MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2018

This management's discussion and analysis has been prepared as of May 30, 2018 and should be read in conjunction with the financial statements of iCo Therapeutics Inc. ("iCo" or the "Company") for the three months ended March 31, 2018 and the related notes thereto. Our financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the ISAB and all dollar amounts are expressed in Canadian dollars unless otherwise noted. In this discussion, unless the context requires otherwise, references to "we" or "our" are references to iCo Therapeutics Inc. Additional information relating to our Company, including our annual information form, is available by accessing the SEDAR website at www.sedar.com.

Forward Looking Statements

This Management's Discussion and Analysis ("MD&A") contains certain statements, other than statements of historical fact, that are forward-looking statements which reflect the current view of the Company with respect to future events including corporate developments, financial performance and general economic conditions which may affect the Company. The forward-looking statements in this MD&A include, but are not limited to, statements regarding: the status of our research and development programs; iCo-008, the Oral AmpB Delivery System; our expectations regarding future research and development expenses; and the sufficiency of the Company's financial resources to fund operations into the 2nd half of 2018 based on current anticipated expenditures. Forward-looking statements include, but are not limited to, those statements set out in this MD&A under Business Overview and Strategy, iCo-008, Oral AmpB Delivery System, Research and Development, Liquidity, Capital resources and Outlook, Comparison of Cash Flows, Long term Obligations and Commitments, Critical Accounting Estimates, Financial Instruments and Risks and Uncertainties. We have based these forward-looking statements, other than forward looking statements on Immune Pharmaceuticals development on iCo-008 for Bullous Pemphigoid and Ulcerative Colitis, largely on our current expectations, projections and assumptions made based on our experience, perception of historical trends, the current business and financial environment. Forward-looking statements regarding Immune Pharmaceuticals development of iCo-008 are based solely on Immune Pharmaceuticals public disclosures. Key assumptions upon which the forward-looking statements are based include the following:

a) The Company's Oral AmpB Delivery System program will not be unreasonably delayed and expenses will not increase substantially;
b) The Company will be able to secure additional financial resources to continue our research and development activities;
c) Key personnel will continue working as consultants with the Company;
d) The Company will successfully maintain all necessary commitments to product licenses and other agreements and maintain regulatory approvals in good standing;
e) The Company will be able to maintain and enforce its intellectual property rights and otherwise protect its proprietary technologies;
f) Immune Pharmaceuticals Phase 2 studies will not be unreasonably delayed.
g) Publicly available information regarding Immune Pharmaceuticals iCo-008 development is accurate and up to date.

Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the time those statements are made and/or management's good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Risks that could cause actual results to differ from current expectations include: reliance on collaborative partners; changes in government and government agency policies and regulations; general economic and financial market conditions; failure to retain key consultants; performance failure of third parties and/or sub-contractors; potential for clinical trial delays and/or adverse events leading to clinical trial liability; inadequate protection of intellectual property rights; the impact of US/Canadian and Australian/Canadian dollar exchange rates; inability to raise sufficient capital to fund research and development activities; inability to identify new assets for our therapeutic pipeline; the development and adoption of competitive technologies; and general risks inherent to the biotechnology industry.

Except as may be required by applicable law or stock exchange regulation, we undertake no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events. Accordingly, readers should not place undue reliance on forward-looking statements. If we do update one or more forward-looking statements, no inference should be drawn that additional updates will be made with respect to those or other forward-looking statements.

Business Overview and Strategy

We are a Canadian biotechnology company principally focused on the identification, development and commercialization of drug candidates to treat sight- and life-threatening diseases.

We principally focus on in-licensing drug candidates with a clinical history and re-dose, reformulate and develop drug candidates for the treatment of sight- and life-threatening diseases. We assume the clinical, regulatory and commercial development activities for our product candidates and advance them along the regulatory and clinical pathway toward commercial approval. We believe that our approach may reduce the risk, time and cost of developing therapeutics by avoiding some of the uncertainty associated with certain research and pre-clinical stages of drug development. We use our expertise to manage and perform what we believe are the critical aspects of the drug development process, including the design and conduct of clinical trials, the development and execution of strategies for the protection and maintenance of intellectual property rights and interaction with drug regulatory authorities. The main elements of our strategy are as follows:

Identification of Product Candidates
We directly perform scientific evaluation and market assessment of pharmaceutical products and research developed by other biopharmaceutical companies. As part of this process, we evaluate the related scientific research and pre-clinical and clinical research, if any, and the intellectual property rights in such products and research, with a view to determining the therapeutic and

commercial potential of the applicable product candidates. We intend to mitigate the risks associated with our development and commercialization efforts by targeting drug candidates that:

- have an established clinical history or are in late-stage pre-clinical trials;
- have well-established safety profiles;
- may be well-suited to reformulation as a means of expanding use indications or altering the route of administration;
- have been successfully manufactured on a clinical grade basis in quantities sufficient for clinical trials; and
- have data suggestive of potential efficacy as treatments for sight- or life-threatening diseases.

