,177,996 from our research grant from CIRM during the three and nine months ended September 30, 2011, compared to $392,666 and $1,182,857 during the same periods last year. Grant revenues for the three and nine months ended September 30, 2011 also includes $22,409 and $50,390 of other grants received by OrthoCyte; nil and $44,544 of other grants received by OncoCyte, and $331,351 and $332,682 of other grants receivable by Cell Cure Neurosciences. The difference between the grant income recognized by Cell Cure Neurosciences during the three months from the nine months of $1,331 is entirely attributed to foreign currency rates.

We recognized revenue of $165,719 and $347,224 from the sale of research products during the three and nine months ended September 30, 2011, compared to $108,523 and $120,946 during the same periods last year. Revenues from the sale of research products in 2011 are primarily derived from the sale of hydrogels and stem cell products.

Operating Expenses

Our expenses during the three and nine months ended September 30, 2011 as compared to the same period last year reflect the expansion of our operations, including our research and development programs, through our acquisition of ESI, Cell Targeting, and Glycosan, and a controlling interest in Cell Cure Neuroscience. As shown in the table below, Cell Cure Neurosciences accounted for 24% of our research and development expenses during the nine months ended September 30, 2011. We also organized LifeMap and expanded the scope of our work with our ReCyte™ iPS technology at ReCyte Therapeutics.

For the three and nine month periods ended September 30, 2011, research and development expenses include $1,146,056 and $3,577,747, respectively, of research and development expense incurred by ESI and Cell Cure Neurosciences, which we acquired in May and October of 2010, respectively. Research and development expenses attributable to ESI and Cell Cure Neurosciences include $419,869 and $1,245,799 in amortization of capitalized patent technology costs. For both the three and nine months periods ended September 30, 2010 our condensed consolidated interim financial statements also included $154,921 and $241,883 of research and development expense incurred by ESI.

Research and development expenses increased to $3,445,708 for the three months ended September 30, 2011, from $1,808,357 for the three months ended September 30, 2010. During the fourth quarter of the 2010 fiscal year, BioTime modified its procedure for amortizing deferred license fees. As a result, research and development expenses for the three months ended September 30, 2011 include $27,375 of amortization of deferred license fees. Had we amortized deferred license fees during the three months ended September 30, 2010, the amount would have been $26,479. Aside from those amortization expenses, and expenses allocable to ESI and Cell Cure Neurosciences, the increase in research and development expense during the three months ended September 30, 2011 is primarily attributable to an increase of $179,318 in employee compensation and related costs allocated to research and development expense, an increase of $36,173 in stock-based compensation allocated to research and development expense, an increase of $242,022 in outside research fees, and an increase of $165,086 in amortization of license and

patent fees. Research and development expenses include laboratory study expenses, patent and technology license fees, employee compensation, rent, insurance, and science-related consultants' fees.

Research and development expenses were $9,572,436 for the nine months ended September 30, 2011, compared to $4,397,109 for the nine months ended September 30, 2010. Research and development expenses for the nine months ended September 30, 2011 include $82,125 of amortization of deferred license fees. Had we amortized deferred license fees during the nine months ended September 30, 2010, the amount would have been $79,438. Aside from amortization expenses, and expenses allocable to ESI and Cell Cure Neurosciences, the increase in research and development expense during the nine months ended September 30, 2011 is primarily attributable to an increase of $490,495 in employee compensation and related costs allocated to research and development expense, an increase of $135,452 in stock-based compensation allocated to research and development expense, an increase of $67,095 in outside consulting and service fees allocated to research and development expenses, an increase of $380,383 in amortization of license and patent fees, an increase of $135,405 in rent allocated to research and development expenses, an increase of $359,438 in outside research and laboratory costs, and an increase of $199,845 in expenditures made to cover laboratory expenses and supplies.

The following table shows the amount and approximate percentages of our total research and development expenses allocated to our primary research and development projects during the nine months ended September 30, 2011. We do not have comparative data for the nine months period ended September 30, 2010 on a program by program basis because many of the programs were in the early start-up phase, had not yet commenced, or we had not yet acquired the subsidiary conducting the program.

Company	Program		Amount	Percent
BioTime and ESI	ACTCellerate hEPCs, GMP hES cell lines, and related research products	$	2,274,642	24%
BioTime	CIRM sponsored ACTCellerate technology	$	1,363,363	14%
OncoCyte	Cancer therapy and diagnosis	$	1,663,869	17%
OrthoCyte	Orthopedic therapy; hydrogel products	$	1,050,423	11%
ReCyte Therapeutics	iPS and vascular therapy	$	265,350	3%
BioTime	Hextend	$	247,571	2%
BioTime Asia	Stem cell products for research	$	145,149	2%
Cell Cure Neurosciences	OpRegen,™ OpRegen-Plus,™ and neurological disease therapies	$	2,283,475	24%
LifeMap	Stem cell database	$	278,594	3%

For the three and nine months ended September 30, 2011, general and administrative expenses included $235,432 and $602,731, respectively, of general and administrative expense incurred by ESI and Cell Cure Neurosciences, which we acquired in May and October of 2010, respectively. For the three and nine months periods ended September 30, 2010 our condensed consolidated interim financial statements also included $465,832 and $643,368 of general and administrative expenses incurred by ESI.

