MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019

This management's discussion and analysis ("**MD&A**") has been prepared as of November 29, 2019 and should be read in conjunction with the consolidated financial statements of iCo Therapeutics Inc. ("**iCo**" or the "**Company**") for the quarter and nine months ended September 30, 2019 and the related notes thereto. Our consolidated 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 dated April 29, 2019 (the "**Annual Information Form**") is available by accessing the SEDAR website at www.sedar.com.

Forward Looking Statements

Certain statements and information in this MD&A contain forward-looking statements or forward-looking information under applicable Canadian securities legislation that may not be based on historical fact, including, without limitation, statements containing the words "believe", "may", "plan", "will", "estimate", "continue", "anticipate", "intend", "expect", "predict", "project", "potential", "continue", "ongoing", "could", "would", "seek", "target" or the negative of these terms or other comparable terminology, although not all forward-looking statements contain these words and similar expressions.

Forward-looking statements are necessarily based on estimates and assumptions made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as factors that we believe are appropriate. Forward-looking statements in this MD&A include, but are not limited to, statements relating to:

- the initiation, timing, cost, progress and success of our research and development programs;
- our ability to re-dose, formulate and develop drug candidates;
- our ability and our partners' ability to advance product candidates into, and successfully complete, clinical trials;
- our expectations regarding the advancement of iCo-008 and the Oral Amp B Delivery System (as defined below) through further studies;
- our expectations regarding enrolment and the timing of enrolment in the studies for our product candidates,
- the expected therapeutic benefits, effectiveness and safety of our product candidates, including our belief that our approach may reduce the risk, time and cost of developing therapeutics by avoiding some of the uncertainty associated with certain research and pre-clinical stages of drug development;
- the ability of iCo-008 to inhibit both early stage and late stage development of severe eotaxin-1 mediated indications;
- our ability to obtain funding for our operations, including funding for research and commercial activities;
- our ability to achieve profitability;
- our ability to establish and maintain relationships with collaborators with acceptable development, regulatory and commercialization expertise and the benefits to be derived from such collaborative efforts;
- our ability to enter into agreements or partnerships with pharmaceutical or biotechnology companies that have sales and marketing capabilities, which will enable us to increase our returns from our product candidates or to further accelerate development of our product candidates;

- the implementation of our business model and strategic plans;
- our expectations regarding federal, provincial and foreign regulatory requirements;
- the rate and degree of market acceptance and clinical utility of our future products, if any;
- our expectations regarding market risk, including interest rate changes and foreign currency fluctuations;
- the compensation that is expected to be paid to consultants or employees of the Company;
- our future financial performance and projected expenditures; and
- estimates of our expenses, future revenue, capital requirements and our needs for additional financing.

Such forward-looking statements reflect our current views with respect to future events, are subject to risks and uncertainties and are necessarily based upon a number of estimates and assumptions that, while considered reasonable by iCo as of the date of such statements, are inherently subject to significant medical, scientific, business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause our actual results, performance, achievements, prospects or opportunities to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. In making the forward-looking statements included in this MD&A, the Company has made various material assumptions, including, but not limited to: (i) obtaining positive results of clinical trials; (ii) obtaining regulatory approvals; (iii) assumptions regarding general business and economic conditions; (iv) assumptions regarding the cost and timing of each study; (v) the Company's ability to successfully develop iCo-008 and the Oral Amp B Delivery System; (vi) that the Company's current positive relationships with third parties will be maintained; (vii) the availability of financing on reasonable terms; (viii) the Company's ability to attract and retain skilled consultants; (ix) assumptions regarding market competition; (x) the products and technology offered by the Company's competitors and (xi) the Company's ability to protect patents and proprietary rights.

In evaluating forward-looking statements, current and prospective shareholders should specifically consider various factors, including the risks outlined below under the headings "*Market risk*", "*Interest rate risk*", "*Liquidity risk*" and "*Credit risk*" and under the heading "*Risk Factors*" in the Company's Annual Information Form for the year ended December 31, 2018 filed on SEDAR (www.SEDAR.com). Should one or more of these risks or uncertainties, or a risk that is not currently known to us, materialize, or should assumptions underlying those forward-looking statements prove incorrect, actual results may vary materially from those described herein. These forward-looking statements are made as of the date of this MD&A and we do not intend, and do not assume any obligation, to update these forward-looking statements except as required by applicable securities laws. Investors are cautioned that forward-looking statements are not guarantees of future performance and are inherently uncertain. Accordingly, investors are cautioned not to put undue reliance on forward-looking statements.

Overview of the Company

We are a Canadian biotechnology company principally focused on the identification, development and commercialization of drug candidates to treat ocular and infectious diseases.

We principally focus on in-licensing drug candidates with a clinical history and re-dose, reformulate and develop drug candidates for the treatment of ocular and infectious diseases. We assume the clinical, regulatory and commercial development activities for our product candidates and advance them along the regulatory and clinical pathway toward commercial approval. We believe that our approach may reduce the risk, time and cost of developing therapeutics by avoiding some of the uncertainty associated with certain research and pre-clinical stages of drug development. We use our expertise to manage and perform what we believe are the critical aspects of the drug development process, including the design and conduct of

clinical trials, the development and execution of strategies for the protection and maintenance of intellectual property rights and interaction with drug regulatory authorities. We have two in-licensed product candidates: iCo-008 (or "**Bertilimumab**") for potential use in eotaxin-1 mediated indications and an oral Amphotericin B delivery system, ("**Oral Amp B Delivery System**") for potential use in fungal infections.

The Company's Business Strategy

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 we believe:

- have an established clinical history or are in late-stage pre-clinical trials;
- have well-established safety profiles;
- may be well-suited to reformulation as a means of expanding use indications or altering the route of administration;
- have been successfully manufactured on a clinical grade basis in quantities sufficient for clinical trials; and
- have data suggestive of potential efficacy as treatments for ocular and infectious diseases.

Our initial focus was on ocular diseases because we believe that there is an unmet need for new and effective therapeutics in this field. In addition, several members of our management team and key advisors have considerable expertise in ophthalmology. Subsequently, we have also focused on certain fungal diseases, through the advancement of our Oral Amp B Delivery System and the expertise that has been gained through its development.