Our initial focus was on sight threatening diseases because we believe that there is an unmet need for new and effective therapeutics in this field. In addition, several members of our management team and key advisors have considerable expertise in ophthalmology. Subsequently, we have also focused on certain life-threatening diseases, through the advancement of our Oral AmpB Delivery System and the expertise that has been gained through its development.

<u>In-Licensing</u>

Upon identifying a promising biopharmaceutical product, we seek to negotiate a license to the rights for the product from the holder of those rights. The terms of such licenses vary, but generally our goal is to secure licenses that permit us to engage in further development, reformulation, clinical trials, intellectual property protection (on behalf of the licensor or otherwise) and further licensing of manufacturing and marketing rights to any resulting products. This process of securing license rights to products is commonly known as “in-licensing”. In certain instances, we have taken the “option” approach, whereby we gain an exclusive right to in-license a drug candidate for a defined period before we must make a commitment to do so. This approach allows us to review additional data before deciding to in-license a particular drug candidate.

<u>Product Advancement</u>

Upon in-licensing a product candidate, our strategy is to apply our skills and expertise to advance the product toward regulatory approval and commercial production and sale in major markets. These activities include implementing intellectual property protection and registration strategies, formulating or reformulating existing drug products, making regulatory submissions, performing or managing clinical trials in target jurisdictions, and undertaking or managing the collection, collation and interpretation of clinical and field data and the submission of such data to the relevant regulatory authorities in compliance with applicable protocols and standards.

<u>Developing Partnerships with Biopharmaceutical Companies</u>

To augment our ability to develop our product candidates and effectively market any products in respect of which we obtain regulatory approval, we may enter into an agreement or partnership with a biopharmaceutical company that has drug development or sales and marketing capabilities, or both. Entering into an agreement or partnership with a pharmaceutical or biotechnology company that has these capabilities may enable us to increase our returns from our product candidates by utilizing that company’s development or sales and marketing capabilities, or both, to further accelerate development of our product candidates or enable us to develop the candidate in more than one indication simultaneously.

Outsourcing

To optimize the development of our product candidates, we outsource certain of our product development activities. Factors that we consider in determining which activities to outsource include cost, relative expertise, capacity and quality assurance. The product development functions that we have chosen to outsource include pre-clinical activities in support of regulatory filings, clinical trials and manufacturing. We believe that our relationships with external laboratories enable us to complete pre-clinical testing faster and more efficiently than if we performed these activities ourselves. Additionally, there are many independent contract research organizations that are specifically equipped and set up to manage clinical trial projects, thus permitting iCo to outsource these services on a cost-effective basis. Because our manufacturing needs are currently sporadic, we believe that it is more efficient to outsource manufacturing.

Products

We currently have two active in-licensed product candidates, iCo-008 for potential use in eotaxin-1 mediated ocular conditions and an Oral AmpB Delivery System for potential use in sight and life threatening fungal infections.

iCo-008 (Bertilimumab)

iCo-008 is a human monoclonal antibody that we believe may treat sight threatening forms of allergic conjunctivitis by neutralizing eotaxin-1, a ligand to the chemokine receptor CCR3. It is our view that iCo-008 neutralizes eotaxin-1 by binding to it and, as a consequence, preventing it from binding to CCR3. We believe that iCo-008 has the potential to inhibit intracellular signaling associated with mast cell degranulation and the recruitment of eosinophils to the site of allergic reactions and, as a result, potentially inhibit both early stage and late stage development of severe allergic conjunctivitis. We also believe that iCo-008 could also be used to treat a variety of systemic disease indications which involve eosinophils including severe asthma, food allergies, and inflammatory bowel disease.

Published scientific literature has also indicated that iCo-008 may have utility to potentially treat age related macular degeneration (“AMD”), a severe ophthalmic disease which effects elderly patients and can lead to blindness in just a few years. We may explore AMD as a possible therapeutic indication for iCo-008 but will only undertake a clinical trial program for iCo-008 in the event we are able to obtain sufficient financial resources to do so.

Before we licensed iCo-008 from Medimmune Limited (“Medimmune”), Cambridge Antibody conducted Phase I clinical trials testing the safety, tolerability and pharmacokinetics of iCo-008 and Phase 2 clinical trials testing the efficacy of iCo-008 as a treatment for allergic rhinitis and allergic conjunctivitis. We remain interested in pursuing further clinical development of this program in individuals with a serious sight threatening form of allergic conjunctivitis known as vernal keratoconjunctivitis. The Company would need to access additional capital through partnering or financing before deciding to advance this program.

