MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

This management's discussion and analysis has been prepared as of November 28, 2014 and should be read in conjunction with the financial statements of iCo Therapeutics Inc. ("iCo" or the "Company") for the nine months ended September 30, 2014 and the related notes thereto. Our financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") 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, which 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-007, iCo-008 and 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 for the remainder of 2014 and 2015. Forward-looking statements include, but are not limited to, those statements set out in this MD&A under Business Overview and Strategy, iCo-007, 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 largely on our current expectations, projections and assumptions made based on our experience, perception of historical trends, the current business and financial environment. Key assumptions upon which the forward-looking statements are based include the following:

a) The Company will be able to secure additional financial resources to continue our research and development activities;
b) Key personnel will continue their employment with the Company;
c) The Company will successfully maintain all necessary commitments to product licenses and other agreements and maintain regulatory approvals in good standing;
d) The Company will be able to maintain and enforce its intellectual property rights and otherwise protect its proprietary technologies.

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 employees; 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 exchange rates; inability to raise sufficient capital to fund

research and development activities; 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 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
- has 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.

In addition to continued efforts involving other potential indications for our current assets, Management is also actively engaging in a review of certain complimentary assets that the company may consider in-licensing or acquiring.

In-Licensing

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 of time before we have to actually make a commitment to do so. This approach allows us to review additional data before making a decision to in-license a particular drug candidate.

Product Advancement

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.

Developing Partnerships with Biopharmaceutical Companies

In order 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

In order 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 alleviating the need for iCo to commit internal resources to do so. Because our manufacturing needs are currently sporadic, we believe that it is more efficient to outsource manufacturing.

Products

We have in-licensed three product candidates (iCo-007, iCo-008 and an Oral AmpB Delivery System (previously known as iCo-009) for potential use in sight- and life- threatening diseases.

iCo-007

In August 2011, we initiated a US physician sponsored Phase 2 clinical trial involving iCo-007, titled the iDEAL study ("iDEAL Study").

On June, 9, 2014, we announced top-line results related to the eight month visual acuity (VA) primary endpoint for subjects enrolled in the iDEAL Study,

Statistical methods employed included both Last Observation Carry Forward ("LOCF") and Multiple Imputation ("MI") analyses given the departure of patients from the study prior to their eight month visit. Using both statistical methods, mean changes in visual acuity measures in all four groups at both month four and month eight were negative. Using the LOCF method, mean change in VA at eight months was approximately minus 11 letters (350 µg monotherapy), minus 21 letters (700 µg monotherapy), minus 14 letters (350 µg + laser arm) and minus 14 letters (350 µg + Lucentis). Some patients in each cohort did show improvements in mean change in VA. At eight months using the LOCF analysis, roughly 20% of patients in the 350 µg monotherapy arm gained five letters or greater of vision versus 13% in the 700 µg monotherapy arm, 12% in the 350 µg + laser arm and 11% in the 350 µg + Lucentis arm. At four months, patients gaining five letters or more for the 350 µg, 700 µg, 350 µg + laser and 350 µg + Lucentis arms were approximately 24%, 18%, 21% and 30%, respectively.

Using the LOCF method, it was observed that at month eight there was an inverse statistically significant difference in mean VA change from baseline between 350 µg monotherapy and 700 µg monotherapy arms, meaning there was greater loss of VA in the 700 µg monotherapy cohort. There was no statistically significant difference in mean VA between the 350 µg monotherapy and either 350 µg + laser or 350 µg + Lucentis arms. When using MI analysis there was no statistically significant difference observed between 350 µg monotherapy and each of the 700 µg monotherapy, 350 µg + laser and 350 µg + Lucentis arms.

At eight months, in the 700 µg monotherapy arm, 64% of patients experienced a 15 letter or greater loss of vision, compared to 33% in the 350 µg monotherapy arm, 33% in the 350 µg + laser arm, and 41% in the 350 µg + Lucentis arm. At four months the corresponding numbers were 29%, 9%, 9%, and 14%, respectively.