In-Licensing

Upon identifying a promising biopharmaceutical product, we seek to negotiate a license to the rights for the product from the holder of those rights. The terms of such licenses vary, but generally our goal is to secure licenses that permit us to engage in further development, reformulation, clinical trials, intellectual property protection (on behalf of the licensor or otherwise) and further licensing of manufacturing and marketing rights to any resulting products. This process of securing license rights to products is commonly known as "in-licensing". In certain instances, we have taken the "option" approach, whereby we gain an exclusive right to in-license a drug candidate for a defined period before we must make a commitment to do so. This approach allows us to review additional data before deciding 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 then 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

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

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 permitting iCo to outsource these services on a cost-effective basis. Because our manufacturing needs are currently sporadic, we believe that it is more efficient to outsource manufacturing.

Products

iCo-008

iCo-008 is a human monoclonal antibody that neutralizes eotaxin-1, a ligand to the C-C chemokine receptor type three ("**CCR3**"). It is our view that iCo-008 neutralizes eotaxin-1 by binding to it and, as a consequence, preventing it from binding to CCR3. We believe that iCo-008 has the potential to inhibit intracellular signaling associated with mast cell degranulation and the recruitment of eosinophils to the site of allergic reactions and, as a result, potentially inhibit both early stage and late stage development of severe eotaxin-1 mediated indications. We believe that iCo-008 shows promise in the treatment of the dermatological condition bullous pemphigoid ("**BP**") and may have utility in atopic dermatitis, gastrointestinal conditions including inflammatory bowel disease/ulcerative colitis, asthma and age-related macular degeneration.

Before we licensed iCo-008 from Medimmune Limited ("**Medimmune**"), Cambridge Antibody Technology ("**CAT**") 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. In 2008, AstraZeneca integrated CAT into its global biologics business under the Medimmune banner, uniting the resources and expertise from CAT and Medimmune within AstraZeneca. We remain interested in pursuing further clinical development of this program in individuals with a serious sight threatening form of allergic conjunctivitis known as vernal keratoconjunctivitis (VKC) and atopic keratoconjunctivitis. The Company would need to access additional capital through partnering or financing before deciding to advance this program.

On June 24, 2011, the Company granted Immune, Inc. (together with its affiliates, "IMMUNE") an exclusive sublicense for the development and commercialization rights to the systemic uses of iCo-008 (the "**IMMUNE License Agreement**"). The Company retained worldwide exclusive rights to all uses and applications in the ocular field. In consideration for granting the license, the Company received upfront consideration of US$500,000 cash plus 600,000 IMMUNE shares and 200,000 IMMUNE warrants.

On August 26, 2013, IMMUNE completed a merger with Epicept Corporation, and the merged company began trading on NASDAQ under the name Immune Pharmaceuticals Inc. and the symbol "IMNP". The original IMMUNE shares and warrants were exchanged for 654,386 common shares and 123,649 warrants in the merged company. During 2015, the Company sold all its shares in the merged company realizing net proceeds of $1,011,569.

On February 17, 2019 IMMUNE filed a voluntary petition under Chapter 11 of the U.S. Bankruptcy Code in Bankruptcy Court of the District of New Jersey (the "Court"). iCo participated in Immune's US bankruptcy proceedings and related legal actions to ensure iCo's interests were presented to the Court. On Oct. 21, 2019, the bankruptcy court in New Jersey approved a sale order relating to the assignment of the sublicence of iCo's assets to Alexion Pharmaceuticals, Inc. ("Alexion"). With respect to the court-approved assignment to Alexion, iCo did not object and iCo's rights as the sub-licensor will continue under the sublicence agreement if Alexion acquires the asset in accordance with terms submitted to the bankruptcy court. Subsequently, pursuant to related legal proceedings in Israel, the District Court of Jerusalem, Israel also approved the sales order. The terms of the sublicence have not been altered and iCo remains free to seek development partners for ophthalmic indications are outside the scope of the original sublicence to Immune. iCo has also solicited bids from contract research organizations for assistance with iCo's wholly owned ocular iCo-008 asset. Currently iCo expects to engage the Food and Drug Administration regarding an additional phase 2 study in ophthalmology to be run by the company and/or prospective partners.

iCo–008 development undertaken by IMMUNE

In early 2015, IMMUNE developed an enhanced Good Manufacturing Practice for Bertilimumab. The new process has higher comparable performance and improved productivity than the previous process. This was an important step to support production of clinical supplies for future trials. Recently, IMMUNE announced a collaboration with WuXi Biologics Co. Ltd. ("**WuXi Biologics**") to produce drug product for pivotal clinical studies, scaling production up to 2,000 liters. WuXi Biologics was to have served as the fill/finish manufacturer for Bertilimumab.

iCo–008 for Bullous Pemphigoid

In early 2015, IMMUNE initiated its Phase II program with Bertilimumab to the treatment of BP, a rare autoimmune blistering disease of the skin, which is painful and itchy, and occurs predominantly in patients over 60 years of age.

On October 7, 2015, IMMUNE announced that it had submitted an Investigational New Drug Application ("**IND**") in the U.S. to expand recruitment for Bertilimumab, for the treatment of BP, and subsequently announced on November 9, 2015 that the U.S. Food and Drug Administration ("**FDA**") had accepted IMMUNE's IND application.

The BP trial was an open-label, single arm study in adults with moderate to severe BP and was conducted at six sites in the United States and two sites in Israel with a target enrolment of 10-15 patients. The primary end point was safety and secondary endpoints included a variety of efficacy measures related to clinical signs and symptoms and tapering of systemic corticosteroids. Subjects in this study received Bertilimumab intravenously at a dose of 10 mg/kg on days 0, 14 and 28 and were followed for a total of 84 days. In addition, they received oral prednisone, a systematic steroid, at a maximum initial dose of 30 mg/day, which was to be tapered rapidly according to the subject's clinical status.

