A copy of this preliminary prospectus has been filed with the securities regulatory authorities in each of the provinces of Canada but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the prospectus is obtained from the securities regulatory authorities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering only in those jurisdictions where they may be lawfully offered for sale and only by persons permitted to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended, or under any U.S. state securities laws, and, subject to certain exemptions, may not be offered or sold within the United States. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby in the United States. See "Plan of Distribution".

PRELIMINARY PROSPECTUS

Initial Public Offering May 1, 2007

iCo Therapeutics Inc.

$ ●

● Common Shares

This is our initial public offering. This prospectus qualifies the distribution, or the offering, of ● of our common shares in each of the Provinces of Canada. The offering price of our common shares has been determined by negotiation between us and the underwriters (as defined below).

There is currently no market through which our common shares may be sold and purchasers may not be able to resell our common shares purchased under this prospectus. An investment in our common shares is subject to a number of risks that should be considered by a prospective purchaser. See "*Risk Factors*".

Price: $ ● per Common Share

	Price to the Public	Underwriting Commission[1]	Net Proceeds to iCo[2]
Per common share	$ ●	$ ●	$ ●
Total[3]	$ ●	$ ●	$ ●

(1) The underwriters will receive a cash commission equal to 6% of the gross proceeds of the offering of our common shares. The underwriters will also receive warrants, or the underwriters' warrants, to purchase such number of our common shares as is equal to 4% of the number of our common shares sold under the offering. The underwriters' warrants will be exercisable for a period of 24 months following the closing of the offering. The distribution of the underwriters' warrants is qualified by this prospectus. See "*Plan of Distribution*".

(2) Before deducting our expenses of the offering estimated at $ ● . We will pay our expenses from the proceeds of the offering.

(3) We have granted to the underwriters an over-allotment option, or the over-allotment option, exercisable at any time until 30 days after the closing of the offering, to purchase up to ● additional common shares, on the same terms as set out above, to cover over-allotments, if any, and for market stabilization purposes. If the over-allotment option is exercised in full, the price to the public, the underwriting commission and the net proceeds to us before expenses will be $ ● , $ ● , and $ ● , respectively. The distribution of the over-allotment option and our common shares issuable upon the exercise of the over-allotment option are qualified by this prospectus. See "*Plan of Distribution*".

Cormark Securities Inc., Canaccord Capital Corporation, Haywood Securities Inc. and Versant Partners Inc., or collectively, the underwriters, as principals, conditionally offer our common shares, subject to prior sale, if, as and when issued and delivered by us and accepted by the underwriters in accordance with the conditions contained in the underwriting agreement referred to under the "*Plan of Distribution*" section of this prospectus and subject to the approval of certain legal matters on our behalf by McCarthy Tétrault LLP and on behalf of the underwriters by Heenan Blaikie LLP. Subscriptions for our common shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the closing of the offering will take place on or about ● , 2007 or such other date as may be mutually agreed to by us and the underwriters. In connection with the offering, the underwriters may over-allot or effect transactions which stabilize or maintain the market price of our common shares at levels other than those which otherwise might prevail on the open market. See "*Plan of Distribution*".

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GENERAL MATTERS

You should rely only on the information contained in this prospectus. Neither we nor the underwriters have authorized any other person to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. Neither we nor the underwriters are making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained in this prospectus is accurate only as of the date on the front cover of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common shares. Our business, financial condition, results of operations and prospects may have changed since that date.

Market data and certain industry forecasts used in this prospectus were obtained from market research, publicly available information and industry publications. We believe that these sources are generally reliable, but the accuracy and completeness of this information is not guaranteed. We have not independently verified and do not make any representation as to the accuracy of this information.

Our consolidated financial statements and certain other financial information of ours contained in this prospectus are reported in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles, or Canadian GAAP.

In this prospectus, unless the context otherwise required, reference to "we", "us", "our" or similar terms, as well as references to "iCo", refer to iCo Therapeutics Inc.

CURRENCY AND EXCHANGE RATES

In this prospectus, unless otherwise specified, all dollar amounts are expressed in Canadian dollars. References to US$ are to United States dollars.

The following table sets forth for each period indicated: (1) the noon exchange rates in effect at the end of the period; (2) the high noon exchange rates during such period; (3) the low noon exchange rates during such period and (4) the average noon exchange rates for such period, for one Canadian dollar, expressed in U.S. dollars, as quoted by the Bank of Canada. The average exchange rate is calculated on the last business day of each month for the applicable period.

	Year Ended December 31,	
	2006	2005
Closing	$0.8581	$0.8577
High	0.9099	0.8690
Low	0.8528	0.7872
Average	0.8817	0.8253

On April 27, 2007, the noon buying rate for one U.S. dollar in Canadian dollars published by the Bank of Canada was US$1.00 =$1.1153.

FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements. Statements regarding future events, expectations and beliefs of management and other statements that do not express historical facts, are forward-looking statements. In this prospectus, the words "believe", "may", "will", "estimate", "continue", "anticipate", "intend", "expect", "plan", "predict", "potential" and similar expressions, as they relate to us, our business and our management, are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends affecting the financial condition of our business. Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the time those statements are made and/or management's good faith belief as of that time with respect to future events, and are

subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements.

Forward-looking statements speak only as of the date the statements are made. You should not put undue reliance on any forward-looking statements. We assume no obligation to update forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information, except to the extent required by applicable securities laws. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

PROSPECTUS SUMMARY

The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus.

The Company

Company Overview

We are an emerging biotechnology company focussed on the identification, development and commercialization of drug candidates that treat ocular indications through a development-only business model. Our strategy is to in-license drug candidates that have clinical or pre-clinical history and compelling evidence of scientific, clinical and commercial potential in ocular indications. We have in-licensed two product candidates (iCo-007 and iCo-008) that we believe have the potential to treat sight-threatening conditions.

Strategy

We principally focus on developing drug candidates for the treatment of sight-threatening conditions such as diabetic retinopathy and severe allergic conjunctivitis. We believe that there is an unmet need for new and effective therapeutics in this field and intend to leverage the considerable expertise of several members of our management team and Strategic Advisory Board, or SAB, in ophthalmology. We assume the clinical, regulatory and commercial development activities for our product candidates and advance them along the regulatory and clinical pathway toward commercial approval. We believe that our approach reduces the risk, time and cost of developing ocular therapeutics by avoiding the uncertainty associated with research and pre-clinical stages of drug development. The main elements of our strategy are as follows:

Identification of Product Candidates. We directly perform scientific evaluation and market assessment of pharmaceutical products and research developed by other biopharmaceutical companies. As part of this process, we evaluate the related scientific research and pre-clinical and clinical research, if any, with a view to determining the therapeutic and commercial potential of the applicable product candidates. We intend to mitigate the risks associated with our development and commercialization efforts by targeting drug candidates that are approved for clinical trials or are in late-stage pre-clinical trials, have well-established safety profiles, have been successfully manufactured on a clinical grade basis in quantities sufficient for clinical trials and have data suggestive of potential efficacy as a treatment for ocular indications.

In-Licensing. Upon identifying a promising biopharmaceutical product, we seek to negotiate a license to the rights for the product from the holder of those rights. The terms of such licenses vary, but generally our goal is to secure licenses that permit us to engage in further development, clinical trials, intellectual property protection (on behalf of the licensor or otherwise) and further licensing of manufacturing and marketing rights to any resulting products. This process of securing license rights to products is commonly known as "in-licensing".

Product Advancement. Upon in-licensing a product candidate, our strategy is to apply our skills and expertise to advance the product toward regulatory approval and commercial production and sale in major markets. These activities include implementing intellectual property protection and registration strategies, formulating or reformulating existing drug products, making regulatory submissions, performing or managing clinical trials in target jurisdictions, and undertaking or managing the collection, collation and interpretation of clinical and field data and the submission of such data to the relevant regulatory authorities in compliance with applicable protocols and standards.

Developing Partnerships with Biopharmaceutical Companies. In order to augment our ability to develop our product candidates and effectively market any products in respect of which we may obtain regulatory approval, we may enter into an agreement or partnership with a biopharmaceutical company that has drug development or sales and marketing capabilities, or both. Entering into an agreement or partnership with a pharmaceutical or biotechnology company that has these capabilities may enable us to increase our returns from our product candidates by utilizing that company's development or sales and marketing capabilities, or both, to further

accelerate development of our product candidates or enable us to develop the candidate in more than one indication simultaneously.

Outsourcing. In order to optimize the development of our product candidates, we outsource certain of our product development activities. Factors that we consider in determining which activities to outsource include cost, relative expertise, capacity and quality assurance. The product development functions that we have chosen to outsource include pre-clinical activities in support of regulatory filings, clinical trials and manufacturing. We believe that our relationships with external laboratories enable us to complete pre-clinical testing faster and more efficiently than if we performed these activities ourselves. Because our manufacturing needs are currently sporadic, we believe that it is more efficient to outsource manufacturing.

Our Business

We have in-licensed two product candidates that we believe have the potential to treat sight-threatening conditions. In August 2005, we entered into a license agreement with Isis Pharmaceuticals, Inc., or Isis, for the exclusive world-wide rights to develop and, market iCo-007 for all use indications. In December 2006, we entered into a license agreement with Cambridge Antibody Technology Group plc, or Cambridge Antibody, for the exclusive world-wide rights to develop and market iCo-008 for all use indications.

iCo-007

We are developing iCo-007 as a potential treatment for diabetic retinopathy, including macular edema. Diabetic retinopathy is characterized by new blood vessel growth and increased vascular permeability. iCo-007, which was previously known as ISIS 13650, is a second generation antisense compound that we believe reduces levels of a key protein associated with diabetic retinopathy and diabetic macular edema. In January 2007, we received clearance from the FDA to initiate a Phase I dose-escalating clinical trial in the United States using a single injection of iCo-007 in patients with diffuse diabetic macular edema. We expect to begin Phase I trials for iCo-007 by July 2007.

iCo-008

iCo-008 is a human monoclonal antibody that we believe has the potential to inhibit the development of severe allergic conjunctivitis. Before we licensed iCo-008 from Cambridge Antibody Technology Limited, or Cambridge Antibody, Cambridge Antibody conducted a Phase I clinical trial of iCo-008 in healthy human volunteers and Phase II clinical trials of iCo-008 for allergic rhinitis and allergic conjunctivitis. We currently plan to begin Phase II trials to test the efficacy and safety of iCo-008 as a potential treatment for a serious sight-threatening form of allergic conjunctivitis known as vernal keratoconjunctivitis in the fourth quarter of 2007.

The Offering

Common shares we are offering	● common shares (● common shares if the over-allotment option is exercised in full)
Common shares to be outstanding after this offering	● common shares (● common shares if the over-allotment option is exercised in full)
Price	$ ●
Over-Allotment Option	We have granted to the underwriters an over-allotment option, or the over-allotment option, exercisable at any time until 30 days after the closing of the offering, to purchase up to ● additional common shares, on the same terms as set out above, to cover over-allotments, if any, and for market stabilization purposes. See "*Plan of Distribution*".
Use of proceeds	We estimate that our net proceeds from this offering will be $ ● million at the initial public offering price of $ ● per common share, after deducting underwriting and estimated offering expenses. We plan to use the net proceeds from this offering to fund the further development and expansion of our product candidates and other working capital and general corporate purposes. See "*Use of Proceeds*".
Risk Factors	An investment in the common shares offered hereby is speculative and involves a high degree of risk. You should carefully consider the information set out under "*Risk Factors*" and the other information in this prospectus before purchasing common shares. Risks related to us and our business include: our limited operating history; our dependence on the success of our lead product (iCo-007); uncertainties related to clinical trials; our ability to enrol patients for our clinical trials; delays to our ongoing or scheduled clinical trials; the risk that our product candidates may cause undesirable and potentially serious side effects during clinical trials; the loss of Isis as a partner or any adverse developments in our collaboration; our ability to obtain adequate financing; the risk that additional financing may cause dilution to existing shareholders or contain unfavourable terms; the risk that our competitors may develop more effective, safer or less expensive products; the need to conduct additional clinical trials to test the efficacy of our product candidates with new therapies; product liability; our ability to acquire and develop products or product candidates at all or on commercially reasonable terms; our ability to attract and retain key management and scientific personnel; our ability to manage our expected growth; our dependence on third parties to conduct clinical trials; our dependence on third parties to manufacture and supply our product candidates; our ability to develop our sales and marketing and distribution capabilities; the failure of government and third party payors to provide coverage and adequate reimbursement rates for our product candidates; the risk that we might fail to obtain regulatory approval for our product candidates outside the United States; the risk that our proprietary rights may not adequately protect our technologies and product candidates; our dependence on third parties for intellectual property protection; our ability to protect our intellectual property in all jurisdictions; the risk that our patent protection may expire before we fully realize the commercial potential of our product candidates; the costs of intellectual property litigation; the risk that we might breach any of the

agreements under which we license rights to our product candidates; the absence of an active trading market for our common shares; future sales of our outstanding common shares could cause the market price of our common shares to decline; our ability to effectively manage our business; the impact of laws that could delay or deter a change of control; the fact that we do not anticipate paying dividends in the foreseeable future and; the risk of securities class action litigation.

The number of our common shares to be outstanding immediately after this offering is based on 12,786,178 common shares outstanding as of April 27, 2007 and excludes:

- 1,290,000 common shares issuable upon the exercise of stock options outstanding, with a weighted average exercise price of $0.48 per common share; and
- 1,406,990 common shares issuable upon the exercise of outstanding warrants, with a weighted exercise price of $1.42 per common share.

Except as otherwise noted, all of the information presented in this prospectus is based on the assumption that the underwriters will not have exercised their over-allotment option. See "*Description of Share Capital*".

Summary Consolidated Financial Data

In the table below we provide a summary of our historical financial data. We have prepared this data using our audited consolidated financial statements for the years ended December 31, 2006 and 2005. You should read this data together with our consolidated financial statements, including the related notes, and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" included elsewhere in this prospectus. Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The summary consolidated balance sheet data is presented on an actual basis and on an "as adjusted basis" to reflect the sale of the common shares offered at the initial public offering price of $ ● per common share, after deducting underwriting commissions and estimated offering expenses.

	As at December 31,		Cumulative from inception to December 31, 2006
	2006	2005	
Consolidated Operations and Deficit Data			
Interest revenue	$ 25,102	$ 3,712	$ 28,814
Expenses			
Research or development	1,377,076	80,752	1,457,828
Salaries and benefits	395,451	132,610	528,061
General and administrative	202,451	56,408	258,859
Stock-based compensation	190,578	62,154	252,732
Professional fees	173,861	123,412	297,273
Business development	156,147	109,628	265,775
Amortization	69,068	23,987	93,055
Loss for the period	(2,539,530)	(585,239)	(3,124,769)
Basic and diluted loss per common share	(0.284)	(0.014)	
Weighted average number of common shares	8,933,783	4,169,414	

	As of December 31, 2006	
	Actual	As Adjusted[(1)]
	(in thousands)	
Consolidated Balance Sheet Data		
Cash, cash equivalents and short-term investments	$ 1,602,412	$ ●
Total current assets (including cash, cash equivalents and short-term investments)	1,656,517	●
Total assets	2,646,624	●
Current liabilities	737,923	●
Common shares	4,533,829	●
Contributed surplus	252,732	●
Warrants	246,909	●
Deficit accumulated during the development stage	(3,124,769)	●
Total shareholders' equity (deficiency)	1,908,701	●

Notes:

(1) Includes 1,865,166 of our common shares comprising the units issued on a private placement basis to various investors, at a price of $1.40 per unit, on February 19, 2007 February 27, 2007, February 28, 2007, March 6, 2007 and March 9, 2007. See "*Prior Sales*".

iCo THERAPEUTICS INC.

We were incorporated under the *Business Corporations Act* (Canada), or CBCA, on February 15, 2005 as iCo Therapeutics Inc. Our head office is located at 760 - 777 Hornby Street, Vancouver, British Columbia, V6Z 1S4. Our telephone number is (604) 602-9414. Our corporate website is www.icotherapeutics.com. The information contained in, or that can be accessed through, our web site is not a part of this prospectus and is not incorporated by reference.

THE COMPANY

Overview

We are an emerging biotechnology company focussed on the identification, development and commercialization of drug candidates that treat ocular indications through a development-only business model. Our strategy is to in-license drug candidates that have clinical or pre-clinical history and compelling evidence of scientific, clinical and commercial potential in ocular indications. We either conduct or out-source clinical trials relating to these drug candidates. We out-source the manufacture of clinical materials.

We have in-licensed two product candidates that we believe have the potential to treat sight-threatening conditions. In August 2005, we entered into a license agreement with Isis Pharmaceuticals, Inc., or Isis, for the exclusive world-wide rights to develop and, upon regulatory approval, market iCo-007 for all use indications. iCo-007 is a second generation antisense compound that we believe reduces levels of a key protein associated with diabetic retinopathy, including diabetic macular edema. In January 2007, we received clearance from the U.S. Food and Drug Administration, or FDA, to initiate a Phase I dose-escalating clinical trial in the United States using a single injection of iCo-007 in patients with diffuse diabetic macular edema. We expect to begin Phase I trials for iCo-007 by July 2007.

In December 2006, we entered into a license agreement with Cambridge Antibody Technology Limited, or Cambridge Antibody, for the exclusive world-wide rights to develop and, upon regulatory approval, market iCo-008 for all use indications. iCo-008 is a human monoclonal antibody that we believe has the potential to inhibit the development of severe allergic conjunctivitis. Cambridge Antibody is a wholly-owned subsidiary of the AstraZeneca group of companies. Before we licensed iCo-008 from Cambridge Antibody, Cambridge Antibody conducted a Phase I clinical trial of iCo-008 in healthy human volunteers and Phase II clinical trials of iCo-008 for allergic rhinitis and allergic conjunctivitis. We plan to begin Phase II trials to test the efficacy and safety of iCo-008 as a potential treatment for a serious sight-threatening form of allergic conjunctivitis known as vernal keratoconjunctivitis in the fourth quarter of 2007.

Strategy

We principally focus on developing drug candidates for the treatment of sight-threatening conditions such as diabetic retinopathy and severe allergic conjunctivitis. We assume the clinical, regulatory and commercial development activities for our product candidates and advance them along the regulatory and clinical pathway toward commercial approval. We believe that our approach reduces the risk, time and cost of developing ocular therapeutics by avoiding the uncertainty associated with research and pre-clinical stages of drug development. We use our expertise to manage and perform what we believe are the critical aspects of the drug development process, including the design and conduct of clinical trials, the development and execution of strategies for the protection and maintenance of intellectual property rights and interaction with drug regulatory authorities.

The main elements of our strategy are as follows:

Identification of Product Candidates

We directly perform scientific evaluation and market assessment of pharmaceutical products and research developed by other biopharmaceutical companies. As part of this process, we evaluate the related scientific research and pre-clinical and clinical research, if any, and the intellectual property rights in such products and research, with a view to determining the therapeutic and commercial potential of the applicable product

candidates. We intend to mitigate the risks associated with our development and commercialization efforts by targeting drug candidates that:

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

We have chosen to focus on sight-threatening diseases because we believe that there is an unmet need for new and effective therapeutics in this field. In addition, several members of our management team and our Strategic Advisory Board, or SAB, have considerable expertise in ophthalmology. Although we may in the future develop product candidates targeting conditions other than ocular disease, our current emphasis is on leveraging our expertise in ophthalmology to focus on the development of product candidates targeting ocular diseases such as diabetic retinopathy and allergic conjunctivitis.