On June 24, 2011, the Company granted IMMUNE an exclusive license for the development and commercialization rights to the systemic uses of iCo-008. The Company retained worldwide exclusive rights to all uses and applications in the ocular field. In consideration for granting the license, the Company received upfront consideration of US$500,000 cash plus 600,000 IMMUNE shares and 200,000 IMMUNE warrants. In addition, as part of the license agreement, the Company may receive up to US$32 million in milestone payments as well as royalties on net sales of licensed products. IMMUNE also shares in funding 50% of the patent prosecution and maintenance costs of the iCo-008 patent family.

On August 26, 2013, IMMUNE completed a merger with Epicept Corporation, and the merged company began trading on NASDAQ under the name Immune Pharmaceuticals Inc and the symbol IMNP. The original IMMUNE shares and warrants were exchanged for 654,386 common shares and 123,649 warrants in the merged company. During 2015, the Company sold all its shares in the merged company realizing net proceeds of CDN$1,011,569. On April 12, 2017, Immune completed a reverse stock split of its common shares at a ratio of 1 for 20. The effect on the Company's Immune warrants was to reduce the number of warrants to 6,182 from 123,649 and to increase the exercise price to $52.60 from $2.63. As at March 31, 2018, the Company still holds 6,182 warrants.

iCo–008 development undertaken by Immune

In early 2015, Immune developed an enhanced Good Manufacturing Process for Bertilimumab, the new process has higher comparable performance and improved productivity than the previous process. This was an important step to support production of clinical supplies for future trials.

iCo–008 in Ulcerative Colitis (UC)

Following authorization from Israeli health authorities, Immune Pharmaceuticals initiated a Phase 2 double-blind, placebo-controlled study with Bertilimumab (iCo-008), in patients with moderate-to-severe ulcerative colitis. Currently, enrolment is occurring in nine sites: five in Israel and four in Russia. The clinical trial is a randomized, double-blind, placebo-controlled parallel group study that will evaluate the safety, clinical efficacy, and pharmacokinetic profile of Bertilimumab in subjects with active moderate-to-severe ulcerative colitis. Subjects are randomized in a 2:1 ratio to receive bertilimumab or placebo, and receive bertilimumab 10 mg/kg IV or placebo on days 0 and 14 and 28, and are followed for safety and efficacy measures for 12 weeks. The primary end point is clinical response assessed by the Mayo Clinic Ulcerative Colitis Disease Index at 8 weeks. Secondary end points include assessment of mucosal injury and clinical remission.

Up to forty-two patients are expected to be enrolled into the study. These patients are being evaluated for clinical response after 6 weeks to determine the decrease if any in the full Mayo Clinic Ulcerative Colitis Score. Secondary and exploratory end points will include clinical remission defined as symptom free, fecal calprotectin, a recognized marker of gastro-intestinal inflammation, histopathology improvement and degree of mucosal injury. On November 17, 2015, Immune Pharmaceuticals announced that the first patient had been enrolled into the Phase 2 clinical trial evaluating the safety and efficacy of Bertilimumab in Ulcerative Colitis. As of August 28, 2017, 17 subjects had been enrolled and enrolment is expected to be completed in Q3 2018.

iCo–008 for Bullous Pemphigoid (BP)

In early 2015, Immune expanded its Phase II program with Bertilimumab to the treatment of bullous pemphigoid (BP), a rare autoimmune blistering disease of the skin, which is painful and itchy, and occurs predominantly in patients over 60 years of age.

On October 7, 2015, Immune Pharmaceuticals announced that it had submitted an Investigational New Drug Application (IND) in the U.S. to expand recruitment for Bertilimumab, for the treatment of Bullous Pemphigoid, and subsequently announced On November 9, 2015 that the U.S. Food and Drug Administration (FDA) had accepted Immune Pharmaceutical's IND application.

The BP trial is an open-label, single arm study in adults with moderate to extensive BP and being conducted at six sites in the United States and two sites in Israel with a target enrolment of 12-15 patients. The primary end point is safety and secondary endpoints include a variety of efficacy measures related to clinical signs and symptoms and tapering of systemic corticosteroids. Subjects in this study receive bertilimumab intravenously at a dose of 10 mg/kg on days 0, 12 and 28 and are followed for a total of 84 days. In addition, they receive oral prednisone at a maximum initial dose of 30 mg/day, which is to be tapered rapidly according to the subject's clinical status.

On May 15, 2018, Immune announced positive results from the completed BP trial. Subjects in the study experienced a decline in the Bullous Pemphigoid Disease Area Index (BPDAI) Activity Score of 81% (p=0.015) at day 84 from a mean baseline score of 67, with 86% of subjects showing at least a 50% improvement in the BPDAI Activity Score and 57% showing at least a 90% improvement. Over the course of the study, subjects in the study also had improvements in pruritus, a very challenging symptom for patients with BP, and quality of life. These benefits were seen quickly, with a mean reduction in BPDAI Activity Score of 70% by day 42. For a subgroup of subjects within which lesion healing was assessed, all six showed healing of prior lesions by day 28.