On May 15, 2018, IMMUNE announced positive results from the completed BP trial. Subjects in the study experienced a decline in the BP Disease Area Index ("**BPDAI**") Activity Score of 81% (p=0.015) at day 84 from a mean baseline score of 67, with 86% of subjects showing at least a 50% improvement in the BPDAI Activity Score and 57% showing at least a 90% improvement. Over the course of the study, subjects

in the study also had improvements in pruritus, a very challenging symptom for patients with BP, and quality of life. These benefits were seen quickly, with a mean reduction in BPDAI Activity Score of 70% by day 42. For a subgroup of subjects within which lesion healing was assessed, all six showed healing of prior lesions by day 28.

These improvements were observed despite subjects receiving only three doses of Bertilimumab (on days 0, 14 and 28) and modest doses of prednisone that was aggressively tapered. The mean starting dose of prednisone was 28 mg (0.33 mg/kg) which was reduced to 17 mg (0.19 mg/kg) by day 42 (p=0.022) and to 12 mg (0.15 mg/kg) by day 84 (p=0.005). 40% of subjects had a prednisone dose of 10 mg/day or less by day 42, and 58% had achieved 10 mg/day or less by day 84. The standard of care for BP patients treated with systemic steroids is a starting dose of 0.5-1.0 mg/kg tapered slowly over the course of 6-12 months. Subjects in this study received on average approximately 2,900 mg less prednisone than called for by the regimen of Joly et al (Joly et al, New Engl J Med 2002; 347:143-145) and 1,700 mg less prednisone than called for by British treatment guidelines (Venning et al, Br J Dermatol 2012: 1200-1214).

iCo–008 in Ulcerative Colitis

Following authorization from Israeli health authorities, IMMUNE initiated a Phase II double-blind, placebo-controlled study with Bertilimumab, in patients with moderate-to-severe ulcerative colitis. Enrollment was completed. 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. Subjects are randomized in a 2:1 ratio to receive Bertilimumab 10 mg/kg IV or a placebo on days 0, 14 and 28, and are followed for safety and efficacy measures for 12 weeks. The primary end point is clinical response assessed by the Mayo Clinic Ulcerative Colitis Disease Index at eight weeks. Secondary end points include assessment of mucosal injury and clinical remission.

33 patients were enrolled into the study. Patients were evaluated for clinical response after six 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.

<u>Oral Amp B Delivery System</u>

The Oral Amp B Delivery System of Amphotericin B ("**Amp B**") began development at the University of British Columbia ("**UBC**"). Although Amp B has been used to treat systemic fungal infections intravenously for approximately 50 years, an oral formulation of Amp B has yet to be developed. Historically, Amp B was shown to have a limited oral bioavailability due to its low aqueous solubility and membrane permeability. Intravenous Amp B 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 several drugs have been developed for the treatment of systemic fungal infections, 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 would be valuable for the treatment of Visceral Leishmaniasis ("**VL**"), a parasitic infection known for its high mortality rates. Current Amp B therapy for VL or fungal infections requires one or more 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.

We completed several studies with iCo's Oral Amp B Delivery System, which have shown promising pharmacokinetic and tissue distribution results in two anti-fungal pre-clinical models. iCo's Oral Amp B Delivery System has also demonstrated promising results in pre-clinical models for VL conducted at independent laboratories in the United States. Based on these studies, the Oral Amp B Delivery System received Orphan Drug Status from the FDA for the treatment of VL.

On December 12, 2013, we announced that the Oral Amp B Delivery System had been moved into *in-vitro* testing with study partner, ImmuneCarta®, (the immune monitoring business unit of Caprion Biosciences - a proteomics service provider based in Montreal). The deliverables associated with this project included the recruitment of eight HIV-infected subjects successfully treated with the anti-viral regimen HAART but had a detectable latent viral reservoir. Leukapherisis and tissue samples collected from these subjects were used in several assays in order to define the subsets of the cells, CD4+ T cells and monocytes, where HIV frequently hides and to test the effect of the Oral Amp B Delivery System on the reactivation and the elimination of HIV reservoirs. Recruitment of the eight HIV-infected subjects was completed, and, on August 19, 2014, we reported the results of the study. Memory cells, or white blood cells, from the eight HIV-infected subjects were obtained and exposed *in vitro* to various concentrations of our Oral Amp B Delivery System. Samples from one patient were determined not to be susceptible to reactivation. In the remaining subjects, the Oral Amp B Delivery System 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.

The results in the anti-fungal pre-clinical models and the ex-vivo study in HIV subjects supported the further development of the Oral Amp B Delivery System. On October 26, 2015, we announced that the Company had engaged Corealis Pharma Inc. ("**Corealis**") a contract manufacturing organization, for analytical development, formulation optimization and scale-up of the Oral Amp B Delivery System. This work culminated in the development of new capsule formulations to deliver Amp B.

During 2016, the Company was able to demonstrate scalable and stable drug product in a higher dose form with the new capsule formulations. The Company went on to conduct pre-clinical, pharmacokinetic and distribution studies using these optimized formulations. Two conclusions were drawn from these pre-clinical studies: (i) the optimized formulations exhibited pharmacokinetic and tissue accumulation data with clinical and commercial relevance; and (ii) that a once daily regime may be possible for our drug candidate in certain indications.

On January 23, 2017, the Company announced it had initiated multiple, pre-clinical studies with its Oral Amp B Delivery System program including a fasted/fed study, a 7-day dose range finding study and, importantly, a 14-day Good Laboratory Practice ("**GLP**") toxicology study. All three studies were completed during the first quarter of 2017 and results were reported on June 12, 2017. The results from the 7-day dose range finding study revealed no toxicities of oral Amp B up to 1000mg/day. A previous bridging study between different oral Amp B formulations, iCo-010, iCo-019 and iCo-022, demonstrated similar oral bioavailability with no significant differences noted between the formulation groups. The 14-day GLP toxicology study revealed that the oral administration of Amp B, at dose levels of up to 600 mg/ day once daily for 14 days, was well tolerated with no toxicologically significant histological findings (n=38 subjects).

Substantial non-dilutive, grant funding for the pre-clinical development of the Oral Amp B Delivery System was provided by the National Research Council Industrial Research Assistance Program ("**IRAP**").

