

# **iCo Therapeutics Inc.**

Condensed Interim Financial Statements  
(Unaudited)

**March 31, 2013 and 2012**  
(in Canadian dollars)

# iCo Therapeutics Inc.

## Balance Sheet (Unaudited)

(in Canadian dollars)

	Note	2013 \$	2012 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		510,876	599,457
Short-term investments		561,514	660,739
Taxes and other receivables		64,864	25,118
Deferred financing		22,604	22,604
Prepaid expenses		27,389	30,934
		<u>1,187,247</u>	<u>1,338,852</u>
<b>Other investments</b>	3	1,464,049	1,432,657
<b>Equipment</b>		7,444	8,125
<b>Intangible assets</b>		<u>210,308</u>	<u>233,801</u>
		<u>2,869,048</u>	<u>3,013,435</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	4	<u>1,841,270</u>	<u>963,731</u>
<b>Shareholders' Equity</b>			
<b>Capital stock</b>	5	20,436,531	19,978,848
<b>Contributed surplus</b>	5	2,757,383	2,403,324
<b>Warrants</b>	5	515,800	559,083
<b>Accumulated other comprehensive income</b>		282,168	250,776
<b>Accumulated deficit</b>		<u>(22,964,104)</u>	<u>(21,142,327)</u>
		<u>1,027,778</u>	<u>2,049,704</u>
		<u>2,869,048</u>	<u>3,013,435</u>

**Nature of operations and going concern** (note 1)

**Subsequent events** (note 7)

### Approved by the Board of Directors

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

\_\_\_\_\_  
(signed) Andrew Rae Director

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

# iCo Therapeutics Inc.

## Statements of Loss and Comprehensive Loss

### Unaudited

(in Canadian dollars)

	Note	March 31, 2013 \$	March 31, 2012 \$
<b>Expenses</b>			
Research and development		1,199,044	408,032
General and administrative		626,094	384,058
Foreign exchange (gain) loss		38,021	1,398
		<u>1,863,159</u>	<u>793,487</u>
<b>Interest income</b>		111	1,726
<b>Other income</b>		<u>41,271</u>	<u>-</u>
		<u>41,382</u>	<u>1,726</u>
<b>Loss for the year</b>		(1,821,777)	(791,761)
<b>Other comprehensive income (loss)</b>			
Changes in fair value of the available-for-sale investment		<u>31,392</u>	<u>17,100</u>
<b>Total comprehensive loss</b>		<u>(1,790,385)</u>	<u>(774,661)</u>
<b>Basic and diluted loss per share</b>		<u>(0.04)</u>	<u>(0.02)</u>
<b>Weighted average number of shares</b>		<u>51,380,734</u>	<u>43,348,408</u>

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

**iCo Therapeutics Inc.**  
**Statements of Changes in Shareholders' Equity**  
**Unaudited**

(in Canadian dollars)

	Number of shares	Capital stock \$	Contributed surplus \$	Warrants \$	Accumulated other comprehensive income \$	Accumulated deficit \$	Shareholders' equity \$
<b>Balance - December 31, 2011</b>	46,632,301	17,587,930	2,228,455	335,529	38,520	(17,499,644)	2,690,790
Issuance of common shares	6,000	1,500	-	261,683	-	-	1,500
Exercise of warrants		386		(386)			-
Share-based compensation	-	-	76,125	-	-	-	76,125
Other comprehensive income	-	-	-	-	(21,420)	-	(21,420)
Loss for the year	-	-	-	-	-	(791,761)	(791,761)
<b>Balance - March 31, 2012</b>	<b>46,638,301</b>	<b>17,589,816</b>	<b>2,304,580</b>	<b>335,143</b>	<b>17,100</b>	<b>(18,291,405)</b>	<b>1,955,234</b>
<b>Balance - December 31, 2012</b>	53,608,627	19,978,848	2,403,324	559,083	250,776	(21,142,327)	2,049,704
Exercise of options	100,000	58,000	(29,000)				29,000
Exercise of warrants	919,000	399,683	-	(43,283)	-	-	356,400
Share-based compensation	-	-	383,059	-	-	-	383,059
Other comprehensive income	-	-	-	-	31,392	-	31,392
Loss for the year	-	-	-	-	-	(1,821,777)	(1,821,777)
<b>Balance - March 31, 2013</b>	<b>54,627,627</b>	<b>20,436,531</b>	<b>2,757,383</b>	<b>515,800</b>	<b>282,168</b>	<b>(22,964,104)</b>	<b>1,027,778</b>

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

# iCo Therapeutics Inc.

## Statements of Cash Flows

### Unaudited

(in Canadian dollars)