These improvements were observed despite subjects receiving only three doses of bertilimumab (on days 0, 14 and 28) and modest doses of prednisone that were aggressively tapered. The mean starting dose of prednisone was 28 mg (0.33 mg/kg) which was reduced to 17 mg (0.19 mg/kg) by day 42 (p=0.022) and to 12 mg (0.15 mg/kg) by day 84 (p=0.005). 40% of subjects had a prednisone dose of 10 mg/day or less by day 42, and 58% had achieved 10 mg/day or less by day 84. The standard of care for BP patients treated with systemic steroids is a starting dose of 0.5-1.0 mg/kg tapered slowly over the course of 6-12 months, and subjects in this study received on average approximately 2,900 mg less prednisone than called for by the regimen of Joly et al (Joly et al, New Engl J Med 2002; 347:143-145) and 1,700 mg less prednisone than called for by British treatment guidelines (Venning et al, Br J Dermatol 2012: 1200-1214).

Immune will seek an end of Phase II meeting with the FDA by the end of 2018 and could be in a position to start a pivotal Phase II/III study in 2019.

Immune recent funding activity

On October 23, 2017, Immune announced that it had closed an USD$18 million public offering of convertible preferred stock and warrants. Some portion of these proceeds will be used for the continued development of Bertilimumab.

Oral AmpB Delivery System, formerly known as iCo-009 (and related derivatives)

iCo's experimental oral formulations ("Oral AmpB Delivery System") of Amphotericin B ("AmpB") began development at the University of British Columbia ("UBC") under Dr. Kishor Wasan. Dr. Wasan subsequently moved from the University of British Columbia to the University of Saskatchewan to become Professor and Dean, College of Pharmacy and Nutrition and remains an advisor to iCo. Although AmpB has been used to treat systemic fungal infections intravenously for approximately 50 years, an oral formulation of AmpB has yet to be developed. Historically, AmpB was shown to have a limited oral bioavailability due to its low aqueous solubility and membrane permeability". Intravenous AmpB has historically been a potent but toxic option for the treatment of serious systemic fungal infections. Systemic fungal infections are fungal infections that affect the entire body and are particularly prevalent among people whose immune systems have been weakened by certain treatments, such as organ transplant recipients, or certain conditions, such as cancer, diabetes or AIDS. Although several drugs have been developed for the treatment of systemic fungal infections, systemic fungal infections remain a leading cause of death for organ transplant recipients and other patients with compromised immune systems. Further, in developing nations, oral therapy would be valuable for the treatment of Visceral Leishmaniasis ("VL"), known for its high mortality rates. Current AmpB therapy for VL or fungal infections requires one or more infusions in the hospital setting and is often associated with infusion-related adverse events, such as renal toxicity. Successful oral formulation could resolve the safety issues associated with parenteral application and enable a much broader patient access to this highly effective treatment option.

We completed several pre-clinical studies with iCo's Oral AmpB Delivery System which have shown promising pharmacokinetic and tissue distribution results in two anti-fungal animal models. iCo's Oral AmpB Delivery System has also demonstrated promising results in animal models for VL conducted at independent laboratories in the United States. Based on these studies, the Oral AmpB Delivery System received Orphan Drug Status from the FDA for the treatment of VL.

On December 12, 2013**,** we announced that the Oral AmpB Delivery System had been moved into in-vitro testing with study partner, ImmuneCarta®, (the immune monitoring business unit of Caprion a proteomics service provider based in Montreal). The deliverables associated with this project included the recruitment of eight HIV-infected subjects successfully treated with the anti-viral regimen HAART but had a detectable latent viral reservoir. Leukapheresis and tissue samples (when available) collected from these subjects were used in several assays in order define the subsets of the cells (CD4+ T cells and monocytes) where HIV frequently hides and to test the effect of the Oral AmpB Delivery System on the reactivation and the elimination of HIV reservoirs. Recruitment of the eight HIV-infected subjects was completed and on August 19, 2014, we reported the results of the study. Memory cells, or white blood cells, from the eight HIV-infected subjects were obtained and exposed *in vitro* to various concentrations of our Oral AmpB Delivery System. Samples from one patient were determined not to be susceptible to reactivation. In the remaining subjects, the Oral Amp B Delivery System demonstrated a reactivation response of HIV viral production in six out of seven *in vitro* cultures with detectable HIV reservoir. Some HIV reservoirs are not possible to reactivate and this may explain why one culture did not show reactivation response.

The pre-clinical results in the anti-fungal animal models and the ex-vivo study in HIV subjects supported the further development of the Oral Amp B Delivery System. On October 26, 2015, we announced that the company had engaged Corealis Pharma Inc. ("Corealis") a contract manufacturing organization, for analytical development, formulation optimization and scale-up of the Oral AmpB Delivery System. This work culminated in the development of new capsule formulations to deliver Amphotericin B.