On April 17, 2018, the first subject was dosed in the Phase I, single ascending dose clinical trial. The Phase I clinical trial design was a randomized, double-masked, placebo-controlled, single dose ascending study to assess the safety, tolerability, and bioavailability of iCo-019 (oral Amp B) in healthy male and non-pregnant female subjects between 18-55 years of age. Subjects were randomized into one of four cohorts, each representing an ascending single dose of treatment. Cohorts were dosed sequentially. Each cohort consisted of eight subjects where six subjects were randomized to receive the investigational product and two subjects were randomized to receive the placebo. All subjects were followed for seven days after dosing.

This clinical study was conducted in Australia, because Australia offers experienced contract research organizations, a pool of suitable subjects and generous refundable tax credits, which significantly lowered overall costs for the Phase I study.

The trial was registered with the Therapeutic Goods Administration ("**TGA**") in Australia via the Clinical Trial Notification process and involved Linear Clinical Research in Perth, Australia, partnered with the global contract research organization, INC Research/inVentiv Health, recently renamed Syneos.

On June 27, 2018, iCo announced a positive primary end point in its Phase I clinical study. The study met its primary endpoint of safety and tolerability of iCo-019 (oral Amp B) following oral administration of single ascending doses in healthy subjects. There were no serious adverse events and no drug-related adverse events in either of the four study cohorts. All drug doses were tolerated, including the highest dose of 800 mg with no indication of kidney toxicity.

On July 16, 2018, iCo announced a positive secondary endpoint in its Phase I clinical study and advancement into later stage clinical trials. It was noted that the distinguishing features of the Company's Oral Amp B candidate are enhanced plasma area under the concentration time curve, which is a measure of systemic drug exposure, and longer blood circulation time without the associated gastrointestinal effects or liver and kidney toxicity.

iCo prepared for a second clinical study having completed a financing in March 2019. Preparations included the development of a clinical protocol, informed consent, an investigator brochure and other collateral documents related to the recent submission of documents to a local Australian IRB. Following input from experts, the Company submitted an ethics application for a comparative study with an approved azole drug in the area of women's health where recurrent candidiasis is common. Feedback from the IRB required iCo to amend its application and conduct a multi-dose escalation analysis in a number of healthy subjects prior to making a direct comparison to a current approved drug for vulvovaginal candidiasis (VVC). Ethics did not rule out whether the Company could initiate a hybrid multi-dose escalation study in healthy subjects (sentinel group), followed by treatment of VVC patients as a component of the same study (Phase 1b/2), versus two separate studies (Phase 1b and 2). iCo revised its application and on November 8, 2019 the Company received ethics approval to initiate a multi-dose escalation clinical study in healthy volunteers. This is a Phase 1b, Single-Center, Double-Blind, Randomized Study to Evaluate the Safety, Tolerability, and Pharmacokinetics of 100 mg and 400 mg Oral Amphotericin B (iCo-019) or Placebo Administered for 10 Days in Healthy Subjects. Approximately 12 healthy subjects will be randomized to one of the two cohorts, each cohort including five subjects treated with oral Amphotericin B (100mg in cohort 1 and 400mg in cohort 2) and one with placebo in each cohort. Subjects will be dosed for 10 days and followed for additional 10 days post-treatment. The primary objectives will be to evaluate safety and tolerability after repeated administration of 100 mg and 400 mg doses of oral Amphotericin B (iCo-019) for 10 days in healthy subjects, the secondary objectives will be to evaluate pharmacokinetic profile after repeated administration of oral Amphotericin B (10 days) in healthy individuals. First patient first dosing is anticipated on December 9, 2019 and last patient last visit in early February 2020.

In parallel with these activities iCo is submitting a second ethics submission for a 90-patient study comparing two doses of oral Amphotericin B to fluconazole over a ten-day period in women with vulvovaginal candidiasis ("VVC"), expected to commence immediately after the Phase 1b concludes. A Phase 2, Multi-center, Randomized Study to Evaluate the Safety, Tolerability, and Efficacy of 100 mg and 400 mg of Oral Amphotericin B (iCo-019) Compared with a Single 150 mg Dose of Fluconazole in the Treatment of Moderate-to-Severe VVC is planned. The primary end point will be to evaluate efficacy (clinical cure rate and mycology eradication) of 100 mg and 400 mg doses of oral Amphotericin B (iCo-019) for 10 days compared to a single 150 mg dose of oral fluconazole in subjects with moderate-to-severe VVC at Day 15. A secondary endpoint to evaluate safety and pharmacokinetics after repeated oral Amphotericin B dosing (10 days) in patients with VVC and additional follow-up period. We expect to initiate this follow-on clinical study in early Q2 2020 with results in 2020, subject to funding.

The Company has determined that it has sufficient clinical drug supply to conduct the multi-dose escalation study in healthy subjects and that it will require additional clinical drug supply to conduct the Phase 2 part of a hybrid study at a net estimated cost of $135,000 CDN **(**given potential tax refunds).

For its first Phase 1 study, iCo received a 43.5% tax credit for eligible R&D activities conducted in Australia, which amounted to $462,000 AUD. Current tax credit rates are 41%.

Q3 FY 2019 Key Corporate and Partner Activities and Subsequent Events

- On August 16, 2019, the Company closed a non-brokered private placement financing issuing 41,200,000 units at $0.05 per unit for aggregate gross proceeds of $2,060,000. See "Liquidity, Capital Resources and Outlook" section.
- The Company completed its revised ethics submission for a multi-dose, escalation clinical study in healthy volunteers with its Oral AmpB formulation and received ethics approval on November 8, 2019. First patient is expected to be dosed in December 2019.
- On October 21, 2019, the US Court approved a sales order which assigned IMMUNE's rights and obligations under the IMMUNE License Agreement to Alexion Pharmaceuticals Inc. This approval was followed by the Israeli court's approval of the US driven sales order. Alexion expects the sale to close in Q1 2020.

Selected Quarterly Information

The financial information reported here-in has been derived from the condensed consolidated financial statements prepared in accordance with IFRS as issued by the IASB including IAS 34 "Financial Reporting". The Company uses the Canadian dollar as its functional and presentation currency. From time to time, the Company may deal with several contract research organizations, consultants and suppliers in other countries (primarily the United States). Our financial results may be subject to fluctuations between the Canadian dollar and other international currencies, primarily the U.S. and Australian dollar.