	<b>March 31, 2013</b>	<b>March 31, 2012</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Loss for the year	(1,821,777)	(791,761)
Items not affecting cash		
Amortization and other	24,174	24,961
Share-based compensation	383,059	76,125
Unrealized foreign exchange loss	25,753	-
	<u>(1,388,791)</u>	<u>(690,675)</u>
Changes in non-cash working capital		
Taxes and other receivables	(39,747)	6,515
Deferred financing	-	(4,377)
Prepaid expenses	3,546	10,734
Accounts payable and accrued liabilities	854,328	67,470
	<u>(573,663)</u>	<u>(610,333)</u>
<b>Cash flows from investing activities</b>		
Redemption of short-term investments	99,226	669,753
	<u>99,226</u>	<u>669,753</u>
<b>Cash flows from financing activities</b>		
Exercise of warrants and options	385,400	1,500
	<u>385,400</u>	<u>1,500</u>
<b>Effect of foreign currency exchange rates on cash and cash equivalents</b>	2,543	-
<b>Increase (decrease) in cash and cash equivalents</b>	(88,581)	(90,920)
<b>Cash and cash equivalents - Beginning of year</b>	599,457	255,548
<b>Cash and cash equivalents - End of year</b>	<u>510,876</u>	<u>346,469</u>
<b>Supplementary information</b>		
Cash received for interest within operating activities	111	14,305

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

# **iCo Therapeutics Inc.**

Notes to Condensed Financial Statements (Unaudited)

**December 31, 2012 and 2011 or the three months ending March 31, 2013 and 2012**

---

(in Canadian dollars)

## **1 Nature of operations and going concern**

### **Nature of operations**

iCo Therapeutics Inc. (“iCo” or the “Company”) is a development stage pharmaceutical company focused on the reprofiling and repositioning of drugs and drug candidates with a previous clinical history for new disease indications. iCo’s current business strategy is to acquire the rights to drugs and drug candidates from third parties and run human clinical trial programs for new disease indications, with an emphasis on ophthalmology. The Company currently has three compounds under development. The first, iCo-007, is an anti-sense molecule that the Company believes reduces levels of a key protein associated with diabetic retinopathy. The Company 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 diabetic macular edema (“DME”) which met its primary end point of safety. The Company subsequently initiated a Phase II clinical trial for iCo-007 in patients with DME and announced on September 26, 2011 research and collaboration with Juvenile Diabetes Research Foundation (“JDRF”) to support the Phase II trial. The Phase II trial is currently enrolling up to 208 patients with DME and will involve up to 30 clinical sites in the US. . 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. iCo-009 is an experimental oral formulation of Amphotericin B that is at a pre-clinical stage.

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.” The Company is incorporated and domiciled in British Columbia, Canada. The address of its registered office is Suite 1300, 777 Dunsmuir Street, Vancouver, British Columbia, V7Y 1K2.

### **Going concern**

These financial statements have been prepared on a going concern basis which assumes that iCo will continue its operations for the foreseeable future and contemplates the realization of assets and the settlement of liabilities in the normal course of business. The conditions and risks noted below cast significant doubt on the validity of that assumption.

For the three months ended March 31, 2013, the Company reported a loss of \$1,821,777 (2012: loss of \$791,761) and an accumulated deficit of \$22,964,104 at that date. As at March 31, 2013, iCo had cash and cash equivalents and short-term investments on hand of \$1,072,390 (December 31, 2012 - \$1,260,196) and a negative working capital balance of (\$654,023) (December 31, 2012: \$375,121). Subsequent to the three month period ending March 31, 2013, the Company completed an equity offering (the “Offering”) for gross proceeds of \$3,379,520. Management believes that the Offering, in combination with its current cash resources, will fund the Company’s operations into Q1 2014, at which point iCo will require additional funding to maintain its research and development projects and for general operations.

# **iCo Therapeutics Inc.**

## **Notes to Condensed Financial Statements (Unaudited)**

**December 31, 2012 and 2011 or the three months ending March 31, 2013 and 2012**

---

(in Canadian dollars)

Consequently, management continues to pursue various financing alternatives to fund iCo's operations so it can continue as a going concern. Management plans to secure the necessary financing through the issue of new equity, exercise of in-the-money warrants and/or the entering into of strategic partnership arrangements. Nevertheless, there is no assurance that these initiatives will be successful.

These financial statements have been prepared on a going concern basis, which assumes that iCo will continue its operations for the foreseeable future and contemplates the realization of assets and the settlement of liabilities in the normal course of business.

The conditions and risks noted above cast significant doubt on the validity of that assumption. These financial statements do not give effect to any adjustments to the amounts and classification of assets and liabilities that may be necessary and could potentially be material, should iCo be unable to continue as a going concern.

## **2 Significant accounting policies**

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

These condensed interim financial statements for the three months ended March 31, 2013 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, 2012 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, 2012.

These financial statements were approved by the board of directors for issue on May 29, 2013.

### **Significant 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 thereto. The Company regularly reviews its estimates; however, actual amounts could differ from the estimates used and, accordingly, materially affect the results of operations. In preparing these condensed financial statements, the significant judgements made by management and key sources of estimation were the same as those applied to the financial statements at December 31, 2012.