In-Licensing

Upon identifying a promising biopharmaceutical product, we seek to negotiate a license to the rights for the product from the holder of those rights. The terms of such licenses vary, but generally our goal is to secure licenses that permit us to engage in further development, clinical trials, intellectual property protection (on behalf of the licensor or otherwise) and further licensing of manufacturing and marketing rights to any resulting products. This process of securing license rights to products is commonly known as "in-licensing".

Product Advancement

Upon in-licensing a product candidate, our strategy is to apply our skills and expertise to advance the product toward regulatory approval and commercial production and sale in major markets. These activities include implementing intellectual property protection and registration strategies, formulating or reformulating existing drug products, making regulatory submissions, performing or managing clinical trials in target jurisdictions, and undertaking or managing the collection, collation and interpretation of clinical and field data and the submission of such data to the relevant regulatory authorities in compliance with applicable protocols and standards.

Developing Partnerships with Biopharmaceutical Companies

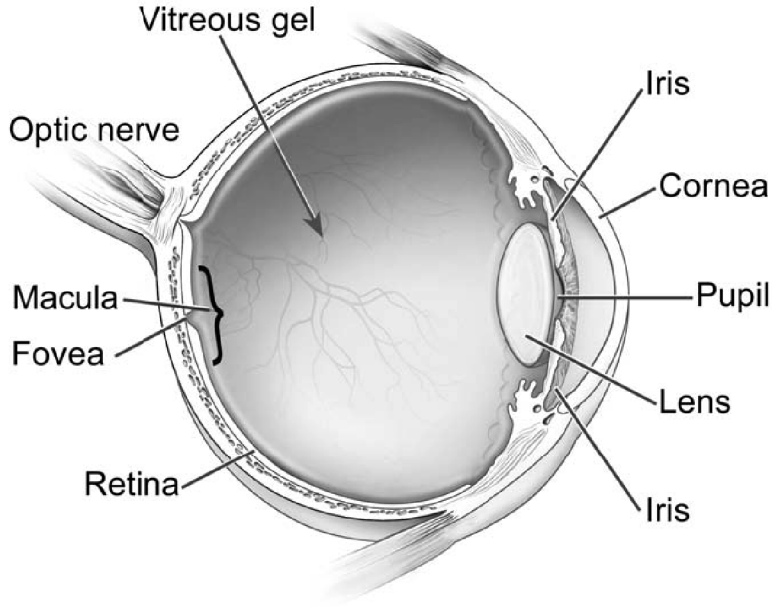
In order to augment our ability to develop our product candidates and effectively market any products in respect of which we obtain regulatory approval, we may enter into an agreement or partnership with a biopharmaceutical company that has drug development or sales and marketing capabilities, or both. Entering into an agreement or partnership with a pharmaceutical or biotechnology company that has these capabilities may enable us to increase our returns from our product candidates by utilizing that company's development or sales and marketing capabilities, or both, to further accelerate development of our product candidates or enable us to develop the candidate in more than one indication simultaneously.

Outsourcing

In order to optimize the development of our product candidates, we outsource certain of our product development activities. Factors that we consider in determining which activities to outsource include cost, relative expertise, capacity and quality assurance. The product development functions that we have chosen to outsource include pre-clinical activities in support of regulatory filings, clinical trials and manufacturing. We believe that our relationships with external laboratories enable us to complete pre-clinical testing faster and more efficiently than if we performed these activities ourselves. Because our manufacturing needs are currently sporadic, we believe that it is more efficient to outsource manufacturing.

Overview of the Human Eye

The human eye is composed of focusing elements, the cornea and the lens, at the front of the eye and a light-sensing element, the retina, at the back of the eye. Light falls on the photoreceptors that constitute part of the retina and is converted into electrical impulses, which travel via the optic nerve to the brain. The brain processes the complex signals sent from the retina into vision. The central 5% of the area of the retina is the macula, the region responsible for seeing color and for the central vision necessary for activities including reading, face recognition, watching television and driving. Due to its extremely small size, any damage to the macula can result in significant visual impairment, including legal blindness. In North America and Europe, the ocular diseases that most commonly result in adult blindness are those that affect the retina, including diabetic retinopathy.



Target Indications

Diabetic Retinopathy

Overview

Diabetic retinopathy is an ocular complication of diabetes. The symptoms of diabetic retinopathy range from mild vision loss to blindness. Diabetic retinopathy is estimated to affect 4.1 million adults in the United States aged 40 and older. During the first two decades of diabetes, nearly all patients with type 1 diabetes and more than 60% of patients with type 2 diabetes develop diabetic retinopathy. Diabetic retinopathy is the most frequent cause of new cases of blindness in adults between the ages of 20 and 74. Diabetic retinopathy is estimated to result in approximately 24,000 cases of blindness in the United States each year.

Diabetic retinopathy has four stages:

- mild non-proliferative diabetic retinopathy, or NPDR, characterized by swelling of the blood vessels that nourish the retina;
- moderate NPDR, characterized by closure of some of the blood vessels that nourish the retina;
- severe NPDR, characterized by increased closure of the blood vessels that nourish the retina; and
- proliferative diabetic retinopathy, or PDR, characterized by the growth of new blood vessels, or angiogenesis, on the retina and posterior surface of the vitreous.

The new blood vessels that result from PDR, which grow along the retina and the surface of the vitreous are more fragile than other blood vessels that nourish the retina. By themselves, these blood vessels do not cause symptoms or vision loss, but because they are more fragile than other blood vessels, there is an increased risk that such vessels will leak blood into the retina or vitreous.

In some cases, fluid can leak into the macula, the part of the eye where the sharpest vision occurs, and cause it to swell. This condition is known as macular edema and is often associated with vision impairment. Although macular edema may occur at all stages of diabetic retinopathy, it is more likely to occur as the disease progresses. Approximately 50% of people with PDR also have macular edema. Both PDR and macular edema can result in vision blurring and, in more serious cases, vision loss.

Treatment Alternatives

During the first three stages of diabetic retinopathy, treatment is not generally required. To prevent progression of diabetic retinopathy, patients are generally advised to undergo regular eye examinations and to control their blood sugar levels. At present, there is no cure for either diabetic retinopathy or macular edema. However, retinal specialists may treat symptoms of PDR and macular edema using the following approved treatments to reduce blood vessel growth and leakage: laser treatment and vitrectomy.

- Laser treatment of PDR and macular edema entails the use of a high-energy laser to reduce blood vessel growth or leakage. For PDR, doctors use a form of laser surgery called panretinal or scatter photocoagulation. With this technique, the entire retina except the macula is treated with scattered laser burns. Panretinal or scatter photocoagulation is usually done in two or more sessions. For macular edema, doctors use a form of laser surgery called focal laser treatment. With this technique, a high-energy laser creates small burns in areas of the retina with abnormal blood vessels to help seal any leaks. These burns slow the leakage of fluid and reduce the amount of fluid in the retina.
- In cases in which a large amount of blood has leaked into the vitreous cavity, a procedure called vitrectomy may be used. Vitrectomy is a surgical procedure in which a small instrument is used to replace the vitreous gel, which is clouded with blood and scar tissue, with a saline solution. Because the vitreous gel is comprised primarily of water, the replacement of vitreous gel with water does not impair vision.

Although each of the treatments described above may treat the symptoms of PDR and macular edema, they do not prevent the reoccurrence of abnormal blood vessel growth or blood vessel leakage. In laser treatment, the laser-treated portions of the retina are irreversibly destroyed due to collateral damage from intense heat. As a consequence, thermal laser treatment generally is now used only for patients whose abnormal blood vessel growth and vessel leakage occur away from the center of the macula. As a result, we believe that there is market demand for a locally applied drug therapy that treats diabetic retinopathy by inhibiting new blood vessel growth and reducing vascular leakage and macular edema. There are currently no approved drugs for treatment of this indication. For a discussion of drug candidates in clinical development for treatment of diabetic retinopathy, see "*— Competition*".

In addition to being treated by the approved treatment procedures described above, diabetic retinopathy and macular edema are sometimes treated off-label with vascular endothelial growth factor, or VEGF, antagonists and steroids.

Allergic Conjunctivitis

Overview

An allergic reaction is an unwarranted over-reaction of the body's immune system to a foreign substance known as an allergen, which the body wrongly perceives as a potential threat. Allergic reactions, including allergic conjunctivitis, can generally be divided into an early phase reaction and a late phase reaction.

The early phase of the reaction typically occurs within minutes following allergen exposure. Mast cells are white blood cells that contain numerous granules rich in histamine and mast cell granule proteins. In the early phase of an allergic reaction, allergen exposure stimulates the release of antibodies which attach themselves to mast cells, causing the mast cells to release histamine and mast cell granule proteins into the tissue. The release of histamines into the tissue is the primary trigger of allergic symptoms. In the late phase of the reaction, which

may take 6-12 hours to develop, the molecules produced during the early phase cause the endothelial cells to produce intercellular adhesion molecules, which results in the recruitment of certain leukocytes, including eosinophils, from the blood to the site of the allergic reaction. The subsequent degranulation of leukocytes results in the release of cytotoxic molecules which cause further allergic symptoms.

Allergic conjunctivitis is the most common form of ocular allergy. The conjunctiva are the inner surfaces of the eyelids and the outer surface of the eyeball. These membranes are partly responsible for producing the moisture that covers the surface of the eye and allows the eyelids to open and close easily. Specific classes of allergic conjunctivitis include seasonal allergic conjunctivitis, which is the mild form of allergic conjunctivitis, and the following more severe forms of allergic conjunctivitis: vernal keratoconjunctivitis, or VKC, and atopic keratoconjunctivitis, or AKC, and contact lens-induced giant papillary conjunctivitis, or contact lens-induced GPC.

- VKC occurs more frequently in dry, warm climates and is primarily found in males under the age of 20 years. Although some people experience symptoms year round, the peak season for the condition is between April and August. VKC is characterized by hard, elevated, cobblestone like bumps on the underside of the upper eyelid. Other symptoms include swelling and thickening of the conjunctiva, severe itching, blurred vision and thick discharge. Severe cases of VKC may result in corneal ulcers that may lead to scars. If corneal scars do not heal properly, VKC may lead to vision loss and even blindness.
- AKC is an ocular disease that is typically associated with atopic dermatitis, or eczema. AKC is the result of a condition called "atopy", which is a genetic condition in which the immune system produces a higher than normal number of antibodies in response to certain allergens. Although AKC is a year round disease, symptoms tend to worsen in the winter. Unlike atopic dermatitis, which is generally seen early in childhood, AKC appears during late adolescence. Symptoms of AKC include increased sensitivity to light, burning, itching, watering and hardening and redness of the cornea. With AKC, the conjunctiva lining the eyelids is usually red and swollen, particularly the lower eyelid. Untreated, AKC can progress to ulceration, scarring, cataracts, keratoconus, and corneal vascularization and may, in severe cases, result in loss of vision.
- Contact lens-induced GPC is a class of conjunctivitis most commonly caused by an allergic reaction to protein deposits on contact lenses. Contact lens-induced GPC is characterized by a series of visible lumps or nodules, referred to as giant papillae, on the underside of the upper eyelid. Ocular itching after lens removal, increased mucus discharge in the morning, increased sensitivity to light and decreased lens tolerance are the primary symptoms of contact lens-induced GPC. Although vision can be affected by increased lens displacement resulting from increased stickiness of the eye, contact lens-induced GPC does not generally pose a long-term threat to vision.

According to the American Academy of Allergy, Asthma & Immunology, allergies affect more than 50 million people in the United States annually. We estimate that allergic conjunctivitis may occur in up to 88% of those patients suffering from allergies. According to data compiled and reported by IMS Health Incorporated, the 2006 annual U.S. market for prescription ocular allergy products was approximately $520 million, representing a growth rate of approximately 8% over 2005.

Treatment Alternatives

The most effective but least practical treatment for allergic conjunctivitis is to prevent exposure to the allergen. As a consequence, treatment of allergic conjunctivitis is primarily aimed at alleviating symptoms rather than inhibiting its development. All therapeutic agents that address the symptoms of seasonal allergy sufferers act on chemical mediators involved in the immune response. They fall into one of four classes: antihistamines, mast cell stabilizers, corticosteroids and non-steroidal anti-inflammatory drugs, or NSAIDs.

Antihistamines are among the most frequent initial therapeutic approaches employed for the treatment of allergic reactions, including allergic conjunctivitis. Antihistamines operate by preventing histamines from attaching to sites in the body from where they can cause an allergic reaction. Although orally-ingested antihistamines may be used to treat allergic conjunctivitis, ophthalmic antihistamines are typically applied directly to the eye. Mast cell stabilizers, on the other hand, inhibit the release of histamines and other molecules associated with allergic reaction by preventing the adherence of antigens to mast cells. Mast cell stabilizers

typically have a slower onset of action than antihistamines. Antihistamines and mast cell stabilizers targeting allergic conjunctivitis are sometimes used in combination.

Severe cases of allergic conjunctivitis are sometimes treated with topical corticosteroids. Topical corticosteroids are typically applied up to four times a day for as many as two to three weeks. Steroids may decrease the amount of inflammation and indirectly suppress allergic reaction. Although topical corticosteroids can be an effective treatment for allergic conjunctivitis, they have a number of potential serious adverse side effects and are appropriate as a short-term solution only.

Topical non-steroidal anti-inflammatory drugs are likely the least effective options for acute allergic conjunctivitis. While they may provide mild symptomatic relief, they do not directly address mast cell degranulation or the histamine response, and inhibit only a portion of the inflammatory cascade. Topical NSAIDs have a good ocular safety profile and may be useful as a treatment for moderate cases of allergic conjunctivitis.

OUR BUSINESS

We currently have two product candidates in our pipeline: iCo-007 and iCo-008. iCo-007 is a second generation anti-sense compound that we believe may inhibit the over-production of proteins associated with diabetic retinopathy, including macular edema. iCo-008 is a human monoclonal antibody against eotaxin-1 that we believe may treat sight-threatening ocular allergies.

iCo-007

Diabetic retinopathy, including macular edema, is characterized by new blood vessel growth and increased vascular permeability. iCo-007, which was previously known as ISIS 13650, is a second generation antisense compound that we believe reduces levels of a key protein associated with diabetic retinopathy, including diabetic macular edema. In January 2007, we received clearance from the FDA to initiate a Phase I dose-escalating clinical trial in the United States using a single injection of iCo-007 in patients with diffuse diabetic macular edema. We expect to begin Phase I trials for iCo-007 by July 2007.

Therapeutic Approach

The Role of C-Raf Kinase in Blood Vessel Growth

Our approach to treating diabetic retinopathy, including macular edema, involves inhibiting or decreasing the production of C-raf kinase, a protein that we believe is associated with the growth of new blood vessels and increased vascular permeability. The raf kinase family of enzymes is critical in delivering signals in cells through the mitogen-activated protein kinase pathway, or MAP kinase pathway. In particular, in vitro experiments have demonstrated that C-raf kinase plays an important role in delivering signals that promote cell proliferation and interfere with natural cell death, or apoptosis. We believe that drug products which reduce C-raf kinase expression may have the potential to prevent the growth of new blood vessels and increased vascular permeability.

The raf kinase family of enzymes is composed of 3 isotypes: A-raf, B-raf and C-raf (also known as Raf-1 or C-raf-1). The tissue expression profile of each member of the raf kinase family varies significantly, with C-raf kinase having the broadest tissue distribution. Compared to C-raf kinase, the expression profile of A-raf kinase and B-raf kinase is much more restricted. A-raf kinase has higher expression levels in urogenital tissues, while B-raf kinase has expression in only the testis, cerebellum, and spinal cord. While reducing expression of each member of the raf kinase family is a potential treatment for diseases involving growth of new blood vessels, we believe that C-raf kinase is a better therapeutic target than A-raf kinase or B-raf kinase because of its broader expression profile.

We believe that the activity of C-raf kinase in the MAP kinase pathway can be triggered both by growth factors and by integrins. Growth factors and integrins are naturally occurring proteins that send messages to cells by binding to receptors on the cell surface. Clinical studies have indicated that a number of growth factors are linked to the growth of new blood vessels. We believe that growth factors cause blood vessel proliferation by binding to cells and sending signals in cells to activate C-raf kinase. We believe that integrin-mediated signalling also results in the growth of new blood vessels. Studies have indicated that integrin binding in endothelial cells

causes activation of raf kinase and activation of the MAP kinase pathway, thereby providing a signal for blood vessel growth.

Inhibiting Protein Production: Second Generation Antisense Technology

Proteins are complex molecules assembled from simpler building blocks called amino acids. Each distinct protein consists of a series of amino acids linked together in a single chain. The identity of each protein is determined by the sequence of amino acids. The order of amino acids is, in turn, dictated by a corresponding gene. Each gene contains information regarding the amino acid sequence that its corresponding protein will have, as well as when, in what cell type, and in what quantity its corresponding protein will be produced.

Genes sit at the top of a unidirectional flow of information in a cell, summarized as follows:

- the DNA of a gene is transcribed into messenger ribonucleic acid, or mRNA;
- mRNA carries information regarding protein sequence to the ribosomes (the structure within cells that manufactures proteins); and
- the ribosome translates the information carried by mRNA into proteins.

Each molecule of mRNA is composed of a series of four distinct ribonucleotides linked together in a single chain to which ribosomes bind for protein assembly. The structure of an mRNA molecule is referred to as "sense" RNA. Therapeutic oligonucleotide candidates that are designed to bind to particular mRNA molecules, or "sense" molecules, are referred to as "antisense" therapeutics. Each antisense molecule is composed of a sequence of nucleotides that is complementary to the sequence of ribonucleotides of the target sense molecule. The antisense molecule inhibits protein production by binding to the sense molecule and either leading to the degradation of the target RNA or physically preventing it from being translated into a protein by the ribosome.

First-generation therapeutics have been studied extensively in safety and efficacy clinical trials but are susceptible to rapid degradation and loss of functionality when introduced to the human body. As a consequence, every two to three day dosing or every two to four week injection to the eye is generally required in order to maintain first-generation antisense in concentrations that are sufficient to be effective. The FDA approved Vitravene®, a first-generation antisense therapeutic developed by Isis for the treatment of cytomegalovirus retinitis in people with AIDS, in 1998.

Antisense therapeutics based on second-generation antisense chemistry have increased target binding affinity, improved resistance to degradation and decreased toxicities. Because of these improvements, second-generation antisense therapeutics degrade more slowly when introduced to the human body. The primary advantage of slower degradation is less frequent dosing, which means that therapeutics based on second-generation antisense technology are less intrusive and more cost efficient than therapeutics based on first-generation antisense technology.