The following table represents selected financial information for the Company's three and nine-month periods ended September 30, 2019 and 2018.

Selected Condensed Consolidated statement of Operations Data

	Three Months ended September 30		Nine Months ended September 30	
	2019	**2018**	**2019**	**2018**
Income (loss) for the period	(515,528)	($417,347)	(1,258,948)	($1,456,480)
Weighted average number of shares outstanding, basic and diluted	130,395,625	84,457,713	111,854,599	84,457,713
Net gain (loss) per share, basic and diluted	($0.00)	($0.00)	($0.01)	$0.02

The comprehensive loss for the three months ended September 30, 2019 increased by $98,181 as compared to the three months ended September 30, 2018, mainly because of higher general and administrative expenses recognized during 2019.

Selected Balance Sheet Data

	Nine Months ended September 30, 2019	Year ended December 31, 2018
Cash, cash equivalents and short-term investments	$1,560,866	$10,140
Net working capital surplus/(deficit).	$1,357,940	$(627,659)
Total assets	$1,763,606	$178,177
Total shareholders' equity/(deficit).	$1,360,581	$(624,501)

During the nine months, cash and cash equivalents increased by $1,550,726 to $1,560,866 as at September 30, 2019. The increase reflects funds raised from non-brokered private placements during the period. Because of this increase in cash and cash equivalents, the Company had net working capital of $1,357,940 at September 30, 2019 from $(627,659) deficit at December 31, 2018.

The Company experienced an increase in total assets to $1,763,606 as at September 30, 2019 from $178,177 as at December 31, 2018, primarily due to a higher cash and cash equivalents balance at September 30, 2019.

Comparison of the Quarter and Nine Months Ended September 30, 2019 and September 30, 2018

Results of Operations

	Q3 2019 $	Q3 2018 $	Change $	Change %
Interest income	-	(288)	288	-100%
Other income	15,650	36,544	(20,894)	-57%
Research and development	84,253	144,773	(60,520)	-42%
General and administrative	440,257	309,137	131,120	42%
Foreign exchange loss/(gain)	6,668	(308)	6,976	-2,265%
Other comprehensive loss (income)	(2,029)	1,170	(3,199)	-273%
Total comprehensive loss	513,499	418,516	94,983	23%

	YTD 2019	YTD 2018	Change	Change
	$	$	$	%
Interest income	0	58	(58)	-100%
Other income	27,486	437,611	(410,125)	-94%
Research and development	325,681	1,231,861	(906,180)	-74%
General and administrative	960,603	661,314	299,289	45%
Foreign exchange loss/(gain)	150	974	(824)	-85%
Other comprehensive loss (income)	(5,342)	(3,403)	(1,939)	57%
Total comprehensive loss	1,253,606	1,453,077	(199,471)	-14%

We incurred a total comprehensive loss of $513,499 for the quarter ended September 30, 2019 compared to a total comprehensive loss of $418,516 for the quarter ended September 30, 2018, representing an increased loss of $94,983. The increase in the loss is primarily the result of higher general and administrative expenses and lower other income offset by lower research and development expenses recognized during 2019.

We incurred a total comprehensive loss of $1,253,606 for nine months ended September 30, 2019 compared to a total comprehensive loss of $1,453,077 for the nine months ended September 30, 2018, representing a decreased loss of $199,471. The decrease in loss for the nine months ended September 30, 2019 is primarily the result of lower research and development expenses offset by higher general and administration expenses

Research and Development

Our research and development expenses consist primarily of consultants' compensation and contract research organizations.

Research and development expenses were $84,253 for the quarter ended September 30, 2019 compared to $144,773 for the quarter ended September 30, 2018, representing a decrease of $60,520. The decrease related to lower contract research expenses related to the Oral Amp B Phase 1 clinical study. This study was completed in 2018.

Research and development expenses were $325,681 for the nine months ended September 30, 2019 compared to $1,231,861 for the nine months ended September 30, 2018, representing a decrease of $906,180. During the nine months ended September 30, 2019, the Company had lower contract research expenses because there were no clinical trials conducted on the Oral Amp B program. In the prior year period research and development expenses related to the manufacture of clinical drug supplies and the initiation and successful conclusion of its Phase 1a clinical study in Australia.

The Phase 1 study was conducted in Australia, which provides refundable tax credits for qualifying research and development activities conducted there. The refundable tax credit is calculated at 43.5% (decreased to 41% from July 2018) of the qualifying expenditures and the Company recognized $Nil in other income as its estimate of the tax refund related to qualifying expenditures for the quarter ended September 30, 2019.

With the initiation of the multi-dose escalation clinical study in healthy volunteers, we expect research and development expenses to increase until the study is completed in Q1 2020. The net cost of this study is expected to be approximately $650,000 taking into consideration tax refunds from the Australian tax

authorities related to this study. The Company believes it has sufficient funds to complete this study and initiate the companion 90 patient VVC study.

General and Administrative

For the quarter ended September 30, 2019 general and administrative expenses were $440,257 compared to $309,137 for the quarter ended September 30, 2018, representing an increase of $131,120. The increase reflects increased professional fees and management consulting fees during the quarter due to the Company's participation in the IMMUNE bankruptcy process.

For the nine months ended September 30, 2019 general and administrative expenses were $960,603 compared to $661,314 for the nine months ended September 30, 2018, representing an increase of $299,289. The increase reflects higher professional fees and management consulting fees during the period due to the Company's participation in the IMMUNE bankruptcy process.

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. We expect professional fees related to the IMMUNE bankruptcy process to decline as this process winds down. Accordingly, we believe that general and administrative expenses should decrease or remain at current levels in the foreseeable future.

Foreign Exchange

From time to time, the Company may deal with several contract research organizations, consultants and suppliers in other countries (primarily the United States). The Company holds cash in US dollars to pay these vendors and carries US dollar accounts payable balances. Changes in the CDN-US dollar exchange rate during the time the Company holds these monetary assets and liabilities results in a foreign exchange gain/loss being recognized in the Condensed Consolidated Statement of Loss and Comprehensive Loss. Accordingly, our financial results may be subject to fluctuations between the Canadian dollar and other international currencies, in particular the U.S. dollar.

