

**iCo Therapeutics Inc.**  
(a development stage company)

Condensed Interim Financial Statements  
**March 31, 2018 and 2017**  
(in Canadian dollars)

## **NOTICE TO READER**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements have been prepared by and are the responsibility of the management.

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

**iCo Therapeutics Inc.**  
(a development stage company)  
Balance Sheets (Unaudited)

(in Canadian dollars)

	Note	March 31, 2018 \$	December 31, 2017 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		632,129	1,127,934
Taxes and other receivables	3	210,821	88,415
Prepaid expenses		38,746	146,620
		<u>881,695</u>	<u>1,362,969</u>
<b>Equipment</b>		1,009	1,500
		<u>882,704</u>	<u>1,364,469</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	4	<u>209,271</u>	<u>277,236</u>
<b>Shareholders' Equity</b>			
<b>Capital stock</b>	5	28,048,137	28,048,137
<b>Contributed surplus</b>	5	3,527,822	3,527,327
<b>Warrants</b>	5	2,853,487	2,853,487
<b>Accumulated other comprehensive income</b>		2,081	-
<b>Accumulated deficit</b>		<u>(33,758,095)</u>	<u>(33,341,718)</u>
		<u>673,433</u>	<u>1,087,233</u>
		<u>882,704</u>	<u>1,364,469</u>

Going concern (Note 1)  
Subsequent event (Note 9)

**Approved by the Board of Directors**

\_\_\_\_\_  
(signed) William Jarosz Director

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(signed) Andrew Rae Director

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

# **iCo Therapeutics Inc.**

(a development stage company)

## **Statements of Loss and Comprehensive Loss (Unaudited)**

**For the three months ended March 31, 2018 and 2017**

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(in Canadian dollars)

	<b>Three Months Ended March 31,</b>	
	<b>2018</b>	<b>2017</b>
<b>Expenses</b>		
Research and development	\$ 415,729	\$ 413,194
General and administrative	151,211	154,195
Foreign exchange loss (gain)	(960)	8,691
	<u>565,980</u>	<u>576,080</u>
<b>Change in fair value of investments</b>	-	638
<b>Other income</b>	148,558	190,997
<b>Interest income</b>	1,045	3,322
	<u>149,603</u>	<u>194,957</u>
<b>Loss for the period</b>	<u>(416,377)</u>	<u>(381,123)</u>
<b>Other Comprehensive income</b>		
Foreign currency translation adjustments	2,081	-
	<u>\$ (414,296)</u>	<u>\$ (381,123)</u>
<b>Total comprehensive income (loss)</b>		
<b>Basic and diluted earnings (loss) per share</b>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
<b>Weighted average number of shares (basic and diluted)</b>	<u>84,457,713</u>	<u>84,457,713</u>

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

# iCo Therapeutics Inc.

(a development stage company)

## Statement of Changes in Shareholder's Equity (Unaudited)

For the three-months ended March 31, 2018 and 2017

(in Canadian dollars)

	Number of shares	Capital stock \$	Contributed surplus \$	Warrants \$	Accumulated other comprehensive income (loss) \$	Accumulated deficit \$	Shareholders' equity \$
<b>Balance – December 31, 2016</b>	84,457,713	28,048,137	3,516,688	2,853,487		(32,104,410)	2,313,902
Share based payments	-	-	3,488	-	-	-	3,488
Loss for the quarter	-	-	-	-	-	(381,123)	(381,123)
<b>Balance – March 31, 2017</b>	<b>84,457,713</b>	<b>28,048,137</b>	<b>3,520,176</b>	<b>2,853,487</b>	<b>-</b>	<b>(32,485,533)</b>	<b>1,936,267</b>
<b>Balance – December 31, 2017</b>	84,457,713	28,048,137	3,527,327	2,853,487	-	(33,341,719)	1,087,233
Share based payments	-	-	495	-	-	-	495
Other comprehensive income (loss)	-	-	-	-	2,081	-	2,081
Loss for the quarter	-	-	-	-	-	(416,377)	(416,377)
<b>Balance – March 31, 2018</b>	<b>84,457,713</b>	<b>28,048,137</b>	<b>3,527,822</b>	<b>2,853,487</b>	<b>2,081</b>	<b>(33,758,096)</b>	<b>673,433</b>

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

**iCo Therapeutics Inc.**  
(a development stage company)  
**Statements of Cash Flows (Unaudited)**  
**For the three months ended March 31, 2018 and 2017**