General and administrative expenses increased to $1,929,711 for the three months ended September 30, 2011 from $1,464,631 for the three months ended September 30, 2010. Aside from expenses allocable to ESI and Cell Cure Neurosciences, the increase is primarily attributable to an increase of $377,529 in employee compensation and related costs allocated to general and administrative expense, an increase of $22,942 in employee relocation expense, an increase of $34,954 in stock-based compensation to employees and consultants, an increase of $32,129 in employee recruiting and hiring fees, an increase of $122,466 in accounting fees, an increase of $23,144 in insurance expense, an increase of $66,563 in travel and entertainment expenses allocated to general and administrative expenses, and an increase of $22,147 in general office expenses. General and administrative expenses include employee and director compensation allocated to general and administrative expenses, consulting fees other than those paid for science-related consulting, expenditures for patent costs, trademark expenses, insurance costs allocated to general and administrative expenses, stock exchange-related costs, depreciation expense, shipping expenses, marketing costs, and other miscellaneous expenses.

General and administrative expenses increased to $6,377,390 for the nine months ended September 30, 2011, from $3,961,375 for the nine months ended September 30, 2010. Aside from expenses allocable to ESI and Cell Cure Neurosciences, the increase is primarily attributable to an increase of $1,229,101 in employee compensation and related costs allocated to general and administrative expense, an increase of $114,188 in cash and stock-based compensation paid to our independent directors, an increase of $237,043 in general consulting fees arising from amortization of consulting fees attributable to the value of warrants issued to the minority shareholder in BioTime Asia for consulting services, an increase of $100,000 for non-equity based consulting services, an increase of $128,891 in stock-based compensation to employees and consultants, an increase of $99,043 in employee recruiting and hiring fees, an increase of $80,205 in transfer agent and stock exchange listing fees, an increase of $82,614 in outside services, an increase of $228,317 in travel and entertainment expenses allocated to general and administrative expenses, an increase of $50,927 in marketing and advertising expenses, an increase of $45,081 in rent expenses allocable to general and administrative expenses, and an increase of $53,660 in depreciation expenses.

The following table shows the amount and approximate percentages of our total general and administrative expenses allocated to BioTime and our subsidiaries during the nine months ended September 30, 2011. We do not have comparative data for the nine months period ended September 30, 2010 on a company level basis because we had not yet acquired some of the subsidiaries.

Company	Amount	Percent
BioTime	$ 2,903,762	45%
BioTime Asia	$ 802,951	12%
Cell Cure Neurosciences*	$ 436,790	7%
ESI*	$ 363,670	6%
LifeMap	$ 236,713	4%
OncoCyte	$ 505,308	8%
OrthoCyte	$ 769,650	12%
ReCyte Therapeutics	$ 358,546	6%

* Amount includes general and administrative expenses incurred directly by the subsidiary and allocations from BioTime, Inc. for certain general overhead expenses such as salaries, insurance, and travel and entertainment expenses. During the nine months ended September 30, 2011, BioTime allocated $176,177 and $21,552 in general and administrative expenses to ESI and Cell Cure Neurosciences, respectively.

Interest and Other Income (Expense)

For the three months ended September 30, 2011, we earned $3,807 of interest income net of $896 of interest expense, compared to $127 of interest expense for the three months ended September 30, 2010. For the nine months ended September 30, 2011, we earned $20,778 of interest income net of $1,073 of interest expense, compared to $285 of interest expense for the nine months ended September 30, 2010. Interest income is generally attributed to interest earned on higher cash balances held during 2011 compared to 2010.

Income Taxes

During the three and nine months ended September 30, 2011 and 2010, we had no Federal and state income tax obligations because we have substantial net operating loss carryovers and have provided a 100% valuation allowance for any deferred taxes.

Liquidity and Capital Resources

At September 30, 2011, we had $26,230,298 of cash and cash equivalents on hand. We will depend upon revenue from the sale of our research products, royalties from the sale of Hextend by Hospira and CJ, and research grants from CIRM and other providers as our principal sources of revenues for the near future. Millipore and Genext began marketing some of our hEPC lines an ESpan™ growth media during 2010, but it is too early to predict future revenues from the sale of our stem cell research products by them.

Because our revenues from product sales and royalties are not presently sufficient to cover our operating expenses, we may need to obtain debt or additional equity capital in order to finance our operations. The future availability and terms of equity or debt financing are uncertain. We presently have issued and outstanding 636,613 common share purchase warrants, of which 556,613 are exercisable at a price of $10.00 per share, and 80,000 at $3.00 per share. These warrants expire on various dates ranging from September 2012 to May 2014. None of the warrants are publicly traded. Our subsidiaries may also sell capital stock or borrow money to finance their operations.

