iCo Therapeutics Inc.

(a development stage company)

Interim Financial Statements
(Unaudited)
For the three and nine months ended September 30, 2011

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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 financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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

iCo Therapeutics Inc.

(a development stage company)
Interim Statement of Financial Position (in CDN dollars)
As at September 30, 2011 and 2010

	September 30, 2011 $ (Unaudited)	December 31, 2010 $ (Unaudited)	January 1, 2010 $ (Unaudited)
Assets			
Current assets			
Cash and cash equivalents	444,475	632,312	1,384,802
Short-term investments	417,775	1,408,395	2,511,263
Other investments (note 5)	1,181,881	-	-
Taxes and other receivable (note 6)	12,275	45,966	34,933
Deferred financing costs	-	6,998	-
Prepaid expenses	20,788	21,309	22,499
	2,077,194	2,114,980	3,953,497
Equipment (note 7)	5,882	12,268	16,514
Intangible assets (note 8)	334,826	552,074	658,539
	2,417,902	2,679,322	4,628,550
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities (note 9)	239,743	291,702	322,778
Shareholders' Equity (note 10)			
Capital stock	16,798,970	16,798,970	15,733,967
Contributed surplus	2,138,768	1,975,652	1,599,669
Warrants	80,631	80,631	335,128
Deficit	(16,840,210)	(16,467,633)	(13,362,992)
	2,178,159	2,387,620	4,305,772
	2,417,902	2,679,322	4,628,550

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

Approved by the Board of Directors:

____(signed) William Jarosz____________ ___ (signed) Andrew Rae________

iCo Therapeutics Inc.

(a development stage company)

Interim Statements of Operations, Comprehensive Loss and Deficit (in CDN dollars)

As at September 30, 2011 and 2010

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	**2010**	**2011**	**2010**
Expenses				
Research and development (note 13)	$ 199,843	$ 144,525	$ 776,830	$ 984,580
General and administrative (note 14)	271,557	318,379	806,956	836,506
Amortization	28,636	29,385	86,234	88,272
Foreign Exchange	(5,430)	7,986	(5,671)	20,806
Stock-based compensation	144,767	22,519	163,116	239,295
	639,373	522,794	1,827,465	2,169,459
Interest income	3,232	5,750	14,937	19,595
Other income (note 5)	-	-	100,000	-
Gain on sale of rights (note 5)	-	-	1,339,951	-
	3,232	5,750	1,454,888	19,595
Net gain (loss) and comprehensive gain (loss) for the period	(636,141)	(517,044)	(372,577)	(2,149,864)
Deficit – Beginning of period	(16,204,069)	(14,995,812)	(16,467,633)	(13,362,992)
Deficit – End of period	$ (16,840,210)	$ (15,512,856)	$ (16,840,210)	$ (15,512,856)
Basic and diluted gain (loss) per share	$ (0.02)	$ (0.01)	$ (0.01)	$ (0.05)
Weighted average number of shares	41,057,301	31,418,629	41,057,301	39,296,829

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

iCo Therapeutics Inc.

(a development stage company)
Interim Statements of Cash Flows (in CDN dollars)
As at September 30, 2011 and 2010

	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Cash flows from operating activities				
Net gain (loss) and comprehensive gain (loss) for the year	$ (636,141)	$ (517,044)	$ (372,577)	$(2,149,864)
Items not affecting cash				
Gain on sale of rights	-	-	(1,339,951)	-
Amortization	28,636	29,385	86,234	88,272
Stock-based compensation	144,767	22,519	163,116	239,295
	(462,738)	(465,140)	(1,463,178)	(1,822,297)
Changes in non-cash working capital				
Accounts and other receivable	1,266	(78,723)	33,691	(51,136)
Deferred financing	-	-	6,998	-
Prepaid expenses	10,842	12,342	521	287
Accounts payable and accrued liabilities	16,447	(69,533)	(52,87)	(184,406)
Net cash flow used in operating activities	(434,183)	(601,054)	(1,474,839)	(2,057,552)
Cash flows from investing activities				
Sale of short-term investments	189,064	496,442	990,620	486,614
Proceeds on disposition on intangible assets	-	-	295,470	-
Purchase of equipment	-	-	-	(2,970)
Net cash flow from investing activities	189,064	496,442	1,286,090	483,644
Cash flows from financing activities				
Exercise of options	-	-	-	10,500
Exercise of warrants	-	-	-	810,563
Issuance of units (share issue costs)	-	-	-	-
Net cash flow from financing activities	-	-	-	821,063
Increase (decrease) in cash	(245,119)	(104,612)	(188,749)	(752,845)
Cash and cash equivalents, beginning of period	689,594	736,569	633,224	1,384,802
Cash and cash equivalents, end of period	$ 444,475	$ 631,957	$ 444,475	$ 631,957

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

iCo Therapeutics Inc.