Management has determined that the Phase 2 iCo-007 diabetic macular edema (DME) data that has been presented, along with our internal analysis, has not demonstrated to date any subgroup response rates that warrant further financial investment by iCo in the DME program at this time. Management will, however, continue to investigate other potential use indications for its licensed technology which targets the C-Raf kinase pathway. Use indications may include certain oncology applications as a number of approved drugs currently target Raf kinase isoforms.

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.

Recent 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. In light of this new information, we are currently exploring AMD as a possible therapeutic indication for iCo-008. We 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"), MedImmune (then known as Cambridge Antibody Technology) 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. To date, we have developed a clinical plan for iCo-008 and assembled a key opinion leader advisory group. While it was our intention to run a Phase 2 clinical trial to test the efficacy and safety of iCo-008 in individuals with a serious sight threatening form of allergic conjunctivitis known as vernal keratoconjunctivitis, the global credit crisis which began in 2008 severely restricted our ability to raise equity capital. In response to the crisis we made the strategic decision to reserve our cash resources for developing iCo-007 and explore strategic initiatives to fund further development of iCo-008.

In December 2010, we granted IMMUNE Pharmaceuticals Corp. ("IMMUNE"), based in Israel and the United States, an option to an exclusive license for the development and commercialization rights to the systemic uses of iCo-008. The license option is for systemic uses including inflammatory bowel disease and severe asthma. iCo retained worldwide exclusive rights to all uses and applications in the ocular field. Under the terms of the agreement, IMMUNE paid the Company a non-refundable option fee creditable upon conversion against an upfront license fee payment of US$1 million. iCo may receive up to an additional US$32 million in milestone payments as well as royalties on net sales of licensed products. On June 24, 2011, the option was converted to an exclusive sub-licence agreement. The upfront consideration was amended such that iCo received: US$500,000 in cash, 600,000 common shares of IMMUNE and 200,000 IMMUNE warrants.

On August 26, 2013, IMMUNE completed a merger with Epicept Corporation, a company publicly traded on the NASDAQ OTCQX. The combined company changed its name to Immune Pharmaceuticals Inc. ("Immune Pharmaceuticals") and currently trades on the NASDAQ under the symbol IMNP and Stockholm Exchange under the symbol IMNP.

Following authorization from Israeli health authorities, Immune Pharmaceuticals has initiated a Phase 2 double-blind placebo controlled study with its lead drug, Bertilimumab (iCo-008), in patients with moderate-to-severe ulcerative colitis. 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. Ninety patients are expected to be enrolled into the study, sixty of whom will be treated with Bertilimumab 7mg/kg and thirty of whom will be treated with placebo every two weeks, at days 0, 14, and 28. 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. Patient follow-up will continue up to day 90. Patients will be enrolled initially from up to ten hospitals in Israel and later in other countries pending approval of local health authorities. On September 18, 2014 Immune Pharmaceuticals announced that it had initiated the screening of patients for the Phase 2 study. Completion of patient enrollment and clinical results are anticipated in 2015.

In late 2013, Immune Pharmaceuticals also announced that it expected to expand the Phase 2 program to the treatment of bullous pemphigoid, a rare auto-immune condition that affects the skin and causes the formation of blisters. Subsequently, our partner recently announced patient screening initiation for its bullous pemphigoid study.

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

iCo's experimental oral formulations of Amphotericin B ("AmpB") began development at the University of British Columbia ("UBC"), and are now continuing at the University of Saskatchewan. Dr. Kishor Wasan has recently moved from the University of British Columbia to the University of Saskatchewan to become Professor and Dean, College of Pharmacy and Nutrition. 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. 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 a number of drugs have been developed for the treatment of systemic fungal infections, nonetheless 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 is in need for a disease called Visceral Leishmaniasis ("VL"), known for its high mortality rates. Current AmpB therapy requires repeated 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. Oral dosing of AmpB has not been successful in the past due to inactivation of the drug in the gut before it could get into the systemic circulation.