During August 2011, BioTime's subsidiary, OncoCyte sold 3,000,000 shares of common stock to a private investor who is also a BioTime shareholder for $3,000,000 in cash and OncoCyte sold to BioTime 7,000,000 shares of OncoCyte common stock for $1,000,000 in cash and 1,286,174 BioTime common shares having a market value of $6,000,000. These BioTime common shares are accounted for as treasury stock as of September 30, 2011.

The unavailability or inadequacy of financing or revenues to meet future capital needs could force us to modify, curtail, delay, or suspend some or all aspects of our planned operations. Sales of additional equity securities could result in the dilution of the interests of present shareholders.

Cash generated by operations

During the nine months ended September 30, 2011, we received $2,250,000 of cash in our operations. Our sources of that cash were $474,574 of royalty revenues from Hospira, $92,880 of royalty revenues from CJ, a $256,714 payment from a QTDP research grant, a $1,177,996 research grant payment from CIRM, $217,613 from the sale of research products, and a $30,000 payment for license fees through ESI.

Cash used in operations

During the nine months ended September 30, 2011, our total research and development expenditures were $9,572,436, and our general and administrative expenditures were $6,377,390. Net loss attributable to BioTime for the nine months ended September 30, 2011 amounted to $11,101,064. Net cash used in operating activities during the nine months amounted to $9,998,300. The difference between the net loss and net cash used in operating activities during the quarter was primarily attributable to non-cash expenses and accrued revenues, including $828,395 in stock-based compensation paid to employees and consultants, amortization of $1,626,476 in intangible assets, $427,516 in options issued as independent director compensation, $582,186 amortization of deferred consulting fees, $82,125 amortization of deferred license fees, $260,646 in depreciation expense, and $261,777 in grants receivable. This overall difference was largely offset by amortization of $162,943 in deferred license revenues, $581,072 in accounts payable and accrued liabilities, $325,956 in prepaid expenses and other current assets, and net loss of $1,833,943 allocable to the noncontrolling interest in our subsidiaries.

Cash flows from investing activities

During the nine months ended September 30, 2011, $772,716 was used for investing activities. The primary components of cash expended were approximately $780,524 used in the purchase of equipment and $250,000 used in

the acquisition of Cell Targeting. This cash expenditure was offset to some extent by $259,058 of cash acquired in connection with the asset purchase transaction with Cell Targeting and the merger with Glycosan.

Cash generated by financing activities

During the nine months ended September 30, 2011, $3,861,681 in net cash was provided from our financing activities. During this period, we received $223,181 in connection with the exercises of 360,660 stock options and $425,000 in connection with the exercises of 219,000 stock purchase warrants, $213,500 from issuance of ReCyte Therapeutics common shares, and $3,000,000 in cash from the sale of OncoCyte common stock.

Contractual obligations

We had no fixed, non-cancelable contractual obligations as of September 30, 2011, with the exception of an operating lease on our office and laboratory facility in Alameda, California that expires on February 29, 2016. Base monthly rent under our current Alameda facility lease is $29,107 per month, increasing by three percent each subsequent year of the new lease term. In addition to the base rent, we pay a pro rata share of real property taxes and certain costs associated to the operation and maintenance of the building in which the leased premises are located.

ESI's Singapore lease of office space expires on January 11, 2012. Base monthly rent under that lease is S$2,286 (Singapore dollars). ESI's Singapore lease of lab space expires on October 31, 2012. Base monthly rent under the Singapore laboratory lease is S$8,700 (Singapore dollars).

Future capital needs

The amount and pace of research and development work that we can do or sponsor, and our ability to commence and complete the clinical trials that are required in order for us to obtain United States Food and Drug Administration and foreign regulatory approval of products, depend upon the amount of money we have. We curtailed the pace and scope of our plasma volume expander development efforts due to the limited amount of funds available. Future research and clinical study costs are not presently determinable due to many factors, including the inherent uncertainty of these costs and the uncertainty as to timing, source, and amount of capital that will become available for our projects.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Foreign Currency Exchange Risk

We are exposed to some foreign exchange currency risks because we have subsidiaries that are located in foreign countries. We do not engage in foreign currency hedging activities. Because we translate foreign currencies into United States dollars for reporting purposes, currency fluctuations have an impact on our financial results. We believe that our exposure to currency exchange fluctuation risk is mitigated by the fact that our foreign subsidiaries pay their financial obligations almost exclusively in their local currency. As of September 30, 2011, currency exchange rates did not have a material impact on our intercompany transactions with our foreign subsidiaries. Most of the foreign exchange loss reflected on our statement of operations reflects the impact of foreign exchange rates on amortization of assets held by our foreign subsidiaries, rather than transactional costs. However, a weakening of the dollar against the foreign exchange used in the home countries of our foreign subsidiaries could increase our cost of providing additional financing to our foreign subsidiaries in the future. Conversely, a strengthening of the dollar would decrease our cost of making additional investments in those subsidiaries.

