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

This management's discussion and analysis has been prepared as of August 29, 2014 and should be read in conjunction with the financial statements of iCo Therapeutics Inc. ("iCo" or the "Company") for the six months ended June 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. 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 focused on the identification, development and commercialization of drug candidates to treat sight threatening and life threatening diseases through a development-only business model.

We principally focus on in-licensing drug candidates with a clinical history and redose, reformulate and develop drug candidates for the treatment of sight-threatening conditions such as diabetic macular edema ("DME") and severe allergic conjunctivitis and life threatening diseases such as severe systemic fungal infections. 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 reduces the risk, time and cost of developing ocular therapeutics by avoiding the uncertainty associated with 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:

- are approved for clinical trials or are in late-stage pre-clinical trials;
- have well-established safety profiles;
- have been successfully manufactured on a clinical grade basis in quantities sufficient for clinical trials; and
- have data suggestive of potential efficacy as a treatment for ocular indications.

Our initial focus has been 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. Although we may in the future develop product candidates targeting conditions other than ocular disease, our current emphasis is on leveraging

our expertise in ophthalmology to focus on the development of product candidates targeting ocular diseases such as DME and allergic conjunctivitis.

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, 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 Amphotericin B Delivery System (previously known as iCo-009) for potential use insight threatening and life threatening conditions.

iCo-007

iCo-007 is a second generation anti-sense compound that we believe reduces levels of a key protein, c-Raf Kinase, which may be associated with diabetic retinopathy, including DME. Diabetic retinopathy, including DME, is an ocular complication of Type 1 Diabetes ("T1D") and Type 2 Diabetes ("T2D") characterized by new blood vessel growth and increased vascular permeability in the back of the eye. Fluid leaks into the macula, the part of the eye where the sharpest vision occurs, causing it to swell, and impairing vision. We have completed a Phase I, open label, dose-escalating clinical trial at four trial sites in the United States using a single injection of iCo-007 in patients with diffuse DME. The primary endpoint for the trial was to assess the safety of iCo-007 at four different dosage levels in four groups ("cohorts") of patients – fifteen patients in total. However as the trial was conducted in patients with disease as opposed to healthy volunteers, as secondary endpoints we were also able to collect data on what effect the drug may be having on the disease itself.

The trial met its primary end-point, which was to evaluate the ocular safety and tolerability of iCo-007 following a single intravitreal administration. Secondary objectives included assessment of systemic pharmacokinetics, retinal thickness using optical coherence tomography (OCT) measurements, and visual acuity.

Intravitreal injections of iCo-007 were well tolerated with a good safety profile; ultimately progressing to the highest dose of 1000 ug based on positive safety evaluation committee meetings two months post each dosing level. Analysis of blood plasma in patients demonstrated that iCo-007 was not detectable in the blood plasma with any of the doses used in the Phase I trial. There were signs of biological activity in responsive patients at 24 weeks with a reduction of retinal thickness ranging between 149 and 743 microns (and 115 to 743 microns if one additional patient followed only to week 18 is included). Mean change in retinal thickness for all patients completing the 24 week follow-up (12 of 15 patients) was minus 169 microns (or 40% reduction of excess retinal thickness), a positive trend. In a number of subjects there was a transient increase in retinal edema preceding biological effect. Approximately 69% of patients completing a 24 week follow up (13 of 15 patients) had stable or improved vision, defined as -5 letters or better compared to baseline and 23% of patients experienced greater than or equal to 5 letters of visual improvement. The highest dose seemed to show a smaller biological effect than lower doses. The first three doses appeared to display some dose-related biological effect, warranting further exploration of dosing and treatment regimen in a Phase II clinical trial.