We have completed a number of 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. We are currently generating additional pre-clinical data to further demonstrate oral bioavailability, safety and efficacy prior to commencing a clinical program with iCo's Oral AmpB formulations to support an Investigational New Drug application ("IND") to the US Food and Drug Administration ("FDA") prior to commencing a Phase I clinical trial in humans. iCo's Oral AmpB formulations have 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. Formal GLP toxicology studies, manufacturing of drug product under GMP standards and other pre-clinical studies will also be required to support a Phase I clinical trial. To this end we have been working in cooperation with UBC to obtain third party financing, primarily through government and private granting agencies such as the Canadian Institute of Health Research ("CIHR") to fund certain pre-clinical studies. UBC, with assistance from iCo, has been awarded a number of grants including: CIHR POP I and II grants and National Research Council Funding through the Industrial Research Assistance Program. This support included certain matching funding requirements from iCo.

We also completed a collaboration development agreement with the Consortium for Parasitic Drug Development ("CPDD") for up to USD $182,930 for the research and development of our Oral AmpB Delivery System for the treatment of neglected diseases such as Leishmaniasis and Trypanosomiasis.

On May 31, 2012, we announced that the company had been awarded a $1.1million non-repayable financial contribution from the National Research Council of Canada to support iCo's Oral AmpB Delivery System as a novel treatment for patients with Human Immunodeficiency Virus (HIV). The funding will support feasibility testing and pre-clinical toxicology studies, as well as human safety and efficacy clinical trials to examine the role of the AmpB Delivery System in potentially treating patients with latent HIV reservoirs. The funding for the 3-year project comes from the NRC Industrial Research Assistance Program (NRC-IRAP) under the CHTD Program, which aims to encourage and support the participation of small and medium-sized enterprises in the development of an HIV vaccine and other technologies related to the prevention, treatment, and diagnosis of HIV. The program is part of the Canadian HIV Vaccine Initiative (CHVI), a collaboration between the Government of Canada and the Bill & Melinda Gates Foundation. The Company submits monthly expenditure claims that are subject to NRC-IRAP approval and subsequent reimbursement.

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 include the recruitment of eight HIV-infected subjects successfully treated with HAART with detectable latent viral reservoir. Leukapherisis 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 Oral AmpB on the reactivation and the elimination of HIV reservoirs. Recruitment of the eight HIV-infected subjects has been completed and on August 19, 2014, we reported the results of the study.

Memory cells, or white blood cells, from eight HIV-infected subjects with a durable viral suppression using antiretroviral therapy (HAART) were obtained and exposed *in vitro* to various concentrations of Oral AmpB. Samples from one patient were determined not to be susceptible to reactivation. In the remaining subjects, Oral Amp B 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.

On October 22, 2014, we announced next steps for our Oral AmpB Delivery System, having previously announced positive findings from its *in vitro* work involving samples from HIV/AIDS patients exposed to HAART therapy. iCo now plans to complete pre clinical studies and regulatory filings to move forward with an initial Phase 1A clinical trial, utilizing approximately $700,000 remaining of the aggregate $1.1m funding and technological advice from NRC-IRAP under CHTD Program. The preparation and regulatory filings are expected to be completed in the second half of 2015, with initiation of a Phase 1A study early in the first quarter of 2016.

iCo continues to work towards obtaining additional non dilutive sources of capital for its Oral AmpB Delivery System.

2014 Q3 Corporate Highlights

In the third Quarter of 2014, we accomplished the following milestones:

iCo-007

- None

iCo-008

- On August 14, 2014, Immune Pharmaceuticals announced that patient screening initiation for its bullous pemphigoid Phase 2 study had commenced as at July 30th, 2014.

- On September 18, 2014 Immune Pharmaceuticals announced that it had initiated the screening of patients for a Phase 2 proof of concept clinical trial exploring the safety and efficacy of bertilimumab in the treatment of ulcerative colitis.

Oral AmpB Delivery System

- On August 19, 2014, we reported results of a study using our Oral AmpB Delivery System to target latent HIV reservoirs. The study, conducted by ImmuneCarta®, the immune monitoring business unit of Caprion, evaluated *in vitro* effectiveness of Oral AmpB in reactivating latent HIV viral reservoirs which remain present in individuals despite intensive treatment with antiretroviral therapy. Memory cells, or white blood cells, from eight HIV-infected subjects with a durable viral suppression using antiretroviral therapy (HAART) were obtained and exposed *in vitro* to various concentrations of Oral AmpB. Samples from one patient were determined not to be susceptible to reactivation. In the remaining subjects, Oral AmpB 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.