Foreign exchange loss for the quarter ended September 30, 2019 was $ 6.668 compared to foreign exchange gain of $308 for the same period in 2018, representing a decrease of $6.976. For both quarters, the changes reflect primarily fluctuations in the CDN-US and the CDN-AUD dollar exchange rate and the net US dollar AUD dollar monetary assets held by the Company.

Foreign exchange loss for the nine months ended September 30, 2019 was $150 compared to foreign exchange loss of $974 for the same period in 2018, representing a decrease of $824. This decrease reflects fluctuations in the exchange rate for U.S dollar and the net US dollar monetary assets held by the Company.

The U.S. dollar cash, cash equivalents and accounts payable and accrued liability balance for September 30, 2019 were US$82,591 (Q3 2018 – US$(982)) and US$114,315 (Q3 2018 – US$34,936) respectively.

The AUD dollar cash, cash equivalents and accounts payable and accrued liability balance for September 30, 2019 were AUD$194,032 (December 31, 2018-AUD$383) and AUD$86,158 (December 31, 2018-AUD$480,723) respectively.

Selected Quarterly Information

The table below sets forth unaudited quarterly results prepared by management for the eight previous quarters to September 30, 2019:

(unaudited)	2019 Q3	2019 Q2	2019 Q1	2018 Q4
Expenses	531,178	394,543	363,862	312,397
Gain (loss) on other investments	-	-	-	-
Other income	15,650	9,339	2,497	66,885
Interest income/(expense)	-	-	-	(475)
Other comprehensive loss (gain)	(2,029)	1,155	(4,468)	13,541
Total comprehensive loss	513,499	386,359	353,680	259,684
Basic and diluted (loss) per share	(0.00)	(0.00)	(0.00)	(0.00)

(unaudited)	2018 Q3	2018 Q2	2018 Q1	2017 Q4
Expenses	453,603	874,566	566,940	265,082
Gain (loss) on other investments	-	-	-	(1,050)
Other income	36,544	252,509	148,558	53,601
Interest income/(expense)	(288)	(699)	1,045	1,473
Other comprehensive loss (gain)	1,170	(2,529)	(2,081)	-
Total comprehensive loss	418,517	620,227	414,296	214,005
Basic and diluted (loss) per share	(0.00)	(0.01)	(0.00)	(0.00)

Liquidity, Capital Resources and Outlook

	September 30, 2019 $	**December 31, 2018 $**	**Change $**	**Change %**
Current assets	1,760,515	175,019	1,585,496	906%
Current liabilities	403,025	802,678	(399,653)	-50%
Working capital	1,357,490	(627,659)	1,985,149	-316%
Accumulated deficit	36,303,290	35,044,341	1,258,949	4%

As at September 30, 2019, we had cash and cash equivalents of $1,560,866 compared to $10,140 as at December 31, 2018. As at September 30, 2019, the Company had net working capital of $1,357,490 compared to a net working capital deficiency of $(627,659) at December 31, 2018. Working capital is calculated by subtracting Current Liabilities from Current Assets.

During the quarter ended March 31, 2019, the Company closed several non-brokered private placements, issuing 25,000,000 units at $0.05 per unit for aggregate gross proceeds of $1,250,000. Net proceeds were $1,130,620 after related expenses.

On August 16, 2019, the Company closed another non-brokered financing issuing 41,200,000 units at $0.05 per unit for aggregate gross proceeds of $2,060,000. Net proceeds were $1,879,818 after related expenses

Each unit issued pursuant to both private placements consists of one common share in the capital of the Company (a "Common Share") and one common share purchase warrant (a "Warrant") exercisable at $0.075 for 36 months from the date of the closing of the private placement. The Warrants are subject to an acceleration clause (the "Acceleration Clause") that allows the Company to accelerate the expiry date of the Warrants in the event that the volume weighted average trading price of the Common Shares on the

TSX Venture Exchange equals or exceeds $0.14 for ten consecutive trading days. The Warrants will expire on the date that is at least 30 days following the issuance of a press release announcing such acceleration from the Company.

In connection with the Private Placement completed in the first quarter, the Company paid a finder's fee to (i) Raymond James Inc. ("Raymond"), consisting of $12,000 in cash and 240,000 warrants (the "Raymond Broker Warrants"); (ii) Leede Jones Gable Inc. ("Leede"), consisting of $40,000 in cash and 800,000 warrants (the "Leede Broker Warrants") and (iii) Mackie Research Capital Corporation ("Mackie"), consisting of $10,400 in cash and 208,000 warrants (the "Mackie Broker Warrants"). The Raymond Broker Warrants entitle Raymond to purchase one Common Share at a price of $0.05 until January 31, 2021. The Leede Broker Warrants entitle Leede to purchase one Common Share at a price of $0.05 until February 25, 2021. The Mackie Broker Warrants entitle Mackie to purchase one Common Share at a price of $0.05 until March 2, 2021.

In connection with the August 16, 2019 private placement, the Company paid finders' fees to Leede Jones Gable Inc. ("Leede"), RBC Wealth Management ("RBC") and Acumen Capital Finance Partners Inc. ("Acumen" and together with Leede and RBC, the "Finders"), consisting of: (i) a cash finder's fee of $144,800, equal to 8% of the gross proceeds to the Company raised from subscriptions in the Private Placement from persons introduced to the Company by the Finders; and (ii) 2,896,000 compensation warrants ("Finder's Warrants") equal to 8% of the Units subscribed for by persons introduced to the Company by the Finders. The Finder's Warrants entitle the holding Finder to purchase one Common Share at a price of $0.06 until August 16, 2021.

All securities issued and issuable in connection with the August 16, 2019 private placement are subject to a statutory hold period expiring on December 17, 2019.

We anticipate that the quarter end cash on hand will be sufficient to fund operations into the 2nd half of 2020 based on projected expenses for our current programs.

Management of Cash Resources

We use cash flow forecasts to estimate cash requirements for the ensuing twelve-month period. Based on these requirements, we raise equity capital as required to provide the necessary 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. Given the volatility of the Canadian and US dollar exchange rate, the company estimates its USD expenses for the year and sets appropriate levels of USD cash and cash equivalent balances. By holding US dollars, the Company remains subject to currency fluctuations which effect its loss and comprehensive loss during any given year.