During 2016, the Company was able to demonstrate scalable and stable drug product in a higher dose form with the new capsule formulations. The Company went on to conduct pre-clinical, pharmacokinetic and distribution studies using these optimized formulations. Conclusions drawn from these pre-clinical studies were that: the optimized formulations exhibited pharmacokinetic (PK) and tissue accumulation data with clinical and commercial relevance and; that once daily regime may be possible for our drug candidate in certain indications.

On January 23, 2017, the Company announced it had initiated multiple, pre-clinical studies with its Oral Amphotericin B program including a multi-day fasted/fed study, a 7-day dose range finding study and, importantly, a 14-day GLP toxicology study. All three studies were completed during Q1 2017 and results were reported on June 12, 2017. The results from 7-day dose range finding study revealed no toxicities of oral Amphotericin B up to 1000mg/day. A previous bridging study between different oral amphotericin B formulations, iCo-010, iCo-019 and iCo-022, demonstrated similar oral bioavailability with no significant differences noted between the formulation groups. The 14-day GLP toxicology study revealed that oral administration of Amphotericin B, at dose levels of up to 600 mg/ day once daily for 14 days, was well tolerated with no toxicologically significant histological findings (n=38 subjects).

Substantial non-dilutive, grant funding for the pre-clinical development of the Oral Amp B Delivery System was provided by the NRC Industrial Research Assistance Program (NRC-IRAP). For 2017 the Company recognized $190,865 (2016 - $251,199) in IRAP grants recorded as other income in the Statement of Loss and Comprehensive Loss. The Company has used all the funding available under this grant application.

On April 17, 2018, the first subject was dosed in the Phase 1, single ascending dose clinical trial. The Phase 1 clinical trial design is a randomized, double-masked, placebo-controlled, single dose ascending study to assess the safety, tolerability, and bioavailability of iCo-019 (Oral Amphotericin B) in healthy male and non-pregnant female subjects between 18-55 years of age. Subjects will be randomized into one of 4 cohorts, each representing an ascending single dose of treatment. Cohorts will be dosed sequentially. Each cohort will consist of eight (8) subjects where six (6) subjects will be randomized to receive the Investigational Product (IP) and two (2) subjects will be randomized to receive the Placebo. All subjects will be followed for 7 days after dosing.

This clinical study is being conducted in Australia, because Australia offers experienced contract research organizations, a pool of suitable subjects and generous refundable tax credits which significantly lower overall costs for a Phase 1 study.

The trial was registered with the TGA in Australia via the Clinical Trial Notification process and involves Linear Clinical Research in Perth, Australia, partnered with global contract research organization (CRO) INC Research/inVentiv Health, recently renamed Syneos.

iCo has also been building its intellectual property position, both internationally and domestically, around the Oral Amphotericin B asset. iCo now has twelve issued patents and eight pending patent applications.

2018 Key Corporate and Partner Activities

During the quarter ended March 31, 2018, the following milestones were accomplished:

iCo-008

- See subsequent events

Oral AmpB Delivery System

- On April 17, 2018, the first subject was dosed in the Phase 1, single ascending dose study. Completion of the study is expected in Q2 2018.

Subsequent Events

- On May 15, 2018, Immune announced positive results from the completed BP trial. Subjects in the study experienced a decline in the Bullous Pemphigoid Disease Area Index (BPDAI) Activity Score of 81% (p=0.015) at day 84 from a mean baseline score of 67, with 86% of subjects showing at least a 50% improvement in the BPDAI Activity Score and 57% showing at least a 90% improvement. Over the course of the study, subjects in the study also had improvements in pruritus, a very challenging symptom for patients with BP, and quality of life. These benefits were seen quickly, with a mean reduction in BPDAI Activity Score of 70% by day 42. For a subgroup of subjects within which lesion healing was assessed, all six showed healing of prior lesions by day 28.

- These improvements were observed despite subjects receiving only three doses of bertilimumab (on days 0, 14 and 28) and modest doses of prednisone that were aggressively tapered. The mean starting dose of prednisone was 28 mg (0.33 mg/kg) which was reduced to 17 mg (0.19 mg/kg) by day 42 (p=0.022) and to 12 mg (0.15 mg/kg) by day 84 (p=0.005). 40% of subjects had a prednisone dose of 10 mg/day or less by day 42, and 58% had achieved 10 mg/day or less by day 84. The standard of care for BP patients treated with systemic steroids is a starting dose of 0.5-1.0 mg/kg tapered slowly over the course of 6-12 months, and subjects in this study received on average approximately 2,900 mg less prednisone than called for by the regimen of Joly et al (Joly et al, New

Engl J Med 2002; 347:143-145) and 1,700 mg less prednisone than called for by British treatment guidelines (Venning et al, Br J Dermatol 2012: 1200-1214).