Subsequent Events

- Eight month iDEAL study data, previously reported in June 2014, was presented at the American Acadamy of Ophthalmology on October 17, 2014 by the iDEAL Study Chairman.
- On October 22, 2014, we announced next steps for our Oral AmpB Delivery System, having previously announced positive findings from its *in vitro* work involving samples from HIV/AIDS patients exposed to HAART therapy. iCo now plans to complete pre-clinical studies and regulatory filings to move forward with an initial Phase 1A clinical trial, utilizing approximately $700,000 of the total $1.1million funding and technological advice from NRC-IRAP) under the CHTD Program.
  The preparation and regulatory filings are expected to be completed in the second half of 2015, with initiation of a Phase 1A study early in the first quarter of 2016.

- On November 4, 2014, we announced that presentations regarding the company's Oral AmpB Delivery System were being made at the American Association of Pharmaceutical Scientists (AAPS) Annual Meeting and Exposition. The event took place at the San Diego Convention Center November 2 - 6.

Dr. Kishor M. Wasan, Professor and Dean, College of Pharmacy and Nutrition at the University of Saskatchewan, presented the following:

- Poster on November 4: *Novel Oral Amphotericin B Formulation Remains Highly Effective against Murine Systemic Candidiasis following Exposure to Tropical Temperature*
- Panel Moderation on November 5: *Antimicrobials, Super BUGS and Global Health*
- Presentation on November 5: *Development of a Tropically Stable Oral Lipid Formulation of Amphotericin B for the Treatment of Systemic Fungal Infections and Visceral Leishmaniasis*

Selected Financial Information

The financial information reported here in has been prepared in accordance with IFRS. The Company uses the Canadian dollar ("CDN") as its presentation currency. The following table represents selected financial information for the Company's three and nine month periods ending September 30, 2014 and 2013.

The financial statements have been prepared on a historical cost basis except for the other investments which is recorded at fair value. The financial statements are presented in Canadian dollars which is the Company's functional currency.

Selected Statement of Operations Data

	Three Months ended Sept. 30		**Nine Months ended Sept. 30**	
	2014	**2013**	**2014**	**2013**
Total comprehensive income gain (loss)	$ 393,677	$(2,333,786)	$(1,223,363)	$(5,220,617)
Weighted average number of shares outstanding, basic and diluted	78,734,449	58,030,658	78,734,449	58,030,658
Net gain (loss) per share, basic and diluted	$(0.00)	$(0.07)	$(0.02)	$(0.07)

The loss from operations decreased for both the three and nine months ended September 30, 2014 compared to the three and nine months ended September 30, 2013 is a result of a reduction of accruals and expenses related to the iDEAL Phase 2 clinical trial and an increase in the value of our IMMUNE investment.

Selected Balance Sheet Data

	Nine Months ended September 30, 2014	**Year ended December 31, 2013**
Cash, cash equivalents and short term investments	$5,729,314	$ 1,903,389
Net working capital	$3,575,037	$ (561,488)
Total assets	$8,626,611	$ 3,929,004
Long term liabilities	-	-
Total shareholders' equity	$6,361,224	$ 1,298,598

Cash, cash equivalents and short term investments increased by $3,824,925 from $1,903,389 in December 31, 2013 to $5,729,314 at September 30, 2014 primarily as a result of our January 27th, 2014 financing. The working capital of $3,575,037 includes accrued liabilities of US $2,114,561 payable to JDRF in connection with the Company's iDEAL phase 2 clinical trial.

In the three month period ending September 30, 2014, we made an adjustment to our outstanding accrued liabilities for the iDEAL trial in the amount of a $295,000 decrease to reflect actual trial costs incurred versus estimated trial costs as at September 30, 2014. As the iDEAL trial is in the final stages of winding down and final invoicing and billing is in process, we anticipate that there may be further adjustments to our accrued liabilities for the trial.