Strategic and preliminary planning for the Phase II clinical trial was initiated in 2009 and formal Phase II clinical trial planning started on conclusion of our Phase I trial. Regulatory documents were filed with Health Canada, and we successfully received a "No Objection" letter from Health Canada in response to a Clinical Trial Application to initiate a Canadian Phase II clinical trial in July 2010. In mid 2010, we completed a Technology Transfer Agreement with Isis Pharmaceuticals to transfer certain technology (including certain analytical methods, chemistry reports and assays) related to the manufacturing of iCo-007 to iCo. In consideration of the technology transfer, we issued to Isis a warrant to purchase 235,000 shares of iCo's common stock at an exercise price of $0.61 per share. The Warrant expired on May 16, 2012. Subsequently, iCo announced the completion of drug product manufacturing activities as part of its Phase II clinical program in February 2011.

In August, 2011, we initiated a US physician-sponsored Phase II clinical trial involving iCo-007, titled the iDEAL study, which is being conducted in up to thirty sites throughout the United States. The iDEAL Study is being led by the clinician scientists who are investigators in the trial and being coordinated at the University of Nebraska Medical Centre ("UNMC"). The physician-sponsored clinical investigation is entitled, "Randomized, Multi-center, Phase II Study of the Safety, Tolerability and Bioactivity of Repeated Intravitreal Injections of iCo-007 as Monotherapy or in Combination with Ranibizumab or Laser Photocoagulation in the Treatment of Diabetic Macular Edema With Involvement of the FoveAL Center (the iDEAL Study)."

On September 26, 2011, we announced a research collaboration agreement with the Juvenile Diabetes Research Foundation ("JDRF"), the worldwide leader for research to cure, treat, and prevent T1D, to support the previously announced Phase 2 investigator sponsored clinical trial investigating iCo-007 in DME and in March 2012, we outlined the clinical trial plan for the iDEAL study and began the process of recruiting patients. Further to this, on January 3, 2013, we announced that, we had reached the midpoint of the iDEAL study with no drug related serious adverse events among patients receiving repeat doses of iCo-007. On June 18, 2013 we announced that we had completed enrollment for the iDEAL study and subsequently on March 5, 2014, we announced the final month eight patient visit in the 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 ug + 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. For information related to study design, please visit www.clinicaltrials.gov.

Secondary endpoints of the iDEAL Study are currently expected to be announced in or around Q4 2014.

Safety Data

All patients in the study have received their final iCo-007 injections and the last patient 12 month follow-

up visit occurred on June 11, 2014. A Drug Safety Monitoring Committee ("DSMC") has periodically reviewed relevant safety data from the clinical trial and iCo currently expects to report overall safety, and other secondary endpoints, in or around Q4 2014.

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 signalling 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 II 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 II 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 OTCQX under the symbol IMNP and Stockholm Exchange under the symbol IMNP. The impact of the merger on iCo's investment in Immune is explained in more detail under "Corporate Highlights: iCo-008".

Following authorization from Israeli health authorities, Immune Pharmaceuticals has initiated a Phase II 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 will be 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. Patient screening for Ulcerative Colitis is expected to begin in the third quarter of 2014 and 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 II 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 Amphotericin B Delivery System, formerly known as iCo-009 (and related derivatives)

iCo's experimental oral formulations of Amphotericin B ("AmpB") are currently being developed at the University of British Columbia ("UBC"). 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. These development programs will only be undertaken subject to obtaining appropriate financing. 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 drug delivery technology 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 technology had been moved into in-vitro testing with study partner,, ImmuneCarta®, (the immune monitoring business unit of Caprion) 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 will be then 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 Amp B. 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.

We are now exploring next steps for the HIV program.

UBC and iCo continue to collaborate on obtaining additional non-dilutive sources of capital which would fund the necessary GLP/GMP pre-clinical work to permit iCo's oral AmpB formulations to enter into human Phase I clinical trials.

2014 Q2 Corporate Highlights

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

iCo-007

- On April 29, 2014, we announced that research collaborators made a poster presentation at the Association for Research in Vision and Ophthalmology 2014 Annual Meeting. The Meeting was held from May 4th - 8th, 2014 in Orlando, Florida. The poster, titled "Demographics and Baseline Characteristics of the iDEAL Study: A Randomized, Multi-center, Phase II Study of the safety, Tolerability, and Bioactivity of Repeated Intravitreal Injections of iCO-007 as Monotherapy or in Combination with Ranibizumab or Laser Photocoagulation in the Treatment of Diabetic Macular Edema with Involvement of the FoveAL Center" was presented by Dr. Quan Dong Nguyen et al. The poster presents the design, demographics, and baseline characteristics of the iDEAL Study, as well as the inclusion/exclusion criteria and characteristics by randomized treatment group.

