iCo Therapeutics Inc.
(a development stage company)

Interim Consolidated Financial Statements
(Unaudited)
For the three and nine months ended September 30, 2009

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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 financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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

iCo Therapeutics Inc.

(a development stage company)
Interim Consolidated Balance Sheets (in CDN dollars)
As at September 30, 2009

	September 30, 2009 $ (Unaudited)	December 31, 2008 $ (Audited)
Assets		
Current assets		
Cash and cash equivalents	871,292	620,276
Taxes and other receivable	24,188	42,950
Prepaid expenses	18,952	13,770
	914,432	676,996
Equipment (note 5)	19,685	23,830
Intangible assets (note 6)	685,156	765,005
	1,619,273	1,465,831
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	422,630	442,800
Shareholders' Equity (note 7)		
Capital stock	12,151,551	10,666,921
Capital stock – to be issued	3,000	-
Contributed surplus	1,540,887	1,410,612
Warrants	254,992	-
Deficit	(12,753,787)	(11,054,502)
	1,196,643	1,023,031
	1,619,273	1,465,831

Approved by the Board of Directors

"William Jarosz"
Director

"Andrew Rae"
Director

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Interim Consolidated Statements of Operations, Comprehensive Loss and Deficit (in CDN dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Interest Revenue	$ 628	$ 10,425	$ 2,875	$ 25,371
Expenses				
Research and development (note 11)	275,907	317,578	867,558	1,120,829
General and administrative (note 12)	226,601	225,560	622,185	737,218
Amortization	29,100	29,081	87,057	86,845
Foreign Exchange	(785)	12,727	26,285	4,095
Stock-based compensation	26,781	45,799	99,075	137,570
	557,604	630,745	1,702,160	2,086,557
Net loss and comprehensive loss for the period	(556,976)	(620,320)	(1,699,285)	(2,061,186)
Deficit – Beginning of period	(12,196,811)	(9,752,994)	(11,054,502)	(8,312,128)
Deficit – End of period	$ (12,753,787)	$ (10,373,314)	$ (12,753,787)	$ (10,373,314)
Basic and diluted loss per share	$ (0.02)	$ (0.03)	$ (0.06)	$ (0.11)
Weighted average number of shares	29,311,613	18,140,687	27,746,031	19,109,023

iCo Therapeutics Inc.

(a development stage company)

Interim Consolidated Statements of Cash Flows (in CDN dollars)

	Three Months Ended September 30, 2009	2008	Nine Months Ended September 30, 2009	2008
Cash flows from operating activities				
Net loss and comprehensive loss for the year	$ (556,976)	$ (620,320)	$(1,699,285)	$(2,061,186)
Items not affecting cash				
Amortization	29,100	29,081	87,057	86,845
Stock-based compensation	26,781	45,799	99,075	137,570
	(501,095)	(545,440)	(1,513,153)	(1,836,771)
Changes in non-cash working capital				
Taxes or other receivable	(8,660)	372,211	18,762	409,957
Prepaid expenses	10,037	14,070	(5,182)	(6,508)
Accounts payable and accrued liabilities	61,015	(30,761)	(20,170)	(359,734)
	(438,693)	(189,920)	(1,519,743)	(1,793,056)
Cash flows from investing activities				
Sale of short-term investments	-	-	-	42,174
Purchase of equipment	(7,241)	-	(3,064)	(1,773)
	-	-	(3,064)	40,401
Cash flows from financing activities				
Exercise of options	5,500	-	5,500	3,750
Exercise of warrants	78,000	-	78,000	4,275
Issuance of units	452,248	18,234	1,690,323	1,082,296
	535,742	18,234	1,773,823	1,090,321
Increase (decrease) in cash	89,804	(171,686)	251,016	(662,334)
Cash and cash equivalents, beginning of period	781,488	1,398,585	620,276	1,889,233
Cash and cash equivalents, end of period	$871,292	$1,226,899	$871,292	$1,226,899

1 Basis of presentation and significant accounting policies

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements and do not contain all of the information that is required for annual financial statements. Accordingly, they should be read in conjunction with the consolidated annual financial statements for the year ended December 31, 2008. When necessary, the financial statements include amounts based on informed estimates and best judgments of management. The results of operations and comprehensive loss for the interim periods reported are not necessarily indicative of results to be expected for the year.

On January 1, 2009, the Company amalgamated with its wholly owned subsidiary, iCology Corporation ("iCology"). iCology was a dormant holding company and the amalgamation was for the purposes of simplifying the Company's corporate structure and reducing accounting and administrative overhead.