Comparison of the Nine months period ending September 30 for 2014 and 2013 Financial Years

Results of Operations

	Q3 2014 $	Q3 2013 $	Change $	Change %
Interest income	26,089	8,341	17,748	+213%
Other income	314,713	41,628	273,085	+656%
Gain (loss) on other investments	64,811	925,174	(860,363)	-93%
Research and development	1,112,007	3,558,167	(2,446,160)	-69%
General and administrative	1,264,070	1,589,172	(325,102)	-20%
Foreign exchange loss (gain)	194,857	138,223	56,634	+41%
Other comprehensive income (loss)	914,958	(910,198)	1,825,156	-201%
Total comprehensive gain (loss)	(1,223,363)	(5,220,617)	3,997,254	-77%

We incurred a net and comprehensive loss of $1,223,363 for the nine months ended September 30, 2014 compared to a net and comprehensive loss of $5,220,617 for the nine months ended September 30, 2013, representing a decrease of $3,997,254. The decrease in our net and comprehensive loss was principally caused by a gain associated with the IMMUNE investment and lower research and development costs related to the iDEAL Phase 2 trial which concluded in June 2014.

Research and Development

Our research and development expenses consist primarily of Phase 2 clinical trial expenses, employee compensation, related stock based compensation and fees paid to consultants.

Research and development expenses were $1,112,007 for the nine months ended September 30, 2014 compared to $3,558,167 for the nine months ended September 30, 2013, representing a decrease of $2,446,160. For the three months ending September 30, 2014 expenses were $85,720 compared to $1,368,337 for the three month period ending September 30, 2013 representing a decrease of $1,282,617. For both the nine month period and the three month period ending September 30, 2014, the decrease in expenses compared to the same periods in 2013 are due to lower expenses for the iDEAL Phase 2 clinical trial which concluded in June 2014.

General and Administrative

General and administrative expenses primarily comprise salaries, stock based compensation and benefits for company employees not involved in research and development, professional fees such as legal and

accounting expenses, and expenses related to office overheads. For the nine months ended September 30, 2014 general and administrative expenses were $1,264,070 compared to $1,589,172 for the nine months ending September 30, 2013, representing a decrease of $325,102. For the three months ending September 30, 2014 expenses were $328,969 compared to $422,692 for the three month period ending September 30, 2013 representing a decrease of $93,723. For the nine month period ending September 30, 2014 compared to the nine month period ending September 30, 2013 the lower expenses are due to decreased stock based compensation and professional fees.

We believe the Company has sufficient personnel to manage both its research and development and public company activities and do not anticipate any increase in staffing in the foreseeable future. Accordingly, we believe that general and administrative expenses should remain at current levels in the foreseeable future.

Foreign Exchange

As the Company deals with a number of contract research organizations, consultants and suppliers in other countries (primarily the United States), our financial results are subject to fluctuations between the Canadian dollar and other international currencies, in particular the U.S. dollar.

Foreign exchange loss for the nine months ended September 30, 2014 was $194,857 compared to foreign exchange loss of $122,773 for the same period in 2013, representing an increase of $72,084. For the three months ending September 30, 2014 foreign exchange loss was $53,643 compared to $15,450 for the three month period ending September 30, 2013 representing a increase of $38,193. For both the nine month period and the three month period ending September 30, the changes reflect fluctuations in the exchange rate for U.S. dollars.

The U.S. dollar cash (and short term investments) and accounts payable balance as at September 30, 2014 were $2,325,997 (December 31, 2013 – $561,625) and $1,903,760 (December 31, 2013 - $224,796).