(a development stage company)
Interim Statements of Changes in Shareholders Equity (in CDN dollars)
As at September 30, 2011 and 2010

	Common shares without par value					
	Shares	Amount	Contributed surplus	Common Share Purchase Warrants	Accumulated deficit	Total Shareholders' equity
Balance at January 1, 2010	38,285,426	$ 15,733,967	$ 1,599,669	$ 335,128	$ (13,362,992)	$ 4,305,772
Issuance of common shares	2,771,875	1,065,003	–	–	–	$ 1,065,003
Share issue costs	–	–	–	–	–	–
Stock-based compensation	–	–	232,855	–	–	$ 232,855
Common Share Purchase Warrants	–	–	–	(237,500)	–	$ (237,500)
Gain (loss) for the quarter	–	–	–	–	(2,149,864)	$ (2,149,864)
Balance at September 30, 2010	41,057,301	$ 16,798,970	$ 1,832,524	$ 97,628	$ (15,512,856)	$ 3,216,266
Balance at January 1, 2011	41,057,301	$ 16,798,970	$ 1,975,652	$ 80,631	$ (16,467,633)	$ 2,387,620
Issuance of common shares	–	–	–	–	–	–
Share issue costs	–	–	–	–	–	–
Stock-based compensation	–	–	163,116	–	–	163,116
Common Share Purchase Warrants	–	–	–	–	–	–
Gain (loss) for the quarter	–	–	–	–	(372,577)	(372,577)
Balance at September 30, 2011	41,057,301	$ 16,798,970	$ 2,138,768	$ 80,631	$ (16,840,210)	$ 2,178,159

1 Basis of presentation and International Financial Reporting Standards ("IFRS")

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 antisense molecule that the Company believes reduces levels of a key protein associated with diabetic macular edema and 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. The trial met its primary end point. On August 15, 2011, iCo announced the initiation of a US physician-sponsored Phase II clinical trial involving iCo-007, titled the iDEAL study, which will be conducted across multiple sites throughout the United States. On September 26, 2011, iCo announced a partnership with JDRF to support iDEAL. iCo-008 is a monoclonal antibody that the Company plans to develop for vernal keratoconjunctivitis and age related macular degeneration. On June 24, 2011, iCo licensed the systemic uses of iCo-008 to Immune Pharmaceuticals, ("Immune"), pursuant to an option agreement previously announced in December 2010. iCo retained worldwide exclusive rights to all ocular applications. ("Immune"). iCo-009 (and related derivatives), now called the Oral Amphotericin B delivery system, 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, recruitment of personnel and long-term planning. The Company is publicly traded on the TSX Venture Exchange under the symbol "ICO."

These interim financial statements have been prepared in accordance with IFRS applicable to the preparation of the interim financial statements, including IAS 34 "Interim Financial Reporting" and IFRS 1, "First Time Adoption of International Financial Reporting Standards". The interim financial statements do not include all of the information required for full annual financial statements. The interim financial statements have not been reviewed or audited b the Company's auditors.

The policies applied in these interim financial statements are based on IFRS issues and outstanding as of November 18, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2011 could result in restatement of these interim financial statements including the transition adjustment recognized on change over to IFRS. The interim financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended December 31, 2010.

Going concern

These financial statements have been prepared using IFRS, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. The recoverability of the Company's intangible and other long-term assets and its ability to continue as a going concern are dependent upon its ability to fund its research and development programs, manage its foreign currency exposures, defend its patent rights and generate positive cash flows from operations.