- On June, 9, 2014, we announced top-line results related to the eight month visual acuity (VA) primary endpoint for subjects enrolled in the Phase 2 iDEAL Study, conducted in collaboration with JDRF, evaluating the efficacy and safety after repeated injections of iCo-007 in patients with Diabetic Macular Edema (DME).

  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 ug + 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.For information related to study design, please visit www.clinicaltrials.gov.

  Safety Data
  All patients in the study have received their final iCo-007 injections and the last patient 12 month follow-up visit occurred on June 11, 2014. A Drug Safety Monitoring Committee ("DSMC") has periodically reviewed relevant safety data from the clinical trial and iCo currently expects to report overall safety, and other secondary endpoints, in or around Q4 2014.

Secondary Endpoints
Secondary endpoints of the iDEAL Study are currently expected to be announced in or around Q4 2014.

Data Presentation
The Company currently expects that further data from the iDEAL study will be presented at a medical conference later this year.

iCo-008

- None

Oral AmpB Delivery System

- None

Corporate

On June 30th, we announced that all nominees listed in the management information circular dated May 28, 2014 were elected as directors at its 2014 Annual Meeting of Shareholders, held on Friday, June 27, 2014. On a vote by ballot, the following five nominees proposed by management were elected as Directors of iCo Therapeutics to serve until the Company's next Annual Meeting of Shareholders or until their successors are elected or appointed, with shares represented at the meeting voting in favour of individual nominees as follows:

Director	For	%	Withheld	%
Andrew Rae	11,226,572	93.98%	718,926	6.02%
Douglas Janzen	11,833,813	99.07%	111,685	0.93%
William Jarosz	11,511,313	96.37%	434,185	3.63%
Richard Barker	11,553,813	96.72%	391,685	3.28%
Noel Hall	11,833,813	99.07%	111,685	0.93%

Subsequent Events

One July 24th, 2014, Lyfebulb, the International Pemphigus Pemphigoid Foundation (IPPF) and Immune Pharmaceuticals announced a collaboration to increase awareness of unmet needs in treating bullous pemphigoid last night at an event attended by more than sixty patients, physicians, scientists and other interested parties. Lyfebulb is a health and wellness company dedicated to serving the needs of chronic

disease patient communities by raising awareness of unmet needs, and supporting healthy lifestyles and therapy that lead to successful disease management. The IPPF is the leading support and education foundation for patients and family members from around the world affected by pemphigus vulgaris and bullous pemphigoid - two devastating autoimmune diseases affecting the skin and mucous membranes. The event and collaboration are supported in part by Immune Pharmaceuticals.

On August 14, 2014, Immune announced that patient screening initiation for its bullous pemphigoid study had commenced as at July 30th, 2014. Patient screening for Ulcerative Colitis is expected to begin in the third quarter of 2014.

On August 19, 2014 we reported results of a study using our Oral Amp B drug candidate to target latent HIV reservoirs. The study, conducted by ImmuneCarta®, the immune monitoring business unit of Caprion, evaluated *in vitro* effectiveness of Oral Amp B 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 Amp B. 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.

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 month period ending March 31 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 June 30		**Six Months ended June 30**	
	2014	**2013**	**2014**	**2013**
Total comprehensive income (loss)	$(2,982,109)	$(1,033,662)	$(1,617,040)	$(2,886,831)
Weighted average number of shares outstanding, basic and diluted	73,709,324	54,760,282	73,709,324	54,760,282
Net gain (loss) per share, basic and diluted	$(0.04)	$(0.01)	($0.02)	($0.05)

The loss from operations increased for both the three and six months ended June 30, 2014 compared to the three and six months ended June 30, 2013 is a result of increased expenses related to the iDEAL Phase 2 clinical trial and change in IMMUNE investment.