Selected Quarterly Information

The financial information reported here in has been prepared in accordance with IFRS. The Company uses the Canadian dollar ("CDN") as its functional and presentation currency. From time to time, the Company may deal with a number of contract research organizations, consultants and suppliers in other countries (primarily the United States). Our financial results may be subject to fluctuations between the Canadian dollar and other international currencies, in particular the U.S. dollar.

The following table represents selected financial information for the Company's three months ended March 31, 2018 and 2017.

The financial statements have been prepared on a historical cost basis except for the other investments which is recorded at fair value.

Selected Statement of Operations Data

	Three Months ended March 31	
	2018	**2017**
Income (loss) for the period	$(416,377)	$(381,123)
Weighted average number of shares outstanding, basic and diluted	84,457,713	84,457,713
Net gain (loss) per share, basic and diluted	$(0.00)	$(0.00)

The loss for the three months ended March 31, 2018 increased by $35,254 as compared to the three months ended March 31, 2017 mainly because of a decrease in other income recognized during 2018.

Selected Balance Sheet Data

	Three Months ended March 31, 2018	Year ended December 31, 2017
Cash, cash equivalents and short term investments	$632,129	$1,127,934
Net working capital surplus (deficit)	$ 672,424	$1,085,733
Total assets	$ 882,704	$1,364,469
Total shareholders' equity	$ 673,433	$1,087,233

Cash and cash equivalents decreased by $495,805 to $632,129 as at March 31, 2018 as compared to $1,127,934 at December 31, 2017. The decrease reflects primarily funds used in operations during the period. Because of this decrease in cash and cash equivalents, working capital decreased by $413,309 to $672,424 as at March 31, 2018 from $1,085,733 at December 31, 2017.

The Company experienced a decrease in total assets to $882,704 as at March 31, 2018 from $1,364,469 as at December 31, 2017 primarily due to a lower cash and cash equivalents balance at March 31, 2018

Comparison of the Three Months Ended March 31, 2018 and March 31, 2017

Results of Operations

	Q1 2018 **$**	**Q1 2017** **$**	**Change** **$**	**Change** **%**
Loss (gain) on other investments	-	(638)	638	-100%
Interest income	1,045	3,322	-2,277	-69%
Other income	148,558	190,997	-42,439	-22%
Research and development	415,729	413,194	2,535	1%
General and administrative	151,211	154,195	-2,984	-2%
Foreign exchange loss/(gain)	(960)	8,691	-9,651	-111%
Other comprehensive loss (income)	(2,081)	-	2,081	NA
Total comprehensive loss	414,296	381,123	33,173	8%

We incurred a total comprehensive loss of $414,296 for the quarter ended March 31, 2018 compared to a total comprehensive loss of $381,123 for the quarter ended March 31, 2017, representing an increased loss of $33,173. The increase in loss for the quarter ended March 31, 2018 is primarily the result of lower other income from grants received or receivable related to the Company's Oral AmpB program.

Research and Development

Our research and development expenses consist primarily of consultants' compensation and contract research organizations.

Research and development expenses were $415,729 for the quarter ended March 31, 2018 compared to $413,194 for the quarter ended March 31, 2017, representing an increase of $2,535. During both quarters the Company's research and development efforts were focused on its Oral AmpB program.

On April 17, 2018, the Company dosed the first patient in its Phase 1, single ascending dose, clinical trial in healthy subjects with its Oral AmpB formulation. Results from the Phase 1 study are expected in Q2 2018. With the initiation of the Phase 1 study we expect higher research and development costs for the duration of this Phase 1 study which will be partially offset by refundable tax credits we expect to receive in Australia where we are conducting this Phase 1 study. The Company will require additional funding before it can begin its next clinical study, a multiple, ascending dose safety study.

General and Administrative

For the quarter ended March 31, 2018 general and administrative expenses were $151,211 compared to $154,195 for the quarter ended March 31, 2017, representing a decrease of $2,984. General and administrative expenses are expected to continue at the current level.

Foreign Exchange

From time to time, the Company may deal with several contract research organizations, consultants and suppliers in other countries (primarily the United States and Australia). The Company holds cash in US and Australian dollars to pay these vendors and carries US and Australian dollar accounts payable balances. Changes in the CDN-US and CDN-Australian dollar exchange rate during the time the Company holds these monetary assets and liabilities results in a foreign exchange gain/loss being recognized in the Statement of Loss and Comprehensive Loss. Accordingly, our financial results may be subject to fluctuations between the Canadian dollar and other international currencies.

Foreign exchange gain for the quarter ended March 31, 2018 was $960 compared to foreign exchange loss of $8,691 for the same period in 2017, representing a decrease of $9,651. For both the quarters the changes reflect fluctuations primarily in the exchange rate for U.S and net US dollar monetary assets held by the Company.

The U.S. dollar cash, cash equivalents and accounts payable balance for March 31, 2018 were US$11,075 (December 31, 2017 – USD$34,674) and USD$15,347 (December 31, 2017 – USD$5,976) respectively.