For the nine months end September 30, 2011, the Company reported a loss of $372,577 and an accumulated deficit of $16,840,210 at that date. The Company has entered into an agreement with a US based institution to obtain an equity line facility whereby iCo may access, subject to certain conditions, up to $10 million of capital over a three-year period. However, as the Company does not have the prospect of achieving revenues in the near future, the Company will require additional funding to maintain its research and development projects and for general operations. As at September 30, 2011, the Company had cash and short-term investments on hand of $862,250 and working capital of $1,837,451. Subsequent to September 30, 2011, the Company completed a private placement equity financing for gross proceeds of $1,115,000 (see note 17, Subsequent events).

In accordance with its business objectives, management continues to pursue various financing alternatives to fund the Company's operations and continue as a going concern. Management may secure the necessary financing through the issue of new equity and/or the entering into of strategic partnership arrangements. Nevertheless, there is no assurance that these initiatives will be successful.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2 Significant accounting policies:

Basis of presentation

The interim financial statements have been prepared on a historical cost basis and are presented in Canadian dollars which is the Company's functional currency.

Use of estimates and significant 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. Significant areas requiring management to make estimates include the useful lives of non-current assets, revenue recognition, share based compensation, intangibles, impairment of intangibles and valuation of investment in Immune Pharmaceuticals Corp. (IMMUNE) common shares and warrants. 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 that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include: revenue recognition, share based compensation, and the impairment of intangible assets.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and highly liquid short-term interest-bearing securities with maturities at the date of purchase of three months or less. Cash and cash equivalents are held at recognized Canadian financial institutions. Interest earned is recognized in the statements of operations.

Foreign currency translation

Monetary assets and liabilities denominated in currencies other than the Canadian dollar are translated at the rate of exchange in effect at the end of the period. Revenue and expense items are translated at the rate of exchange in effect on the dates they occur. Exchange gains or losses are recognized immediately in the consolidated statements of operations.

Future income taxes

The Company follows the liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are recognized in the current period for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes. Future income tax assets and liabilities are measured using substantively enacted tax rates and laws expected to apply in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on future income tax assets and liabilities is recognized in operations in the period that includes the substantive enactment.

Revenue recognition

The Company revenue comprises of initial fees and milestone payments derived from collaborative and other licensing arrangements. Licensing fees are recognized as revenue when persuasive evidence of an arrangement exists, the contracted fee is fixed or determinable, the intellectual property is delivered to the customer, collection is reasonably assured, and the Company has substantially completed its performance obligations.

Financial instruments

Financial instruments are classified into one of five categories: financial assets measured at fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale assets, financial liabilities at fair value through profit and loss, and other financial liabilities.

For each financial instrument, subsequent measurement and accounting for changes in fair value are dependent on the initial classification.

Financial assets measured at fair value through profit or loss are measured at fair value with changes in fair value recognized in net income.

Available-for-sale assets financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net income.

Other financial liability, subsequent adjustments to expected cash flows are recorded if and when they occur through adjustments to the related expense.

The Company's accounts receivable are classified as loans and receivables, which are measured at amortized costs. Accounts payable, accrued liabilities and the financial liabilities are classified as other financial liabilities are measured at amortized costs.

Property and equipment

Property and equipment are stated at costs less accumulated amortization and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the assets carrying amount and recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate. Amortization is recorded on a straight-line basis over the estimated lives of the property and equipment as follows:

Computer hardware	3 years
Computer software	2 years
Office equipment	5 years

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other gains/ (losses) – net' in the income statement.

Intangible assets

Intangible assets include patent rights and technology rights which have been acquired from third parties. Intangible assets are carried at cost less accumulated amortization. The Company evaluates the useful economic life of the specific intangible asset and amortizes the asset accordingly. The intangible assets are amortized on a straight-line basis over the range of 9 and 11 years.

Impairment of non-financial assets

The Company periodically reviews the useful lives and the carrying value of its long-lived assets. Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the carrying value of the asset may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or "CGU"). The recoverable amount is the higher of an asset's fair value less costs to sell and value in the use (being the present value of the expected future flow of the relevant asset or CGU). And impairment loss is recognized for the amount by which the asset's carry amount exceeds its recoverable amount.

Provisions

Provisions for research and development and general operations are recognised when: the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Share-based compensation

The Company grants share-based options to directors, officers, employees and consultants pursuant to a stock-based compensation plan described in note 10. Compensation expense is recorded for share-based options issued to employees and non-employees using the fair value method with a corresponding increase in contributed surplus. Any consideration received on exercise of stock options or the purchase of stock, plus the fair value of options or stock, is credited to capital stock.