Credit Risk

We place most of our cash in United States banks and we invest some of our cash in interest bearing instruments issued by United States banks or the United States Treasury. Deposits with banks may temporarily exceed the amount of insurance provided on such deposits. We monitor the cash balances in our accounts and adjust the cash balances as appropriate, but if the amount of a deposit at any time exceeds the federally insured amount at a bank, the uninsured portion of the deposit could be lost, in whole or in part, if the bank were to fail.

Our foreign subsidiaries deposit their cash in local banks, but if the amount of a deposit at any time exceeds the amount at a bank under the national banking insurance laws, the uninsured portion of the deposit could be lost, in whole or in part, if the bank were to fail.

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Interest Rate Risk

We invest a portion of our cash in interest-bearing securities issued by the United States Treasury. The primary objective of our investments is to preserve principal and liquidity while earning a return on our invested capital, without incurring significant risks. The market value of fixed-rate instruments will decline if interest rates rise. Due in part to this factor, our future investment income may fall short of expectations due to changes in market conditions and in interest rates, or we may suffer losses in principal if forced to sell securities which may have declined in fair value due to changes in interest rates.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

It is management's responsibility to establish and maintain adequate internal control over all financial reporting pursuant to Rule 13a-15 under the Securities Exchange Act of 1934 (the "Exchange Act"). Our management, including our principal executive officer, our principal operations officer, and our principal financial officer, have reviewed and evaluated the effectiveness of our disclosure controls and procedures as of a date within ninety (90) days of the filing date of this Quarterly Report on Form 10-Q. Following this review and evaluation , management collectively determined that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act (i) is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to management, including our chief executive officer, our chief operations officer, and our chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls

There were no changes in our internal control over financial reporting that occurred during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors

Our business is subject to various risks, including those described below. You should consider the following risk factors, together with all of the other information included in this report, which could materially adversely affect our proposed operations, our business prospects, and financial condition, and the value of an investment in our business. There may be other factors that are not mentioned here or of which we are not presently aware that could also affect our business operations and prospects.

Risks Related to Our Business Operations

We have incurred operating losses since inception and we do not know if we will attain profitability

Our comprehensive net losses for the nine months ended September 30, 2011 and for the fiscal years ended December 31, 2010, 2009 and 2008 were $12,056,730, $10,287,280, $5,144,499, and $3,780,895, respectively, and we had an accumulated deficit of $75,109,358 as of September 30, 2011, and $63,954,509, $52,769,891, and $47,625,392 as of December 31, 2010, 2009, and 2008, respectively. Since inception, we have primarily financed our operations through the sale of equity securities, licensing fees, royalties on product sales by our licensees, and borrowings. Also, we have been awarded research grants from CIRM, QTDP, and the NIH. Ultimately, our ability to generate sufficient operating revenue to earn a profit depends upon our success in developing and marketing or licensing our products and technology.

We will spend a substantial amount of our capital on research and development but we might not succeed in developing products and technologies that are useful in medicine

We are attempting to develop new medical products and technologies.

Many of our experimental products and technologies have not been applied in human medicine and have only been used in laboratory studies in vitro or in animals. These new products and technologies might not prove to be safe and efficacious in the human medical applications for which they were developed.

The experimentation we are doing is costly, time consuming, and uncertain as to its results. We incurred research and development expenses amounting to $9,572,436 during the nine months ended September 30, 2011, and $7,892,024, $2,968,987, and $1,725,187 during the fiscal years ended December 31, 2010, 2009 and 2008, respectively.

If we are successful in developing a new technology or product, refinement of the new technology or product and definition of the practical applications and limitations of the technology or product may take years and require the expenditure of large sums of money.

Future clinical trials of new therapeutic products, particularly those products that regulated as drugs or biologicals, will be very expensive and will take years to complete. We may not have the financial resources to fund clinical trials on our own and we may have to enter into licensing or collaborative arrangements with larger, well-capitalized pharmaceutical companies in order to bear the cost. Any such arrangements may be dilutive to our

ownership or economic interest in the products we develop, and we might have to accept a royalty payment on the sale of the product rather than receiving the gross revenues from product sales.

Our success depends in part on the uncertain growth of the stem cell industry, which is still in its infancy

The success of our business of selling products for use in stem cell research depends on the growth of stem cell research, without which there may be no market or only a very small market for our research products and technology. The likelihood that stem cell research will grow depends upon the successful development of stem cell products that can be used to treat disease or injuries in people or that can be used to facilitate the development of other pharmaceutical products. The growth in stem cell research also depends upon the availability of funding through private investment and government research grants.

There can be no assurance that any safe and efficacious human medical applications will be developed using stem cells or related technology.

Government-imposed restrictions and religious, moral, and ethical concerns with respect to use of embryos or human embryonic stem cells in research and development could have a material adverse effect on the growth of the stem cell industry, even if research proves that useful medical products can be developed using human embryonic stem cells.