Treatment of Diabetic Retinopathy with iCo-007

Diabetic retinopathy, including macular edema, is characterized by new blood vessel growth and increased vascular permeability. As a consequence, we believe that drug products that prevent the growth of new blood vessels and inhibit increased vascular permeability have the potential to treat diabetic retinopathy, including macular edema. iCo-007 is a second generation antisense therapeutic that we believe has the potential to inhibit the growth of new blood vessels and increased vascular permeability by binding to the mRNA molecule associated with the production of C-raf kinase.

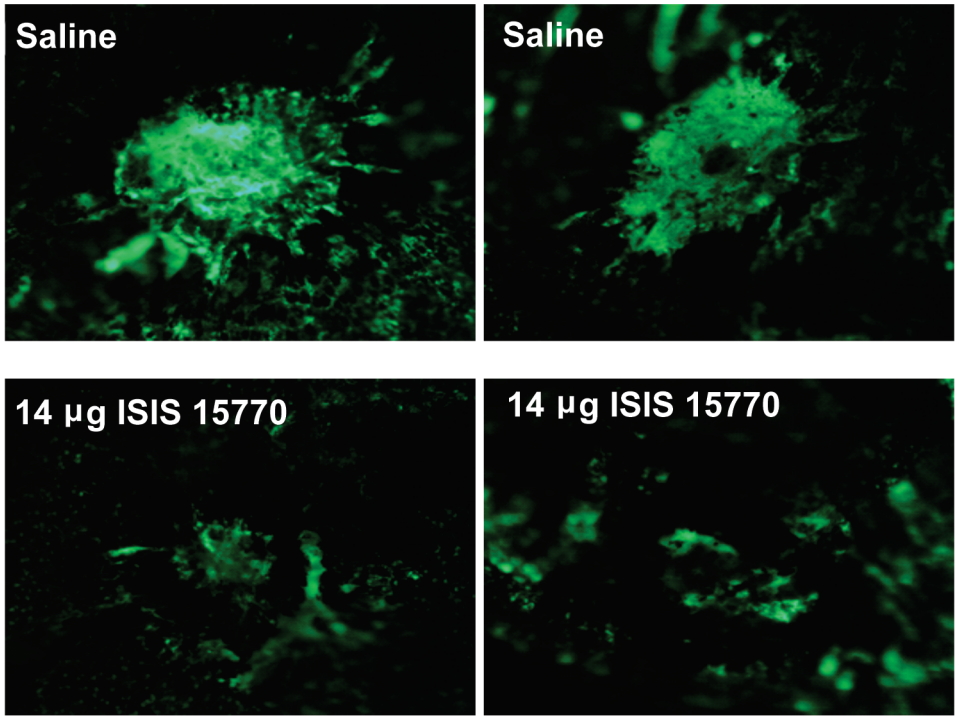
Clinical Studies

Isis has conducted a number of pre-clinical trials for the treatment of diabetic retinopathy using iCo-007 or the animal equivalent thereof. We believe that these studies indicate that iCo-007 has the potential to be a safe and effective treatment for diabetic retinopathy.

Pre-Clinical Studies

In 2001, Isis conducted a study on the effect of a pig-specific oligonucleotide (ISIS 107189) using second generation antisense technology to inhibit C-raf kinase production in pig eye tissue. In this study, C-raf kinase levels in animals that received ISIS 107189 was compared to C-raf kinase levels in animals that received a saline vehicle. C-raf kinase levels in animals that received ISIS 107189 was reduced by 60% seven days after treatment. In addition to measuring C-raf kinase mRNA levels, the study also monitored the growth of new blood vessels subsequent to branched vein occlusion during the three months following treatment. The study indicated that there was a reduction in new blood vessel growth in eyes treated with ISIS 107189.

In 2002, Isis conducted a study on the effect of a mouse-specific second generation oligonucleotide (ISIS 15770) targeting C-raf kinase. In this study, mice experiencing new blood vessel growth were administered a dose of ISIS 15770 in one eye and a saline vehicle in the other eye. The treatment was delivered seven days prior to the onset of new blood vessel growth and again at the onset. Three days after the onset of new blood vessel growth, or neovascularisation, there was a 40% reduction in C-raf kinase mRNA levels activity in eyes that received injections of ISIS 15770, and seven days after onset there was a 30% reduction in C-raf kinase mRNA levels in eyes that received injections of ISIS 15770. Fourteen days after the onset of neovascularisation there were significantly fewer rupture sites on the retina in eyes that received ISIS 15770 treatment. The image below depicts the difference in new blood vessel growth in mice eyes that were administered a saline vehicle and mice eyes that were administered a dose of ISIS 15770.



Representative Inhibition of Choroidal Neovascularization by ISIS 15770

Isis has also conducted pre-clinical studies regarding the pharmacokinetics of iCo-007 following intravitreal injection. In these studies, Isis studied the half-life of iCo-007 in rabbits and monkeys. We believe that the data from these studies indicates that a dosing regimen of once every three to six months may be appropriate. We also believe that these studies indicate that iCo-007 has the potential to be administered in quantities that are not of toxicological concern and that can be safely tolerated by the human body.

Phase I Clinical Trials. We submitted an investigative new drug application, or IND, to the FDA in December 2006. In January 2007, the FDA approved our application to begin testing iCo-007 in humans in order to assess its safety and efficacy. We expect to begin Phase I clinical testing by July 2007.

We intend to evaluate iCo-007 as a single agent in patients with diffuse diabetic macular edema in our initial Phase I studies. Subjects will receive a single intravitreal injection of iCo-007 and then be monitored over the course of a 24-week period. Subjects will be divided into four groups, each of which will receive a different sized dose of iCo-007. Our primary goal at this stage is to evaluate the safety and tolerability of intravitreal iCo-007 in patients with diabetic macular edema. Other objectives are to study the absorption, distribution, metabolism, and elimination of iCo-007 in the body and to observe any changes in retinal thickness or visual acuity.

Secondary Target Indications

In addition to being a potential treatment for diabetic retinopathy, we also believe that iCo-007 may have potential as a treatment for age-related macular degeneration, or AMD. AMD is a chronic, progressive disease of the macula that results in the loss of central vision. AMD occurs in two forms: a "dry" form, or Dry AMD, and a "wet" form, or Wet AMD. Wet AMD occurs when new blood vessels grow into the macular tissues of the eye. These new blood vessels tend to be fragile and often bleed, leaking fluid into the macula, resulting in loss of vision. Untreated, this blood vessel growth and leakage can lead to scarring, atrophy and, eventually, macular cell death. We believe that drug products that have the potential to inhibit blood vessel growth in patients with diabetic retinopathy may also have the potential to inhibit blood vessel growth and vascular leakage in patients with Wet AMD.

We also believe that iCo-007 may have potential as a treatment for select oncology indications, including ovarian cancer. In vitro studies have indicated that signalling through the extracellular signal-related kinase pathway is associated with increased ovarian cancer cell growth and that C-raf kinase is the predominant raf isoform responsible for regulating cellular growth in ovarian cancer. These studies suggest that C-raf kinase inhibitors may have the potential to inhibit ovarian cancer cell growth.

Although our current focus is on development of iCo-007 for the treatment of diabetic retinopathy, we may pursue clinical development opportunities for Wet AMD or oncology indications through partnerships or out-licensing arrangements with third parties who have competencies in these areas.

iCo-008

iCo-008 is a human monoclonal antibody that we believe has the potential to inhibit the development of allergic conjunctivitis. We currently plan to begin Phase II trials to test the efficacy and safety of iCo-008 as a potential treatment for a serious sight-threatening form of allergic conjunctivitis known as vernal keratoconjunctivitis in the fourth quarter of 2007.

Based on the orphan nature of VKC, we intend to seek orphan drug status for iCo-008 in both the United States and the European Union, which may provide us with an accelerated regulatory path and grant us certain market exclusivities with respect to iCo-008. See "*Government Regulation — Orphan Drugs*".

Therapeutic Approach

The Role of Eotaxin-1 in Allergic Conjunctivitis

Our approach to treating severe allergic conjunctivitis involves neutralizing eotaxin-1, a chemokine that we believe plays an important role in mast cell degranulation and attracting eosinophils to inflammation sites. Pre-clinical studies have indicated that mast cell degranulation and recruitment of eosinophils to the conjunctiva is critical in the pathophysiology of severe ocular conjunctivitis. We believe that drug products which neutralize eotaxin-1 and inhibit mast cell degranulation and eosinophilia have potential as a treatment for severe ocular allergies such as severe allergic conjunctivitis.

Chemokines are a class of chemotactic cytokines, which are soluble proteins that transmit intracellular messages by binding to specific receptors on target cells. The chemokine receptor associated with eotaxin-1 is CC chemokine receptor three, or CCR3. Studies have indicated that signalling by eotaxin-1 plays an important role both in mast cell degranulation and in mediating eosinophil recruitment to the site of allergic reactions. Studies have also indicated higher than normal concentrations of eotaxin-1 in patients suffering from VKC and AKC, and that the concentration of eotaxin-1 is correlated to the severity of the disease.

Treatment of Allergic Conjunctivitis with iCo-008

An antibody or immunoglobulin is a large Y-shaped protein used by the immune system to identify and neutralize antigens. Each antibody recognizes a specific antigen. The two tips of the "Y" each contain a paratope, a structure analogous to a lock, that is specific to the epitope, a structure analogous to a key, on a particular antigen. The shape of the antibody and the antigen allows each antibody to bind to the corresponding antigen. This binding mechanism allows the antibody to "tag" an antigen for attack by other parts of the immune system or to neutralize an antigen by interfering with its functionality. A monoclonal antibody is a laboratory-produced antibody that has been specifically tailored to bind to a particular antigen.

iCo-008 is a human monoclonal antibody that has been developed to neutralize eotaxin-1. iCo-008 neutralizes eotaxin-1 by binding to it and, as a consequence, preventing it from binding to CCR3. By preventing eotaxin-1 from binding to CCR3, we believe that iCo-008 has the potential to inhibit intracellular signalling associated with mast cell degranulation and the recruitment of eosinophilic leukocytes to the site of allergic reactions and, as a result, potentially inhibit both early stage and late stage development of severe allergic conjunctivitis.

Development Status

Pre-Clinical Studies

Cambridge Antibody conducted pre-clinical studies of iCo-008 from 1999 to 2001. We believe that these studies indicated that iCo-008 has the potential to neutralize human eotaxin-1 and, as a consequence, inhibit recruitment of eosinophil to the conjunctiva.

Clinical Studies

Before we licensed iCo-008 from Cambridge Antibody, Cambridge Antibody conducted Phase I testing the pharmacokinetics of iCo-008 and Phase II studies testing the efficacy of iCo-008 as a treatment for allergic rhinitis and allergic conjunctivitis. We plan to begin Phase II trials testing the efficacy and safety of iCo-008 as a potential treatment for VKC in the fourth quarter of 2007.

A Phase I study conducted by Cambridge Antibody indicated that iCo-008 was well-tolerated when administered as a single intravenous infusion, with no adverse safety findings. The half-life of iCo-008 was estimated to be nine days.

A Phase II study testing the efficacy of iCo-008 as a potential treatment for allergic conjunctivitis involved a 49 person trial. The trial tested the efficacy of administering a single topical dose of iCo-008. The primary aim of this study was to determine the concentration of iCo-008 needed to suppress early-phase ocular itch in subjects with mild cases of non-active seasonal allergic conjunctivitis. As a secondary objective, the study also aimed to assess the safety and tolerability of topical ophthalmic doses of iCo-008. Preliminary data from the trial indicated that a single dose of topically applied iCo-008 is safe and well-tolerated, but did not provide evidence of statistically significant pharmacological activity. These results are consistent with the low level of eosinophil involvement in early-phase seasonal allergic conjunctivitis. We believe that iCo-008 has potential as a treatment for more severe types of allergic conjunctivitis, such as VKC, because of the increased involvement of eosinophils in such subtypes of allergic conjunctivitis. In addition, more severe subtypes of allergic conjunctivitis, including VKC, are characterized by larger amounts of inflammation. Because increased inflammation results in the opening of the tight epithelial junctions of the conjunctiva, we believe that it may be easier to deliver higher concentrations of iCo-008 to the target tissue.

A Phase II study testing the efficacy and safety of iCo-008 as a treatment for hay fever involved 52 participants. The trial tested the efficacy of administering a single dose of iCo-008 both intravenously and intranasally. This trial did not show statistically significant treatment differences between the placebo group and the group that was administered iCo-008 intravenously. However, there was statistical evidence of significant treatment differences between the placebo group and the group that received 10mg of iCo-008 by intranasal spray. Although we believe that the results of this study support the continued investigation of intranasal administration of iCo-008 as a treatment for allergic diseases such as hay fever, we are not planning on conducting in-house studies for the development of iCo-008 as a treatment for hay fever. We may consider

out-licensing iCo-008 for development as a treatment of hay fever or entering into an agreement with a partner who will take responsibility for developing iCo-008 as a treatment for hay fever.

Secondary Target Indications

Although the focus of our initial development programs for iCo-008 is in the area of allergic conjunctivitis, we believe that iCo-008 has potential as a treatment for other conditions involving mast cell degranulation or eosinophilia, such as food allergies, severe asthma and inflammatory bowel disease. In the future, we may consider opportunities to enter into collaborations or out-licensing agreements with third parties who have competencies in these areas of clinical development.

Intellectual Property

Our success depends in part on our ability to obtain and maintain proprietary protection for our product candidates and to operate without infringing on the proprietary rights of others. We rely on a combination of patent and trade secret laws in the United States, Canada and other jurisdictions and confidentiality procedures and agreements to protect our proprietary technology.

Our intellectual property rights for iCo-007 (formerly Isis 13650) arise from a licensing agreement with Isis. Under this agreement, we have exclusive worldwide rights to develop, manufacture and commercialize iCo-007 under all Isis 13650 and C-raf oligonucleotide patents granted to Isis in the United States, Canada, Australia, France, Germany, Great Britain, Hong Kong, Switzerland, Japan, South Korea and Israel. These patents will expire between 2014-2016, absent any extensions thereto. Under this agreement, we have also been granted rights with respect to any intellectual property owned, licensed or otherwise controlled by Isis as at the date of the agreement that relates to second-generation antisense chemistry and is required for development and commercialization of iCo-007. These enabling technologies, which are necessary for the manufacture of iCo-007 in its current form, are protected by patents that run to at least 2023. Our intellectual property rights for iCo-007 are further protected in that Isis will not develop or commercialize or grant any licence or other rights to a third party to develop or commercialize any antisense RNA or analog thereof that directly inhibits C-raf kinase (the target for iCo-007) expression or translation.

Our intellectual property rights for iCo-008 (formerly CAT-213) arise from our licensing agreement with Cambridge Antibody. Under this agreement, we have exclusive rights to develop, manufacture and commercialize iCo-008 under (i) all CAT-213 patents held by Cambridge Antibody in the United States, the United Kingdom, Australia, New Zealand and Singapore and (ii) all CAT-213 patent applications held by Cambridge Antibody that are pending in Canada, Brazil, Europe, Japan, Mexico, Israel and Norway. The issued patents will expire in 2021, absent any extensions thereto.

Under our license agreements with Isis and Cambridge Antibody, we direct patent prosecution and are responsible for all fees and costs related to the prosecution and maintenance of the patent rights underlying the agreements. We file patent applications for the relevant intellectual property underlying these agreements in the United States, Canada, Europe, Japan, and numerous other jurisdictions. Where necessary or preferable, we also rely on trade secrets and know-how to protect certain intellectual property. We pursue proprietary protection that we consider important to our business by filing patent applications on compositions of matter and their methods of use.

The actual protection afforded by a patent varies from country to country and depends upon many factors, including the country for which the patent has been granted, the type of patent, the scope of its coverage, the availability of regulatory related extensions, the availability of legal remedies in a particular country and the validity and enforceability of the patent. For patent applications filed in the United States on or after June 8, 1995, patents are generally effective for 20 years from the earliest non-provisional filing date, (otherwise the term is the longer of 17 years from the issue date or 20 years from the earliest non-provisional filing date). The duration of patent terms for non-U.S. patents is typically 20 years from the earliest corresponding national or international filing date.

Licensing Agreements

We acquired exclusive, world-wide rights from Isis to develop and commercialize iCo-007 for all indications pursuant to a license agreement dated August 24, 2005. Under the agreement, we are solely responsible for the clinical development, commercialization and marketing of iCo-007. In consideration for entering into the agreement, we paid Isis an upfront fee of US$500,000, comprising US$250,000 in cash and a US$250,000 convertible note. On April 26, 2006, Isis converted the note into 362,094 of our common shares at an exercise price of $0.80 per share. In addition, we will make further payments of up to US$23 million upon the attainment of certain milestones relating to the commercial development of the product candidates. The company will also pay a royalty based on future sales.

We acquired exclusive, world-wide rights from Cambridge Antibody to develop and commercialize iCo-008 for all indications pursuant to a license agreement dated December 20, 2006. Under the agreement, we are solely responsible for the clinical development, commercialization and marketing of iCo-008. In consideration for entering the agreement, we will pay Cambridge Antibody up to US$7.4 million, of which US$0.4 million is payable in the first twelve months and the rest on achieving certain development milestones. A royalty will also be paid based on future sales. The agreement additionally provides that we will pay up to US$7 million in milestone payments, plus royalties, for each non-ocular disease indication for which the compound is developed.

Other Collaborations

In keeping with our strategy to outsource certain activities, we have entered into agreements with third parties for pre-clinical, manufacturing, data and information technology management services. We choose each third party based on their expertise, capacity, industry reputation and the cost of the service. Specific agreements we have entered into include the following:

- In December 2005, we engaged Cantox Health Sciences Inc., or Cantox, to carry out an independent assessment of the toxicology and pharmacokinetic data existing at that time for iCo-007. We asked Cantox to consider whether the toxicology profile of iCo-007 supported repeated dosing during Phase I and Phase II clinical trials, to outline the next steps in the clinical development program and to highlight any potential toxicological or regulatory issues to be considered in the conduct of pre-clinical safety studies.
- In April 2006, we engaged Cantox to assist us with the preparation of our investigative new drug application, or IND application, for iCo-007. Cantox prepared summaries of the toxicology, pharmacology and pharmacokinetic data, proposed and designed toxicology studies to be completed prior to Phase II testing in humans and prepared sections of the IND application relating to toxicology and pharmacokinetic data.
- In May, August and October 2006, we engaged Charles River Laboratories, Inc., or CRL, to conduct pre-clinical studies regarding the efficacy of iCo-007 in humans. CRL's program provided us with additional information in support of our IND application for iCo-007.
- In October 2006, we entered into an agreement with Almac Clinical Services Incorporated and Almac Clinical Services Limited for periodic services such as manufacturing, analysis, packaging, labelling, storage, project management, distribution of clinical supplies and handling of returns relating to iCo-007.

Manufacturing

We do not manufacture our own products. We rely on contracts with third parties for the manufacture of product candidates for use in clinical trials. If and when any of our products are approved for commercial sale, we expect to continue to enter into manufacturing contracts with third parties to manufacture our drug product for commercial sale. We require all of our third party manufacturers to manufacture our product in accordance with current good manufacturing practices, or cGMP.