Selected Balance Sheet Data

	Six Months ended June 30, 2014	Year ended December 31, 2013
Cash, cash equivalents and short term investments	$6,480,200	$ 1,903,389
Net working capital	$3,915,712	$ (561,488)
Total assets	$8,641,759	$ 3,929,004
Long term liabilities	-	-
Total shareholders' equity	$5,966,827	$ 1,298,598

Cash, cash equivalents and short term investments increased by $4,576,811 from $1,903,389 in December 31, 2013 to $6,480,200 at June 30, 2014 primarily as a result of our January 27th, 2014 financing. The working capital of $3,915,712 includes accrued liabilities of US $2,180,785 payable to JDRF over the next twelve months in connection with the Company's iDEAL phase II clinical trial.

Comparison of the Six months period ending June 30 for 2014 and 2013 Financial Years

Results of Operations

	Q2 2014 $	Q2 2013 $	Change $	Change %
Interest income	15,824	4,720	11,104	+235%
Other income	235,462	82,771	152,691	+185%
Gain (loss) on other investments	(25,206)	798,001	(823,207)	-103%
Research and development	1,026,287	2,189,830	(1,163,543)	-53%
General and administrative	935,374	1,166,480	(231,106)	-20%
Foreign exchange loss (gain)	141,214	122,773	18,441	+15%
Other comprehensive income (loss)	259,755	(293,240)	552,995	-186%
Total comprehensive gain (loss)	(1,617,040)	(2,886,831)	(1,269,791)	+44%

We incurred a net and comprehensive loss of $1,617,040 for the six months ended June 30, 2014 compared to a net and comprehensive loss of $2,886,831 for the six months ended June 30, 2013, representing a decrease of $1,269,791. The decrease in our net and comprehensive loss was principally caused by gain associated with the IMMUNE investment and lower research and development costs related to the iDEAL Phase 2 trial.

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 $1,026,287 for the six months ended June 30, 2014 compared to $2,189,830 for the six months ended June 30, 2013, representing a decrease of $1,163,543. For the three months ending June 30, 2014 expenses were $401,396 compared to $990,786 for the three month period ending June 30, 2013 representing a decrease of $589,390. For both the six month period and the

three month period ending June 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.

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 six months ended June 30, 2014 general and administrative expenses were $935,374 compared to $1,166,480 for the six months ending June 30, 2013, representing a decrease of $231,106. For the three months ending June 30, 2014 expenses were $569,783 compared to $540,386 for the three month period ending June 30, 2013 representing an increase of $29,397. For the six month period ending June 30, 2014 compared to the six month period ending June 30, 2013 the lower expenses are due to decreased stock based compensation and professional fees. For the three month period ending June 30 2014 compared to the three month period ending June 30, 2013, the increase in expenses are due to a slight increase in 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 six months ended June 30, 2014 was $141,214 compared to foreign exchange loss of $122,773 for the same period in 2013, representing an increase of $18,441. For the three months ending June 30, 2014 foreign exchange loss was $24,525 compared to $84,752 for the three month period ending June 30, 2013 representing a decrease of $60,227. For both the six month period and the three month period ending June 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 June 30, 2014 were $2,487,794 (December 31, 2013 – $561,625) and $2,265,244 (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 June 30, 2014:

(unaudited)	2014 Q2	2014 Q1	2013 Q4	2013 Q3
Interest & other income	(280,359)	204,356	183,521	74,202
Total expenses	(995,704)	(1,107,171)	(1,174,249)	(1,791,030)
Loss for the period	(1,276,063)	(586,794)	(1,357,770)	(1,716,828)
Comprehensive gain (loss) for the period	(2,982,109)	(1,365,068)	(761,132)	(2,333,786)
Basic and diluted gain (loss) per share	(0.04)	0.02	(0.02)	(0.02)
(unaudited)	**2013 Q2**	**2013 Q1**	**2012 Q4**	**2012 Q3**
Interest & other income	759,359	41,382	5,792	3,603
Total expenses	(1,531,173)	(1,863,159)	(1,313,968)	(913,376)
Loss for the period	(771,814)	(1,821,777)	(1,308,176)	(909,773)
Comprehensive gain (loss) for the period	(1,033,662)	(1,790,385)	(1,063,642)	(935,152)
Basic and diluted gain (loss) per share	(0.01)	(0.04)	(0.02)	(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 pursed; the stage (i.e. Phase I, II or III) 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