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 enough to meet our business objectives in the event of unforeseen circumstances or a change in our strategic direction.

Currently, to manage liquidity, the Company is deferring payments to vendors until it receives its expected tax refund from the Australian tax authorities. In addition, the Company is actively seeking additional funding through financing and partnering activities to fund future clinical trials. See "*Going Concern*" below.

Comparison of Cash Flow

We realized a net cash inflow of $1,550,726 for the nine months ended September 30, 2019 reflecting cash raised from shares issuance of $3,238,688, and cash outflow used in operations of $1,693,304. This compares to a net cash outflow of $983,890 for the nine months ended September 30, 2018 reflecting cash used in operations of $983,124.

Going Concern

The condensed consolidated interim financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. For the nine months ended September 30, 2019, the Company incurred a loss of $1,258,948 (2018 - loss of $1,456,480) and negative cash flows from operating activities of $1,693,304 (2018 - $983,124). At September 30, 2019, the Company had an accumulated deficit of $36,303,290 (December 31, 2018 - accumulated deficit of $35,044,341) and working capital of $1,357,940. These conditions indicate the existence of a material uncertainty that may cast significant doubt regarding the Company's ability to continue as a going concern.

The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Currently, to manage liquidity, the Company is deferring payments to vendors. In addition, the Company is actively seeking additional funding through financing, partnering, and other strategic activities, as well as via grants, to fund future clinical trials. During the nine months ended September 30, 2019, the Company closed several non-brokered private placements, issuing 66,200,000 units at $0.05 per unit for aggregate gross proceeds of $3,310,000. Net proceeds were $3,010,438 after related expenses**.** In addition, 3,090,000 warrants were exercised for proceeds of $228,250.

Management is of the opinion that sufficient working capital will be obtained from external financing and operations to meet the Company's liabilities and commitments as they become due. There is a risk that in the future, additional financing will not be available on a timely basis or on terms acceptable to the Company.

These condensed consolidated interim financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying condensed consolidated interim financial statements. These adjustments could be material.

Long-Term Obligations and Other Contractual Commitments

Contractual Commitments

The Company may be required to make milestone, royalty, and other research and development funding payments under research and development collaboration and other agreements with third parties. These payments are contingent upon the achievement of specific development, regulatory and/or commercial milestones. The Company has not accrued for these payments as at September 30, 2019 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:

Medimmune

We acquired exclusive, world-wide exclusive rights to all use indications from Medimmune to develop and commercialize iCo-008 for all indications pursuant to the Medimmune License Agreement. Under the

Medimmune License Agreement, we are solely responsible for the clinical development, commercialization and marketing of iCo-008. In consideration for entering the agreement, we will pay Medimmune up to US$7,400,000, of which US$400,000 has been paid and the rest on achieving certain development milestones. A royalty will also be paid to Medimmune based on future sales. The Medimmune License Agreement provides that we will pay up to an expected US$7,000,000 in milestone payments, plus royalties, for compound development milestones.

UBC

On July 27, 2007, we entered into an option agreement with UBC which granted us an option to negotiate a license for the exclusive rights to the Oral Amp B Delivery System to be used for potential systemic fungal infections. We exercised the option on February 26, 2008 and on May 6, 2008 signed the UBC License Agreement. In consideration for the UBC License Agreement, we paid UBC an initial license fee of $20,000 and are required to pay annual fees to UBC for maintaining the license until such time as a New Drug Application ("**NDA**") for the Oral Amp B Delivery System is approved by the FDA or other regulatory body. We are required to make additional contingent payments of up to $1,900,000 in aggregate upon the achievement of certain development and commercialization milestones and are also required to pay royalties on future revenues.

As part of the UBC License Agreement, we also made a separate commitment to secure additional research funding for the Oral Amp B Delivery System. The research funding commitment may take the form of indirect financial contributions, such as government or privately sponsored research grants, direct contributions from us, or a combination of the two. We were successful in securing additional research funding for the Oral Amp B Delivery System through the award of a Canadian Institutes of Health Research ("**CHIR**") Research Chair to fund further research over a four-year period. As of the date hereof, we have met all of our direct financial obligations to UBC and the CIHR Research Chair. The original license terms provided that $50,000 was owed upon approval of an IND (or similar approval in a different jurisdiction). These terms were renegotiated, with $20,000 being paid on initiation of the study and a further $20,000 having been paid on finalization of the study.

Transactions with Related parties

Related parties include members of the Board of Directors and officers of the Company. During the nine months ended September 30, 2019 the following fees and expenses were incurred in the normal course of business:

	Nine Months Ended September 30, 2019	**Nine Months Ended September 30, 2018**
Consulting fees	$345,936	$293,513
Share-based payments	-	$990
	$345,936	$294,503

The Company entered into a consulting service agreement with Mr. Andrew Rae who serves as the President and Chief Executive Officer of the Company, effective February 2016. Pursuant to this consulting agreement with no fixed term, Mr. Rae is compensated at a daily rate of $1,400. During the nine months ended September 30, 2019, Mr. Rae charged total consulting fees of $194,600 (2018 - $150,500).

The Company entered into a consulting service agreement with Mr. Michael Liggett who serves as the Chief Financial Officer and Secretary of the Company, effective August 2016. Pursuant to this consulting agreement with no fixed term, Mr. Liggett is compensated at a daily rate of $800. During the nine months ended September 30, 2019, Mr. Liggett charged total consulting fees of $40,175 (2018 - $42,025).

The Company entered into a consulting service agreement with Mr. Peter Hnik who serves as the Chief Medical Officer of the Company, effective February 2016. Pursuant to this consulting agreement with no fixed term, Mr. Hnik is compensated at a daily rate of $800. During the nine months ended September 30, 2019, Mr. Hnik charged total consulting fees of $71,740 (2018 - $62,720).

One of the Company's directors, Susan Koppy, provided business development services which included: identifying potential partners to in-license the Company's technologies; identifying in-license opportunities for the Company; contacting potential partners; and arranging meetings and presentations with potential partners. During the nine months ended September 30, 2019, Ms Koppy charged total fees of $39,421 (2018 - $38,268).

