

# **iCo Therapeutics Inc.**

(a development stage company)

Condensed Interim Financial Statements

**March 31, 2015 and 2014**

(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	March 31, 2015 \$	December 31, 2014 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		3,961,076	3,693,033
Short-term investments		2,118,707	2,014,754
Taxes and other receivables		36,367	39,067
Prepaid expenses		27,524	28,656
		<u>6,143,674</u>	<u>5,775,510</u>
<b>Other investments</b>	3	83,587	1,237,235
<b>Equipment</b>		1,864	4,730
<b>Intangible assets</b>		<u>58,507</u>	<u>63,790</u>
		<u>6,287,632</u>	<u>7,081,265</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	4	<u>964,457</u>	<u>1,576,336</u>
<b>Shareholders' Equity</b>			
<b>Capital stock</b>	5	28,048,137	28,048,137
<b>Contributed surplus</b>	5	3,493,478	3,493,478
<b>Warrants</b>	5	2,853,487	2,853,487
<b>Accumulated other comprehensive income</b>		-	(70,607)
<b>Accumulated deficit</b>		<u>(29,071,927)</u>	<u>(28,819,566)</u>
		<u>5,323,175</u>	<u>5,504,929</u>
		<u>6,287,632</u>	<u>7,081,265</u>

**Subsequent events** (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 three months ended March 31, 2015 and 2014

(in Canadian dollars)

	Note	March 31, 2015 \$	March 31, 2014 \$
<b>Expenses</b>			
Research and development		149,554	624,891
General and administrative		279,218	365,591
Foreign exchange loss (gain)		(371,123)	116,689
		<u>57,649</u>	<u>1,107,171</u>
<b>Impairment on other investments</b>	3	(165,424)	302,082
<b>Other income</b>		29,122	200,190
<b>Interest income</b>		<u>12,162</u>	<u>4,166</u>
		<u>(129,340)</u>	<u>520,377</u>
<b>Loss for the quarter</b>		(186,989)	(609,733)
<b>Other comprehensive income (loss)</b>			
Items that may be subsequently reclassified to profit or loss:			
Changes in fair value of other investments		<u>(70,607)</u>	<u>1,965,801</u>
<b>Total comprehensive income (loss)</b>		<u>(252,397)</u>	<u>1,365,068</u>
<b>Basic and diluted earnings (loss) per share</b>		<u>(0.00)</u>	<u>0.02</u>
<b>Weighted average number of shares (basic and diluted)</b>		<u>84,457,713</u>	<u>67,659,972</u>

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 three month period ending March 31, 2015 and 2014

(in Canadian dollars)

	Number of shares	Capital stock \$	Contributed surplus \$	Warrants \$	Accumulated other comprehensive income (loss) \$	Accumulated deficit \$	Shareholders' equity \$
<b>Balance – December 31, 2013</b>	67,811,230	23,836,143	3,154,094	1,118,877	-	(26,810,516)	1,298,598
Private placement (note 5)	16,206,483	4,038,306	-	2,097,906	-	-	6,136,212
Exercise of warrants	340,000	184,620	-	(48,620)	-	-	136,000
Exercise of options	100,000	35,100	(17,100)	-	-	-	18,000
Share-based payments	-	-	16,195	-	-	-	16,195
Other comprehensive loss	-	-	-	-	1,965,801	-	1,965,801
Loss for the year	-	-	-	-	-	(600,732)	(600,733)
<b>Balance – March 31, 2014</b>	84,457,713	28,094,169	3,153,189	3,168,183	1,965,801	(27,411,249)	8,970,073
<b>Balance – December 31, 2014</b>	84,457,713	28,048,137	3,493,478	2,853,487	(70,607)	(28,819,531)	5,504,929
Other comprehensive loss	-	-	-	-	70,607	-	70,607
Loss for the year	-	-	-	-	-	(252,396)	(252,396)
<b>Balance – March 31, 2015</b>	84,457,713	28,094,169	3,493,478	2,853,487	-	(29,071,927)	5,323,175

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 three months ended March 31, 2015 and 2014

(in Canadian dollars)

	March 31, 2015 \$	March 31, 2014 \$
<b>Cash flows from operating activities</b>		
Loss for the quarter	(252,397)	(600,733)
Items not affecting cash		
Amortization	10,013	21,756
Share-based payments	-	16,195
Gain on other investments	47,262	(302,082)
Impairment on other investments	165,424	-
Unrealized foreign exchange loss	188,855	88,466
	159,157	(776,398)
Changes in non-cash working capital		
Taxes and other receivables	2,700	(67,189)
Prepaid expenses	1,132	(18,763)
Accounts payable and accrued liabilities	(504,723)	(90,865)
	(341,734)	(953,215)
<b>Cash flows from investing activities</b>		
Purchase of equipment	(1,829)	-
Net proceeds from sale of other investments	1,011,569	-
Purchase of short-term investments	(103,953)	(2,154,259)
	905,788	(2,154,259)
<b>Cash flows from financing activities</b>		
Exercise of warrants	-	136,000
Exercise of options	-	18,000
Net proceeds from issuance of units	-	6,136,212
	-	6,290,212
<b>Effect of foreign currency exchange rates on cash and cash equivalents</b>	(296,011)	(5,022)
<b>Increase in cash and cash equivalents</b>	268,043	3,177,716
<b>Cash and cash equivalents - Beginning of the quarter</b>	3,693,033	1,104,584
<b>Cash and cash equivalents - End of the quarter</b>	3,961,076	4,282,300
<b>Supplementary information</b>		
Cash received for interest within operating activities	12,162	4,166

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

# **iCo Therapeutics Inc.**

## **Notes to the Interim Financial Statements For the years ended March 31, 2015 and 2014**

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(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 currently has in-licensed three compounds: iCo-007; iCo-008 and the Oral AmpB Delivery System.

iCo-007 is an antisense compound in-licensed from 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 has not demonstrated any subgroup response rates that warrant further financial investment by iCo particularly in the DME program at this time. The Company continues to investigate other potential use indications for its licensed technology which targets the C-Raf kinase pathway. Uses of these indications may include certain oncology applications as a number of approved drugs currently target Raf kinase isoforms.