We acquired the active pharmaceutical ingredient for iCo-007 from Isis pursuant to a manufacturing agreement dated December 16, 2005. Isis was responsible for manufacturing the active pharmaceutical ingredient for iCo-007 and subcontracted the manufacture of the drug product for iCo-007 to Althea

Technologies, Inc. If and when iCo-007 is approved for commercial sale, we may be required to enter into manufacturing contracts with a company that has the capacity to manufacture larger quantities of drug product.

We entered into a manufacturing agreement with Lonza Sales AG, or Lonza, for the manufacture of the active pharmaceutical ingredient for iCo-008 on February 9, 2007. Lonza is a world leader in the production of active pharmaceutical ingredient for monoclonal antibodies. We are currently evaluating our options with respect to the manufacture of the drug product for iCo-008 using the active pharmaceutical ingredient custom manufactured by Lonza.

Government Regulation

Government regulatory authorities in the United States and in other jurisdictions regulate the clinical development, pre-market approval, manufacture, marketing and distribution of pharmaceutical and biological products. These agencies and other federal, state, provincial and local entities regulate research and development activities and the testing, approval, manufacture, quality control, safety, labelling, storage, record keeping, advertising and promotion of pharmaceutical product candidates. Failure to comply with regulatory rules and requirements may result in civil or criminal penalties, recall or seizure of products, partial or total suspension of production or withdrawal of a product from the market.

U.S. Regulation

In the United States, the FDA regulates drug products under the Federal Food, Drug, and Cosmetic Act. Obtaining FDA approval of a drug product generally requires following the procedure outlined below.

Pre-clinical Studies

Pre-clinical studies are generally based on a prior research phase that identifies the target condition and the function, design and synthesis of potential drug candidates. Pre-clinical studies are non-clinical pharmacokinetic, pharmacological and toxicological programs that provide an evaluation of the product chemistry, formulation and stability. Pre-clinical studies also provide information about the physiological and toxicological effects of a new drug to support the dosage levels and exposure duration levels proposed for human clinical trials. The results of these studies, as well as comprehensive descriptions of proposed human clinical studies, are then submitted as part of the IND application to the FDA. At this stage, the FDA decides whether it is reasonably safe to move forward with testing the drug on humans.

Clinical Trials

Clinical drug development generally consists of three phases (Phases I-III) that must be completed prior to submission of a New Drug Application, or NDA, to the FDA. The three phases may, in some cases, overlap with one another:

- *Phase I Trials.* Drug studies in humans can only begin after an IND application has been reviewed and approved by the FDA. Phase I trials are initially conducted in a limited population to test the product candidate for safety, dose tolerance, absorption, metabolism, distribution and excretion in a small number of healthy humans (typically 10 to 80) after single and repeated doses. Phase I testing typically takes between one and two years. In limited circumstances involving life-threatening diseases and certain ocular diseases, Phase I testing may be done in patients with the target condition. In these cases, Phase I testing will typically take longer than two years.
- *Phase II Trials.* Phase II trials begin if Phase I trials do not reveal unacceptable toxicity. Phase II trials typically take one to three years to complete and are carried out on a relatively small number of patients, typically 100 to 300 subjects. This step of the process is used to explore the product's efficacy for the targeted indication, identify possible adverse effects and safety risks and determine dose tolerance and optimal dosage.
- *Phase III Trials.* Phase III trials begin if Phase II trials indicate promising efficacy and safety. Phase III trials take approximately two to five years to complete and involve tests on a much larger population of patients, typically several hundred to several thousand, that are suffering from the targeted condition or

disease. These studies usually include randomization of patients and are usually double-blinded at multiple, geographically-dispersed clinical trial sites. If side effects become too severe, the clinical trial may be cancelled at this stage.

New Drug Applications

Upon completion of Phase III trials, the company sponsoring the new drug assembles all of the pre-clinical and clinical data and all information about the behaviour of the drug in the human body and the manufacturing process and submits it to the FDA as part of an NDA. The NDA is then reviewed by the FDA for approval of the product for marketing and sale. This process usually takes between six months and two years to complete. In addition to accepting or rejecting an NDA, the FDA may, in some cases, require additional clinical testing before making a decision.

Fast Track Approval

Certain products may receive designation from the FDA as a "fast track product". Fast track products are those products intended for the treatment of a serious or life-threatening condition and which demonstrate the potential to address unmet medical needs for such conditions. The fast track procedures permit early consultation and commitment from the FDA regarding the pre-clinical and clinical studies necessary to gain marketing approval. Certain fast track approvals include requirements for appropriate post-approval clinical trials to validate or otherwise confirm the product efficacy. We regularly assess the potential for using this program for our product candidates. However, there can be no assurance that any of our product candidates will receive a fast track product designation or that our product candidates will be reviewed or approved more expeditiously than is normal.

Post-Approval Regulation

Drug products that are approved by the FDA are subject to ongoing regulation by the FDA, including recordkeeping and reporting requirements. Adverse events involving drug products must be reported to the FDA in a timely fashion and, in some circumstances, the FDA may require the sponsor to implement programs designed to monitor the occurrence of adverse events. Drug manufacturers and their subcontractors must register their establishments with the FDA and state regulators, and are subject to periodic unannounced inspections for compliance with ongoing regulatory requirements and cGMP. Failure to comply with the statutory and regulatory requirements can result in legal or regulatory action, such as warning letters, suspension of manufacturing, seizure of product, injunctive action, civil penalties or criminal liability.

The FDA also regulates the post-approval marketing and promotion of drugs, including standards and regulations for direct-to-consumer advertising, off-label promotion, industry-sponsored scientific and educational activities and promotional activities involving the Internet. Drugs and biologics may be marketed only for approved indications and in accordance with the provisions of the approved label. Any modifications to the drug, including changes in indications, labelling, or manufacturing processes or facilities, are subject, in certain cases, to FDA approval of a new or supplemental NDA. Submission of a new or supplemental NDA may require data from additional trials. Although physicians are permitted to prescribe legally available drugs for uses that are not described in the product's labelling and that differ from those tested by product developers and approved by the FDA, the FDA imposes stringent restrictions on manufacturers' communications regarding off-label use.

International Regulation

In addition to regulations in the United States, we are also subject to a variety of other foreign regulations governing clinical trials and commercial sales and distribution of our pharmaceutical product candidates. We must obtain approval of a product candidate by the applicable regulatory authorities of foreign countries before we can commence clinical trials or marketing of the product candidate in those countries. The approval process varies from country to country, and the time may be longer or shorter than that required for FDA approval. The requirements governing the conduct of clinical trials, product licensing, pricing and reimbursement vary greatly from country to country.

Europe

In the European Union, marketing authorizations may be applied for under a centralized procedure or a mutual recognition procedure. The centralized procedure is compulsory for certain pharmaceutical products, in particular pharmaceutical products derived from biotechnology. The centralized procedure is also available for pharmaceutical products containing a new active substance or whose applications constitute a significant innovation. A single marketing authorization is granted under the centralized procedure and is valid in all member states of the European Union. The mutual recognition procedure provides for mutual recognition of national approval decisions. Under this procedure, an application is made in all member states, but the applicant chooses one member state to act as the "reference member state", which prepares an assessment report. The assessment report and application is then reviewed by the other applicable member states, which may reject or approve the application. If the member states do not reach an agreement on whether approval should be granted or rejected, the matter is referred to the relevant European Union authority, which produces an opinion and forwards it to the European Commission. The European Commission makes the ultimate decision, generally following the opinion of the European Union authority.

Canada

In Canada, applications for a marketing authorization, known as a notice of compliance, are submitted to the Health Canada Therapeutic Products Directorate, which is the federal regulatory body that oversees the approval of pharmaceutical products for human use. Under the Food and Drugs Act (Canada) and the regulations thereunder, a manufacturer must present substantive scientific evidence of a product's safety, efficacy and quality. At present, Health Canada targets 355 days for application review and approvals. Once the application is approved and the applicant receives a notice of compliance, the applicant has the right to sell the product in Canada.

In addition to regulations in the United States, Europe and Canada, we are subject to a variety of foreign regulations governing clinical trials and commercial distribution of our future product candidates in other jurisdictions.

Orphan Drugs

The U.S. Orphan Drug Act encourages the research, development and approval of orphan drugs, which are drugs intended to treat "rare diseases or conditions" (i.e., those that affect fewer than 200,000 persons in the United States). Orphan drug designation must be requested before submitting an NDA. Orphan drug designation does not convey any advantage in, or shorten the duration of, the regulatory review and approval process. However, orphan drug designation provides a sponsor with several potential benefits: (i) sponsors are granted seven years of marketing exclusivity after approval of an orphan drug product; (ii) sponsors are eligible for certain U.S. tax incentives for clinical research; (iii) the FDA's office of orphan products development coordinates research study design assistance for sponsors of drugs for rare diseases; and (iv) grant funding can be obtained to defray costs of qualified clinical testing.

In the European Union, orphan drug designation is overseen by the European Medicines Agency, or the EMEA. As in the United States, the European orphan drug designation is applied for before the application for marketing authorization is made. Orphan drugs in the European Union enjoy economic and marketing benefits, including a 10-year market exclusivity period for the approved indication. For any similar drug, the second applicant must show that its product is safer, more effective or otherwise clinically superior to the first orphan-designated product.

Competition

The development and commercialization of new drugs is highly competitive. Our major competitors are large pharmaceutical, specialty pharmaceutical and biotechnology companies. In addition to other therapeutic methods, a number of other drug products are currently available or in development for the treatment of diabetic retinopathy and allergic conjunctivitis.

We are aware that companies have developed or are in the process of developing therapeutic drug products for treatment of diabetic retinopathy. Pfizer Inc. and Eyetech Pharmaceuticals Inc. have entered into an agreement to jointly develop and commercialize Macugen® as a treatment for diabetic retinopathy. Other product candidates that may have potential as a treatment for diabetic retinopathy include Lucentis®, which is being developed by Genentech Inc., ruboxistaurin mesylate, which is being co-developed by Eli Lilly and Company and Alcon Laboratories, Inc., Sirna-027, which is being developed by Merck & Co., following its acquisition of Sirna Therapeutics, Inc., and VEGF-Trap, which is being developed by Regeneron Pharmaceuticals, Inc.. Certain of these drugs are designed to interfere with the same proteins that our product candidates are designed to inhibit or neutralize.

There are multiple therapies available to treat or prevent allergic conjunctivitis, including Patanol® and Pataday®, which are manufactured by Alcon Laboratories, Inc., Zaditor®, which is manufactured by Novartis Opthalmics (a branch of Novartis Pharmaceuticals Corporation), Elestat®, which is manufactured by Allergan/Inspire Pharmaceuticals, and Optivar®, which is manufactured by MedPointe Pharmaceuticals. Patanol® currently has the majority of the prescriptions in the allergic conjunctivitis market. Novagali Pharma SA is currently developing Nova22007® for the treatment of VKC.

Facilities

We have a business office located in Vancouver, British Columbia. We lease approximately 1,250 square feet at a rental rate of approximately $42,000 per year. The lease expires on May 31, 2009. The lease is in good standing and we are not in default. We believe that our existing facilities are adequate to meet our business requirements.

Legal Proceedings

We are not currently involved in any material legal proceedings.

Employees

We have a total of five employees and one full time consultant. Of our employees, four are employed on a full-time basis and one is employed on a part-time basis. Three of our employees are responsible for oversight of clinical trials, regulatory affairs and business development and two are responsible for administration, accounting and finance. In addition to our permanent workforce, we regularly use outside consultants to provide advice on our clinical development plans, research programs and potential acquisitions of new technologies on a project-by-project basis.

All of our employees and consultants have entered into non-disclosure agreements with us regarding our intellectual property, trade secrets and other confidential information. In addition, we have entered into non-competition agreements with each of our key employees and consultants. None of our employees are represented by a labour union or covered by a collective bargaining agreement, nor have we experienced any work stoppages. We believe that we maintain satisfactory relations with our employees.

Insurance

We maintain director and officer insurance, general liability insurance for our facilities and shipping and storage insurance for product candidates. We do not have key person insurance or clinical trial insurance at this time. Although we are in the process of soliciting quotes for such insurance, we do not know whether we will be able to obtain key person or clinical trial insurance on acceptable terms or at all. If and when marketing approval is obtained for any of our product candidates, we will expand our insurance coverage to include the commercial sale of approved drug products.

CONSOLIDATED CAPITALIZATION

The following table sets forth our capitalization as of December 31, 2006 on an actual basis and on an as adjusted basis to reflect the sale of ● of our common shares, offered at the initial public offering price of $ ● per common share, after deducting the underwriting commission (assuming no exercise of the over-allotment option) and estimated offering expenses of $ ● . You should read this information together with our consolidated financial statements, including the related notes, and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" included elsewhere in this prospectus.

	At December 31, 2006[1] (Audited)	At March 31, 2007[2] (Unaudited)	As at March 31, 2007 after giving effect to the offering[2] (Unaudited)
Total Current Assets	$ 1,656,517	$ ●	$ ●
Total Current Liabilities	737,923	●	●
	918,594	●	●
Long term obligations (including current portion)	0	0	0
Shareholders' equity:			
Common shares	4,533,829 (10,886,298 shares)	● (● shares)	● (● shares)
Contributed surplus	252,732	●	●
Warrants	246,909	●	●
Deficit	(3,124,769)	(●)	(●)
Total shareholders' equity	1,908,701	●	●
Total capitalization	$ 2,827,295	$ ●	$ ●

(1) Does not include common shares issuable upon the exercise of 1,265,000 stock options outstanding on December 31, 2006, with a weighted exercise price of $0.47, and 966,404 warrants outstanding on December 31, 2006, with a weighted exercise price of $1.26.

(2) Does not include common shares issuable upon the exercise of 1,290,000 stock options outstanding on March 31, 2007, with a weighted exercise price of $0.48, and 1,419,490 warrants outstanding on March 31, 2006, with a weighted exercise price of $1.42.

USE OF PROCEEDS

We estimate the net proceeds to us from the sale of our common shares in this offering will be approximately $ ● million, at the initial public offering price of $ ● per common share and after deducting underwriting commissions and estimated offering expenses. If the over-allotment option is exercised in full, we estimate the net proceeds to us will be approximately $ ● million. We currently intend to use the net proceeds of this offering of our common shares as follows:

Complete Phase I clinical trials for iCo-007	Approximately $ ● million
Complete pre-clinical repeat dose toxicology studies to support the repeat dose Phase I and II clinical trial of iCo-007	Approximately $ ● million
Initiate Phase II clinical trials	Approximately $ ● million
Manufacture iCo-008, including complete regulatory filings, release testing, stability studies and fill finish	Approximately $ ● million

The balance of the net proceeds of this offering will be used for business development, general corporate purposes and working capital.

As of April 27, 2007, we had cash, cash equivalents and short-term investments of approximately $2.7 million in the aggregate and we had working capital of approximately $1.1 million. We expect our existing capital resources and the net proceeds from this offering to be sufficient to enable us to maintain currently planned operations for at least 24 months. After that time, we will need to raise substantial additional capital to fund our operations and to complete development of our product candidates. We may obtain this funding

through a variety of means in the future, including, among other means, corporate partnering arrangements and collaborations and through debt and equity financings.

The actual costs and timing of clinical trials are highly uncertain, subject to risk and may change depending upon the clinical indication targeted, the development strategy pursued and the results of pre-clinical studies and earlier clinical trials. The amounts and timing and the allocation of resources among our existing clinical development programs, as well as our other expenditures, will depend upon numerous factors, including the status of our product development and commercialization efforts, the amount of proceeds actually raised in this offering, competition, any strategic partnership arrangements we may enter into and any additional product candidates we may in-license. As a result, our management will have broad discretion to allocate the net proceeds from this offering.

Net proceeds allocated to general corporate purposes and working capital may be used for, among other things, advancing our currently planned clinical trials, planning and initiating additional clinical trials, capital expenditures or general and administrative expenses. In addition, we may use a portion of such net proceeds for the acquisition of, or investment in, companies, technologies, products or assets that complement our business. We have not yet determined the manner in which we will allocate this portion of the net proceeds.

Pending the use of the net proceeds of this offering, we intend to invest the net proceeds of this offering in short-term, investment-grade, interest-bearing securities.

SELECTED CONSOLIDATED FINANCIAL DATA

We have derived the selected consolidated financial data for the years ended December 31, 2006 and 2005 from our audited consolidated financial statements that are included elsewhere in this prospectus. Our audited consolidated financial statements have been prepared in accordance with Canadian GAAP. Historical results are not necessarily indicative of the results to be expected in the future periods.

You should read the following selected consolidated financial data together with our consolidated financial statements, including the related notes, and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" included elsewhere in this prospectus.

	As at December 31,		Cumulative from inception to December 31, 2006
	2006	2005	
Consolidated Operations and Deficit Data			
Interest revenue	$ 25,102	$ 3,712	$ 28,814
Expenses			
Research or development	1,377,076	80,752	1,457,828
Salaries and benefits	395,451	132,160	528,061
General and administrative	202,451	56,408	258,859
Stock-based compensation	190,578	62,154	252,732
Professional fees	173,861	123,412	297,273
Business development	156,147	109,628	265,775
Amortization	69,068	23,987	93,055
Loss for the period	(2,539,530)	(585,239)	(3,124,769)
Basic and diluted loss per common share	(0.284)	(0.014)	
Weighted average number of common shares	8,933,783	4,169,414	

	As of December 31, 2006	
	Actual[1]	As Adjusted[2]
Consolidated Balance Sheet Data		
Cash, cash equivalents and short-term investments	$ 1,602,412	$ ●
Total current assets	1,656,517	●
Total assets	2,646,624	●
Current liabilities	737,923	●
Common shares	4,533,829	●
Contributed surplus	252,732	●
Warrants	246,909	●
Deficit accumulated during the development stage	(3,124,769)	●
Total shareholders' equity (deficiency)	1,908,701	●

(1) Does not include common shares issuable upon the exercise of 1,265,000 stock options and 966,404 warrants outstanding on December 31, 2006.

(2) Includes 1,865,166 common shares comprising the units issued on a private placement basis to various investors on February 19, 2007, February 27, 2007, February 28, 2007, March 6, 2007 and March 9, 2007. See "*Prior Sales*". Does not include common shares issuable upon the exercise of 1,290,000 options and 1,406,990 warrants outstanding as of April 27, 2007.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following "Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A") was prepared by management for the twelve months ended December 31, 2006 and the year ended December 31, 2005. The following discussion should be read in conjunction with our audited financial statements and related notes which have been prepared in accordance with Canadian generally accepted accounting principles and are included elsewhere in this prospectus. This discussion contains forward-looking statements based on current expectations that involve risks and uncertainties. Please refer to the discussion of forward-looking statements set out in "Forward-Looking Statements". As a result of many factors, our actual results may differ materially from those anticipated in these forward-looking statements. See also "*Risk Factors*" for a discussion of the risks inherent in our business which may also affect our continuing financial condition, cash flows and operating results.