Under the fair value method, stock-based options are measured at the fair value of the equity instrument issued.

Research and development

Research expenditures are expensed in the period incurred. Product development expenditures are expensed as incurred unless the product candidate meets criteria for deferral and amortization. No product development expenditures have been deferred to date

Loss per share

Basic and diluted loss per share is calculated using the weighted average number of common shares outstanding. The outstanding warrants and options have been excluded from the calculations of diluted loss per share because their inclusion would be anti-dilutive.

3 Transition to IFRS

In preparing these interim financial statements in accordance with IFRS 1, no reconciliation differences were identified. As a result, equity reported in accordance with Canadian GAAP is the same as IFRS as at January 1, 2010, December 31, 2010 and September 30, 2011. Similarly total comprehensive loss reported under Canadian GAAP is the same as IFRS for the year ended December 31, 2010 and the nine months ended September 30, 2011.

In preparing these interim financial statements in accordance with IFRS 1, the Company has applied the mandatory exceptions and selected some of the optional exemptions from full retrospective application of IFRS. Below describes select IFRS 1 applicable exemptions applied by the Company in the conversion from Canadian GAAP to IFRS.

IFRS 1 Exemptions Selected:

Share-based payments – IFRS 1 encourages application of IFRS 2, Share-based Payments, to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the Transition Date. The Company elected to apply IFRS 2 to equity instruments granted after November 7, 2002 that had not vested by the Transition Date

Accounting standards issued and not yet applied

Financial instruments

In November 2009, the IASB issued IFRS 9 – Financial Instruments as the first step in its project to replace IAS 39 – Financial Instruments: Recognition and Measurement with a new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39. IFRS 9 addressed the classification and measurement of financial assets and financial liabilities and is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company is currently evaluating the impact the final standard is expected to have on its financial statements.

Fair value measurement

On May 12, 2011 the IASB issued IFRS 13 – Fair Value Measurement. This standard defines fair value and sets out in a single IFRS a framework for measuring fair value. The standard applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements. The standard has an effective date of January 1, 2013. The Company is currently evaluating the impact that the standard is expected to have on its financial statements.

4 Financial risk management

The Company is exposed to certain financial risks, including credit risk, liquidly risk and market risk.

a) Credit risk

Credit risk is the risk of an unexpected loss if a customer or counter party to a financial instrument fails to meet its contractual obligations and arises principally from the company's cash and cash equivalents and other 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 audit committee and modified to reflect changes in market conditions.

b) 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 ongoing problems in the global credit markets have resulted in a drastic reduction in the ability of the companies to raise capital through the public markets. Subsequent to September 30, 2011, the Company successfully completed a private placement equity financing for gross proceeds of $1,115,000 (see note 17, Subsequent events). The Company continues to manage its liquidity risk through conservative management of expenses and remaining opportunistic to raising additional capital.

c) 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 dollars ("USD"). The Company believes that the results of operations, financial position and cash flows would be affected by a sudden change in foreign exchange rates, but would not impair or enhance its ability to pay its USD. The Company manages foreign exchange risk by maintaining USD cash on hand to fund its short term USD expenditures. As at September 30, 2011 USD denominated cash totalled USD $200,558. The only accounts payable and accrued liabilities exposure is in USD and that total is $115,251.

The company is subject to interest rate risk on its cash and cash equivalents 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. As at September 30, 2011, cash and cash equivalents held in Canadian dollar savings accounts or short term investments is $661,692. The interest rates range from 0.05% to 1.6%.

5 Other investments

In December 2010, iCo granted Immune Pharmaceuticals Corp. (IMMUNE), based in Israel and the United States, an option to an exclusive license (the "Option") on a worldwide basis for the development and commercialization rights to the systemic uses of iCo-008. It is IMMUNE's intention to pursue 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 iCo a US$100,000, 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 February 2, 2011, the Company received an additional payment of US$100,000 as an option extension fee from IMMUNE, in consideration for extending the option period until March 31, 2011. The option extension fee was non refundable and not creditable against the upfront license fee payment of US $1 million. Accordingly, it was recognized as income from the sale of commercialization rights to iCo-008. On March 31, 2011, the agreement with IMMUNE was further amended to permit IMMUNE to extend the option period for up to three additional months beyond March 31, 2011. For each month extension, IMMUNE paid to the Company US$50,000. These payments were non-refundable and creditable against the upfront licence fee payment of $ 1 million. On April 6, 2011, the Company received a payment of US$50,000 to extend the option period to April 30, 2011, and on May 2, 2011, the Company received a payment of US$50,000 to extend the option period to May 30, 2011.