The AUD dollar cash, government assistance receivable and accounts payable balances for March 31, 2018 were AUD$28,830 (December 31, 2017 - AUD$138,470), AUD$204,329 (December 31, 2017 – Nil) and AUD$118,436 (December 31, 2017 - AUD$90,631) respectively.

Selected Quarterly Information

The table below sets forth unaudited quarterly results prepared by management for the eight previous quarters to March 31, 2017:

(unaudited)	**2018 Q1**	**2017 Q4**	**2017 Q3**	**2017 Q2**
Expenses	566,940	265,082	309,784	334,608
Gain (loss) on other investments	-	(1,050)	(623)	(1,806)
Other income	148,558	53,601	-	-
Interest income	1,045	1,473	1,419	3,140
Other comprehensive loss (gain)	(2,081)	-	-	-
Total comprehensive loss (gain)	414,296	214,005	308,988	333,274
Basic and diluted gain (loss) per share	(0.00)	(0.00)	(0.00)	(0.00)
(unaudited)	**2017 Q1**	**2016 Q4**	**2016 Q3**	**20156Q2**
Expenses	576,080	237,637	304,294	318,026
Gain (loss) on other investments	638	(4,200)	(4,930)	(3,650)
Other income	190,997	10,210	96,773	124,955
Interest income	3,322	3,424	4,410	3,451
Other comprehensive loss (gain)				
Total comprehensive loss (gain)	381,123	228,203	208,841	193,270
Basic and diluted gain (loss) per share	(0.00)	(0.00)	(0.00)	(0.00)

Liquidity, Capital Resources and Outlook

	Q1 2018 $	YE 2017 $	Change $	Change %
Current assets	881,695	1,362,969	(481,274)	-35%
Current liabilities	209,271	277,236	(67,965)	-25%
Working capital	672,424	1,085,733	(413,309)	-38%
Accumulated deficit	33,758,095	33,341,718	416,377	1%

As at March 31, 2018, we had cash and cash equivalents of $632,129 compared to $1,127,934 as at December 31, 2017. As at March 31, 2018, the Company had working capital of $672,424 compared to $1,085,733 as at December 31, 2017. Working capital is calculated by subtracting Current Liabilities from Current Assets.

We anticipate that cash on hand will be sufficient to fund operations into the 2nd half of 2018 based on the current expenditure profile.

Management of Cash Resources

We use cash flow forecasts to estimate cash requirements for the ensuing twelve-month period. Based on these requirements, we raise equity capital as required to provide the necessary financial resources for operations, ideally for a minimum of twelve months. The timing of equity financings will depend on market conditions and the Company's cash requirements. The Company's cash flow forecasts are continually updated to reflect actual cash inflows and outflows so to monitor the requirements and timing for additional financial resources. Given the volatility of the Canadian and US dollar exchange rate, the company estimates its USD expenses for the year and sets appropriate levels of USD cash and cash equivalent balances. By holding US dollars, the Company remains subject to currency fluctuations which effect its loss and comprehensive loss during any given year.

Further, we continue to monitor additional opportunities to raise equity capital and/or secure additional funding through non-dilutive sources such as government grants and additional license agreements. However, it is possible that our cash and working capital position may not be enough to meet our business objectives in the event of unforeseen circumstances or a change in our strategic direction.

Comparison of Cash Flow

We realized a net cash outflow of $495,805 for the three months ended March 31, 2018 reflecting cash used in operations of the Company. This compares to a net cash outflow of $443,911 for the three months ended March 31, 2017 reflecting cash used in operations of the company.

Going Concern

The consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. For the quarter ended March 31, 2018, the Company has incurred a loss of $416,377 (quarter ended March 31, 2017 - loss of $381,123), negative cash flows of from operating activities of $498,846 (quarter ended March 31, 2017 - $435,219), and an accumulated deficit of $33,758,095 at March 31, 2018 (December 31, 2017 - accumulated deficit of $33,341,718). The Company currently has a working capital surplus of

$672,424, although expects this to be substantially used in FY2018 through normal business operations. These conditions indicate the existence of a material uncertainty that may cast significant doubt regarding the Company's ability to continue as a going concern.

The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing and operations to meet the Company's liabilities and commitments as they become due. There is a risk that in the future, additional financing will not be available on a timely basis or on terms acceptable to the Company.

These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements. These adjustments could be material.

Long-Term Obligations and Other Contractual Commitments

Contractual commitments

The Company may be required to make milestone, royalty, and other research and development funding payments under research and development collaboration and other agreements with third parties. These payments are contingent upon the achievement of specific development, regulatory and/or commercial milestones. The Company has not accrued for these payments as at March 31, 2018 due to the uncertainty over whether these milestones will be achieved. The Company's significant contingent milestone, royalty and other research and development commitments are as follows:

Medimmune

The Company has in-licensed the development and commercialization rights to iCo-008 from MedImmune pursuant to a licensing agreement between the parties. The Company was required to make upfront payments totalling US$400,000, of which the last payment was made in December 2007. The Company may be required to make additional contingent payments of up to US$7,000,000 upon the achievement of certain development and commercialization milestones. In addition, the Company may be required to pay royalties on future revenues. The Company may also be required to make additional contingent payments upon the achievement of certain development and commercialization milestones for products developed outside the ocular field.