Overview

We were incorporated on February 15, 2005 and commenced operations on April 1, 2005. We are a biotechnology company focused on the development and commercialization of drugs for a range of conditions within "isolated biological environments" such as the eye, spinal cord or joints. Our current business strategy is to acquire the rights to drugs and clinical stage drug candidates and develop them by redosing or reformulating them for new uses in isolated biological environments. We are currently focused on ophthalmic indications. Our operations are located in Vancouver, British Columbia and we operate primarily in the pharmaceutical industry. From inception to December 31, 2006, we have raised approximately $4.5 million through private equity financing and accumulated a deficit of approximately $3.1 million. We expect to continue to incur operating losses as we fund clinical trials and until such time as product sales and/or royalty payments generate sufficient revenues to fund continuing operations.

Recent Developments

During the three months ended March 31, 2007, we issued 1,865,166 units for gross proceeds of $2,611,232. Each unit consisted of one common share and one-quarter of one common share warrant. Each warrant is exercisable to purchase one common share at a price of $1.75 for a term ending on the earlier of: (i) 36 months from the date of issuance; (ii) 12 months from the date on which we complete an initial public offering; and (iii) the date of closing of a sale of all of the company. We also entered into an agreement with a third party to manufacture a bulk batch of iCo-008 to be used for a planned clinical trial in allergic conjunctivitis. The scope of services for this manufacturing agreement is estimated to be $1,017,600.

Upon the completion of the offering contemplated by this prospectus, we will issue and sell ● common shares at a price of $ ● per share. The proceeds of this offering will be $ ● (net of the underwriters' commissions of $ ● and estimated expenses of $ ●). We have also granted the underwriters an over-allotment option, exercisable at any until 30 days after the closing of the offering, to purchase up to ● additional common shares at the same price per share. The underwriters will also receive warrants, or the underwriters' warrants, to purchase such number of our common shares as is equal to 4% of the number of our common shares sold under the offering. The underwriters' warrants will be exercisable for a period of 24 months following the closing of the offering.

Selected Financial Information

Selected Statement of Operations Data

	As at December 31,		Cumulative from inception to December 31, 2006
	2006	2005	
Consolidated Operations and Deficit Data			
Operating costs	$(2,564,632)	$ (588,951)	$(3,153,583)
Net loss for the period	(2,539,530)	(585,239)	(3,124,769)
Basic and diluted loss per common share	(0.284)	(0.014)	
Weighted average number of common shares	8,933,783	4,169,414	

Selected Balance Sheet Data

	As at December 31,	
	2006	2005
Consolidated Operations and Deficit Data		
Cash plus short term investments	$1,602,412	$ 385,848
Net working capital	918,594	287,588
Total assets	2,646,624	1,618,911
Long term liabilities	—	—
Total shareholders' equity	1,908,701	872,070

Results of Operations

Year ended December 31, 2006 Compared to Year Ended December 31, 2005

Net Loss

We incurred a net loss of $2,539,530 for the year ended December 31, 2006 compared to a net loss of $585,239 for the same period in 2005 representing an increase of approximately $1,954,291. The increase in our net loss was principally caused by increases in both research and development expenses and general and administrative expenses due to general increased operational activity for the company in 2006 and in particular, drug product manufacturing and the preparation of an IND application for our first drug compound, iCo-007, to support a Phase I clinical trial in diabetic macular edema expected to commence in 2007. We have no other material long-term obligations.

Revenues

We had no revenues for the years ended December 31, 2006 and 2005.

Salaries and Benefits

As we outsource the majority of our research and development work, our company's salaries and benefits are attributable solely to four executives plus a small administrative team. For the year ended December 31, 2006 salaries and benefits totalled $395,451, an increase of $262,841 over the $132,610 recorded for the year ended December 31, 2005. This increase is primarily a result of the fact that salaries and benefits were only paid

for the months of July to December in 2005, plus the addition of one executive and one administrative person in 2006.

Professional Fees

Professional fees primarily include legal fees, accounting and auditing fees. For the year ended December 31, 2006 professional fees were $173,861, an increase of $50,449 as compared to $123,412 for the year ended December 31, 2005. The increase is due to the fact that we incurred a full 12 months of operational activity for the year ending December 31, 2006 and higher legal fees as a result of greater in-licensing activity in 2006.

Research and Development

Our research and development expenses consist primarily of: the costs for manufacturing drug product for clinical trials; compensation and other expenses for consultants and contract research organizations, costs associated with the clinical trials of our drug candidates, and related supplies and materials. As a Canadian controlled private corporation, investment tax credits earned on research and development expenses are recognized when the expenditures are made and their realization is reasonably assured and are applied to reduce research and development expenses. Research and development expenses were $1,377,076 for the year ended December 31, 2006, representing an increase of $1,296,324 from the $80,752 recorded for the fiscal year ended December 31, 2005. The increase in research and development expenses was largely attributable to costs incurred for manufacturing iCo-007 drug product and increased costs relating to consultants and contract research organization expenses as we prepared the necessary materials for our IND submission for iCo-007 to the FDA and also completed the clinical trial design for our Phase I clinical trial to test iCo-007 in diabetic macular edema. We estimate that investment tax credits for the year ended December 31, 2006 total $91,405 compared to $19,650 for the same period in 2005. However as there is sufficient uncertainty regarding the realization of investment tax credit for the year ended December 31, 2006, a full valuation allowance has been provided for in our audited financial statements for the year ended December 31, 2006. After the closing of this offering we will cease to be a "Canadian controlled private corporation" and will no longer be eligible for the refundable federal investment tax credits that we have claimed in the past. We will continue to review various tax credit programs but will only record credits when collection is reasonably assured.

Business Development

Business development expense consists of our costs related to the acquisition and in-licensing of technologies from third parties to build out our portfolio of drug candidates. Specific costs in this category include: expenses related to generating in-licensing lead opportunities, due diligence of prospective technologies, presenting and attending at select pharmaceutical conferences and generally promoting the awareness of our company within the biotechnology community. As at the end of December 31, 2006 we had in-licensed two drug candidates: iCo-007, from Isis Pharmaceuticals, and iCo-008, from Cambridge Antibody. For the fiscal year ended December 31, 2006, business development expenses increased by $46,519 to $156,147 from $109,628 for the fiscal year ending December 31, 2005. This increase is primarily a result of our company incurring a full twelve months of operations for the year ended December 31, 2006. We expect our business development activities to continue and anticipate that these expenses will increase modestly in the future as we seek additional technologies to complement our current portfolio of drug candidates. Additionally, we will also potentially pursue out-licensing opportunities for our existing drug candidates whereby we transfer the technology to third parties to be used to develop drugs for select non-ophthalmic diseases such as cancer.

General and Administrative

General and administrative expenses consist primarily of various administrative and office expenses including rent, insurance, bank charges, information technology costs, telecommunications and foreign exchange expenses. General and administrative expenses increased to $202,451 for the year ended December 31, 2006 from $56,408 for the year ended December 31, 2005, an increase of $146,403. The year ended December 31, 2006 accounted for our first full year of operations. As well we incurred higher costs as we added additional personnel, moved to a new corporate premises, had greater activity around fundraising and established our

corporate infrastructure. We expect that general and administrative expenses will increase in the future to support the expected continued growth of our company. In particular after this offering, we anticipate that general and administrative expenses will increase with the addition of investor relations, increased insurance, regulatory compliance and other costs associated with operating as a public company.

Share Based Compensation

Share based compensation relates to options granted under our employee stock option plan to directors, officers, employees and consultants. Compensation expense is recorded using the fair value method. The fair value of each option granted is estimated as at the date of grant using the Black-Scholes option pricing model. Share based expense increased $128,424 to $190,578 in the year ended December 31, 2006 from $62,154. This was primarily due to 675,000 additional options granted in the year ended December 31, 2006. Of the total $190,578 of share based expenses for the year ended December 31, 2006, $89,267 related to employees and consultants involved in research and development activities and $101,311 related to employees and consultants involved in general and administrative activities.

Interest Revenue and Other Income

Interest revenue and other income is earned primarily through interest on excess cash balances that are invested in short term, high quality investments that are highly liquid. Interest income for the year ended December 31, 2006 was $25,102 compared to $3,712 for the year ended December 31, 2005 due to a higher surplus cash balance in 2006.

Amortization

Amortization is composed primarily of technology licences that are recorded at cost and then amortized on a straight-line basis over the term of related licences which range from ten to fifteen years. Additionally we have certain office and computer equipment which are recorded at cost and amortized over the estimated useful lives of the equipment on a straight-line basis ranging from two to five years. For the year ended December 31, 2006, amortization increased to $69,068 from $23,987 for the year ended December 31, 2005, an increase of $45,081. This increase in amortization is a result of us recording a full year of amortization for iCo-007 which was acquired from Isis Pharmaceuticals in August 2005.

Comparison of Cash Flow

For the year ended December 31, 2006, we realized a net cash inflow of $615,804, consisting of net financing proceeds of $2,690,363 offset by a cash outflow from operations of $1,290,431 and the purchase of short term investments, equipment and technology licences of $784,128. This compares to a net cash outflow of $345,848 for the year ended December 31, 2005, consisting of a net financing proceeds of $1,395,155 offset by a cash outflow from operations of $691,588 and the purchase of equipment, short term investments and technology licences of $357,719. We expect that as we raise more capital in 2007, enter into a Phase I trial for iCo-007, enter into a Phase II clinical trial for iCo-008, acquire additional technology licences and increase our general corporate activity our cash outflows from operations will increase significantly.

Liquidity, Capital Resources and Outlook

We are a development stage company and accordingly have not earned revenue and have incurred significant operating losses to date. From inception in February, 2005 to December, 31, 2006 we raised approximately $4.5 million through private equity financing and accumulated a deficit of approximately $3.1 million. Our ability to continue is dependent upon our ability to obtain sufficient funding to sustain operations through the development stage, successfully bring our technologies to market and achieve profitable operations. As at April 27, 2007, we had cash of approximately $2.7 million and working capital of approximately $1.1 million. We invest our surplus cash in redeemable, short-term money market investments. We anticipate that our current cash and the expected net proceeds from this offering plus current capital resources will be sufficient to fund our operations for at least 24 months, after which we will need to obtain additional proceeds through public or private equity or debt financing or by selling or licensing out our technology for cash proceeds.

We expect to increase research and development, clinical trial and general and administrative activity which will generally increase our operating expenses and our operating cash outflow. Our ultimate success depends on our ability to in-licence and/or acquire drug candidates and develop those candidates through clinical testing such that the candidates are either brought to market or in some cases, acquired by third party pharmaceutical companies.

Governmental regulation is a significant factor in the research, development, manufacture, and marketing of our products. Each of our drug candidates will require regulatory approval before it can be commercialized. In particular, human pharmaceutical products are subject to rigorous pre-clinical and clinical trials and other pre-market approval requirements by authorities. It often takes companies many years to satisfy these requirements, depending on the complexity and novelty of the product. The review process is also extensive which may delay the approval process even more. As yet, we have not obtained any approvals to market our drug candidates. Given the uncertainty, extensive time, and financial expenditures involved in moving a drug through the regulatory process from development to market, we may never be able to successfully develop safe, commercially viable products. If we are unable to do so, our business, financial condition and results of operations would be materially adversely affected. See "*Risk Factors*".

Long-Term Obligations

We lease our office facilities under an operating lease which expires May 31, 2009. We will need to negotiate an extension to use our current facilities beyond this date or find new office space. We cannot be assured that any new arrangement will be negotiated at the same or lower office rental and related costs. We are obligated to make minimum lease and operating payments totalling approximately $43,317 for the year 2007. We have no other material long-term obligations.

Related Party Transactions

On June 1, 2006 we entered into a consulting agreement with one of our directors, Bill Jarosz. Mr. Jarosz provided consulting services to the company totalling $15,331 during the year ended December 31, 2006.

Critical Accounting Estimates

At this stage in our development we have made critical accounting estimates regarding license impairment and stock-based compensation.

Outstanding Share Data

As at April 27, 2007, we had an unlimited number of authorized common shares and had 12,786,178 common shares outstanding.

Description of Options, Warrants and Convertible Securities Outstanding

As at April 27, 2007, we had outstanding options to purchase up to 1,290,000 common shares and outstanding warrants to purchase up to 1,406,990 common shares.

DESCRIPTION OF SHARE CAPITAL

Our authorized share capital consists of an unlimited number of common shares. As of April 27, 2007, 12,786,178 common shares were issued and outstanding. In addition, as of April 27, 2007, there were 1,290,000 common shares issuable upon the exercise of outstanding stock options at a weighted-average exercise price of $0.47 per common share and 1,406,990 common shares issuable upon the exercise of outstanding warrants at a weighted-average exercise price of $1.42 per common share.

Common Shares

All of our common shares are of the same class and, once issued, rank equally as to entitlement to dividends, voting power (one vote per common share) and participation in assets upon dissolution, liquidation or winding-up. No common shares have been issued subject to call or assessment. Our common shares contain no pre-exemptive or conversion rights and have no provisions for redemption or purchase for cancellation, surrender, or sinking or purchase funds. Provisions as to the modification, amendment or variation of such rights or provisions are contained in the CBCA and our articles.

DIVIDEND POLICY

We have never declared or paid any dividends on our common shares. We currently intend to retain any future earnings to finance operations and the expansion of our business and do not intend to declare or pay cash dividends on our common shares in the foreseeable future. Any future determination to pay dividends will be at the discretion of our board of directors and will depend upon our results of operations, financial condition, current and anticipated cash needs, contractual restrictions, restrictions imposed by applicable law and other factors that our board of directors deem relevant.

STOCK OPTION PLAN

Our board of directors will adopt a new stock option plan, or the stock option plan, effective as of the closing of the offering, the purpose of which will be to provide incentives to attract, retain and motivate executive officers, directors and employees whose present and future contributions are important to us.

Subject to regulatory approval, the maximum number of our common shares reserved for issuance pursuant to stock options granted under the stock option plan will, at any time, be 10% of the number of common shares then outstanding. The number of our common shares that may be issued to any one person shall not exceed 5% of the common shares issued and outstanding on a non-diluted basis. The price at which our common shares may be issued under the stock option plan will be determined from time to time by our board of directors in compliance with the rules and policies of any stock exchange upon which our common shares are listed. The vesting of options granted under the stock option plan will be determined by the board of directors at the time of the grant. While options granted under the stock option plan may be exercisable over a maximum period of 10 years, they will generally have a term of six years and vest over four years, 25% on each of the first four anniversaries of the date of grant, provided the optionee is in continuous service to us. The board of directors may amend the terms of the stock option plan from time to time, to the extent permitted by the stock option plan and any rules and policies of any stock exchange on which the common shares are listed, or terminate it at any time. If we accept any offer to amalgamate, merge or consolidate with any other company (other than a wholly-owned subsidiary) or if holders of greater than 50% of our common shares accept an offer made to all or substantially all of the holders of our common shares to purchase in excess of 50% of our current issued and outstanding common shares, any then-unvested options will automatically vest in full.

The following table sets out, as at April 27, 2007, information regarding our outstanding stock options:

Category	Common shares under options granted	Exercise Price ($)	Expiry Date
All current and past executive officers (three persons) . .	300,000	$0.80	May 28, 2011
	25,000	$1.00	January 2, 2012
All current and past directors who are not also executive officers (three persons)	75,000	$0.15	April 7, 2010
	25,000	$0.80	January 31, 2011
	100,000	$0.80	May 31, 2011
All other current and past employees	500,000	$0.15	July 4, 2010
	25,000	$0.15	June 14, 2010
	100,000	$0.80	June 30, 2011
	5,000	$1.00	November 20, 2011
All other consultants	50,000	$0.15	June 14, 2010
	25,000	$0.80	October 26, 2010
	35,000	$0.80	April 14, 2011
	25,000	$1.00	September 7, 2011
Total	1,290,000		

All outstanding stock options will be governed by the stock option plan. Following the completion of the offering, we will be permitted to issue ● additional common shares under the stock option plan (or ● additional common shares if the over-allotment option is exercised in full).

PRIOR SALES

On March 17, 2006, we issued 787,813 common shares at an issue price of $0.80 per common share. On April 19, 2006, we issued 567,250 common shares at an issue price of $0.80 per common share. On May 31, 2006, we issued 129,156 common shares at an issue price of $0.80 per common share. In 2006, we issued an aggregate of 1,685,288 units at an issue price of $1.00 per unit. Each unit consisted of one common share plus one-half of a common share purchase warrant. Of these units, 632,000 were issued on August 8, 2006, 897,288 were issued on September 29, 2006 and 156,000 were issued on December 8, 2006. Concurrently with the issuance of these units, we issued to various agents 50,560 common share purchase warrants on August 8, 2006, 60,720 common share purchase warrants on September 29, 2006 and 12,480 share purchase warrants on December 8, 2006. All of the foregoing common share purchase warrants are exercisable to purchase one whole share at an exercise price of $1.00 until the earlier of (i) 36 months from the date of issuance; (ii) 12 months from the date on which we complete an initial public offering; and (iii) the date of closing of a sale of all of the company.

Since December 31, 2006, we have issued an aggregate of 1,865,166 units for an issue price of $1.40 per unit. Of these units, 371,002 were issued on February 19, 2007, 141,342 were issued on February 27, 535,700 were issued on February 28, 2007, 303,587 were issued on March 6, 2007, and 513,535 were issued on March 9, 2007. Each unit consisted of one common share plus one-quarter of a common share purchase warrant. The common share purchase warrants are exerciseable to purchase one whole share at an exercise price of $1.75 until the earlier of (i) 36 months from the date of issuance; (ii) 12 months from the date on which we complete an initial public offering; and (iii) the date of closing of a sale of all of the company.

PRINCIPAL SHAREHOLDERS

As of the date of this prospectus, no person, directly or indirectly, beneficially owned or exercised control or direction over more than 10% of our issued and outstanding common shares.

ESCROWED SECURITIES

In accordance with National Policy 46-201 — *Escrow for Initial Public Offerings*, or NP 46-201, published by the Canadian Securities Administrators, a total of ● common shares, or the escrowed securities, will be deposited into escrow with Valiant Trust Company as escrow agent on the closing of this offering pursuant to an escrow agreement to be entered into among us, the escrow agent and each holder of escrowed securities. The escrowed securities will represent ● % of the issued common shares as of the closing of the offering.

Management expects that at the time of the closing of the offering, we will be an "established issuer" under NP 46-201. An established issuer is an issuer that is listed on the TSX in its non-exempt category or is listed on the TSX Venture Exchange and is a TSX Venture Tier 1 issuer. Based on us being an established issuer, the escrowed securities will be subject to an 18-month automatic time release escrow, to be released in equal tranches at six-month intervals (i.e., 25% of each principal's holdings released in each tranche) with 25% of each principal's holdings being exempt from escrow effective on the date our common shares are listed on the TSX or the TSX Venture Exchange, as the case may be.

The escrowed securities can generally not be transferred or otherwise dealt with while in escrow. Permitted transfers or dealings within escrow would include: (i) transfers to continuing or, upon their appointment, incoming directors and senior officers of the Company or of a material operating subsidiary, with approval of our board of directors; (ii) transfers to a registered retirement savings plan or similar trusteed plan provided that the only beneficiaries are the transferor or the transferor's spouse, children or parents; (iii) transfers upon bankruptcy to the trustee in bankruptcy; and (iv) pledges to a financial institution as collateral for a bona fide loan, provided that upon a realization the securities remain subject to escrow. In connection with the tender of escrowed securities to a take-over bid, the securities received in exchange for such tendered escrowed securities will be subject to escrow on the basis of the successor issuer's escrow classification.