We plan to invest in the development of a stem cell data base but there is no assurance that the data base, if successfully completed, can be profitably commercialized

We recently formed a new subsidiary, LifeMap Sciences, to advance the development and commercialization of our embryonic stem cell database. We have invested approximately $833,000 in LifeMap Sciences and we plan to invest approximately $1,166,000 more by July 1, 2012 if certain database development milestones are attained and certain other conditions are met. Our plan is to make the database available for use by stem cell researchers at pharmaceutical and biotechnology companies and other institutions through paid subscriptions or on a fee per use basis, but there is no assurance that the data base will be successfully completed or that LifeMap Sciences will be able to generate sufficient paid subscriptions for use of the data base to allow us to recover our investment or earn a profit.

Sales of our products to date have not been sufficient to generate an amount of revenue sufficient to cover our operating expenses

Hextend is presently the only plasma expander product that we have on the market, and it is being sold only in the United States and South Korea. The royalty revenues that we have received from sales of Hextend have not been sufficient to pay our operating expenses. This means that we need to successfully develop and market or license additional products and earn additional revenues in sufficient amounts to meet our operating expenses.

We will receive additional license fees and royalties if our licensees are successful in marketing Hextend and PentaLyte in Japan, Taiwan, and China, but they have not yet obtained the regulatory approvals required to begin selling those products.

We are also beginning to bring our first stem cell research products to the market, but there is no assurance that we will succeed in generating significant revenues from the sale of those products.

Sales of the products we develop will be adversely impacted by the availability of competing products

Sales of Hextend have already been adversely impacted by the availability of other products that are commonly used in surgery and trauma care and sell at lower prices. Due to price cuts by our competitors, Hospira has had to lower the price of Hextend, which has resulted in lower gross sales revenues for them and lower royalties for us.

In order to compete with other products, particularly those that sell at lower prices, our products will have to provide medically significant advantages.

Physicians and hospitals may be reluctant to try a new product due to the high degree of risk associated with the application of new technologies and products in the field of human medicine.

Competing products are being manufactured and marketed by established pharmaceutical companies. For example, B. Braun/McGaw presently markets Hespan, an artificial plasma volume expander, and Hospira and Baxter International, Inc. manufacture and sell a generic equivalent of Hespan. Hospira also markets Voluven,® a plasma volume expander containing a 6% low molecular weight hydroxyethyl starch in saline solution.

Competing products for the diagnosis and treatment of cancer are being manufactured and marketed by established pharmaceutical companies, and more cancer diagnostics and therapeutics are being developed by those companies and by other smaller biotechnology companies. Other companies, both large and small, are also working on the development of stem cell based therapies for the same diseases and disorders that are the focus of the research and development programs of our subsidiaries

There also is a risk that our competitors may succeed at developing safer or more effective products that could render our products and technologies obsolete or noncompetitive.

We might need to issue additional equity or debt securities in order to raise additional capital needed to pay our operating expenses

We plan to continue to incur substantial research and product development expenses, largely through our subsidiaries, and we and our subsidiaries will need to raise additional capital to pay operating expenses until we are able to generate sufficient revenues from product sales, royalties, and license fees.

It is likely that additional sales of equity or debt securities will be required to meet our short-term capital needs, unless we receive substantial revenues from the sale of our new products or we are successful at licensing or sublicensing the technology that we develop or acquire from others and we receive substantial licensing fees and royalties.

Sales of additional equity securities by us or our subsidiaries could result in the dilution of the interests of present shareholders.

The amount and pace of research and development work that we and our subsidiaries can do or sponsor, and our ability to commence and complete clinical trials required to obtain regulatory approval to market our pharmaceutical and medical device products, depends upon the amount of money we have

At September 30, 2011, we had $26,230,298 of cash and cash equivalents on hand. There can be no assurance that we or our subsidiaries will be able to raise additional funds on favorable terms or at all, or that any funds raised will be sufficient to permit us or our subsidiaries to develop and market our products and technology. Unless we and our subsidiaries are able to generate sufficient revenue or raise additional funds when needed, it is likely that we will be unable to continue our planned activities, even if we make progress in our research and development projects.

We have already curtailed the pace and scope of our plasma volume expander development efforts due to the limited amount of funds available, and we may have to postpone other laboratory research and development work unless our cash resources increase through a growth in revenues or additional equity investment or borrowing.

Our business could be adversely affected if we lose the services of the key personnel upon whom we depend

Our stem cell research program is directed primarily by our Chief Executive Officer, Dr. Michael West. The loss of Dr. West's services could have a material adverse effect on us.

Risks Related to Our Industry

We will face certain risks arising from regulatory, legal, and economic factors that affect our business and the business of other pharmaceutical development companies. Because we are a small company with limited revenues and limited capital resources, we may be less able to bear the financial impact of these risks than is the case with larger companies possessing substantial income and available capital.

If we do not receive regulatory approvals we will not be permitted to sell our pharmaceutical and medical device products

The pharmaceutical and medical device products that we and our subsidiaries develop cannot be sold until the United States Food and Drug Administration ("FDA") and corresponding foreign regulatory authorities approve the products for medical use. The need to obtain regulatory approval to market a new product means that:

We will have to conduct expensive and time-consuming clinical trials of new products. The full cost of conducting and completing clinical trials necessary to obtain FDA and foreign regulatory approval of a new product cannot be presently determined, but could exceed our current financial resources.