University of British Columbia ("UBC")

On May 6, 2008, the Company signed an agreement with UBC for the exclusive worldwide licence to iCo-009 (the "UBC Licence"). In consideration for the UBC Licence, the Company paid UBC an initial licence fee of $20,000 and is required to pay annual fees to UBC for maintaining the licence until a New Drug Application ("NDA") for iCo-009 or related derivatives is approved. The Company is required to make additional contingent payments of up to $1,900,000 in aggregate upon the achievement of certain development and commercialization milestones and is also required to pay royalties on future revenues. The UBC Licence additionally required the Company to contribute research funding (which may be in the form of direct payments from the Company or indirect payments, such as securing research grants) to UBC for the Oral AmpB Delivery System. All the research funding requirements have been met by the Company at March 31, 2018.

Transactions with Related parties

Compensation of key management which includes the Company's directors and officers

	March 31, 2018 $	March 31, 2017 $
Consulting and directors' fees	91,983	59,282
Share-based payments	495	3,488
	92,478	62,770

Off Balance Sheet Arrangements

The Company has no material undisclosed off balance sheet arrangements that have or are reasonably likely to have, a current or future effect on our results of operations or financial condition.

Critical Accounting Estimates and Judgments

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 significant estimates and judgments include the impairment of intangible assets, clinical trial accruals, and valuation of investment in Immune Pharmaceuticals.

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. Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements. Key sources of estimation uncertainty and critical judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include: the impairment of intangible assets and fair value of other investments.

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 period end management used market value for the shares and Black Scholes model for the warrants to determining the fair value of the other investments. Management applied judgment with respect to the term of the warrants.

Accounting standards issued and not yet applied

IFRS 9, Financial Instruments

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. Where the fair value option is taken, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company does not expect IFRS 9 to have a material impact on the financial statements and will also consider the impact of the remaining phases of IFRS 9 when completed by the IASB.

Financial Instruments

Fair value

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 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$ and Australian dollars (AUS$). The Company believes that the results of operations, financial position and cash flows could be affected by a sudden change in foreign exchange rates but would not impair or enhance its ability to pay its US$ or AUS$ obligations. The Company manages foreign exchange risk by maintaining US$ and AUS$ cash on hand to fund its anticipated short-term US$ and AUS$ expenditures.

Balances in foreign currencies at March 31, 2018 and December 31, 2017 are as follows:

	March 31, 2018 US balance $	**Dec. 31 2017 US balance $**
Cash and cash equivalents	11,075	34,674
Accounts payable and accrued liabilities	(15,347)	(5,976)
	(4,272)	28,698

Based on the US$ balance sheet exposure at March 31, 2018, with other variables unchanged, if the Canadian dollar were to weaken against the US dollar by 10%, relative to the rate at March 31, 2018, the net monetary assets would be approximately $612 less. If the Canadian dollar were to strengthen against the US dollar by 10%, relative to the rate at March 31, 2018, the net monetary assets would be approximately $501 greater.

	March 31, 2018 AUD Balance $	**December 31, 2017 AUD Balance $**
Cash and cash equivalents	28,830	138,470
Government assistance receivable	204,329	-
Accounts payable and accrued liabilities	(118,437)	(90,631)
	114,722	47,839

Based on the AUD$ balance sheet exposure at March 31, 2018, with other variables unchanged, if the Canadian dollar were to weaken against the Australian dollar by 10%, relative to the rate at March 31, 2018, the net monetary assets would be approximately $13,000 greater. If the Canadian dollar were to strengthen against the Australian dollar by 10%, relative to the rate at March 31, 2018, the net monetary assets would be approximately $10,000 less.

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.

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	209,271	-

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.

Risks and Uncertainties

The primary risk factors affecting the Company are set forth in our Annual Information Form dated April 27, 2015. A copy of our annual information form is available on SEDAR at www.sedar.com.

Outstanding Share Capital

As at May 30, 2017, we had an unlimited number of authorized common shares with 84,457,713 common shares issued and outstanding.

As at May 30, 2017, we had 12,154,862 warrants outstanding.

As at May 30, 2017, we had 1,015,000 options outstanding. Each option entitles the holder to purchase one additional common share at exercise prices ranging from \$0.05 to \$0.45 and expiry dates ranging from September 05, 2018 to January 23, 2022.

For a detailed summary of all outstanding securities convertible or exercisable into equity securities of the Company refer to Note 5 of the Financial Statements for the three months ended March 31, 2018.