DIRECTORS AND OFFICERS

Directors and Executive Officers

Our directors and executive officers as of the date of this prospectus are as follows:

Name & Municipality of Residence	Age	Position	Principal Occupation	Director Since
Sidney Himmel[(1)] . . . . . Toronto, Ontario	54	Chairman and Director	President and Chief Executive Officer, Trigon Uranium Corp.	April 8, 2005
Andrew J. Rae[(1)(2)(3)] . . . . . Vancouver, British Columbia	40	Director, President and Chief Executive Officer		February 15, 2005
W. John Meekison . . . . . Surrey, British Columbia	42	Director and Chief Financial Officer		February 15, 2005
John G. Clement . . . . . Delta, British Columbia	58	Director and Chief Technical and Development Officer		February 15, 2005
William Jarosz[(1)(2)(3)] . . . . . Sleepy Hollow, New York	50	Director	Partner, Cartesian Capital Group, LLC	June 1, 2006
Richard Barker[(2)] . . . . . London, England	58	Director	Director General of the Association of the British Pharmaceutical Industry	June 1, 2006
Peter Hnik . . . . . Vancouver, British Columbia	51	Chief Medical Officer		N/A
Santa Ono . . . . . Atlanta, Georgia	44	Chief Scientific Officer	Vice Provost for Academic Initiatives and Deputy to the Provost, Emory University	N/A

(1) Member of the audit committee.

(2) Member of the compensation committee.

(3) Member of the governance and nomination committee.

As of the date of this prospectus, our directors and executive officers as a group owned, directly or indirectly, or exercised control or direction over, 3,642,670 of our common shares, representing 28.5% of our issued and outstanding common shares.

Our directors are elected at each annual general meeting of shareholders and serve until their successors are elected or appointed, unless they resign or are removed earlier. The next annual general meeting at which directors will be elected will take place on May 4, 2007. Our bylaws permit our shareholders to establish by resolution the authorized number of directors, and six directors are currently authorized.

Except as indicated in the following biographical summaries, the business address of each officer and director is c/o iCo Therapeutics Inc., 760 - 777 Hornby Street, Vancouver, British Columbia, V6Z 1S4.

Biographies of Directors and Executive Officers

The following is a brief biography of each of our directors and officers, which includes a description of each individual's credentials and recent professional experience.

Sidney Himmel, CA — Chairman and Director

Sidney Himmel is the President and Chief Executive Officer of Trigon Uranium Corp. and has over 17 years experience in Canadian capital markets. Mr. Himmel previously served as Vice President and Director for Toronto Dominion Securities, where he specialized in biotechnology, and has also worked as a Corporate Finance specialist at Merrill Lynch Canada Ltd. While in the investment banking industry, Mr. Himmel

participated in the successful funding of numerous growth and large capitalization companies raising capital in both public and private financial settings and served in equity institutional sales and trading, heading up the Preferred Share Sales desk of Toronto Dominion Securities. Mr. Himmel holds a Bachelor of Sciences and Bachelor of Arts from the University of Toronto. He is a member of both the American Chemical Society and the Institute of Chartered Accountants of Ontario.

Andrew J. Rae, MBA — Director, President and Chief Executive Officer

Mr. Rae has spent a decade in the biotechnology industry, most recently as Chief Financial Officer with Ability Biomedical Corporation, acquired by Medarex, Inc. in 2004. Mr. Rae has also served as Vice President, Finance & Corporate Affairs at Active Pass Pharmaceuticals, Inc.. During his tenure at both Active Pass and Ability Biomedical, Mr. Rae raised approximately $20 million in venture financing, engaged in a successful cross-border acquisition transaction, and played a significant role in shaping multiple business development deals. Prior to his operational experiences, Mr. Rae served as Biotechnology Equities Analyst, Goepel Shields & Partners (now Raymond James Canada), covering Canadian biotechnology stocks including Angiotech Pharmaceuticals, Inc., QLT Inc. and ID Biomedical Corp. He currently sits on the Board of Directors for Liponex Inc., a Canadian, TSX-listed biopharmaceutical research company. Mr. Rae holds a Bachelor of Science from the University of Western Ontario and a Masters of Business Administration from Simon Fraser University.

W. John Meekison, BA, CIM, P. Log — Director and Chief Financial Officer

Mr. Meekison is a veteran investment banker specializing in life sciences at Loewen, Ondaatje, McCutcheon Limited, Haywood Securities Inc., Dlouhy Merchant Group Inc. and Pacific International Securities Inc. As a financier, Mr. Meekison has raised equity capital for various biotechnology companies such as StressGen Biotechnologies Corporation (now Nventa Biopharmaceuticals Corporation), ID Biomedical Corp., Acorda Therapeutics Inc., Inex Pharmaceuticals Corporation, Xenon Pharmaceuticals Inc., Nortran Pharmaceuticals Corp. (now Cardiome Pharma Corp.) and BioMS Medical Corp. As Chief Financial Officer for a TSX listed company developing a novel clinical diagnostic platform, Mr. Meekison supervised all public reporting functions, human resources, accounting and budgeting functions, raised equity capital, renegotiated the company's credit facilities, reviewed corporate strategy, and led merger and acquisition discussions. Mr. Meekison received his Bachelor of Arts from the University of British Columbia and is a Certified Investment Manager and Professional Logistician.

John G. Clement, PhD — Director and Chief Technical & Development Officer

Dr. Clement possesses over twenty years of experience in pre-clinical and clinical drug development, project management, and product acquisition. Most recently, Dr. Clement served as Director, Business Development at QLT Inc., one of Canada's largest biotechnology companies and developer of Visudyne®, a product used to treat age-related macular degeneration with revenues in excess of $500 million. Dr. Clement has also served as Director, Extramural Research/Associate Director, Biochemical Pharmacology & Toxicology at Biochem Pharma Inc., known as the pioneer of the AIDS drug 3TC. He was also Research Scientist and Manager with the Department of National Defence, or DND, and a Research Scientist with CIBA-Geigy Canada Ltd. During his tenure with DND, he held various scientific leadership/management positions and was responsible for the development of a new antidote for nerve agent poisoning (HI-6). He possesses a PhD from the University of Western Ontario and has published over 60 peer reviewed scientific articles.

William Jarosz, JD — Director

William Jarosz is currently a Partner at Cartesian Capital Group, LLC, a global investment management firm. From 1997 until 2005, Mr. Jarosz served as Managing Director and General Counsel of AIG Capital Partners, a subsidiary of American International Group, Inc., and as Managing Director of the AIG-Brunswick Millennium Fund. While at AIG Capital Partners, Mr. Jarosz oversaw global private equity transactions for the firm's various private equity funds. Prior to joining AIG in 1997, Mr. Jarosz practiced law at Debevoise & Plimpton, specializing in international private equity investment and Russian corporate and securities laws. Mr. Jarosz also served as a consultant to the World Bank on the regulation of Foreign Direct Investment in

emerging markets. Mr. Jarosz is a graduate of the University of Montana, and received a Masters of Arts in Law and Diplomacy from the Fletcher School at Tufts University and a Juris Doctor from Harvard Law School.

Richard Barker, D.Phil, MA — Director

Dr. Barker is currently the Director General of the Association of the British Pharmaceutical Industry, or ABPI. Prior to joining APBI, Dr. Barker was the Chairman and CEO of Molecular Staging Inc., Founder and President of New Medicine Partners, Chief Executive Officer of iKnowMed, Chief Executive of Chiron Diagnostics Ltd., General Manager of IBM's Worldwide Healthcare Solutions division, and leader of McKinsey & Company's European healthcare practice. He is currently a board member of the European Federation of Pharmaceutical Manufacturers and Associations (EFPIA) and council member of the international equivalent body (IFPMA). He also serves on the board of Adlyfe Inc., a company specializing in protein misfolding diseases. Dr. Barker's academic background includes research in biological magnetic resonance at Oxford, Leeds and Munich. He holds a Doctorate of Philosophy in biophysics and a Master of Arts in chemistry, both from Oxford University.

Dr. Peter Hnik, MD, MHSc — Chief Medical Officer

Dr. Hnik received his medical degree from the Medical Faculty of Charles University of Prague in 1981. After practicing for years at the Eye Clinic of the Charles University Hospital where he performed surgery and consultation in glaucoma and neuro-ophthalmology, Dr. Hnik later joined the Eye Clinic of the University of British Columbia as part of the glaucoma research group. He received his Master of Health Sciences degree from the University of British Columbia in 1999. Prior to joining us, Dr. Hnik served as Associate Director of Clinical Research with QLT Inc., playing a critical role in designing and directing Visudyne® clinical trials in age-related macular degeneration, or AMD, and diabetic retinopathy. He was also heavily involved in the publication, in-licensing and pharmacovigilance activities for Visudyne®. Dr. Hnik is a member of the Association for Research in Vision and Ophthalmology (ARVO), the American Academy of Ophthalmology (AAO), the New York Academy of Sciences (NYAS), the European Society of Retina Specialists (EURETINA) and the Drug Information Association (DIA).

Santa Jeremy Ono, PhD — Chief Scientific Officer

Professor Ono, a leading authority in the fields of immunology and ophthalmology, joined us in July 2005 as Chief Scientific Officer. Dr. Ono also holds a university appointment as Vice Provost for Academic Initiatives and Deputy to the Provost at Emory University. He most recently served as the Cumberlege Professor of Biomedical Science and later as the GlaxoSmithKline Professor of Ocular Immunology at the University College London from 2001 to 2006 where he was the Chair of Immunology, UCL-Institute of Ophthalmology, Moorfields Eye Hospital (the world's first and largest eye research and treatment centre). Past appointments include Assistant Professor of Medicine, Pathology & Biology at Johns Hopkins University, and Associate Professor & Director of the Immunity, Inflammation and Transplantation Group at the Schepens Eye Research Institute, Harvard Medical School.

Professor Ono has directed multiple research and development programs, many of which have been in partnership with biotechnology and pharmaceutical companies. Professor Ono received a Bachelor of Arts from the University of Chicago and his PhD from McGill University and was a Helen Hay Whitney Fellow at Harvard University. He serves on many editorial boards, is involved with numerous professional societies and associations, and has more than eighty publications to his credit. Among his many honours, he was elected International Fellow of the American Academy of Asthma, Allergy and Immunology, Fellow of the Royal Society of Medicine, and received the Pharmacia International Award in Allergy Research.

Committees of the Board of Directors

Our board of directors currently has three committees: the audit committee, the compensation committee and the governance and nomination committee.

Audit Committee

The members of our audit committee are Sidney Himmel, William Jarosz and Andrew Rae. Mr. Himmel, who chairs the audit committee, and Mr. Jarosz are each non-employee members of our board of directors. Our board of directors has determined that Mr. Himmel and Mr. Jarosz are "independent" as required by Multilateral Instrument 52-110 — *Audit Committees*, or MI 52-110. In addition, our board of directors has determined that each member of the audit committee is financially literate for purposes of MI 52-110. As permitted by MI 52-110, Mr. Rae will be replaced as a member of the audit committee by a third independent member within the time period prescribed by MI 52-110.

Our audit committee is responsible for overseeing our financial reporting processes and control systems on behalf of our board of directors. Our independent auditors report directly to our audit committee. The duties of our audit committee are set forth in a written audit committee charter, which will become effective upon the closing of this offering. Specific responsibilities of our audit committee include:

- evaluating the performance, and assessing the qualifications, of our independent auditors and recommending to our board of directors the appointment of our independent auditors for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services;
- subject to the appointment of our independent auditors by our shareholders, determining and approving the engagement of, and compensation to be paid to, our independent auditors;
- determining and approving the engagement, prior to the commencement of such engagement, of, and compensation for, our independent auditors to perform any proposed permissible non-audit services;
- reviewing our financial statements and management's discussion and analysis of financial condition and results of operations and recommending to our board of directors whether or not such financial statements and management's discussion and analysis of financial condition and results of operations should be approved by our board of directors;
- conferring with our independent auditors and with our management regarding the scope, adequacy and effectiveness of internal financial reporting controls in effect;
- reviewing and discussing with our management whether appropriate procedures exist for the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or auditing matters and the confidential and anonymous submission by our employees of concerns regarding questionable accounting or auditing matters;
- reviewing and assessing our risk management policies and procedures with regard to identification of our principal risks annually, including the adequacy of the implementation of appropriate systems to mitigate and manage these risks, and to report periodically to the board of directors;
- reviewing with our management the timeliness and accuracy of our filings with regulatory authorities; and
- reviewing all related party transactions and development with our management of policies and procedures related to those transactions.

Compensation Committee

The members of our compensation committee are William Jarosz, Richard Barker and Andrew Rae. Mr. Jarosz chairs the compensation committee. Our board of directors has determined that Mr. Jarosz and Mr. Barker are "independent" as such term is defined in National Instrument 58-101 — Disclosure of Corporate Governance Practices or NI 58-101.

The duties of our compensation committee are set forth in a written compensation committee charter, which will become effective upon the closing of this offering. Specific responsibilities of our compensation committee include:

- reviewing and making recommendations to our board of directors for the compensation of our Chief Executive Officer and other executive officers, including salary, incentives, benefits and other perquisites;

- reviewing and making recommendations to our board of directors regarding general compensation philosophy and guidelines for all executive officers, including our Chief Executive Officer, including incentive plan design and other remuneration;
- preparing any executive compensation report to be included in our periodic filings or proxy statement; and
- acting as administrator of our stock option plan (and other equity based plans established from time to time, if and to the extent that such administration is delegated to the compensation committee by our board of directors).

Governance and Nomination Committee

The members of our governance and nomination committee are William Jarosz and Andrew Rae. Mr. Rae chairs the governance and nomination committee. Our board of directors has determined that Mr. Jarosz is "independent" as such term is defined in NI 58-101.

The duties of our governance and nomination committee are set forth in a written governance and nomination committee charter, which will become effective upon the closing of this offering. Specific responsibilities of our governance and nomination committee include:

- reviewing the appropriateness of our board structure, composition and practices, and making recommendations on these matters to our board of directors;
- reviewing and recommending to our board of directors candidates for appointment to the office of chair of our board of directors or to the office of Chief Executive Officer;
- reviewing and recommending to our board of directors appropriate corporate governance policies, including our framework for delegating authority from our board to management;
- making recommendations to our board of directors to fill any vacancies on the board or its committees;
- reviewing, approving and reporting to our board on the performance evaluation of the chair of the board and each of its committees;
- reviewing, approving and reporting to our board and to the compensation committee on the performance evaluation of the Chief Executive Officer, including performance against our corporate objectives; and
- overseeing compliance with our timely disclosure, confidentiality, and insider trading policies, and with our code of business conduct and ethics, and authorizing any waiver granted in connection with such policies and code.

STRATEGIC ADVISORY BOARD

The members of our strategic advisory board, or SAB, none of whom are officers or employees, provide advice, assistance and consultation in the fields of drug development and ophthalmology. The SAB consists of three corporate advisors, each of whom has extensive experience in the pharmaceutical industry, four "back of eye" clinical advisors and two "front of eye" clinical advisors. We consider our clinical advisors to be opinion leader in their respective fields, and they offer us advice and feedback regarding, among other things, the following:

- our drug development program
- unmet needs and market opportunities
- new products and technologies

The following is a brief biography of each of our "back of eye" clinical advisors, which includes a description of each individual's credentials and recent professional experience.

Alan C. Bird, M.D.

Dr. Bird's career began at Moorfield's Eye Hospital in London, England where his contributions to the treatment of retinal vascular disease and genetic and degenerative retinal disorders were at the forefront of the field. He spent the majority of his career at the Institute of Ophthalmology at University College London and Moorfield's Eye Hospital. Dr. Bird's expertise has been widely sought after and he has made strategic contributions to the U.S. National Eye Institute, the UK Medical Research Council, the Wellcome Trust, INSERM and Deutsche Forchungsgemeinschaft. He has also played a key role in the design and evaluation of numerous clinical trials involving ground-breaking treatments in retinal disease today. Dr. Bird is a Fellow of the UK National Academy of Medical Science and has received a number of prestigious awards in vision science and ophthalmology, including the Alcon Research Award, The Helen Keller Prize, the Kayser Award and the Jules Francois Medal. In 2006, he was honoured with the lifetime achievement award by the Macula Society.

David S. Boyer, M.D.

David S. Boyer, MD is a practising ophthalmologist who specializes in the treatment of diseases of the retina and vitreous. Dr. Boyer is a Senior Partner at the Retina-Vitreous Associates Medical Group and a Clinical Associate Professor at the University of Southern California. He also has an extensive research background involving trials for age-related macular degeneration, diabetic retinopathy, and cytomegalovirus retinitis. Dr. Boyer has been on the advisory boards for Alcon Laboratories, Inc, Novartis Pharmaceuticals Corporation, Pfizer Inc./Eyetech Pharmaceuticals Inc., Genentech Inc., Neurotech™ Inc. and the Macular Degeneration Partnership and is a reviewer for several ophthalmology and diabetes medical publications including Archives of Ophthalmology, American Journal of Ophthalmology, Diabetes Care, and Ophthalmology. Dr. Boyer has been honoured by prestigious organizations including the American Academy of Ophthalmology (Board of Trustees Honor Award Certificate) and Retinitis Pigmentosa International (1996 Jules Stein Living Tribute Award). Dr. Boyer earned his medical degree at Chicago Medical School, completed his internship and residency at the USC/Los Angeles County Medical Center, and went on to do his fellowship in retinal surgery at the Wills Eye Hospital in Philadelphia.

Philip Rosenfeld, M.D., PhD.

Dr. Rosenfeld is Professor of Ophthalmology at the world-renowned Bascom Palmer Eye Institute at the University of Miami, Miller School of Medicine. Dr. Rosenfeld's chief research interests are in the diagnosis, treatment and genetics of macular diseases. He is at the forefront of medical testing having spent the past decade seeking effective therapies for AMD. He is currently Principal Investigator of nine clinical trials for AMD. In May 2005, Dr. Rosenfeld was the first to perform an intravitreal injection of Avastin, a drug approved to treat colon cancer, for the treatment of Wet AMD and his findings have since been put into practice by physicians around the world. Dr. Rosenfeld received a Medical Degree and PhD from the Johns Hopkins University School of Medicine in Baltimore. He completed a residency at Harvard's Massachusetts Eye and Ear Infirmary and fellowships at both the Department of Ophthalmology at Harvard University and the Bascom Palmer Eye Institute at the University of Miami, Miller School of Medicine.

Jason Slatker, M.D.

Dr. Slakter's expertise in macular disease diagnostics is extensive. He has played a leading role and is widely published in the development of digital indocyanine green angiography for the evaluation and management of macular degeneration and chorioretinal inflammatory disease. He created and is the director of the Digital Angiography Reading Center, which serves as a key resource for numerous industry-sponsored studies. He has served as a Principal Investigator in the clinical trials for photodynamic therapy for the treatment of Wet AMD and is currently conducting clinical studies for the treatment of central serous chorioretinopathy. Dr. Slatker is a member of numerous medical organizations including the Macula and Retina Societies, and the American Society of Retinal Specialists. He is the Editor-in-Chief of Retinal Physician, is on the editorial board of Retina and serves as a scientific reviewer for major scientific ophthalmic journals. He has been the recipient of a number of awards including the American Academy of Ophthalmology Honor Award, the Macula Society's Richard and Hinda Rosenthal Award, and the Helen Keller Manhattan League Award.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table presents compensation information for our fiscal years ended December 31, 2006 and 2005 paid to or accrued for our Chief Executive Officer, Chief Financial Officer, Chief Technical and Development Officer, Chief Medical Officer and Chief Scientific Officer, or collectively, the named executive officers.