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 Suite 1300, 777 Dunsmuir Street, Vancouver, British Columbia, V7Y 1K2.

# **iCo Therapeutics Inc.**

## **Notes to the Interim Financial Statements For the years ended March 31, 2015 and 2014**

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(in Canadian dollars)

### **2 Significant accounting policies**

#### **Basis of presentation and statement of compliance**

These condensed interim financial statements for the three months ended March 31, 2015 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, 2014 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, 2014.

These financial statements were approved by the board of directors for issue on May 28, 2015.

#### **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 the 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 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

# iCo Therapeutics Inc.

## Notes to the Interim Financial Statements

For the years ended March 31, 2015 and 2014

(in Canadian dollars)

Corporation in 2013, the Company exchanged its IMMUNE shares and warrants for 654,486 common shares and 123,649 warrants respectively.

The following table represents the changes in the investments for the three months ending March 31, 2015:

	Shares	Warrants	\$
Balance - December 31, 2014	536,669	123,649	1,237,235
Change in fair value of derivative (note a)	-	-	23,345
Change in fair value of common shares	-	-	(165,424)
Sale of shares	(536,669)	-	(1,011,569)
Balance - March 31, 2015	-	123,649	83,587

- a) The fair value of the IMMUNE Warrants were valued at year end using the Black Scholes option pricing model. The inputs used for the model are as follows: stock price US\$1.80, strike price US\$2.63, term of one year, volatility of 106% and a risk free interest rate of 0.25%.
- b) Effective December 8, 2014, the Company began selling the IMMUNE Shares, which trade on the NASDAQ under the symbol IMNP. As at March 31, 2015, all of the IMMUNE Shares have been sold at fair market value.

## 4 Accounts payable and accrued liabilities

	March 31, 2015 \$	December 31, 2014 \$
Trade payables	947,808	1,507,158
Other accruals	16,649	69,178
	<u>964,457</u>	<u>1,576,336</u>

# iCo Therapeutics Inc.

## Notes to the Interim Financial Statements

For the years ended March 31, 2015 and 2014

(in Canadian dollars)

### 5 Capital stock

Authorized

Unlimited number of common shares with no par value

Issued and outstanding

	Number of shares	Amount \$
Balance - December 31, 2014	84,457,713	28,048,137
	-	-
Balance - March 31, 2015	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, 2014	2,165,000	0.52
	-	-
Balance - March 31, 2015	2,165,000	0.52

Range of exercise price \$	Options outstanding			Options exercisable	
	Number outstanding at March 31, 2015	Weighted average remaining contractual life (years)	Weighted average exercise price \$	Number exercisable at March 31, 2015	Weighted average exercise price \$
0.29 - 0.30	1,025,000	1.53	0.29	1,025,000	0.29
0.40 - 0.54	40,000	3.44	0.45	40,000	0.45
0.73	1,100,000	2.81	0.73	1,100,000	0.73
	2,165,000	2.22	0.52	2,165,000	0.52

# **iCo Therapeutics Inc.**

## **Notes to the Interim Financial Statements For the years ended March 31, 2015 and 2014**

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(in Canadian dollars)

### **Warrants**

	<b>Number of warrants</b>	<b>Amount \$</b>
Balance - December 31, 2014	22,407,448	2,853,487
	-	-
Balance - March 31, 2015 (issued and outstanding)	<u>22,407,448</u>	<u>2,853,487</u>

### **Contributed surplus**

	<b>\$</b>
Balance - December 31, 2014	3,493,478
	-
Balance - March 31, 2015	<u>3,493,478</u>

## **6 Related party transactions**

During the three months ending March 31, 2015:

- a) the Company incurred consulting director fees with a director totalling US\$6,250 (2014 - US\$6,250). The amounts outstanding as at March 31, 2015 totalled US \$nil (2014 - 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 \$9,000 (2014 - \$9,000). The amounts outstanding as at March 31, 2015 totalled \$nil (2014 - \$ nil). All transactions were recorded at their exchange amounts. The amounts bear no interest and are unsecured with no terms of repayment.

## **7 Compensation of key management**

Key management includes the Company's directors and executive officers.

# **iCo Therapeutics Inc.**

## **Notes to the Interim Financial Statements**

**For the years ended March 31, 2015 and 2014**

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(in Canadian dollars)

	<b>March 31, 2015 \$</b>	<b>March 31, 2014 \$</b>
Salaries	140,000	140,000
Consulting and directors fees	16,875	15,875
Share-based payments	-	15,182
	<hr/>	<hr/>
	156,875	171,057

### **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 indications, and operates in one geographic area, being Canada. All of the Company's assets are located in Canada.

