iCo Therapeutics Inc.

(a development stage company)

Condensed Interim Financial Statements
September 30, 2016 and 2015
(in Canadian dollars)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

iCo Therapeutics Inc.

(a development stage company)
Balance Sheets (Unaudited)

(in Canadian dollars)

	Note	September 30, 2016 $	December 31, 2015 $
Assets			
Current assets			
Cash and cash equivalents		990,801	2,727,758
Short-term investments		1,524,227	1,026,224
Taxes and other receivables		101,913	23,816
Prepaid expenses		25,780	25,462
		2,642,721	3,803,260
Other investments	3	7,022	44,196
Equipment		9,596	5,714
Intangible assets		26,807	42,657
		2,686,146	3,895,827
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	4	144,041	115,212
Shareholders' Equity			
Capital stock	5	28,048,137	28,048,137
Contributed surplus	5	3,516,688	3,493,478
Warrants	5	2,853,487	2,853,487
Accumulated deficit		(31,876,207)	(30,614,487)
		2,542,105	3,780,615
		2,686,146	3,895,827

Subsequent event (Note 9)

Approved by the Board of Directors

____(signed) William Jarosz_____ Director _____(signed) Andrew Rae_____ Director

The accompanying notes are an integral part of these financial statements.

iCo Therapeutics Inc.

(a development stage company)

Statements of Loss and Comprehensive Loss (Unaudited)

For the nine months ended September 30, 2016 and 2015

(in Canadian dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	**2015**	**2016**	**2015**
Expenses				
Research and development	$ 156,261	$ 134,093	$ 600,976	$ 459,661
General and administrative	149,644	253,652	795,809	1,013,722
Foreign exchange loss (gain)	(1,612)	(168,554)	81,917	(472,183)
	304,294	219,191	1,478,703	1,001,200
Gain (loss) on other investments	(4,930)	32,411	(37,174)	20,929
Impairment on other investments	-	-	-	(165,424)
Other income	96,773	15,487	240,989	25,675
Interest income	4,410	5,907	13,167	34,273
	96,253	53,805	216,982	(84,547)
Loss for the period	(208,841)	(165,386)	(1,261,721)	(1,085,747)
Other comprehensive loss				
Change in fair value of the available –for-sale investment	-	-	-	(70,607)
Total comprehensive loss	$ (208,841)	$ (165,386)	$ (1,261,721)	$ (1,156,354)
Basic and diluted loss per share	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.01)
Weighted average number of shares	84,457,713	84,457,713	84,457,713	84,457,713

The accompanying notes are an integral part of these financial statements.

iCo Therapeutics Inc.

(a development stage company)

Statement of Changes in Shareholder's Equity (Unaudited)

For the nine month period ending September 30, 2016 and 2015

(in Canadian dollars)

	Number of shares	Capital stock $	Contributed surplus $	Warrants $	Accumulated other comprehensive income (loss) $	Accumulated deficit $	Shareholders' equity $
Balance – December 31, 2014	84,457,713	28,048,137	3,493,478	2,853,487	(70,607)	(28,819,936)	5,504,929
Other comprehensive loss	-	-	-	-	70,607	-	70,607
Loss for the year	-	-	-	-	-	(1,156,354)	(1,156,354)
Balance – September 30, 2015	84,457,713	28,048,137	3,493,478	2,853,487	-	(29,976,290)	4,418,812
Balance – December 31, 2015	84,457,713	28,048,137	3,493,478	2,853,487	-	(30,614,486)	3,780,616
Share based payments	-	-	23,210	-	-	-	23,210
Loss for the year	-	-	-	-	-	(1,261,721)	(1,261,721)
Balance – September 30, 2016	84,457,713	28,048,137	3,516,688	2,853,487	-	(31,876,207)	2,542,105

The accompanying notes are an integral part of these financial statements.

iCo Therapeutics Inc.