These interim consolidated financial statements follow the same accounting policies and methods of their application as the December 31, 2008 consolidated annual financial statements except as disclosed in note 2.

Certain comparative figures have been reclassified to conform to the current period's presentation.

2 New Accounting Pronouncements

Section 3064 – Goodwill and Intangible Assets

Effective January 1, 2009 the Company adopted new CICA standards 3064 "Goodwill and Intangible Assets" which established revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The Company has considered the effect of the new standards and determined that the adoption of the requirements will have no impact on the Company's financial statements.

International Financial Reporting Standards

In February, 2008 the Canadian Accounting Standards Board confirmed that International Financial Reporting Standards will replace Canada's current generally accepted accounting principles for publicly accountable profit-oriented enterprises effective January 1, 2011. The Company is presently considering the effect these standards will have on its financial statements.

3 Capital disclosures

The Company's objectives when managing capital are to safeguard its accumulated capital in order to maintain its ability to continue as a going concern and to advance its research, development and commercialization activities. The capital structure of the Company consists of shareholder's equity as well as the cash and cash equivalents and tax credit receivable balances.

The Company manages its capital structure and makes adjustments to it based on economic conditions and the risk characteristics of the underlying assets. The Company, upon approval from its board of directors, will balance its overall capital structure through new share or debt issuances or by undertaking other activities as deemed appropriate under specific circumstances.

The company expects that its current capital resources will be sufficient to support its research and development plans and operations into the second quarter of 2011 (See Note 12, Subsequent Events for additional financing information). The company is not subject to externally imposed capital requirements.

4 Financial instruments and financial risk management

Financial instruments

The Company has classified its financial instruments as follows:

Financial Instrument	Classification	Measurement	September 30, 2009 $
Cash and cash equivalents	Held for trading	Fair value	871,292
Other receivables	Loans and receivables	Amortized costs using the effective interest method	24,188
Accounts payable and accrued liabilities	Other financial liabilities	Amortized costs using the effective interest method	422,630

Financial risk management

The Company is exposed to certain financial risks, including credit risk, liquidly risk and market risk.

a) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations and arises principally from the company's cash and cash equivalents and other receivables. The Company invests its excess cash in short term money market instruments such as 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 audit committee and modified to reflect changes in market conditions.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. To the extent that the Company does not believe it has sufficient liquidity to meet its current obligations, the board of directors considers securing additional funds through equity, debt or partnering transactions. The board of directors approves the company's annual operation and capital budgets as well as any material transactions outside the ordinary course of business.

c) 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 dollars ("USD"). 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 USD. The Company manages foreign exchange risk by maintaining USD cash on hand to fund its short term USD expenditures. As at September 30, 2009 USD denominated cash totalled USD $85,671. The only accounts payable and accrued liabilities exposure is in USD and that total is $318,476.

The company is subject to interest rate risk on its cash and cash equivalents 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. As at September 30, 2009, cash held in the Canadian dollar savings accounts of $738,113 currently bears interest at a range of 0.05% to 3.05%.

5 Equipment

			September 30, 2009
	Cost $	Accumulated amortization $	Net $
Computer equipment	31,994	22,795	9,199
Computer software	14,257	5,866	8,391
Office equipment	4,989	2,894	2,095
	51,240	31,555	19,685

			December 31, 2008
	Cost $	Accumulated amortization $	Net $
Computer equipment	35,934	18,034	17,900
Computer software	7,254	4,168	3,086
Office equipment	4,989	2,145	2,844
	48,177	24,347	23,830

6 Intangible assets

	September 30, 2009 $	December 31, 2008 $
Cost		
ISIS (iCo-007)	599,071	599,071
Medimmune (iCo-008)	464,935	464,935
	1,064,006	1,064,006
Accumulated amortization	378,850	299,001
Net book value	685,156	765,005

7 Capital stock

Authorized
Unlimited number of common shares

Issued and outstanding:

	Number of shares	Amount $
Balance at December 31, 2008	21,754,950	10,666,921
Issuance of common shares for cash (c)	6,462,500	994,231
Share issuance costs (c)	-	(42,351)
Issuance of common shares for cash (a)	1,187,500	475,000
Share issuance costs (a)	-	(22,750)
Options exercised	19,643	5,500
Warrants exercised	250,000	75,000
Balance at September 30, 2009	29,674,593	12,151,551
Shares to be issued (b)	10,000	3,000

a) On July 16, 2009 the Company closed on a private placement common share offering (the "Offering") for total gross proceeds of $475,000. The issuance cost totalled $22,750. Under the Offering, the Company issued 1,187,500 common shares at a price of $0.40 per common share.