The amounts owing to the related parties as described above were recorded at their exchange amounts.

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 condensed consolidated financial statements in accordance with IFRS requires the Company's management to make estimates and assumptions that affect the amounts reported in these condensed consolidated 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.

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 condensed consolidated 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 and fair value of other investments.

Accounting Standard Issued and Adopted

IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16 with an effective date of annual periods beginning on or after January 1, 2019. IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17, Leases. Lessees will recognize a 'right of use' asset and a corresponding financial liability on the consolidated statements of financial position. The asset will be amortized over the length of the lease and the financial liability measured at amortized cost.

IFRS 16 contains two recognition and measurement exemptions: short-term leases; and leases for which the underlying asset is of low value. The Company has one lease agreement which qualifies as a short-term lease and therefore will have no impact on adoption.

There are no other standards or amendments or interpretations to existing standards issued but not yet effective that are expected to have a material impact on the Company's consolidated financial statements.

Financial Instruments

Fair value

Financial instrument disclosures establish a fair value hierarchy that requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Company primarily applies the market approach for recurring fair value measurements. This section describes three input levels that may be used to measure fair value:

Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide information on an ongoing basis. The Company does not have any financial instruments in this category.

Level 2 - quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Financial instruments whose carrying value approximates fair value

Cash and cash equivalents are financial instruments whose fair value approximates their carrying value due to their short-term maturity and insignificant impact of credit risk. The input level used by the Company to measure fair value of its cash and cash equivalents is Level 2 as they are valued using observable market data.

The fair value of accounts payable may be less than its carrying value due to liquidity risk.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Company's income or valuation of its financial instruments.

The Company is exposed to financial risk related to fluctuation of foreign exchange rates. Foreign currency risk is limited to the portion of the Company's business transactions denominated in currencies other than the Canadian dollar, primarily expenses for research and development incurred in US$ and Australian dollars (AUS$). The Company believes that the results of operations, financial position and cash flows could be affected by a sudden change in foreign exchange rates but would not impair or enhance its ability to pay its US$ or AUS$ obligations. The Company manages foreign exchange risk by maintaining US$ and AUS$ cash on hand to fund its anticipated short-term US$ and AUS$ expenditures.

Balances in foreign currencies at September 30, 2019 and December 31, 2018 are as follows:

	September 30, 2019 US balance	December 31, 2018 US balance
Cash and cash equivalents	82,591	1,095
Accounts payable and accrued liabilities	(114,315)	(26,759)
	(31,724)	(25,664)

Based on the US$ balance sheet exposure at September 30, 2019, with other variables unchanged, if the Canadian dollar were to weaken against the US dollar by 10%, relative to the rate at September 30, 2019, the net monetary assets/(liabilities) would be approximately $4,668 less. If the Canadian dollar were to strengthen against the US dollar by 10%, relative to the rate at September 30, 2019, the net monetary assets/(liabilities) would be approximately $3,819 greater.

	September 30, 2019 AUD balance $	December 31, 2018 AUD balance $
Cash and cash equivalents	50,074	383
Taxes and other receivables	143,958	-
Accounts payable and accrued liabilities	(86,158)	(480,723)
	107,874	(480,340)

Based on the AUD$ balance sheet exposure at September 30, 2019, with other variables unchanged, if the Canadian dollar were to weaken against the Australian dollar by 10%, relative to the rate at September 30, 2019, the net monetary assets/(liabilities) would be approximately $10,717 greater. If the Canadian dollar were to strengthen against the Australian dollar by 10%, relative to the rate at September 30, 2019, the net monetary assets/(liabilities) would be approximately $ 8,769 less.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet cash flow requirements associated with financial instruments.

The Company continues to manage its liquidity risk by monitoring its cash flows and investments regularly, comparing actual results with budgets and future cash requirements.

The following table summarizes the relative maturities of the financial liabilities of the Company:

	Maturity	
	Less than one year $	**Greater than one year $**
Accounts payable and accrued liabilities	403,025	-

Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as outstanding receivables. The Company invests its excess cash in short-term Guaranteed Investment Certificates. The Company has established guidelines relative to diversification, credit ratings and maturities that maintain safety and liquidity. These guidelines are periodically reviewed by the Company's Board of Directors and modified to reflect changes in market conditions. The Company limits its exposure to credit risk, with respect to cash and cash equivalents, by placing them with high quality credit financial institutions. The Company's cash equivalents consist primarily of operating funds and deposit investments with commercial banks.

Risks and Uncertainties

The primary risk factors affecting the Company are set forth in our Annual Information Form. A copy of our Annual Information Form is available on SEDAR at www.sedar.com.

Outstanding Share Capital

As at November 29, 2019, we had an unlimited number of authorized common shares with 153,747,713 common shares issued and outstanding.

As at November 29, 2019, we had 63,250,000 warrants issued and outstanding. Each warrant is exercisable at $0.075 with expiration date ranging from January 31, 2022 to August 16, 2022. The Warrants are subject to an acceleration clause that allows the Company to accelerate the expiry date of the warrants in the event that the volume weighted average trading price of the common shares on the TSX Venture Exchange equals or exceeds $0.14 for ten consecutive trading days. The warrants will expire on the date that is at least 30 days following the issuance of a press release announcing such acceleration from the Company.

As at November 29, 2019, we had 1,108,000 broker warrants which entitle the holders to purchase one common share at a price of $0.05 and 2,890,000 broker warrants which entitle the holders to purchase one common share at $0.06.The broker warrants have expiry dates ranging from January 31, 2021 to August 16, 2021.

As at November 29, 2019, we had 975,000 options outstanding. Each option entitles the holder to purchase one additional common share at an exercise price of $0.05 and expiry dates ranging from February 16, 2021 to January 23, 2022.

For a detailed summary of all outstanding securities convertible or exercisable into equity securities of the Company refer to Note 5 of the Condensed Consolidated financial Statements for the nine months ended September 30, 2019.

Additional Information

Additional information about the Company, including the Annual Financial Statements and the Company's Annual Information Form, is available on SEDAR at www.sedar.com.