### **Government grant**

Government grants are recognized where there is reasonable assurance that the grant will be received and all attaching conditions complied with. Reimbursements of eligible costs pursuant to government programs are recorded as a reduction of total costs when the related costs have been incurred and there is reasonable assurance regarding collection of the claim. Claims not settled by the balance sheet date are recorded as a receivable on the balance sheet. The determination of the amount of the claim, and hence the receivable

# iCo Therapeutics Inc.

## Notes to Condensed Financial Statements (Unaudited)

December 31, 2012 and 2011 or the three months ending March 31, 2013 and 2012

---

(in Canadian dollars)

amount, requires management to make calculations based on its interpretation of eligible expenditures in accordance with the terms of the program. The reimbursement claims submitted by the Company are subject to review by the relevant government agency. If a grant becomes repayable, it will be treated as a change in estimate.

### 3 Other investments

Movement in other investments for the three months ended March 31, 2013 is as follows:

	\$
Balance - December 31, 2012	1,432,657
Change in fair value	<u>31,392</u>
Balance - March 31, 2013	<u>1,464,049</u>

### 4 Accounts payable and accrued liabilities

	March 31, 2013 \$	December 31, 2012 \$
Trade payables	181,723	119,047
Accruals related to clinical expenses (i)	1,556,478	764,865
Other accruals	<u>103,069</u>	<u>79,819</u>
	<u>1,841,270</u>	<u>963,731</u>

- i) Accruals in the amount of \$1,556,478 are primarily related to expenses incurred for the Company's Phase II clinical trial payable to JDRF. These accruals are due over the next twelve month period.

### 5 Capital stock

Authorized

Unlimited number of common shares with no par value

Issued and outstanding

	Number of shares	Amount \$
Balance - December 31, 2012	53,608,627	19,978,848
Exercise of options	100,000	29,000
Transfer from warrants on exercise of options		29,000
Exercise of warrants	919,000	356,400



# iCo Therapeutics Inc.

## Notes to Condensed Financial Statements (Unaudited)

December 31, 2012 and 2011 or the three months ending March 31, 2013 and 2012

(in Canadian dollars)

Transfer from warrants on exercise of warrants	-	43,283
Balance - March 31, 2013	<u>54,627,627</u>	<u>20,436,531</u>

### 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, 2012	1,960,000	0.39
Granted	1,100,000	0.73
Exercised	(100,000)	0.29
Expired	(35,000)	0.98
Balance - March 31, 2013	<u>2,925,000</u>	<u>0.51</u>

Range of exercise price \$	Options outstanding			Options exercisable	
	Number outstanding at March 31, 2013	Weighted average remaining contractual life (years)	Weighted average exercise price \$	Number exercisable at March 31, 2013	Weighted average exercise price \$
0.18 - 0.30	1,125,000	3.29	0.28	1,106,250	0.28
0.40 - 0.60	700,000	1.70	0.54	700,000	0.54
0.73	1,100,000	4.81	0.73	366,662	0.73
	<u>2,925,000</u>	<u>3.48</u>	<u>0.51</u>	<u>2,172,912</u>	<u>0.44</u>

### Warrants

	Number of warrants	Transfer to capital stock on exercise of warrants \$	Amount \$
Balance - December 31, 2012	11,049,390		559,083
Exercise of warrants	<u>(919,000)</u>	0.30 - 0.60	<u>(43,283)</u>
Balance - March 31, 2013	<u>10,130,390</u>		<u>515,800</u>

# iCo Therapeutics Inc.

## Notes to Condensed Financial Statements (Unaudited)

December 31, 2012 and 2011 or the three months ending March 31, 2013 and 2012

---

(in Canadian dollars)

### Contributed surplus

	\$
Balance - December 31, 2012	2,403,324
Share-based compensation	383,059
Exercise of options	<u>(29,000)</u>
Balance - March 31, 2013	<u>2,757,383</u>

### 6 Related party transactions

For the three months ending March 31, 2013, the Company incurred director's fees totalling \$15,250 (March 31, 2012 - \$6,250). The amounts outstanding for the three month ending March 31, 2013 totalled \$15,250 (March 31, 2012 - \$nil). The amounts bear no interest and are unsecured with no terms of repayment. Compensation of key management:

	March 31, 2013 \$	March 31, 2012 \$
Salaries	116,250	116,250
Directors fees	15,250	12,250
Share-based payments	<u>278,588</u>	<u>54,375</u>
	<u>410,088</u>	<u>182,875</u>

### 7 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 indications, and operates in one geographic area, being Canada. All of the Company's assets are located in Canada.

### 8 Subsequent events

On May 10, 2013, the Company announced that it issued 9,655,771 units ("Units") at a price of \$0.35 per unit for aggregate gross proceeds of \$3,379,520. Each Unit includes one common share and one common share purchase warrant (a "Warrant"). Each Warrant is exercisable at a price of \$0.40 for a period of five years from the closing of the Offering. The selling group was paid a cash commission equal to 8% of the gross proceeds of the Offering and receive that number of compensation warrants ("Compensation Warrant") equal to 5% of the number of Units sold pursuant to the Offering. The Compensation Warrants have the same terms and conditions as the Warrants included in the Units.