Clinical trials and the regulatory approval process for a pharmaceutical product can take several years to complete. As a result, we will incur the expense and delay inherent in seeking FDA and foreign regulatory approval of new products even if the results of clinical trials are favorable.

Data obtained from preclinical and clinical studies is susceptible to varying interpretations that could delay, limit, or prevent regulatory agency approvals. Delays in the regulatory approval process or rejections of an application for approval of a new drug may be encountered as a result of changes in regulatory agency policy.

Because the therapeutic products we are developing with hES and iPS technology involve the application of new technologies and approaches to medicine, the FDA or foreign regulatory agencies may subject those products to additional or more stringent review than drugs or biologicals derived from other technologies.

A product that is approved may be subject to restrictions on use.

The FDA can recall or withdraw approval of a product if problems arise.

We will face similar regulatory issues in foreign countries.

Government-imposed restrictions and religious, moral, and ethical concerns about the use of hES cells could prevent us from developing and successfully marketing stem cell products

Government-imposed restrictions with respect to the use of embryos or human embryonic stem cells in research and development could limit our ability to conduct research and develop new products.

Government-imposed restrictions on the use of embryos or hES cells in the United States and abroad could generally constrain stem cell research, thereby limiting the market and demand for our products. During March 2009, President Obama lifted certain restrictions on federal funding of research involving the use of hES cells, and in accordance with President Obama's Executive Order, the National Institutes of Health ("NIH") has adopted new guidelines for determining the eligibility of hES cell lines for use in federally funded research. The central focus of the proposed guidelines is to assure that hES cells used in federally funded research were derived from human embryos that were created for reproductive purposes, were no longer needed for this purpose, and were voluntarily donated for research purposes with the informed written consent of the donors. The hES cells that were derived from embryos created for research purposes rather than reproductive purposes, and other hES cells that were not derived in compliance with the guidelines, are not eligible for use in federally funded research. A lawsuit, Sherley v. Sebelius, has been filed challenging the legality of the new NIH guidelines. In that litigation, a United States District Court issued a temporary injunction against the implementation of the new NIH guidelines, but the District Court's ruling was vacated by the United States Court of Appeals, and upon remand, on July 27, 2011 the District Court ruled in favor of the NIH, declining to invalidate the NIH guidelines. However, the plaintiffs in the case have filed a notice of

appeal. The ultimate resolution of that lawsuit could determine whether the federal government may fund research using hES cells, unless new legislation is passed expressly permitting or prohibiting such funding.

California law requires that stem cell research be conducted under the oversight of a stem cell research oversight committee ("SCRO"). Many kinds of stem cell research, including the derivation of new hES cell lines, may only be conducted in California with the prior written approval of the SCRO. A SCRO could prohibit or impose restrictions on the research that we plan to do.

The use of hES cells gives rise to religious, moral, and ethical issues regarding the appropriate means of obtaining the cells and the appropriate use and disposal of the cells. These considerations could lead to more restrictive government regulations or could generally constrain stem cell research, thereby limiting the market and demand for our products.

If we are unable to obtain and enforce patents and protect our trade secrets, others could use our technology to compete with us, which could limit opportunities for us to generate revenues by licensing our technology and selling products

Our success will depend in part on our ability to obtain and enforce patents and maintain trade secrets in the United States and in other countries. If we are unsuccessful at obtaining and enforcing patents, our competitors could use our technology and create products that compete with our products, without paying license fees or royalties to us.

The preparation, filing, and prosecution of patent applications can be costly and time consuming. Our limited financial resources may not permit us to pursue patent protection of all of our technology and products throughout the world.

Even if we are able to obtain issued patents covering our technology or products, we may have to incur substantial legal fees and other expenses to enforce our patent rights in order to protect our technology and products from infringing uses. We may not have the financial resources to finance the litigation required to preserve our patent and trade secret rights.

There is no certainty that our pending or future patent applications will result in the issuance of patents

We have filed patent applications for technology that we have developed, and we have obtained licenses for a number of patent applications covering technology developed by others, that we believe will be useful in producing new products, and which we believe may be of commercial interest to other companies that may be willing to sublicense the technology for fees or royalty payments. In the future, we may also file additional new patent applications seeking patent protection for new technology or products that we develop ourselves or jointly with others. However, there is no assurance that any of our licensed patent applications, or any patent applications that we have filed or that we may file in the future covering our own technology, either in the United States or abroad, will result in the issuance of patents.

In Europe, the European Patent Convention prohibits the granting of European patents for inventions that concern "uses of human embryos for industrial or commercial purposes." The European Patent Office is presently interpreting this prohibition broadly, and is applying it to reject patent claims that pertain to human embryonic stem cells. However, this broad interpretation is being challenged through the European Patent Office appeals system. As a result, we do not yet know whether or to what extent we will be able to obtain patent protection for our human embryonic stem cell technologies in Europe.

The process of applying for and obtaining patents can be expensive and slow

The preparation and filing of patent applications, and the maintenance of patents that are issued, may require substantial time and money.