(a development stage company)

Statements of Cash Flows (Unaudited)

For the nine months ended September 30, 2016 and 2015

(in Canadian dollars)

	Nine Months Ended September 30,		Nine Months Ended September 30,	
	2016	**2015**	**2016**	**2015**
Cash flows from operating activities				
(Loss) Income for the period	$ (208,841)	$ (165,386)	$ (1,261,721)	$ (1,156,354)
Items not affecting cash				
Gain (loss) on other investments	4,931	32,411	37,174	49,678
Amortization	5,284	6,216	16,005	22,144
Stock-based compensation	11,560	-	23,210	-
Impairment	-	-	-	165,424
Unrealized foreign exchange loss	-	171,473	-	239,062
	(186,267)	(20,108)	(1,185,331)	(680,046)
Changes in non-cash working capital				
Taxes and other receivable	(59,968)	12,077	(78,098)	31,178
Prepaid expenses	(4,365)	11,242	(318)	12,487
Accounts payable and accrued liabilities	39,460	(329,428)	28,828	(1,976,159)
Net cash flow used in operating activities	(211,139)	(326,217)	(1,234,918)	(2,612,540)
Cash flows from investing activities				
Purchase of equipment	-	-	(4,036)	(1,828)
Net proceeds from sale of other investments	(3,793)	-	-	1,011,569
Net Sale/(Purchase) of short term investments		295,884	(498,003)	728,694
Net cash flow from investing activities	(3,793)	295,884	(502,039)	1,738,435
Effect of foreign currency exchange rates on cash and cash equivalents	-	(138,466)	-	239,279
(Decrease) increase in cash and cash equivalents	(214,932)	(108,133)	(1,736,957)	(634,827)
Cash and cash equivalents, beginning of period	1,205,733	2,950,073	2,727,758	3,693,066
Cash and cash equivalents, end of period	$ 990,801	$ 3,058,206	$ 990,801	$ 3,058,206

The accompanying notes are an integral part of these financial statements.

(in Canadian dollars)

1 Nature of operations

iCo Therapeutics Inc. ("iCo" or the "Company") is a Canadian biotechnology company principally focused on the identification, development and commercialization of drug candidates with a clinical history and re-doses, reformulates and develops these drug candidates to treat sight and life-threatening diseases. The Company had until recently, in-licensed three assets: iCo-007; iCo-008 and the Oral AmpB Delivery System.

iCo-007 is an antisense compound in-licensed from Ionis Pharmaceuticals, Inc. (formerly Isis Pharmaceuticals Inc.). In August 2011, the Company initiated a US physician sponsored Phase 2 clinical trial involving iCo-007, ('iDEAL Study'), evaluating iCo-007 in diabetic macular edema ("DME"). On June 9, 2014, the Company announced top-line results related to the eight month visual acuity ("VA") primary endpoint for subjects enrolled in the iDEAL Study. The Company determined that the Phase 2 iCo-007 DME data presented at that time, along with additional internal analysis, to date had not demonstrated any subgroup response rates that warranted further financial investment by iCo particularly in the DME program at this time. The Company investigated other potential indications for this licensed technology but was unable to identify other opportunities. Consequently during the quarter, the Company notified Ionis Pharmaceuticals Inc. that it had abandoned this technology.

iCo-008 is a monoclonal antibody that the Company plans to take into clinical trials for vernal keratoconjunctivitis ("VKC") and possibly age related macular degeneration. On December 8, 2010, the Company also signed an option to license the systemic applications of iCo-008 to IMMUNE Pharmaceuticals Corp. ("IMMUNE"). The option to convert to a full licence was exercised by IMMUNE on June 24, 2011. On February 21, 2013, IMMUNE announced it was initiating a Phase II clinical trial with iCo-008 ("Bertilimumab") in patients with ulcerative colitis. The Phase II program was further expanded to examine Bertilimumab for the treatment of bullous pemphigoid, a rare auto-immune condition that affects the skin and causes the formation of blisters.

The Oral AmpB Delivery System is an experimental oral formulation of Amphotericin B that is at a pre-clinical stage.

The Company is considered to be in the development stage as most of its efforts have been devoted to research and development, raising capital, recruiting personnel and long-term planning. The Company is publicly traded on the TSX Venture Exchange under the symbol "ICO" and the OTCQX under the symbol "ICOTF". The Company is incorporated and domiciled in British Columbia, Canada. The address of its head office is 6th floor, 777 Hornby Street, Vancouver, British Columbia, V6Z 1S4.

2 Significant accounting policies

Basis of presentation and statement of compliance

These condensed interim financial statements for the nine months ended September 30, 2016 have been prepared in accordance with IAS 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of these interim financial statements. These condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2015 which have been prepared in accordance with IFRS.

The financial statements are presented in Canadian dollars which is the Company's functional currency.

The accounting policies adopted are consistent with those of the previous financial year; December 31, 2015.

These financial statements were approved by the board of directors for issue on November 23, 2016.

Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the Company's management to make estimates and assumptions that affect the amounts reported in these financial statements and notes. The Company regularly reviews its estimates; however, actual amounts could differ from the estimates used and, accordingly, materially affect the results of operations. Areas requiring management to make estimates are on the valuation of IMMUNE Warrants.

a) Fair value of other investments

The fair value of other investments is determined by using valuation techniques. The Company uses its estimates and judgment to select a variety of methods as prescribed under the accounting standards. At year-end and quarter-end, management used market value for the shares and the Black Scholes model for the warrants to determining the fair value of the other investments. Refer to note 3 for details regarding the estimates used related to fair value of other investments.

3 Other investments

As part of an exclusive licence agreement entered into on June 24, 2011, with IMMUNE Pharmaceutical Inc., a private Israeli company (the "IMMUNE Licence Agreement") the Company received 600,000 IMMUNE common shares ("IMMUNE Shares") and 200,000 IMMUNE Warrants in addition to certain other cash consideration. Subsequently, pursuant to a share exchange in connection with IMMUNE's merger with Epicept Corporation in 2013, the Company exchanged its IMMUNE shares and warrants for 654,486 common shares and 123,649 warrants of Epicept. The shares were all sold in fiscal year ending December 31, 2015, leaving the warrants.

The following tables represent the changes in the investments for the period ending September 30, 2016:

	Warrants	$
Balance - December 31, 2015	123,649	44,196
Change in fair value (note a)	-	(37,174)
Balance – September 30, 2016	123,649	7,022

a) The fair value of the IMMUNE Warrants were valued at quarter end using the Black Scholes option pricing model. The inputs used for the model are as follows: stock price US$0.28, strike price US$2.63, term of 2.25 years, volatility of 108% and a risk free interest rate of 0.75%.

4 Accounts payable and accrued liabilities

	September 30, 2016 $	December 31, 2015 $
Trade payables	103,166	69,443
Other accruals	40,875	45,769
	144,041	115,212

5 Capital stock

Authorized

Unlimited number of common shares with no par value

Issued and outstanding

	Number of shares	Amount $
Balance - December 31, 2015	84,457,713	28,048,137
	-	-
Balance – September 30, 2016	84,457,713	28,048,137

Stock options

Under the stock option plan, the aggregate number of common shares reserved for issuance is 4,000,000.

	Number of stock options outstanding	Weighted average exercise price $
Balance - December 31, 2015	2,145,000	0.52
Expired	(1,125,000)	0.33
Granted	850,000	0.05
Balance – September 30, 2016	1,870,000	0.42

	Options outstanding			Options exercisable	
Range of exercise price $	Number outstanding at September 30, 2016	Weighted average remaining contractual life (years)	Weighted average exercise price $	Number exercisable at September 30, 2016	Weighted average exercise price $
0.05	825,000	4.38	0.05	495,000	0.05
0.30 - 0.45	65,000	1.00	0.38	65,000	0.38
0.73	980,000	1.31	0.73	980,000	0.73
	1,870,000	2.67	0.42	2,540,000	0.50

Warrants

	Number of warrants	Amount $
Balance - December 31, 2015	22,407,448	2,853,487
	-	-
Balance – September 30, 2016 (issued and outstanding)	22,407,448	2,853,487

Contributed surplus

	$
Balance - December 31, 2015	3,493,478
Share based payments	23,210
Balance – September 30, 2016	3,516,688

6 Related party transactions and compensation of key management

During the nine months ending September 30, 2016:

a) the Company incurred consulting fees from directors totalling CDN $192,185 (2015 - US$18,750) for CEO and CFO services and business development services. The amounts outstanding as at September 30, 2016 totalled CDN $28,619 (2015 – US $nil). All transactions were recorded at their exchange amounts. The amounts bear no interest and are unsecured with no terms of repayment.

b) the Company incurred directors' fees totalling $nil (2015 - $27,000). The amounts outstanding as at September 30, 2016 totalled $nil (2015 - $ nil). All transactions were recorded at their exchange amounts. The amounts bear no interest and are unsecured with no terms of repayment.

The table below provides all compensation to executive officers and directors for the nine months ended:

	September 30, 2016 $	September 30, 2015 $
Salaries and severance	352,400	540,000
Consulting and directors' fees	276,245	50,880
Share-based payments	23,210	23,625
	651,855	578,505

7 Financial instruments and financial risk management

Financial instrument disclosures establish a fair value hierarchy that requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Company primarily applies the market approach for recurring fair value measurements. This section describes three input levels that may be used to measure fair value:

Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide information on an ongoing basis. The Company does not have any financial instruments in this category.

