

iCo Therapeutics Inc.

(a development stage company)

Condensed Interim Financial Statements

March 31, 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	March 31, 2016 \$	December 31, 2015 \$
Assets			
Current assets			
Cash and cash equivalents		1,175,383	2,727,758
Short-term investments		1,717,311	1,026,224
Taxes and other receivables		13,273	23,816
Prepaid expenses		29,991	25,462
		<u>2,935,958</u>	<u>3,803,260</u>
Other investments	3	15,602	44,196
Equipment		7,226	5,714
Intangible assets		<u>37,373</u>	<u>42,657</u>
		<u>2,996,159</u>	<u>3,895,827</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	4	<u>70,173</u>	<u>115,212</u>
Shareholders' Equity			
Capital stock	5	28,048,137	28,048,137
Contributed surplus	5	3,499,258	3,493,478
Warrants	5	2,853,487	2,853,487
Accumulated deficit		<u>(31,474,896)</u>	<u>(30,614,487)</u>
		<u>2,925,986</u>	<u>3,780,615</u>
		<u>2,996,159</u>	<u>3,895,827</u>

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, 2016 and 2015

(in Canadian dollars)

	Note	March 31, 2016 \$	March 31, 2015 \$
Expenses			
Research and development		318,848	149,554
General and administrative		467,660	279,218
Foreign exchange loss (gain)		69,874	(371,123)
		<u>856,382</u>	<u>57,649</u>
Change in fair value of investments	3	(28,594)	(165,424)
Other income		19,261	29,122
Interest income		<u>5,306</u>	<u>12,162</u>
		<u>(4,027)</u>	<u>(129,340)</u>
Loss for the quarter		(860,409)	(186,989)
Other comprehensive income (loss)			
Items that may be subsequently reclassified to profit or loss:			
Changes in fair value of other investments		-	(70,607)
Total comprehensive income (loss)		<u>(860,409)</u>	<u>(252,397)</u>
Basic and diluted earnings (loss) per share		<u>(0.01)</u>	<u>(0.00)</u>
Weighted average number of shares (basic and diluted)		<u>84,457,713</u>	<u>84,457,713</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, 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)	(28,819,531)	5,504,929
Other comprehensive loss	-	-	-	-	70,607	-	70,607
Loss for the year	-	-	-	-	-	(252,396)	(252,396)
Balance – March 31, 2015	84,457,713	28,094,169	3,493,478	2,853,487	-	(29,071,927)	5,323,175
Balance – December 31, 2015	84,457,713	28,048,137	3,493,478	2,853,487	-	(30,614,487)	3,780,615
Share based payments	-	-	5,780	-	-	-	5,780
Loss for the year	-	-	-	-	-	(860,409)	(860,409)
Balance – March 31, 2016	84,457,713	28,094,169	3,499,258	2,853,487	-	(31,474,896)	2,925,986

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, 2016 and 2015

(in Canadian dollars)

	March 31, 2016 \$	March 31, 2015 \$
Cash flows from operating activities		
Loss for the quarter	(860,409)	(252,397)
Items not affecting cash		
Amortization	5,438	10,013
Share-based payments	5,780	-
Gain (loss) on other investments	28,594	47,262
Impairment on other investments	-	165,424
Unrealized foreign exchange loss	-	188,855
	(820,597)	159,157
Changes in non-cash working capital		
Taxes and other receivables	10,543	2,700
Prepaid expenses	(4,529)	1,132
Accounts payable and accrued liabilities	(45,041)	(504,723)
	(859,623)	(341,734)
Cash flows from investing activities		
Purchase of equipment	(1,666)	(1,829)
Net proceeds from sale of other investments	(691,087)	1,011,569
Purchase of short-term investments	-	(103,953)
	(692,753)	905,788
Effect of foreign currency exchange rates on cash and cash equivalents	-	(296,011)
Increase in cash and cash equivalents	(1,552,375)	268,043
Cash and cash equivalents - Beginning of the quarter	<u>2,727,758</u>	<u>3,693,033</u>
Cash and cash equivalents - End of the quarter	<u>1,175,383</u>	<u>3,961,076</u>
Supplementary information		
Cash received for interest within operating activities	5,306	12,162

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

iCo Therapeutics Inc.

Notes to the Interim Financial Statements

For the three months ended March 31, 2016 and 2015

(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 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 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 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 three months ended March 31, 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.

iCo Therapeutics Inc.

Notes to the Interim Financial Statements

For the three months ended March 31, 2016 and 2015

(in Canadian dollars)

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 May 25, 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 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 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.

iCo Therapeutics Inc.

Notes to the Interim Financial Statements

For the three months ended March 31, 2016 and 2015

(in Canadian dollars)

The following tables represent the changes in the investments for the period ending March 31, 2016:

	Warrants	\$
Balance - December 31, 2015	123,649	44,196
Change in fair value (note a)	-	(28,594)
Balance - March 31, 2016	123,649	15,602

- 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\$0.43, strike price US\$2.63, term of one year, volatility of 99% and a risk free interest rate of 0.75%.

4 Accounts payable and accrued liabilities

	March 31, 2016 \$	December 31, 2015 \$
Trade payables	45,123	69,443
Other accruals	25,050	45,769
	70,13	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 - March 31, 2016	84,457,713	28,048,137

iCo Therapeutics Inc.

Notes to the Interim Financial Statements

For the three months ended March 31, 2016 and 2015

(in Canadian dollars)

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
	Granted			850,000	0.05
	Balance - March 31, 2016			3,015,000	0.52

Range of exercise price \$	Options outstanding			Options exercisable	
	Number outstanding at March 31, 2016	Weighted average remaining contractual life (years)	Weighted average exercise price \$	Number exercisable at March 31, 2016	Weighted average exercise price \$
0.05	850,000	4.88	0.05	170,000	0.05
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
	3,015,000	2.22	0.38	2,165,000	0.38

Warrants

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

iCo Therapeutics Inc.

Notes to the Interim Financial Statements

For the three months ended March 31, 2016 and 2015

(in Canadian dollars)

Contributed surplus

	\$
Balance - December 31, 2015	3,493,478
Share based payments	<u>5,780</u>
Balance - March 31, 2016	<u>3,499,258</u>

6 Related party transactions

During the three months ending March 31, 2016:

- a) the Company incurred consulting director fees with a director totalling US \$nil (2015 - US\$6,250). The amounts outstanding as at March 31, 2016 totalled US \$nil (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 - \$9,000). The amounts outstanding as at March 31, 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.

7 Compensation of key management

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

	March 31, 2016 \$	March 31, 2015 \$
Salaries and severance	352,400	140,000
Consulting and directors fees	5,780	16,875
Share-based payments	<u>-</u>	<u>-</u>
	<u>358,180</u>	<u>156,875</u>

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.