(in Canadian dollars)

	<b>Three Months Ended March 31,</b>	
	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities</b>		
(Loss) for the quarter	\$ (416,377)	\$ (381,123)
Items not affecting cash		
(Gain) loss on other investments	-	(638)
Amortization	492	5,775
Stock-based compensation	495	3,488
Unrealized foreign exchange loss	(960)	8,691
	<u>(416,350)</u>	<u>(363,806)</u>
Changes in non-cash working capital		
Taxes and other receivable	(122,406)	(173,325)
Prepaid expenses	107,874	(23,765)
Accounts payable and accrued liabilities	(67,964)	125,677
Net cash flow used in operating activities	<u>(498,846)</u>	<u>(435,219)</u>
Effect of foreign currency exchange rates on cash and cash equivalents	<u>3,041</u>	<u>(8,691)</u>
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(495,805)</b>	<b>(443,911)</b>
<b>Cash and cash equivalents, beginning of quarter</b>	<b>1,127,934</b>	<b>2,361,000</b>
<b>Cash and cash equivalents, end of quarter</b>	<b>\$ 632,129</b>	<b>\$ 1,917,089</b>
<b>Supplementary information</b>		
Cash received for interest within operating activities	1,045	3,332

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# **iCo Therapeutics Inc.**

(a development stage company)

Notes to the Interim Financial Statements

**For the three months ended March 31, 2018 and 2017**

(in Canadian dollars)

## **1 Nature of operations**

iCo Therapeutics Inc. (“iCo” or the “Company”) is a Canadian biotechnology company principally focused on the identification, development and commercialization of drug candidates with a clinical history and re-doses, reformulates and develops these drug candidates to treat sight and life-threatening diseases. The Company has in-licensed two assets which are in clinical development: iCo-008; and the Oral AmpB Delivery System.

iCo-008 is a monoclonal antibody that the Company plans to take into clinical trials for vernal keratoconjunctivitis (“VKC”) and possibly age related macular degeneration. On December 8, 2010, the Company also signed an option to license the systemic applications of iCo-008 to IMMUNE Pharmaceuticals Corp. (“IMMUNE”). The option to convert to a full licence was exercised by IMMUNE on June 24, 2011. On February 21, 2013, IMMUNE announced it was initiating a Phase II clinical trial with iCo-008 (“Bertilimumab”) in patients with ulcerative colitis. The Phase II program was further expanded to examine Bertilimumab for the treatment of bullous pemphigoid, a rare auto-immune condition that affects the skin and causes the formation of blisters.

The Oral AmpB Delivery System is an experimental oral formulation of Amphotericin B that is in Phase 1 clinical stage of development.

The Company is considered to be in the development stage as most of its efforts have been devoted to research and development, raising capital, recruiting personnel and long-term planning. The Company is publicly traded on the TSX Venture Exchange under the symbol “ICO” and the OTCQB under the symbol “ICOTF”. The Company is incorporated and domiciled in British Columbia, Canada. The address of its head office is 6th Floor, 777 Hornby Street, Vancouver, British Columbia, V6Z 1S4. The Company has a wholly owned subsidiary in Australia to conduct clinical trials on its Oral AmpB formulation in Australia.

These 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

# **iCo Therapeutics Inc.**

(a development stage company)

Notes to the Interim Financial Statements

**For the three months ended March 31, 2018 and 2017**

(in Canadian dollars)

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.

## **2 Significant accounting policies**

### **Basis of presentation and statement of compliance**

These condensed interim financial statements for the three months ended March 31, 2018 have been prepared in accordance with IAS 34 “Interim Financial Reporting” as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of these interim financial statements. These condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2017 which have been prepared in accordance with IFRS.

The financial statements are presented in Canadian dollars which is the Company’s functional currency. The accounting policies adopted are consistent with those of the previous financial year; December 31, 2017.

These financial statements were approved by the board of directors for issue on May 30, 2018.

### **Critical accounting estimates and judgments**

#### *Critical accounting estimates and assumptions*

The preparation of financial statements in accordance with IFRS requires the Company’s management to make estimates and assumptions that affect the amounts reported in these financial statements and notes. The Company regularly reviews its estimates; however, actual amounts could differ from the estimates used and, accordingly, materially affect the results of operations.