A patent interference proceeding may be instituted with the United States Patent and Trademark Officer ("PTO") when more than one person files a patent application covering the same technology, or if someone wishes to challenge the validity of an issued patent. At the completion of the interference proceeding, the PTO will determine which competing applicant is entitled to the patent, or whether an issued patent is valid. Patent interference proceedings are complex, highly contested legal proceedings, and the PTO's decision is subject to appeal. This means that if an interference proceeding arises with respect to any of our patent applications, we may experience significant expenses and delay in obtaining a patent, and if the outcome of the proceeding is unfavorable to us, the patent could be issued to a competitor rather than to us.

Oppositions to the issuance of patents may be filed under European patent law and the patent laws of certain other countries. As with the PTO interference proceedings, these foreign proceedings can be very expensive to contest and can result in significant delays in obtaining a patent or can result in a denial of a patent application.

Our patents may not protect our products from competition

We or our subsidiaries have patents in the United States, Canada, the European Union countries, Australia, Israel, Russia, South Africa, South Korea, Japan, Hong Kong, and Singapore, and have filed patent applications in other foreign countries for our plasma volume expanders, certain stem cell products, HyStem® and Extracel™ PEGcel hydrogels, and certain related technologies.

We might not be able to obtain any additional patents, and any patents that we do obtain might not be comprehensive enough to provide us with meaningful patent protection.

There will always be a risk that our competitors might be able to successfully challenge the validity or enforceability of any patent issued to us.

In addition to interference proceedings, the PTO can re-examine issued patents at the request of a third party seeking to have the patent invalidated. This means that patents owned or licensed by us may be subject to re-examination and may be lost if the outcome of the re-examination is unfavorable to us.

We may be subject to patent infringement claims that could be costly to defend, which may limit our ability to use disputed technologies, and which could prevent us from pursuing research and development or commercialization of some of our products

The success of our business depends significantly on our ability to operate without infringing patents and other proprietary rights of others. If the technology that we use infringes a patent held by others, we could be sued for monetary damages by the patent holder or its licensee, or we could be prevented from continuing research, development, and commercialization of products that rely on that technology, unless we are able to obtain a license to use the patent. The cost and availability of a license to a patent cannot be predicted, and the likelihood of obtaining a license at an acceptable cost would be lower if the patent holder or any of its licensees is using the patent to develop or market a product with which our product would compete. If we could not obtain a necessary license, we would need to develop or obtain rights to alternative technologies, which could prove costly and could cause delays in product development, or we could be forced to discontinue the development or marketing of any products that were developed using the technology covered by the patent.

If we fail to meet our obligations under license agreements, we may lose our rights to key technologies on which our business depends

Our business depends on several critical technologies that are based in part on technology licensed from third parties. Those third-party license agreements impose obligations on us, including payment obligations and obligations to pursue development of commercial products under the licensed patents or technology. If a licensor believes that we have failed to meet our obligations under a license agreement, the licensor could seek to limit or terminate our license rights, which could lead to costly and time-consuming litigation and, potentially, a loss of the licensed rights. During the period of any such litigation, our ability to carry out the development and commercialization of potential products, and our ability to raise any capital that we might then need, could be significantly and negatively affected. If our license rights were restricted or ultimately lost, we would not be able to continue to use the licensed technology in our business.

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The price and sale of our products may be limited by health insurance coverage and government regulation

Success in selling our pharmaceutical products may depend in part on the extent to which health insurance companies, HMOs, and government health administration authorities such as Medicare and Medicaid will pay for the cost of the products and related treatment. Presently, most health insurance plans and HMOs will pay for Hextend when it is used in a surgical procedure that is covered by the plan. However, until we actually introduce a new product into the medical marketplace, we will not know with certainty whether adequate health insurance, HMO, and government coverage will be available to permit the product to be sold at a price high enough for us to generate a profit. In some foreign countries, pricing or profitability of health care products is subject to government control, which may result in low prices for our products. In the United States, there have been a number of federal and state proposals to implement similar government controls, and new proposals are likely to be made in the future.

Risks Pertaining to Our Common Shares

Ownership of our common shares will entail certain risks associated with the volatility of prices for our shares and the fact that we do not pay dividends on our common shares.

Because we are engaged in the development of pharmaceutical and stem cell research products, the price of our stock may rise and fall rapidly

The market price of our shares, like that of the shares of many biotechnology companies, has been highly volatile.

The price of our shares may rise rapidly in response to certain events, such as the commencement of clinical trials of an experimental new drug, even though the outcome of those trials and the likelihood of ultimate FDA approval remain uncertain.

Similarly, prices of our shares may fall rapidly in response to certain events such as unfavorable results of clinical trials or a delay or failure to obtain FDA approval.

The failure of our earnings to meet analysts' expectations could result in a significant rapid decline in the market price of our common shares.

Current economic and stock market conditions may adversely affect the price of our common shares

The stock market has been experiencing extreme price and volume fluctuations which have affected the market price of the equity securities without regard to the operating performance of the issuing companies. Broad market fluctuations, as well as general economic and political conditions, may adversely affect the market price of the common shares.