	Q2 2014 $	YE 2013 $	Change $	Change %
Current assets	6,590,645	2,068,918	4,521,726	219%
Current liabilities	2,674,932	2,630,406	44,526	2%
Working capital	3,915,712	(561,488)	4,477,200	797%
Accumulated deficit	(28,687,311)	(26,810,516)	(1,876,795)	7%

As at June 30, 2014, we had cash and cash equivalents and short-term investments of $6,480,200 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 June 30, 2014, the Company had working capital of $3,915,712 compared to $(561,488) as at December 31, 2013. Working capital is calculated by subtracting Current Liabilities from Current Assets. The working capital of $3,915,712 includes accrued liabilities of US $2,180,785 payable to JDRF over the next 12 months in connection with the Company's iDEAL phase II clinical trial.

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. For the three months ended June 30, 2014, proceeds used from the January 2014 financing for the iDEAL trial are as follows:

	Estimated Total Amount	Allocated as at June, 30, 2014
iDEAL Trial	$2,000,000	$51,464

We anticipate that the combination of cash on hand as at June 30, 2014 plus the $6.75 million in gross proceeds raised from our financing in January, 2104 will be sufficient to fund operations into December of 2015. 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 $10,483,052 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 $1,918,947 for the six months ended June 30, 2013 reflecting overall operating costs for the Company for the period of $1,738,451, plus $2,657,865 of investing related activities related to the purchase of short-term investments, plus $49,201 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 outflow of $179,296 for the six months ended June 30, 2013 reflecting overall operating costs for the Company for the period of $1,497,701, plus $2,117,297 of investing related activities related to the purchase of short-term investments and the proceeds from the sub-licence of iCo-008, and $5,712 of foreign exchange losses, less $3,441,409 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 $28,539 for the period ending June 30, 2014. Future estimated annual lease payments are as follows:

	$
2014	30,204
2015	27,337

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 June 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 in its first ocular indication. The next milestone will be US$4 million upon initiation of a Phase III pivotal trial. 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 of iCo-007 in other ocular and non-ocular disease indications.

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 Amphotericin B 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 Amphotericin B 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 Amphotericin B Delivery System program.

JDRF

The Company entered into an agreement with Juvenile Diabetes Research Foundation ("JDRF") for work related to the iCo-007 clinical trial. The agreement involves incremental holdbacks as well as other milestone expenses associated with the clinical trial. The total amount of those expenses is not yet measureable and is dependent on a number of criteria and deliverables from JDRF before the Company will incur the full expense.

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 Amphotericin B ("Amp B") delivery system as 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 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 June 30, 2014, iCo has recognized $235,462 of the IRAP grant.

Transactions with Related parties

During the six months ended June 30, 2014:

a) the Company incurred consulting fees totalling US$6,250 (2013 – US $ nil) to Bill Jarosz, a director of the company. The amounts outstanding as at June 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 $30,500 (2013 - $30,500). The fees were paid to Noel Hall, Doug Janzen and Richard Barker. The amounts outstanding as at June 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 June 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 June 30, 2014, with other variables unchanged, a 10% change in exchange rates on the net current monetary assets would be $240,037 (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	4,058,807	100,000	4,058,807
Raymond James	1,006,669	1,006,669	-
BMO	1,000,000	100,000	900,000
Manulife	414,724	414,724	-
	6,480,200	1,621,393	4,958,807

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 August 29, 2014, we had an unlimited number of authorized common shares with 84,457,713 common shares issued and outstanding.

As at August 29, 2014, we had 21,953,422 warrants outstanding.

As at August 29, 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.