		Annual Compensation			Long-Term Compensation	
					Awards	
Name and Position	Year Ended December 31	Salary ($)	Bonus ($)	Other Annual Compensation ($)	Securities Under Options Granted (#)	All Other Compensation ($)
Andrew J. Rae	2006	86,250	Nil	Nil	100,000	Nil
President and Chief Executive Officer	2005	37,500	Nil	Nil	Nil	Nil
W. John Meekison	2006	86,250	Nil	Nil	100,000	Nil
Chief Financial Officer	2005	37,500	Nil	Nil	Nil	Nil
John G. Clement	2006	86,250	Nil	Nil	100,000	Nil
Chief Technical & Development Officer	2005	37,500	Nil	Nil	Nil	Nil
Peter Hnik	2006	80,000	Nil	Nil	100,000	Nil
Chief Medical Officer	2005	N/A	N/A	N/A	N/A	N/A
Santa Jeremy Ono	2006	Nil	Nil	Nil	Nil	Nil
Chief Scientific Officer	2005	Nil	Nil	Nil	500,000	Nil

Employment Agreements

Each of John Clement, John Meekison and Andrew Rae has entered into an employment agreement with us. Under the employment agreements, these executive officers are entitled to a fixed annual base salary and a performance-based discretionary bonus. The base salary is subject to annual review by the board of directors and the discretionary bonus is determined in the sole and absolute discretion of the board of directors.

Each employment agreement contains covenants in our favour, including a non-competition covenant, a loyalty covenant, a non-solicitation of clients and employees covenant and confidentiality and non-disclosure obligations. Under the employment agreements, all confidential information and intellectual property that is invented, conceived or originated by Messrs. Clement, Meekison and Rae is our property. Each executive officer must provide three months written notice to us of their resignation, and may be terminated by us immediately for cause or with six months written notice without cause.

Each employment agreement provides that in the event a change of control of iCo occurs and within 12 months of such change of control any of the following occurs: the termination of the executive officer's employment without cause, a material adverse change to the executive officer's position, status, authority or responsibilities, any material reduction in incentives, benefits or other compensation plans or programs, an assignment of duties to the executive officer that is inconsistent with the executive officer's status, the constructive dismissal of the executive officer, the failure of our successor to assume our responsibilities under the employment agreement, any disposition of all or substantially all of our assets or any action that is taken in respect of our liquidation, dissolution or winding-up, the executive officer is entitled to payment of all accrued amounts and benefits to the date of the termination, the continuation of their base salary for a period of 12 months plus one month for every year of employment from the date of the employment agreement, continuation of all benefits for a period of 12 months after his termination and immediate vesting of all options issued or granted to him under our current stock option plans.

Under the employment agreements, Messrs. Clement, Meekison and Rae are currently eligible to receive the following amounts per annum:

Name	Annual Base Salary	Discretionary Performance Based Bonus Maximum
John G. Clement	$155,000	20% of Annual Base Salary
W. John Meekison	$140,000	25% of Annual Base Salary
Andrew J. Rae	$165,000	30% of Annual Base Salary

Option Grants in Fiscal Year 2006

The following table sets forth information regarding options granted to each of our named executive officers during the fiscal year ended December 31, 2006. The exercise prices of the options we granted were the fair market value of our common shares on the date of grant, as determined by our board of directors. Options generally vest in three equal amounts during the first year after the date of grant.

Name	Common Shares Under Options Granted (#)	Percent of Total Options Granted to Employees in Financial Year	Exercise of Base Price ($/Common Share)	Expiration Date
Andrew J. Rae President and Chief Executive Officer	100,000	16.95%	0.80	May 28, 2011
W. John Meekison Chief Financial Officer	100,000	16.95%	0.80	May 28, 2011
John G. Clement Chief Technical & Development Officer	100,000	16.95%	0.80	May 28, 2011
Peter Hnik Chief Medical Officer	100,000	16.95%	0.80	June 30, 2011
Santa Jeremy Ono Chief Scientific Officer	Nil	Nil	Nil	Nil

Fiscal Year 2006 Option Values

The following table sets forth the number of common shares covered by stock options outstanding as of December 31, 2006 and the value of stock options as of December 31, 2006 for the named executive officers. No stock options were exercised by our named executive officers during 2006.

Name	Common Shares Acquired on Exercise (#)	Aggregate Value Realized ($)	Unexercised Options at FY-End (#) Exercisable/Unexercisable	Value of Unexercised in-the-Money Options at FY-End ($) Exercisable/Unexercisable
Andrew J. Rae . . . . . President and Chief Executive Officer	100,000	30,988	19,439/80,561	$ 6,023/24,965
W. John Meekison . . . . . Chief Financial Officer	100,000	30,988	19,439/80,561	$ 6,023/24,965
John G. Clement . . . . . Chief Technical & Development Officer	100,000	30,988	19,439/80,561	$ 6,023/24,965
Peter Hnik . . . . . Chief Medical Officer	100,000	30,988	16,662/83,338	$ 5,163/25,825
Santa Jeremy Ono . . . . . Chief Scientific Officer	500,000	46,040	288,887/211,113	$26,600/19,440

Compensation of Directors

During the fiscal year ended December 31, 2006, one of our independent directors received $6,000 in compensation. One of our independent directors is entitled to an annual fee of $12,000 per annum. All independent directors are entitled to be reimbursed for expenses incurred for board of director activities. Our independent directors are entitled to participate in our stock option plan

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

We have entered into the following agreements with our executive officers, directors and certain other related parties.

Employment Agreements

We have entered into employment agreements with certain of our executive officers and directors. For more information regarding these agreements, see "*Executive Compensation — Employment Agreements*". In addition, we have entered into a consulting agreement with Peter Hnik, our Chief Medical Officer, and an advisor agreement with Santa Jeremy Ono, our Chief Scientific Officer.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed in this prospectus, none of our directors, executive officers or principal shareholders, or any associate or affiliate of any of the foregoing, has had any material interest, direct or indirect, in any transaction since our inception or in any proposed transaction that has materially affected or will materially affect us.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

There is no indebtedness owing to us from any of our officers, directors, employees or former officers, directors and employees, including in respect of indebtedness to others where the indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement provided by us.

PLAN OF DISTRIBUTION

We and the underwriters, Cormark Securities Inc., Canaccord Capital Corporation, Haywood Securities Inc. and Versant Partners Inc., have entered into an underwriting agreement, dated ● , 2007, or the underwriting agreement. Pursuant to the underwriting agreement and subject to its terms and conditions, we have agreed to issue and sell and the underwriters have agreed to purchase, as principals, on ● , 2007, or on such other date agreed upon by the parties but not later than ● , 2007, ● of our common shares at a price of $ ● per common share, payable in cash against delivery of the certificates evidencing the common shares.

Pursuant to the underwriting agreement, we have agreed to pay the underwriters a cash commission equal to 6% of the gross proceeds of the offering of our common shares under this prospectus ($ ● per common share, for an aggregate cash commission of $ ●). We have also agreed to issue to the underwriters warrants, or the underwriters' warrants, to purchase such number of our common shares as is equal to 4% of the number of our common shares sold under this offering (including pursuant to the over-allotment option). Each underwriters' warrant will entitle the holder to acquire one common share at a price of $ ● for a period of 24 months following the closing of the offering. The distribution of the underwriters' warrants is qualified by this prospectus.

We have also granted the underwriters an over-allotment option, or the over-allotment option, to purchase up to ● additional common shares, at the offering price per common share exercisable for a period of 30 days following the closing of the offering, to cover over-allotments, if any, and for market stabilization purposes. The number of common shares subject to the over-allotment option is equal to 15% of the total number of our common shares sold by the underwriters pursuant to this offering. The distribution of the over-allotment option and our common shares issuable upon the exercise of the over-allotment option are qualified by this prospectus.

The obligations of the underwriters under the underwriting agreement are several (not joint and several) and may be terminated at their discretion on the basis of their evaluation of the state of the financial markets and may also be terminated if certain specific events occur. The underwriters, however, are required to take up and pay for all our common shares offered by this prospectus, other than our common shares which may be issued in connection with the exercise of the over-allotment option, if any are purchased under the underwriting agreement.

Pursuant to the underwriting agreement, we have agreed to indemnify the underwriters and each of their affiliates, directors, employees and agents against certain liabilities, including certain liabilities under applicable securities laws.

Prior to the offering, there has been no public market for our common shares. The offering price of our common shares was determined by negotiation between us and the underwriters.

Subscriptions for our common shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice.

Pursuant to policy statements of certain securities regulators, the underwriters may not, throughout the period of distribution, bid for or purchase our common shares. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, our common shares. Such exceptions include a bid or purchase effected through the facilities of the TSX or other marketplace for the purpose of market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. In connection with the offering and pursuant to the first-mentioned exception, the underwriters may over-allot or effect transactions which stabilize or maintain the price of our common shares at levels other than those that might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

Our common shares offered hereby have not been and will not be registered under the United States *Securities Act* of 1933, as amended, or the 1933 Act, or any state securities laws of the United States and, subject to certain exceptions, may not be offered or sold in the United States. The underwriting agreement permits the

underwriters to offer and sell the common shares offered under this prospectus in the United States in private placement transactions exempt from the registration requirements of the 1933 Act. Our common shares sold in the United States will be restricted securities within the meaning of Rule 144(a)(3) of the 1933 Act. In addition, until forty days after the commencement of this offering, an offer or sale of our common shares within the United States by any dealer (whether or not participating in this offering) may violate the 1933 Act if such offer is made otherwise than pursuant to an exemption from the registration requirements of the 1933 Act.

We have agreed, subject to certain limited exceptions, not to directly or indirectly offer, sell, contract to sell or otherwise dispose of any of our common shares or any securities convertible into or exercisable or exchangeable for our common shares or any right to acquire our common shares for a period of 180 days after the date of the closing of the offering without the prior written consent of the underwriters, which consent shall not be unreasonably withheld, except for (i) the issuance of stock options pursuant to our stock option plan for our directors, officers and/or employees and the issuance of equity securities in connection with the exercise of any such stock options, (ii) the issuance of equity securities as full or partial consideration for a *bona fide* acquisition made by us, and (iii) the issuance of equity securities to our business collaborators, licensors and/or licensees, lenders or guarantors, whether in consideration for cash, property or services.

The underwriters have requested that all of our officers and directors, and each person holding 50,000 or more of our common shares, enter into a lock-up agreement with the underwriters, pursuant to which such individuals shall agree not to sell their common shares for a period of 180 days following the closing of the offering.

RISK FACTORS

Investing in our common shares involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information contained in this prospectus, before deciding to invest in our common shares. If any of the following risks materialize, our business, financial condition, results of operation and future prospects will likely be materially and adversely affected. In that event, the market price of our common shares could decline and you could lose all or part of your investment. The risks set out below are not the only risks we face. You should also refer to the other information set forth in this prospectus, including our consolidated financial statements and related notes.

Risks Related to Our Business

We have a limited operating history, have incurred losses since inception and anticipate that we will continue to incur losses for the foreseeable future. We have never had any products available for commercial sale and we may never achieve or sustain profitability.

We are a clinical-stage biopharmaceutical company with a limited operating history. We are not profitable and have incurred losses in each year since our inception in 2005. We have never had any products available for commercial sale and we have not generated any revenue from product sales. We do not anticipate that we will generate revenue from the sale of products for the foreseeable future. We have not yet submitted any products for approval by regulatory authorities. We continue to incur research and development and general and administrative expenses related to our operations. Our net loss for the years ended December 31, 2006 and 2005 was $2,539,530 million and $585,239, respectively. As of December 31, 2006, we had incurred cumulative losses of $3,124,769 million. We expect to continue to incur losses for the foreseeable future, and we expect these losses to increase as we continue our research activities and conduct development of, and seek regulatory approvals for, our product candidates, and prepare for and begin to commercialize any approved products and acquire rights to additional products for our development pipeline. If our product candidates fail in clinical trials or do not gain regulatory approval, or if our product candidates do not achieve market acceptance, we may never become profitable. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods.

We are highly dependent on the success of our lead product candidate, iCo-007, and we cannot give any assurance that it or any of our other product candidates will receive regulatory approval or be successfully commercialized.

iCo-007 has been cleared by the FDA to initiate Phase I clinical trials, which we expect will be initiated by July 2007 and take approximately 15 months to complete. In order to market iCo-007, we will have to conduct additional clinical trials, repeat dose Phase I and II clinical trials as well as including Phase III clinical trials, to demonstrate safety and efficacy. We have not initiated any Phase III clinical trials with any of our product candidates. If our ongoing Phase I and proposed Phase I and II clinical trials generate safety concerns or lack of efficacy, or competitive products developed by third parties show significant benefit in the indications in which we are developing our product candidates, any planned Phase III clinical trial may be delayed, altered or not initiated and iCo-007 may never receive regulatory approval or be successfully commercialized. Our other product candidate, iCo-008, has been tested in humans and it is our plan to re-initiate the clinical development of this molecule in the second half of 2007. Our clinical development programs for iCo-007 and iCo-008 may not receive regulatory approval either if we fail to demonstrate that they are safe and effective in clinical trials and consequently fail to obtain necessary approvals from the FDA or similar non-U.S. regulatory agencies, or if we have inadequate financial or other resources to advance these product candidates through the clinical trial process. Even if our product candidates receive regulatory approval, we may not be successful in marketing them for a number of reasons, including the introduction by our competitors of more clinically-effective or cost-effective alternatives or failure in our sales and marketing efforts. Any failure to obtain approval of iCo-007 or iCo-008, and successfully commercialize them, would have a material and adverse impact on our business.

Clinical trials may not demonstrate a clinical benefit of our product candidates.

Positive results from pre-clinical studies and early clinical trials should not be relied upon as evidence that later-stage or large-scale clinical trials will succeed. We will be required to demonstrate with substantial evidence through well-controlled clinical trials that our product candidates are safe and effective for use in a diverse population before we can seek regulatory approvals for their commercial sale. Success in early clinical trials does not mean that future clinical trials will be successful because product candidates in later-stage clinical trials may fail to demonstrate sufficient safety and efficacy to the satisfaction of the FDA and other non-U.S. regulatory authorities despite having progressed through initial clinical trials.

Even after the completion of Phase III clinical trials, the FDA or other non-U.S. regulatory authorities may disagree with our clinical trial design and our interpretation of data, and may require us to conduct additional clinical trials to demonstrate the efficacy of our product candidates.

Failure to recruit and enrol patients for clinical trials may cause the development of our product candidates to be delayed.

We may encounter delays or rejections if we are unable to recruit and enrol enough patients to complete clinical trials. Some of the common delays may be caused by slower than expected approvals by ethics review boards and patient availability. We plan to initiate clinical trials for iCo-007 in diffuse diabetic macular edema by July 2007. We have identified three clinical sites and are obtaining institutional review board, or IRB, approval at the various sites and also have identified the clinical research organization that will manage our clinical trials. Patient enrolment depends on many factors, including the size of the patient population, the nature of the protocol, the proximity of patients to clinical sites and the eligibility criteria for the clinical trial. Any delays in planned patient enrolment may result in delays to our product development and increased development costs, which could harm our ability to develop products.

Our drug development activities could be delayed or stopped.

We do not know whether any of our ongoing or planned clinical trials for iCo-007 or iCo-008 will proceed or be completed on schedule, or at all. The commencement of our planned clinical trials could be substantially delayed or prevented by several factors, including:

- limited number of, and competition for, suitable patients with the indications required for enrolment in our clinical trials;

- limited number of, and competition for, suitable sites to conduct our clinical trials;
- delay or failure to obtain FDA or non-U.S. regulatory agencies' approval or agreement to commence a clinical trial;
- delay or failure to obtain sufficient supplies of the product candidate for our clinical trials;
- delay or failure to reach agreement on acceptable clinical trial agreement terms or clinical trial protocols with prospective sites or investigators; and
- delay or failure to obtain IRB approval to conduct a clinical trial at a prospective site.

The completion of our current clinical trials could also be substantially delayed or prevented by several factors, including:

- slower than expected rates of patient recruitment and enrolment;
- failure of patients to complete the clinical trial;
- unforeseen safety issues;
- lack of efficacy evidenced during clinical trials;
- termination of our clinical trials by one or more clinical trial sites;
- inability or unwillingness of patients or medical investigators to follow our clinical trial protocols;
- inability to monitor patients adequately during or after treatment; and
- introduction of competitive products that may impede our ability to retain patients in our clinical trials.

Our clinical trials may be suspended or terminated at any time by the FDA, other regulatory authorities, the IRB overseeing the clinical trial at issue, any of our clinical trial sites with respect to that site, or us. Any failure or significant delay in completing clinical trials for our product candidates could materially harm our financial results and the commercial prospects for our product candidates.

Our product candidates, iCo-007 and iCo-008, may cause undesirable and potentially serious side effects during clinical trials that could delay or prevent their regulatory approval or commercialization.

The clinical trial for iCo-007 is the first in humans and thus the safety and efficacy of the molecule is unknown at this time, whereas iCo-008 has a clinical history and has been tested in Phase I and Phase II clinical trials in humans. Some of the patients in the iCo-008 clinical trials experienced various adverse events. The majority of adverse events were mild and for the most part iCo-008 was considered safe at the doses and routes tested.

Undesirable side effects caused by any of our product candidates could cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in the denial of regulatory approval by the FDA or non-U.S. regulatory authorities for any or all targeted indications. This, in turn, could prevent us from commercializing our product candidates and generating revenues from their sale. In addition, if our product candidates receive marketing approval and we or others later identify undesirable side effects caused by the product:

- regulatory authorities may withdraw their approval of the product;
- we may be required to recall the product, change the way the product is administered, conduct additional clinical trials or change the labelling of the product;
- a product may become less competitive and product sales may decrease; or
- our reputation may suffer.

Any one or a combination of these events could prevent us from achieving or maintaining market acceptance of the affected product or could substantially increase the costs and expenses of commercializing the product, which in turn could delay or prevent us from generating significant revenues from the sale of the product.

Recent events have raised questions about the safety of marketed drugs and may result in increased cautiousness by the FDA in reviewing new drugs based on safety, efficacy or other regulatory considerations and may result in significant delays in obtaining regulatory approvals, additional clinical trials being required, or more stringent product labelling requirements. Any delay in obtaining, or inability to obtain, applicable regulatory approvals would prevent us from commercializing our product candidates.

The success of iCo-007 is influenced by our collaboration with Isis. The loss of Isis as a partner, or any adverse developments in the collaboration, could materially harm our business.