## **3 Taxes and other receivables**

	March 31, 2018	December 31, 2017
Taxes (HST/GST)	\$ 8,494	\$ 34,588
Other receivable <sup>1</sup>	\$202,327	\$53,826
	\$ 210,821	\$88,414



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(a development stage company)

Notes to the Interim Financial Statements

**For the three months ended March 31, 2018 and 2017**

(in Canadian dollars)

<sup>1</sup>Receivables in the amount of \$202,327 (December 31, 2017 - \$53,826) are related to the expected government refundable tax credits for eligible R&D work conducted in Australia.

## **4 Accounts payable and accrued liabilities**

	<b>March 31, 2018 \$</b>	<b>December 31, 2017 \$</b>
Trade payables	44,261	244,254
Other accruals	165,010	32,981
	<u>209,271</u>	<u>277,235</u>

## **5 Capital stock**

Authorized

Unlimited number of common shares with no par value

Issued and outstanding

	<b>Number of shares</b>	<b>Amount \$</b>
Balance - December 31, 2017	84,457,713	28,048,137
	-	-
Balance – March 31, 2018	<u>84,457,713</u>	<u>28,048,137</u>

# iCo Therapeutics Inc.

(a development stage company)

Notes to the Interim Financial Statements

For the three months ended March 31, 2018 and 2017

(in Canadian dollars)

## Stock options

Under the stock option plan, the aggregate number of common shares reserved for issuance is 4,000,000.

	Number of stock options outstanding	Weighted average exercise price \$
Balance - December 31, 2017	1,995,000	0.39
Expired	(980,000)	0.73
Granted	-	-
Balance – March 31, 2018	<u>1,015,000</u>	<u>0.07</u>

Range of exercise price \$	Options outstanding			Options exercisable	
	Number outstanding at March 31, 2018	Weighted average remaining contractual life (years)	Weighted average exercise price \$	Number exercisable at March 31, 2018	Weighted average exercise price \$
0.05	975,000	3.03	0.05	963,750	0.05
0.45	40,000	0.43	0.20	40,000	0.20
	<u>1,015,000</u>	<u>2.93</u>	<u>0.07</u>	<u>1,003,750</u>	<u>0.07</u>

The Company recognized stock-based compensation expense of \$495 (2017 - \$3,488) for the quarter ended March 31, 2018.

## Warrants

At March 31, 2018, the Company had 22,407,448 warrants issued and outstanding. 12,154,862 warrants are exercisable at \$0.54 and expire January 27, 2019. The remaining 10,252,586 warrants are exercisable at \$0.40 and expire May 17, 2018.

	Number of warrants	Amount \$
Balance - December 31, 2017	22,407,448	2,853,487
	<u>-</u>	<u>-</u>
Balance – March 31, 2018 (issued and outstanding)	<u>22,407,448</u>	<u>2,853,487</u>

# **iCo Therapeutics Inc.**

(a development stage company)

Notes to the Interim Financial Statements

**For the three months ended March 31, 2018 and 2017**

(in Canadian dollars)

## **6 Related party transactions**

### **Compensation of key management**

Key management includes the Company's directors and officers

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

## **7 Financial instruments and financial risk management**

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.

# **iCo Therapeutics Inc.**

(a development stage company)

Notes to the Interim Financial Statements

**For the three months ended March 31, 2018 and 2017**

(in Canadian dollars)

The warrants of Immune Pharmaceuticals, recorded as other investments, 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:

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

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.

## **iCo Therapeutics Inc.**

(a development stage company)

Notes to the Interim Financial Statements

**For the three months ended March 31, 2018 and 2017**

(in Canadian dollars)

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

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.

# **iCo Therapeutics Inc.**

(a development stage company)

Notes to the Interim Financial Statements

**For the three months ended March 31, 2018 and 2017**

(in Canadian dollars)

The following table summarizes the relative maturities of the financial liabilities of the Company at March 31, 2018:

	<b>Maturity</b>	
	<b>Less than one year \$</b>	<b>Greater than one year \$</b>
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.

## **8 Segmented information**

The Company identifies its operating segments based on business activities, management responsibility and geographical location. The Company operates within a single operating segment, being the research and development of ophthalmic and anti-infective indications, and operates in one geographic area, being Canada. All of the Company's assets are located in Canada.

## **9 Subsequent event**

On May 17, 2018, 10,252,586 warrants issued by the Company expired.

**iCo Therapeutics Inc.**

(a development stage company)

Notes to the Interim Financial Statements

**For the three months ended March 31, 2018 and 2017**

(in Canadian dollars)