Selected Quarterly Information

The table below sets forth unaudited quarterly results prepared by management for the eight previous quarters to September 30, 2014:

(unaudited)	**2014 Q3**	**2014 Q2**	**2013 Q1**	**2013 Q4**
Interest & other income	179,533	(280,359)	204,356	183,521
Total expenses	(468,059)	(995,704)	(1,107,171)	(1,174,249)
Loss for the period	(288,526)	(1,276,063)	(586,794)	(1,357,770)
Comprehensive gain (loss) for the period	393,677	(2,982,109)	(1,365,068)	(761,132)
Basic and diluted gain (loss) per share	(0.00)	(0.04)	(0.02)	(0.02)
(unaudited)	**2013 Q3**	**2013 Q2**	**2013 Q1**	**2012 Q4**
Interest & other income	74,202	759,359	41,382	5,792
Total expenses	(1,791,030)	(1,531,173)	(1,863,159)	(1,313,968)
Loss for the period	(1,716828)	(771,814)	(1,821,777)	(1,308,176)
Comprehensive gain (loss) for the period	(2,333,786)	(1,033,662)	(1,790,385)	(1,063,642)
Basic and diluted gain (loss) per share	(0.02)	(0.01)	(0.04)	(0.02)

Net and comprehensive loss, quarter over quarter, is influenced by a number of factors including the scope of clinical development and research programs pursued; the stage (i.e. Phase 1, 2 or 3) of clinical trials undertaken; the number of clinical trials that are active during a particular period of time and the rate of patient enrollment. Each of these factors is ultimately a function of decisions made to continue the development and testing of a product candidate based on supporting safety and efficacy from clinical trial results. Consequently, expenses may vary from period to period. General and administrative expenses are dependent on the infrastructure required to support the corporate, clinical and business development objectives and initiatives of the Company. No material increase in general and administrative costs is expected over the short term.

Liquidity, Capital Resources and Outlook

	Q3 2014 $	YE 2013 $	Change $	Change %
Current assets	5,840,423	2,068,918	3,771,505	181%
Current liabilities	2,265,387	2,630,406	(365,019)	-14%
Working capital	3,575,037	(561,488)	4,136,525	737%
Accumulated deficit	(28,975,837)	(26,810,516)	(2,165,321)	8%

As at September 30, 2014, we had cash and cash equivalents and short-term investments of $5,729,314 compared to $1,903,389 as at December 31, 2013. All cash not required for immediate use in operations is invested in redeemable, short-term money market investments. (The aggregate amount of these short term investments is recorded on the Statement of Cash Flows as purchase of short-term investments.) As at September 30, 2014, the Company had working capital of $3,575,037 compared to $(561,488) as at December 31, 2013. Working capital is calculated by subtracting Current Liabilities from Current Assets. The working capital of $3,575,037 includes accrued liabilities of US $2,114,561 payable to JDRF in connection with the Company's iDEAL Phase 2 clinical trial which was concluded in June 2014.

As at September 30, 2014, accrued liabilities for the Company's iDEAL trial have been reduced by $295,000 as a result of completion of the trials with billings and costs being finalized with the varying service providers revised estimates of expenses. This reduction of accrued liabilities has been reflected on the Statement of Profit and Loss as a reduction in research and development expenses in the three month period ending September 30, 2014. Management will continue to review this estimate as service providers finalize the costs of the arrangements, and further adjustment may be required at the year end.

Our investment in IMMUNE includes two instruments, the common shares (short term) and warrants / derivatives (long term). The warrants are financial assets, carried at fair value. At each reporting period, the fair value is measured with any gains or losses reflected on the income statement through profit or loss. The IMMUNE instruments became available for sale on February 25, 2014.

On January 27, 2014, we closed a financing for gross proceeds of $6,750,000. In the disclosure contained in the prospectus supplement filed on January 22, 2014, we estimated that approximately $2,000,000 of the proceeds raised would be required to complete our iDEAL trial, budgeted at $5.6 million in total. Expenses incurred for the iDEAL trial up to and including the three months ending March 31, 2014 have been funded using cash resources already in place prior to the January 2014 financing. Subsequently, in Q2 2014, we began allocating proceeds from our January financing to iDEAL trial expenses. As of September 30, 2014, proceeds used from the January 2014 financing for the iDEAL trial are as follows:

	Estimated Total Amount	Allocated as at September, 30, 2014
iDEAL Trial	$2,000,000	$1,234,564

We anticipate that the combination of cash on hand as at September 30, 2014 will be sufficient to fund operations into Q2 2016 based on cash requirements for our existing drug development programs. Additionally, we have 21,953,422 warrants exercisable at exercise prices ranging from $0.40 to $0.60 which, if all exercised, could contribute potentially up to approximately $10,470,895 in proceeds.

