iCo Therapeutics Inc.

(a development stage company)

Condensed Interim Financial Statements
June 30, 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	June 30, 2015 $	December 31, 2014 $
Assets			
Current assets			
Cash and cash equivalents		2,950,073	3,693,033
Short-term investments		1,581,944	2,014,754
Taxes and other receivables		19,933	39,067
Prepaid expenses		27,410	28,656
		4,579,360	5,775,510
Other investments	3	48,760	1,237,235
Equipment		1,233	4,730
Intangible assets		53,224	63,790
		4,682,577	7,081,265
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	4	98,009	1,576,336
Shareholders' Equity			
Capital stock	5	28,048,137	28,048,137
Contributed surplus	5	3,493,478	3,493,478
Warrants	5	2,853,487	2,853,487
Accumulated other comprehensive income		-	(70,607)
Accumulated deficit		(29,810,534)	(28,819,566)
		4,584,568	5,504,929
		4,682,577	7,081,265

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 month period ended June 30, 2015 and 2014

(in Canadian dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	**2014**	**2015**	**2014**
Expenses				
Research and development	$ 176,049	$ 401,396	$ 325,603	$ 1,026,287
General and administrative	480,852	569,783	760,070	935,374
Foreign exchange loss (gain)	67,494	24,525	(303,629)	141,214
	724,395	995,704	782,044	2,102,875
Gain (loss) on other investments	(34,824)	(327,290)	(11,482)	(25,206)
Impairment on other investments	-	-	(165,424)	-
Other income	(18,934)	35,272	10,188	235,462
Interest income	16,204	11,659	28,366	15,824
	(14,212)	(280,359)	(138,352)	226,080
Loss for the period	(738,607)	(1,276,063)	(920,396)	(1,876,795)
Other comprehensive loss				
Change in fair value of the available –for-sale investment	-	(1,706,046)	(70,607)	259,755
Total comprehensive loss	$ (738,607)	$ (2,982,109)	$ (991,003)	$ (1,617,040)
Basic and diluted loss per share	$ (0.01)	$ (0.04)	$ (0.01)	$ (0.02)
Weighted average number of shares	84,457,713	73,709,324	84,457,713	73,709,324

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 June 30, 2015 and 2014

(in Canadian dollars)

	Number of shares	Capital stock $	Contributed surplus $	Warrants $	Accumulated other comprehensive income (loss) $	Accumulated deficit $	Shareholders' equity $
Balance – December 31, 2013	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	4,014,156	-	2,097,906	-	-	6,112,062
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	-	-	19,207	-	-	-	19,207
Other comprehensive loss	-	-	-	-	259,755	-	279,754
Loss for the year	-	-	-	-	-	(1,876,795)	(1,876,795)
Balance – June 30, 2014	84,457,713	28,070,019	3,156,201	3,168,183	259,755	(28,678,311)	5,966,827
Balance – December 31, 2014	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	-	-	-	-	-	(991,003)	(991,003)
Balance – June 30, 2015	84,457,713	28,094,169	3,493,478	2,853,487	-	(29,810,534)	4,584,568

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

(in Canadian dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	**2014**	**2015**	**2014**
Cash flows from operating activities				
(Loss) Income for the period	$ (738,606)	$ (1,276,263)	$ (991,003)	$ (1,876,795)
Items not affecting cash				
Gain (loss) on other investments	34,827	327,290	82,089	25,208
Amortization	5,915	21,762	15,928	43,518
Stock-based compensation	-	3,012	-	19,207
Impairment	-	-	165,424	-
Unrealized foreign exchange loss	(121,266)	(56,469)	67,589	31,997
	(819,130)	(980,467)	(659,973)	(1,756,865)
Changes in non-cash working capital				
Taxes and other receivable	16,433	155,749	19,101	88,562
Prepaid expenses	115	(14,714)	1,246	(33,478)
Accounts payable and accrued liabilities	(1,142,006)	54,196	(1,646,730)	(36,670)
Net cash flow used in operating activities	(1,944,588)	(785,236)	(2,286,356)	(1,738,451)
Cash flows from investing activities				
Purchase of equipment	-	-	(1,828)	-
Sale of short-term investments	-	-	1,011,569	-
Net cash flow from investing activities	536,762	(503,605)	432,809	(2,657,865)
	536,762	(503,605)	1,442,550	(2,657,865)
Cash flows from financing activities				
Issuance of common shares	-	(24,150)	-	6,112,062
Exercise of options	-	-	-	18,000
Exercise of warrants	-	-	-	136,000
Net cash flow from financing activities	-	(24,150)	-	6,266,062
Effect of foreign currency exchange rates on cash and cash equivalents	396,824	54,223	100,813	49,201
(Decrease) increase in cash and cash equivalents	(1,011,002)	(1,258,769)	(742,993)	(1,918,947)
Cash and cash equivalents, beginning of period	3,961,075	4,282,300	3,693,066	1,104,584
Cash and cash equivalents, end of period	$ 2,950,073	$ 3,023,531	$ 2,950,073	$ 3,023,531

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

iCo-007 is an antisense compound in-licenced 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 760-777 Hornby Street, Vancouver, B.C., V6Z 1S4.

(in Canadian dollars)

2 Significant accounting policies

Basis of presentation and statement of compliance

These condensed interim financial statements for the three months ended June 30, 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 August 26, 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

(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)	-	-	(11,482)
Change in fair value of common shares	-	-	(165,424)
Sale of shares	(536,669)	-	(1,011,569)
Balance – June 30, 2015	-	123,649	48,760

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 102% and a risk free interest rate of 0.11%.

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

	June 30, 2015 $	December 31, 2014 $
Trade payables	89,974	1,507,158
Other accruals	8,035	69,178
	98,009	1,576,336

(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 – June 30, 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 – June 30, 2015	2,165,000	0.52

	Options outstanding			Options exercisable	
Range of exercise price $	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	1.28	0.29	1,025,000	0.29
0.40 - 0.54	40,000	3.19	0.45	40,000	0.45
0.73	1,100,000	2.56	0.73	1,100,000	0.73
	2,165,000	1.97	0.52	2,165,000	0.52

(in Canadian dollars)

Warrants

	Number of warrants	Amount $
Balance - December 31, 2014	22,407,448	2,853,487
	-	-
Balance – June 30, 2015 (issued and outstanding)	22,407,448	2,853,487

Contributed surplus

	$
Balance - December 31, 2014	3,493,478
	-
Balance – June 30, 2015	3,493,478

6 Related party transactions

During the three months ending June 30, 2015:

a) the Company incurred consulting director fees with a director totalling US$12,500 (2014 - $6,250). The amounts outstanding as at June 30, 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 $18,000 (2014 - $9,000). The amounts outstanding as at June 30, 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.

	June 30, 2015 $	June 30, 2014 $
Salaries	280,000	392,000
Consulting and directors fees	33,750	31,345
Share-based payments	-	20,486
	313,750	443,831

(in Canadian dollars)

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.