b) On September 28, 2009 10,000 warrants were exercised at $0.30 per warrant for gross proceeds of $3,000. Shares were issued for the warrants on October 5, 2009.

c) At February 9, 2009, the company completed a private placement for gross proceeds of $1,292,500 through the issuance of 6,462,500 units at a price of $0.20 per unit. Each unit comprised one common share and one-half of one common share purchase warrant. Each warrant is exercisable at $0.30 for a period of 12 months. Of the gross proceeds, $298,269 was attributable to warrants. In addition, issuance costs of $54,428 were incurred of which $42,351 was allocated to share capital and $12,077 was allocated to warrants. The assumptions used to estimate the fair value of warrants issued were: dividend yield 0%; volatility 195%; expected life 12 months; and risk-free interest rate 0.82%.

Stock options

On December 31, 2007 as part of the Arrangement, the Company adopted a new stock option plan (the "2007 Option Plan") dated December 31, 2007 (the "Effective Date"), and amended June 5, 2009, whereby up to 3,200,000 common shares representing 10.7% of the issued and outstanding common shares as at the Effective Date are reserved for issuance pursuant to the exercise of stock options. Under the 2007 Option Plan, options have a maximum 5 year term and are subject to certain vesting requirements.

	Number of stock options outstanding	Weighted average exercise price $
Balance as at December 31, 2008	1,766,072	0.52
Granted	200,000	0.37
Exercised	(19,643)	0.28
Cancelled	(150,000)	0.98
Balance as at September 30, 2009	1,796,429	0.47

For the nine months ended September 30, 2009, the Company granted 200,000 options to certain directors and consultants with an average exercise price of $0.37.

Warrants

At September 30, 2009, the following common share purchase warrants were outstanding:

	Number of warrants	Exercise price $	Amount $
Balance as at December 31, 2008	-		-
Private placement (note 7 a)	3,231,250	0.30	298,269
Issue costs (note 7 a)	-		(12,077)
Exercised	(260,000)	0.30	(31,200)
Balance as at September 30, 2009	2,971,250		254,992

Contributed surplus

	$
Balance as at December 31, 2008	1,410,612
Stock based compensation	99,075
Exercise of warrants	31,200
Balance as at September 30, 2009	1,540,887

8 Related party transactions

During the nine months ended September 30, 2009, directors provided consulting services to the Company totalling $3,000 (for the nine months ended September 30, 2008 - $6,380).

9 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 drugs with a clinical history for new disease indications, and operates in one geographic area, being Canada. All of the Company's assets are located in Canada.

10 Research and development

	Nine months ended September 30, 2009 $ (Unaudited)	Nine months ended September 30, 2008 $ (Unaudited)
Personnel	141,188	313,533
Research projects	450,567	628,254
Intellectual property	96,145	120,602
Business development	89,243	56,177
Travel	39,714	62,557
Facilities	50,701	52,113
	867,558	1,233,236
Less: Government Assistance (IRAP contribution)	-	(62,024)
Less: SRED	-	(50,383)
	867,558	1,120,829

11 General and administrative

	Nine months ended September 30, 2009 $ (Unaudited)	Nine months ended September 30, 2008 $ (Unaudited)
Personnel	271,253	358,179
Professional fees	290,476	298,963
Travel	35,196	43,830
Facilities	25,260	36,246
	622,185	737,218

12 Subsequent Event

On October 20th, 2009 the Company announced a brokered private placement (the "Private Placement") to raise gross proceeds of up to $4,000,000 through the issuance of 8,333,333 common shares of the Company (the "Shares") at a price of $0.48 per Share. On October 30th, 2009 the Company announced the closing of a first tranche of the Private Placement with the issuance of 6,000,000 Shares for gross proceeds of $2,880,000. On November 20, 2009 the Company announced a final closing for the balance of the Private Placement through the issuance of an additional 2,333,333 Shares for gross proceeds of $1,119,999.84. Two agents involved in the Private Placement were paid an aggregate of 8% commission in cash and were issued 333,334 Agents' Compensation Options (the "Agents' Options"). Each Agents' Option is exercisable at $0.60 into one common share of the Company. 240,000 Agents' Options expire on October 30, 2010 and 93.334 expire on November 20, 2010.