Level 2 - quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Financial instruments whose carrying value approximates fair value

Cash and cash equivalents, short-term investments and other receivables are financial instruments whose fair value approximates their carrying value due to their short-term maturity. The input level used by the Company to measure fair value of its cash and cash equivalents and short-term investments is Level 2 as they are valued using observable market data.

The fair value of accounts payable may be less than its carrying value due to liquidity risk.

The warrants of Immune Pharmaceuticals, recorded as other investments, have been recorded at their fair value on the date they were acquired and at subsequent period end dates. Management has classified these warrants as available-for-sale. The Company uses Level 3 inputs to value these instruments. There is no active market for these warrants but the shares that the warrants can be exchanged into are traded on the NASDAQ stock exchange.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Company's income or valuation of its financial instruments.

The Company is exposed to financial risk related to fluctuation of foreign exchange rates. Foreign currency risk is limited to the portion of the Company's business transactions denominated in currencies other than the Canadian dollar, primarily expenses for research and development incurred in US$. The Company believes that the results of operations, financial position and cash flows would be affected by a sudden change in foreign exchange rates, but would not impair or enhance its ability to pay its US$. The Company manages foreign exchange risk by maintaining US$ cash on hand to fund its anticipated short-term US$ expenditures.

Balances in foreign currencies at September 30, 2016 and December 31, 2015 are as follows:

	Sept. 30, 2016 US balance $	Dec. 31 2015 US balance $
Cash and cash equivalents	706,991	1,318,143
Accounts payable and accrued liabilities	(7,734)	(17,410)
	699,257	1,300,733

Based on the US$ balance sheet exposure at September 30, 2016, with other variables unchanged, the effect of 10% change in exchange rates on the net current monetary (liabilities)/assets would be $69,926 (Dec. 31, 2015 - $130,073).

Interest rate risk

The Company is subject to interest rate risk on its cash and cash equivalents and short-term investments and believes that the results of operations, financial position and cash flows would not be significantly affected by a sudden change in market interest rates relative to the investment interest rates due to the short-term nature of the investments. The only financial instruments that expose the Company to interest rate risk are its cash and cash equivalents and short-term investments. Cash and cash equivalents in excess of day-to-day requirements are placed in short-term deposits with high quality credit financial institutions and earn interest at rates available at that time.

As at September 30, 2016, cash and cash equivalents held in savings accounts or short-term investments are $2,234,560. The interest rates range from 0.0% to 0.2%.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet cash flow requirements associated with financial instruments.

The Company continues to manage its liquidity risk by monitoring its cash flows and investments regularly, comparing actual results with budgets and future cash requirements.

The following table summarizes the relative maturities of the financial liabilities of the Company:

	Maturity	
	Less than one year $	**Greater than one year $**
Accounts payable and accrued liabilities	144,041	-

Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as outstanding receivables. The Company invests its excess cash in short-term Guaranteed Investment Certificates. The Company has established guidelines relative to diversification, credit ratings and maturities that maintain safety and liquidity. These guidelines are periodically reviewed by the Company's Board of Directors and modified to reflect changes in market conditions.

The Company limits its exposure to credit risk, with respect to cash and cash equivalents, by placing them with high quality credit financial institutions. The Company's cash equivalents consist primarily of operating funds and deposit investments with commercial banks.

8 Segmented information

The Company identifies its operating segments based on business activities, management responsibility and geographical location. The Company operates within a single operating segment, being the research and development of ophthalmic and anti-infective indications, and operates in one geographic area, being Canada. All of the Company's assets are located in Canada.

9 Subsequent event

On November 15, 2016, the Company announced that it had acquired a worldwide exclusive option to a novel, potentially first in class glaucoma asset from Laboratorios SALVAT ("Salvat"). The exclusive option is to acquire the asset outright, over multiple development stage milestones, for aggregate payments of either $4.25M USD or $4.5M USD, based on when the option is exercised. The Company has a maximum period of nine months to exercise the option. Salvat will retain the rights to market a glaucoma drug developed from the asset in the EU with iCo receiving royalties and economic consideration. iCo diligence activities during option period will focus on commercialization of the asset but these activities are expected to have minimal financial impact on the corporate runway. During the option period Salvat will continue to pay intellectual property costs on the 29 patents issued to date.