Management of Cash Resources

We use cash flow forecasts to estimate cash requirements for the ensuing twelve month period. Based on these requirements, we will raise equity capital to provide the 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.

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 sufficient enough to meet our business objectives in the event of unforeseen circumstances or a change in our strategic direction (see our Annual Information Form for a description of various risk factors which may affect our future outlook).

Comparison of Cash Flow

We realized a net cash inflow of $1,764,018 for the nine months ended September 30, 2013 reflecting overall operating costs for the Company for the period of $2,396,532, plus $2,061,907 of investing related activities related to the purchase of short-term investments, plus $43,605 in adjustments for foreign exchange, less $6,266,062 of cash inflows from the private placement in the first quarter of 2014 and from the exercise of options and warrants. This compares to a net cash inflow of $44,748 for the nine months ended September 30, 2013 reflecting overall operating costs for the Company for the period of $2,580,153, plus $3,466,780 of investing related activities related to the purchase of short-term investments and the proceeds from the sub-licence of iCo-008, and $3,824 of foreign exchange losses, less $3,466,780 of cash inflows coming from the May 2013 financing and exercise of options and warrants. We expect that overall cash outflows for the ensuing year will continue to decline now that the last patient visit related to the iDEAL trial is complete.

Long-Term Obligations and Other Contractual Commitments

Lease commitments

The Company's operating lease expires on December 31, 2015. The lease and operating payments totalled $42,920 for the period ending September 30, 2014. Future estimated annual lease payments are as follows:

	$
2014	15,102
2015	57,541

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 September 30, 2014 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:

ISIS

In connection with the licensing agreement between ISIS and the Company, the Company may be required to make additional contingent payments of up to US$22 million upon the achievement of certain development and commercialization milestones of iCo-007. Although we do not expect to enter Phase 3 trials for diabetic macular edema (DME) based on Phase 2 results, the next milestone for any indication remains a US$4 million upon initiation of any Phase 3 pivotal clinical trial, given our exclusive world-wide rights to all use indications for this technology. In addition, the Company may be required to pay royalties on future revenues.

Medimmune

In connection with its licensing agreement between Medimmune and the Company, the Company was required to make up-front 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 million 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 an Oral AmpB Delivery System (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 such time as a New Drug Application ("NDA") for an Oral AmpB Delivery System 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 obligated 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 an Oral AmpB Delivery System program.

JDRF

The Company entered into an agreement with Juvenile Diabetes Research Foundation ("JDRF") for work related to the iCo-007 iDEAL clinical trial. The agreement involves incremental holdbacks as well as other milestone expenses associated with the clinical trial. The total amount of those expenses cannot be estimated with certainty at this time and as discussed above, when finalized, may be reflected in future adjustments to our accrued liabilities for the iDEAL trial, and is dependent on a number of criteria and deliverables from JDRF before the Company will incur the full expense. See Note 4, Accounts Payable and accrued liabilities, in the financial statements for the three and none months ending September 30, 2014.

National Research Council/Industrial Research Assistance Program

On May 31, 2012, the Company was awarded a $1.1 million three-year, non-repayable financial contribution from the National Research Council of Canada's Industrial Research Assistance Program ("IRAP") to support iCo's Oral AmpB Delivery System as novel treatment for patients with Human Immunodeficiency Virus ("HIV"). The funding is supporting feasibility testing and pre-clinical toxicology studies, as well as human safety and efficacy clinical trials to examine the role of the Amp B Delivery System in potentially treating patients with latent HIV reservoirs. Under the grant, up to 75% of the costs of the project may be claimed subject to the $1.1 million maximum. The Company submits monthly expenditure claims that are subject to IRAP approval and subsequent reimbursement. For the three months ended September 30, 2014, iCo has recognized $314,713 of the IRAP grant. On October 22, 2014, we announced next steps for our Oral AmpB Delivery System, having previously announced positive findings from its *in vitro* work involving samples from HIV/AIDS patients exposed to HAART therapy. iCo now plans to complete pre clinical studies and regulatory filings to move forward with an initial Phase 1A clinical trial, utilizing approximately $700,000 remaining of the aggregate $1.1m funding and technological advice from NRC-IRAP under the CHTD Program. The preparation and regulatory filings are expected to be completed in the second half of 2015, with initiation of a Phase 1A study early in the first quarter of 2016.