Subsequently on June 24, 2011, the Option was converted to an exclusive licence agreement (the IMMUNE Licence Agreement"). In consideration for the conversion, iCo received a further payment of US$200,000 (total aggregate cash payments of US$500,000 since December 2010) plus 600,000 IMMUNE ordinary shares and 200,000 IMMUNE warrants. IMMUNE will also share in funding 50% of the patent prosecution and maintenance costs of the iCo-008 patent family. iCo has no further performance obligations under the IMMUNE Licence Agreement.

iCo has recognized a gain on the sale of these rights in the amount of $1,339,951 the details of which are described in the following table:

	Shares	Warrants	$ CDN
Cash			295,470
Common shares of IMMUNE	600,000		1,181,880
Common share warrants of IMMUNE		200,000	1
Total proceeds			1,477,351
Cost of rights transferred			137,400
Gain on sale of rights			1,339,951

6 Taxes and other receivable

	September 30, 2011 $	**December 31, 2010 $**
Taxes (HST)	12,275	24,968
Other receivable	-	20,998
Net taxes and other receivable	12,275	45,966

7 Equipment

	January 1, 2011						September 30, 2011
	Opening cost	Additions	Closing cost	Opening amortization	Amortization	Closing amortization	Net
Computer equipment	38,387	-	38,387	29,501	3,209	32,710	5,677
Computer software	14,708	-	14,708	12,174	2,429	14,603	105
Office equipment	4,989	-	4,989	4,141	748	4,889	100
	58,084	-	58,084	34,584	11,232	45,816	5,882

	January 1, 2010						December 31, 2010
	Opening cost	Additions	Closing cost	Opening amortization	Amortization	Closing amortization	Net
Computer equipment	31,994	6,393	38,387	24,081	5,420	29,501	8,886
Computer software	14,258	450	14,708	7,360	4,814	12,174	2,534
Office equipment	4,989	-	4,989	3,143	998	4,141	848
	51,241	6,843	58,084	34,584	11,232	45,816	12,268

8 Intangible assets

	January 1, 2011						September 30, 2011
	Opening cost	Disposition of rights (note 5)	Closing cost	Opening amortization	Amortization	Closing amortization	Net
ISIS (iCo-007)	599,071	-	599,071	342,933	48,147	391,080	207,991
MedImmune	464,935	(137,400)	327,535	168,999	31,701	200,700	126,835
	1,064,006	(137,400)	926,606	511,932	79,848	591,780	334,826

	January 1, 2010						December 31, 2010
	Opening cost	Additions	Closing cost	Opening amortization	Amortization	Closing amortization	Net
ISIS (iCo-007)	599,071	-	599,071	278,735	64,198	342,933	256,138
MedImmune	464,935	-	464,935	126,737	42,262	168,999	295,936
	1,064,006	-	1,064,006	405,472	106,460	511,932	552,074

9 Accounts payable and accrued liabilities

	September 30, 2011 $	**December 31, 2010 $**
Trades payable	83,664	85,207
Payable to related parties	12,250	12,250
Accruals	143,829	194,245
Net accounts payable and accrued liabilities	239,743	291,702

10 Capital stock

Authorized
Unlimited number of common shares

Issued and outstanding:

	Number of shares	Amount $
Balance at December 31, 2010	41,057,301	16,798,970
Share issue costs	-	-
Balance at September 30, 2011	41,057,301	16,798,970

Stock options

Under the stock option plan the aggregate number of common shares reserved for issuance is 3,200,000.