Because we do not pay dividends, our stock may not be a suitable investment for anyone who needs to earn dividend income

We do not pay cash dividends on our common shares. For the foreseeable future, we anticipate that any earnings generated in our business will be used to finance the growth of our business and will not be paid out as dividends to our shareholders. This means that our stock may not be a suitable investment for anyone who needs to earn income from their investments.

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Securities analysts may not initiate coverage or continue to cover our common shares, and this may have a negative impact on the market price of our shares

The trading market for our common shares will depend, in part, on the research and reports that securities analysts publish about our business and our common shares. We do not have any control over these analysts. There is no guarantee that securities analysts will cover our common shares. If securities analysts do not cover our common shares, the lack of research coverage may adversely affect the market price of those shares. If securities analysts do cover our shares, they could issue reports or recommendations that are unfavorable to the price of our shares, and they could downgrade a previously favorable report or recommendation, and in either case our share price could decline as a result of the report. If one or more of these analysts does not initiate coverage, ceases to cover our shares or fails to publish regular reports on our business, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

You may experience dilution of your ownership interests because of the future issuance of additional shares of common and preferred shares by us and our subsidiaries

In the future, we may issue our authorized but previously unissued equity securities, resulting in the dilution of the ownership interests of our present shareholders. We are currently authorized to issue an aggregate of 76,000,000 shares of capital stock consisting of 75,000,000 common shares and 1,000,000 “blank check” preferred shares. As of September 30, 2011, there were 3,121,417 common shares reserved for issuance upon the exercise of outstanding options under our employee stock option plans; and 636,613 shares reserved for issuance upon the exercise of common share purchase warrants. No preferred shares are presently outstanding.

The operation of some of our subsidiaries has been financed in part through the sale of capital stock in those subsidiaries to private investors. Sales of additional subsidiary shares could reduce our ownership interest in the subsidiaries, and correspondingly dilute our shareholder’s ownership interests in our consolidated enterprise. Our subsidiaries also have their own stock option plans and the exercise of subsidiary stock options or the sale of restricted stock under those plans would also reduce our ownership interest in the subsidiaries, with a resulting dilutive effect on the ownership interest of our shareholders in our consolidated enterprise.

We and our subsidiaries may issue additional common shares or other securities that are convertible into or exercisable for common shares in order to raise additional capital, or in connection with hiring or retaining employees or consultants, or in connection with future acquisitions of licenses to technology or rights to acquire products, or in connection with future business acquisitions, or for other business purposes. The future issuance of any such additional common shares or other securities may create downward pressure on the trading price of our common shares

We may also issue preferred shares having rights, preferences, and privileges senior to the rights of our common shares with respect to dividends, rights to share in distributions of our assets if we liquidate our company, or voting rights. Any preferred shares may also be convertible into common shares on terms that would be dilutive to holders of common shares. Our subsidiaries may also issue their own preferred shares with a similar dilutive impact on our ownership of the subsidiaries.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Default Upon Senior Securities.

Not applicable.

Item 4. (Removed and Reserved)

Item 5. Other Information.

None.

Item 6. Exhibits

Exhibit Numbers	Description
2.1	Agreement and Plan of Merger, dated February 11, 2011, between Glycosan BioSystems, Inc., OrthoCyte Corporation, and BioTime, Inc. (1)
3.1	Articles of Incorporation with all amendments. (2)
3.2	By-Laws, As Amended. (3)
10.1	License Agreement between BioTime, Inc. and Cornell University (Portions of this exhibit have been omitted pursuant to a request for confidential treatment)*
10.2	Employment Agreement, dated October 3, 2011, between BioTime, Inc. and Peter S. Garcia *
31	Rule 13a-14(a)/15d-14(a) Certification.*
32	Section 1350 Certification.*
101	Interactive Data File
101.INS	XBRL Instance Document *
101.SCH	XBRL Taxonomy Extension Schema *
101.CAL	XBRL Taxonomy Extension Calculation Linkbase *
101.LAB	XBRL Taxonomy Extension Label Linkbase *
101.PRE	XBRL Taxonomy Extension Presentation Linkbase *
101.DEF	XBRL Taxonomy Extension Definition Document *

(1) Incorporated by reference to BioTime's Form 10-K for the year ended December 31, 2010.

(2) Incorporated by reference to Registration Statement on Form S-1, File Number 33-44549 filed with the Securities and Exchange Commission on December 18, 1991, and Amendment No. 1 and Amendment No. 2 thereto filed with the Securities and Exchange Commission on February 6, 1992 and March 7, 1992, respectively.

(3) Incorporated by reference to Registration Statement on Form S-1, File Number 33-48717 and Post-Effective Amendment No. 1 thereto filed with the Securities and Exchange Commission on June 22, 1992, and August 27, 1992, respectively.

* Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BIOTIME, INC.

Date: November 8, 2011

/s/ Michael D. West
Michael D. West
Chief Executive Officer

Date: November 8, 2011

/s/ Peter Garcia
Peter Garcia
Chief Financial Officer

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