Transactions with Related parties

During the nine months ended September 30, 2014:

a) the Company incurred consulting fees totalling US$18,750 (2013 – US $ nil) to Bill Jarosz, a director of the company. The amounts outstanding as at September 30, 2014 totalled $nil (2013 - $nil). All transactions were recorded at their exchange amounts. The amounts bear no interest and are unsecured with no terms of repayment. Mr. Jarosz is the Company's Chairman and participated in board meetings, committee meetings and provides advice to iCo on compensation, financial, and other operational issues, and it is expected that this service will continue in the future.

b) the Company incurred director's fees totalling $27,500 (2013 - $45,750). The fees were paid to Noel Hall, Doug Janzen and Richard Barker. The amounts outstanding as at September 30, 2014 totalled $nil (2013 - $nil). All transactions were recorded at their exchange amounts. The amounts bear no interest and are unsecured with no terms of repayment. The directors' fee is for their participation in Company board meetings, various committee meetings and providing

advice on an ad hoc basis with the Company and it is expected that this service will continue in the future.

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, clinical trial accruals, and fair value of other investments.

a) Impairment of intangible assets

   The Company assesses at least on every reporting period whether there are indicators of impairment in accordance with the accounting policy stated in the note referenced in these financial statements. There were no indicators of impairment identified by management at year-end.

b) Clinical trial accruals

   Management examines the accruals in relation to clinical trials on a monthly basis based on the number of patients enrolled in the trials and the stage in the trials. Accruals are based on information obtained from various clinics and estimated costs based on the stage of treatment.

c) 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 Black Scholes model for the warrants to determining the fair value of the other investments.

Financial Instruments

Cash and cash equivalents, short-term investments, accounts payable 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 is a Level 3 input as they are valued using observable market data.

The common shares of IMMUNE have been recorded at their fair value on the date there were acquired and subsequently adjusted based on observed changes in value. Management has classified these shares as available for sale. The Company uses Level 3 inputs to value the warrants included as part of the investment in Immune and Level 1 inputs for the valuation of the common shares portion of the Immune Investment. The common shares of Immune trade on the OTC market in the US under the symbol IMNP.

The Company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of risks as at September 30, 2014:

a) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company has expenditures in foreign currency and therefore is exposed to foreign exchange risk arising from transactions denominated in USD. A significant change in the currency rates could have an effect on the Company's results of operations. The Company has not hedged its exposure to currency fluctuations. Based on the US dollar balance sheet exposure at September 30, 2014, with other variables unchanged, a 10% change in exchange rates on the net current monetary assets would be $236,831 (2013 – $71,563).

b) 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.

c) 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 flow and investments regularly, comparing actual results with budgets and future cash requirements.

d) 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 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 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. Of the amounts with financial institutions on deposit, the following table summarizes the amounts at risk should the financial institutions with which the deposits are held cease trading:

	Cash and cash equivalents $	**Insured amount $**	**Non-insured amount $**
CIBC	3,302,552	100,000	3,202,552
Raymond James	1,010,711	1,010,711	-
BMO	1,000,000	100,000	900,000
Manulife	416,050	416,050	-
	5,729,313	1,262,761	4,102,522

Risks and Uncertainties

The primary risk factors affecting the Company are set forth in our Annual Information Form for dated April 24, 2014. A copy of our annual information form is available on SEDAR at www.sedar.com.

Outstanding Share Capital

As at November 28, 2014, we had an unlimited number of authorized common shares with 84,457,713 common shares issued and outstanding.

As at November 28, 2014, we had 21,953,422 warrants outstanding.

As at November 28, 2014, we had 2,765,000 options outstanding. Each option entitles the holder to purchase one additional common share at exercise prices ranging from $0.29 to $0.73 and expiry dates ranging from December 28, 2014 to September 5, 2018.