	Number of stock options outstanding	Weighted average exercise price $
December 31, 2010	1,846,429	0.60
Granted	1,050,000	0.29
Expired	(585,000)	0.81
September 30, 2011	2,311,429	0.40

	Options outstanding			Options exercisable	
Range of exercise price $	Number Outstanding at September 30, 2011	Weighted average remaining contractual life (years)	Weighted average exercise price $	Number exercisable at September 30, 2011	Weighted average exercise price $
0.18 - 0.39	1,396,429	4.09	0.28	871,429	0.28
0.40 - 0.60	825,000	3.21	0.54	825,000	0.54
0.80 - 0.80	25,000	0.34	0.80	25,000	0.80
0.98 - 1.00	65,000	0.79	0.79	65,000	0.99
	2,311,429	3.64	0.40	1,786,429	0.43

Warrants

At September 30, 2011, the following common share purchase warrants were outstanding:

	Number of warrants	Exercise price $	Amount $
Balance - December 31, 2010	235,000	0.61	80,631
	-		-
Balance - September 30, 2011	235,000		80,631

Contributed surplus

	$
Balance as at December 31, 2010	1,975,652
Share based compensation	163,116
Balance as at September 30, 2011	2,138,768

11 Related party transactions

During the nine months ended September 30, 2011, directors provided services to the Company totalling $36,750 (for the nine months ended September 30, 2010 - $36,900).

12 Compensation of key management

	Nine months ended September 30, 2011 $	Nine months ended September 30, 2010 $
Salaries	450,692	455,667
Directors fees	36,750	36,900
	487,442	492,567

13 Research and development

	Nine months ended September 30, 2011 $ (Unaudited)	Nine months ended September 30, 2010 $ (Unaudited)
Personnel	291,204	266,067
Research projects	265,435	437,958
Intellectual property	119,244	81,558
Business development	6,650	51,943
Travel	32,145	78,075
Facilities	62,152	68,979
	776,830	984,580

14 General and administrative

	Nine months ended September 30, 2011 $ (Unaudited)	Nine months ended September 30, 2010 $ (Unaudited)
Personnel	358,271	294,042
Professional fees	349,873	450,245
Travel	67,816	62,882
Facilities	30,996	29,337
	806,956	836,506

15 Commitments and contingencies

a) Lease commitments

The operating lease agreement for office space (expiring May 31, 2012) has the following future minimum annual lease payments:

	$
2011	15,946
2012	12,075

Rent expense for the nine months ended September 30, 2011 amounted to $37,705 (2010 - $24,462).

b) 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 of September 30, 2011 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. 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 the licensing agreement between MedImmune and the Company, the Company was required to make upfront payments totalling US$400,000, of which the last payment was made in December 2007. The Company may be required to make additional contingent payments of up to US$7 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.

UBC

On May 6, 2008, the Company signed an agreement with UBC for the exclusive worldwide licence to the 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 the 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 oral Amphotericin B delivery system program.

16 Financial instruments

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. The 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.

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 accounts payable and accrued liabilities 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 a Level 2 input as they are valued using observable market data.

The common shares of IMMUNE have been recorded at their fair value on the date they were acquired. Management has classified these shares as available for sale. The company uses Level 3 inputs to value these instruments. There is currently no public market for these shares, however iCo was able to benchmark the value of IMMUNE common shares previous financing rounds completed by IMMUNE in recent months.

The IMMUNE warrants have been recorded at fair value on the date they were acquired. They are classified as a derivative instrument and as such are classified as held for trading. Similar to the common shares of IMMUNE, iCo uses Level 3 inputs to value these instruments.

17 Subsequent events

On November 2, 2011the Company completed a non-brokered private placement in the amount of $1,115,000 through the issuance of 5,575,000 Units at a subscription price of $0.20 per Unit. Each Unit consisted of one common share in the capital of the Company (a “Common Share”) and one Common Share purchase warrant (a “Warrant”). Each Warrant will entitle the holder, on exercise, to purchase one additional Common Share, at any time on or prior to the date which is 24 months after the Closing Date, at an exercise price of $0.25 per share at any time on or prior to the 12 month anniversary of the Closing Date and $0.30 per share at any time after the 12 month anniversary of the Closing Date on or prior to the 24 month anniversary of the Closing Date.

The Company intends to use the net proceeds of the Offering to support the Phase 2 clinical program for iCo-007, working capital and general corporate purposes.

A cash finder's fee of 8% was paid to certain arm's length third parties with respect to 1,810,000 Units. In addition, Warrants were issued to finder's in respect of 2,400,000 Units, with the number of Warrants to be issued to such finders to represent 8% of the aggregate number of Units issued to investors identified by such finders.

All securities issued in the private placement are subject to a four month hold period.