In August 2005, we entered into a license agreement with Isis to develop iCo-007, the material terms of which are described under the heading "*License Agreements*" within the Business section of this prospectus. We are subject to a number of risks associated with our collaboration with Isis, including the risk that Isis may terminate our license agreement upon our material breach of the collaboration agreement or our bankruptcy. In addition, we do not currently have the resources necessary to develop and market iCo-007 on our own and as a result, iCo-007 may not be successfully commercialized, or its development may be delayed.

Our ability to develop and commercialize our product candidates is dependent on our ability to obtain adequate financing. If we fail to obtain additional financing, we may be unable to develop and commercialize our product candidates.

If we fail to obtain additional financing, we may be unable to complete the development and commercialization of iCo-007 or iCo-008 or continue our search and development programs.

Our business development and clinical regulatory operations have consumed considerable amounts of cash since inception. Going forward, we expect to continue to spend substantial amounts to:

- complete the clinical development of iCo-007 and iCo-008;
- license or acquire and develop additional product candidates;
- launch and commercialize any product candidates for which we receive regulatory approval; and
- continue our search and development programs.

We expect that our existing capital resources, together with the proceeds from this offering, will be sufficient to fund our operations for at least 24 months. We anticipate that we will need to raise additional capital, through private placements or public offerings of our equity or debt securities, in addition to the capital provided by this offering to complete the development and commercialization of our current product candidates.

We anticipate that the combined costs for our Phase I clinical trial for iCo-007 and Phase II clinical trial for iCo-008 will be approximately $3.5 million to $4.5 million. Prior to being successfully commercialized, we will also be required, at a minimum, to complete Phase II and Phase III clinical trials for iCo-007 and a Phase III clinical trial for iCo-008. The costs for these additional trials cannot be determined at this time. The actual cost of our Phase I, II and III clinical trials will vary depending on a number of factors, including the ocular indication and stage of disease for which the clinical trial is undertaken, the number of patients included in the clinical trial, and the number and geographic distribution of clinical trial sites.

Many factors will affect our ability to develop our product candidates as anticipated. We may be subject to unanticipated costs or delays that would accelerate our need for additional capital or increase the costs of individual clinical trials. If we are unable to raise additional capital when required or on acceptable terms, we may have to significantly delay, scale back or discontinue the development and/or commercialization of one or more of our product candidates. We also may be required to:

- seek collaborators for our product candidates at an earlier stage than otherwise would be desirable and on terms that are less favourable than might otherwise be available;
- relinquish or license on unfavourable terms our rights to technologies or product candidates that we otherwise would seek to develop or commercialize ourselves; or
- license the non-ocular rights to the product candidates on terms that are less favourable than might otherwise be available.

If we raise additional financing, the terms of such transactions may cause dilution to existing shareholders or contain terms that are not favourable to us.

To date, our sources of cash have been limited primarily to proceeds from the founders and angel investors. In the future, we may seek to raise additional financing through private placements or public offerings of our equity or debt securities. We cannot be certain that additional funding will be available on acceptable terms, or at all. To the extent that we raise additional funds by issuing equity securities, our shareholders may experience significant dilution. Any debt financing, if available, may involve restrictive covenants, such as limitations on our ability to incur additional indebtedness, limitations on our ability to acquire or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business.

If our competitors develop and market products that are more effective, safer or less expensive than our future product candidates, our clinical trials and commercial opportunities will be negatively impacted.

The life sciences industry is highly competitive, and we face significant competition from many pharmaceutical, biopharmaceutical and biotechnology companies that are researching and marketing products designed to address ocular indications for which we are currently developing products or for which we may develop products in the future. We are aware of several other companies, including Pfizer Inc./Eyetech Pharmaceuticals Inc., Genentech Inc., Eli Lilly and Company/Alcon Laboratories, Inc., Merck & Co./Sirna Therapeutics, Inc. and Regeneron Pharmaceuticals Inc. which are developing drug products for the treatment of diabetic retinopathy, including macular edema. We also are aware of several companies who have developed or are developing drug products for the treatment of allergic conjunctivitis, including Alcon, Inc., Novartis Opthalmics (a branch of Novartis Pharmaceuticals Corporation), MedPointe Inc. and Novagali Pharma SA. Any products we may develop in the future are also likely to face competition from other drugs and therapies. Many of our competitors have significantly greater financial, manufacturing, marketing and drug development resources than we do. Large pharmaceutical companies, in particular, have extensive experience in clinical testing and in obtaining regulatory approvals for drugs. These companies also have significantly greater research and marketing capabilities than we do. In addition, many universities and private and public research institutes are, or may become, active in ocular research, the products of which may be in direct competition with us. If our competitors market products that are more effective, safer or less expensive than our future product candidates, if any, or that reach the market sooner than our future product candidates, if any, we may not achieve commercial success.

If new therapies become broadly used, we may need to conduct clinical trials of our product candidates in combination with these new therapies to demonstrate safety and efficacy of the combination. Additional trials will delay the development of our product candidates and increase our costs. The failure of our product candidates to work in combination with these new therapies would have an adverse effect on our business.

Our intention is to test our product candidates as stand alone therapies for the primary indications we will be investigating. There is also a possibility that our product candidates could be used in combination with other products that are used by clinicians and considered effective. As new therapies are developed, we will need to assess these therapies to determine whether to conduct clinical trials of our product candidates in combination with them to demonstrate safety and efficacy of the combination. If we determine to conduct additional clinical trials of our product candidates in combination with these new therapies, the development of our product candidates will be delayed and our costs increased. If these clinical trials generate safety concerns or lack of efficacy, our business would be adversely affected.

If our product candidates become approved in combination with a specific therapy that is broadly used and that therapy becomes displaced by another product, the market for our product candidate may decrease.

If product liability lawsuits are successfully brought against us, we may incur substantial liabilities and may be required to limit commercialization of our product candidates.

We face an inherent risk of product liability lawsuits related to the testing of our product candidates, and will face an even greater risk if product candidates are introduced commercially. An individual may bring a

liability claim against us if one of our product candidates causes, or merely appears to have caused, an injury. Because we conduct clinical trials in humans, we face the risk that the use of our product candidates will result in adverse side effects. We cannot predict the possible harms or side effects that may result from our clinical trials. At this time, we do not have clinical trial insurance in place. Although we are in the process of soliciting quotes for such insurance, we do not know whether we will be able to obtain such insurance on acceptable terms or at all. If we do obtain clinical trial insurance on acceptable terms, we may not have sufficient resources to pay for any liabilities resulting from a claim excluded from, or beyond the limit of, our insurance coverage. There is also a risk that third parties that we have agreed to indemnify could incur liability. If we cannot successfully defend ourselves against a product liability claim, we may incur substantial liabilities. Regardless of merit or eventual outcome, liability claims either during clinical trials or following commercial introduction may result in:

- decreased demand for our product candidates;
- injury to our reputation;
- withdrawal of clinical trial participants;
- significant litigation costs;
- substantial monetary awards to or costly settlement with patients;
- product recalls;
- loss of revenue; or
- the inability to commercialize our product candidates.

We could also be adversely affected if any of our product candidates or any similar products distributed by other companies prove to be, or are asserted to be, harmful to consumers.

If we fail to acquire and develop products or product candidates at all or on commercially reasonable terms, we may be unable to grow our business.

We currently neither have nor intend to establish internal discovery capabilities and are dependent upon pharmaceutical and biotechnology companies and other researcher institutions to sell or license products or product candidates to us. To date, our product candidates have been derived from technologies discovered by, and licensed to us by, Isis (iCo-007) and Cambridge Antibody (iCo-008). We intend to continue to search for available molecules from external pharmaceutical or biotechnology partners for our source of new product candidates to develop. We cannot guarantee that we will continue to have access to such opportunities or that we will be able to purchase or license these product candidates on commercially reasonable terms, or at all.

The success of our product pipeline strategy depends upon our ability to identify, select and acquire pharmaceutical product candidates. Proposing, negotiating and implementing an economically viable product acquisition or license is a lengthy and complex process. We compete for partnering arrangements and license agreements with pharmaceutical and biotechnology companies and academic research institutions. Our competitors may have stronger relationships with third parties with whom we are interested in collaborating and/or may have more established histories of developing and commercializing products. As a result, our competitors may have a competitive advantage in entering into partnering arrangements with such third parties. In addition, even if we find promising product candidates, and generate interest in a partnering or strategic arrangement to acquire such product candidates, we may not be able to acquire rights to additional product candidates or approved products on terms that we find acceptable, or at all. If we fail to acquire and develop product candidates, we may be unable to grow our business.

We expect that any product candidate to which we acquire rights will require additional development efforts prior to commercial sale, including extensive clinical testing and approval by the FDA and non-U.S. regulatory authorities. All product candidates are subject to the risks of failure inherent in pharmaceutical product development, including the possibility that the product candidate will not be shown to be sufficiently safe and effective for approval by regulatory authorities. Even if the product candidates are approved, we cannot be sure that they would be capable of economically feasible production or commercial success.

If we fail to attract and retain key management and scientific personnel, we may be unable to successfully develop or commercialize our product candidates.

We will need to expand and effectively manage our managerial, operational, financial, development and other resources in order to successfully pursue our research, development and commercialization efforts for our existing and future product candidates. Our success depends on our continued ability to attract, retain and motivate highly qualified management, pre-clinical and clinical personnel, including our key management personnel, Andrew Rae, John Clement, John Meekison, Santa Jeremy Ono and Peter Hnik. The loss of the services of any of our senior management could delay or prevent the commercialization of our product candidates. Although we have entered into employment agreements with each of Andrew Rae, John Clement and John Meekison for an indefinite term, such agreements permit the executive to terminate his employment with us at any time, subject to providing us with advance written notice. At this time, we do not have "key man" insurance policies on the lives of any of our employees or consultants. Although we are in the process of soliciting quotes for key man insurance for John Clement, Andrew Rae, John Meekison and Peter Hnik, we do not know whether we will be able to obtain such insurance on acceptable terms or at all. We will need to hire additional personnel as we continue to expand our development activities.

We have scientific and clinical advisors who assist us in formulating our development and clinical strategies. These advisors are not our employees and may have commitments to, or consulting or advisory contracts with, other entities that may limit their availability to us. In addition, our advisors may have arrangements with other companies to assist those companies in developing products or technologies that may compete with ours.

We may not be able to attract or retain qualified management and scientific personnel in the future due to the intense competition for qualified personnel among biotechnology, pharmaceutical and other businesses. If we are not able to attract and retain the necessary personnel to accomplish our business objectives, we may experience constraints that will impede significantly the achievement of our development objectives, our ability to raise additional capital and our ability to implement our business strategy. In particular, if we lose any members of our senior management team, we may not be able to find suitable replacements in a timely fashion or at all and our business may be harmed as a result.

We may encounter difficulties in managing our expected growth and in expanding our operations successfully.

As we advance our product candidates through development and clinical trials, we will need to develop or expand our development, regulatory, manufacturing, marketing and sales capabilities or contract with third parties to provide these capabilities for us. Maintaining additional relationships and managing our future growth will impose significant added responsibilities on members of our management. We must be able to: manage our development efforts effectively; manage our clinical trials effectively; hire, train and integrate additional management, development, administrative and sales and marketing personnel; improve our managerial, development, operational and finance systems; and expand our facilities, all of which may impose a strain on our administrative and operational infrastructure.

Furthermore, we may acquire additional businesses, products or product candidates that complement or augment our existing business. To date, we have no experience in acquiring and integrating other businesses. Integrating any newly acquired business, product or product candidate could be expensive and time-consuming. We may not be able to integrate any acquired business, product or product candidate successfully or operate any acquired business profitably. Our future financial performance will depend, in part, on our ability to manage any future growth effectively and our ability to integrate any acquired businesses. We may not be able to accomplish these tasks, and our failure to accomplish any of them could prevent us from successfully growing.

We rely, in part, on third parties to conduct clinical trials for our product candidates and plan to rely on third parties to conduct future clinical trials. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, we may be unable to obtain regulatory approval for or commercialize our current and future product candidates.

To implement our product development strategies, we rely on third parties, such as contract research organizations, medical institutions, clinical investigators and contract laboratories, to conduct our clinical trials

of our product candidates. Although we rely on these third parties to conduct our clinical trials, we are responsible for ensuring that each of our clinical trials is conducted in accordance with its investigational plan and protocol. Moreover, the FDA and non-U.S. regulatory authorities require us to comply with regulations and standards, commonly referred to as Good Clinical Practices, or GCPs, for conducting, monitoring, recording and reporting the results of clinical trials to ensure that the data and results are scientifically credible and accurate and that the clinical trial subjects are adequately informed of the potential risks of participating in clinical trials. Our reliance on third parties does not relieve us of these responsibilities and requirements. If the third parties conducting our clinical trials do not perform their contractual duties or obligations, do not meet expected deadlines or need to be replaced, or if the quality or accuracy of the clinical data they obtain is compromised due to the failure to adhere to GCPs or for any other reason, we may need to enter into new arrangements with alternative third parties and our clinical trials may be extended, delayed or terminated. In addition, a failure by such third parties to perform their obligations in compliance with GCPs may cause our clinical trials to fail to meet regulatory requirements, which may require us to repeat our clinical trials.

We rely on third parties to manufacture and supply our product candidates.

We do not own or operate manufacturing facilities, and we depend on third-party contract manufacturers for production of our product candidates. We have no experience in drug formulation or manufacturing, and we lack the resources and the capability to manufacture any of our product candidates. To date, our product candidates have been manufactured in limited quantities for pre-clinical studies and clinical trials. All active pharmaceutical ingredients for iCo-007 have been manufactured for us by Isis and all drug product has been manufactured for us by Althea in each case pursuant to a purchase order or short-term contract that has been fulfilled. Although we have sufficient quantities of iCo-007 to complete our current Phase I and II clinical trials, we will need to obtain additional quantities to complete our first Phase III clinical trial. All active pharmaceutical ingredients for iCo-008 for Investigational New Drug-enabling toxicology studies and initial clinical trials (Phase I and II) have been manufactured by Lonza Sales AG. If, in the future, one of our product candidates is approved for commercial sale, we will need to manufacture that product candidate in commercial quantities. We cannot assure you that the third-party manufacturers with which we have contracted in the past will have sufficient capacity to satisfy our future manufacturing needs, or that we will be able to negotiate additional purchases of active pharmaceutical ingredients or drug products from these or alternative manufacturers on terms favourable to us, or at all.

Third party manufacturers may fail to perform under their contractual obligations, or may fail to deliver the required commercial quantities of bulk drug substance or finished product on a timely basis and at commercially reasonable prices. Any performance failure on the part of our contract manufacturers could delay clinical development or regulatory approval of our product candidates or commercialization of our future product candidates, depriving us of potential product revenue and resulting in additional losses. If we are required to identify and qualify an alternate manufacturer, we may be forced to delay or suspend our clinical trials, regulatory submissions, required approvals or commercialization of our product candidates, which may cause us to incur higher costs and could prevent us from commercializing our product candidates successfully. If we are unable to find one or more replacement manufacturers capable of production at a reasonably favourable cost, in adequate volumes, of adequate quality, and on a timely basis, we would likely be unable to meet demand for our product candidates and our clinical trials could be delayed or we could lose potential revenue. Our ability to replace an existing active pharmaceutical ingredient manufacturer may be difficult because the number of potential manufacturers may be limited and the FDA must approve any replacement manufacturer before it can begin manufacturing our product candidates. Such approval would require new testing and compliance inspections. It may be difficult or impossible for us to identify and engage a replacement manufacturer on acceptable terms in a timely manner, or at all. We expect to continue to depend on third-party contract manufacturers for the foreseeable future.

Our product candidates require precise, high quality manufacturing. Any of our contract manufacturers will be subject to ongoing periodic unannounced inspection by the FDA and non-U.S. regulatory authorities to ensure strict compliance with current Good Manufacturing Practice, or cGMP, and other applicable government regulations and corresponding standards. If our contract manufacturers fail to achieve and maintain high manufacturing standards in compliance with cGMP regulations, we may experience manufacturing errors

resulting in patient injury or death, product recalls or withdrawals, delays or interruptions of production or failures in product testing or delivery, delay or prevention of filing or approval of marketing applications for our product candidates, cost overruns or other problems that could seriously harm our business. Significant scale-up of manufacturing may require additional validation studies, which the FDA must review and approve. Additionally, any third party manufacturers we retain to manufacture our product candidates on a commercial scale must pass an FDA pre-approval inspection for conformance to the cGMPs before we can obtain approval of our product candidates. If we are unable to successfully increase the manufacturing capacity for a product candidate in conformance with cGMPs, the regulatory approval or commercial launch of any related products may be delayed or there may be a shortage in supply.

If we are unable to develop our sales and marketing and distribution capability on our own or through collaborations with marketing partners, we will not be successful in commercializing our product candidates. We currently do not have a marketing staff nor a sales or distribution organization.

We currently do not have marketing, sales or distribution capabilities. If our product candidates are approved, we may establish a sales and marketing organization with technical expertise and supporting distribution capabilities to commercialize our product candidates, which will be expensive and time consuming. Any failure or delay in the development of internal sales, marketing and distribution capabilities would adversely impact the commercialization of these product candidates. We may choose to collaborate with third parties that have direct sales forces and established distribution systems, either to augment our own sales force and distribution systems or in lieu of our own sales force and distribution systems. To the extent that we enter into co-promotion or other licensing arrangements, our product revenue is likely to be lower than if we directly marketed or sold our products, when and if we have any. In addition, any revenue we receive will depend in whole or in part upon the efforts of such third parties, which may not be successful and will generally not be within our control. If we are unable to enter into such arrangements on acceptable terms or at all, we may not be able to successfully commercialize our existing and future product candidates. If we are not successful in commercializing our existing and future product candidates, either on our own or through collaborations with one or more third parties, our future product revenue will suffer and we may incur significant additional losses.

If government and third-party payors fail to provide coverage and adequate reimbursement rates for our product candidates, our revenues and potential for profitability will be reduced.

In the United States and elsewhere, our product revenues will depend principally upon the reimbursement rates established by third-party payors, including government health administration authorities, managed-care providers, public health insurers, private health insurers and other organizations. These third-party payors are increasingly challenging the price, and examining the cost effectiveness, of medical products and services. In addition, significant uncertainty exists as to the reimbursement status, if any, of newly approved drugs, pharmaceutical products or product indications. We may need to conduct post-marketing clinical trials in order to demonstrate the cost-effectiveness of products. Such clinical trials may require us to commit a significant amount of management time and financial and other resources. If reimbursement of such product is unavailable or limited in scope or amount or if pricing is set at unsatisfactory levels, our revenues could be reduced.

In some countries other than the United States, particularly the countries of the European Union and Canada, the pricing of prescription pharmaceuticals is subject to governmental control. In these countries, obtaining pricing approval from governmental authorities can take six to twelve months or longer after the receipt of regulatory marketing approval of a product for an indication. To obtain reimbursement or pricing approval in some countries, we may be required to conduct a clinical trial that compares the cost-effectiveness of one of our product candidates to other available therapies. If reimbursement of such product candidate is unavailable or limited in scope or amount or if pricing is set at unsatisfactory levels, our revenues could be reduced.

Domestic and foreign governments continue to propose and pass legislation designed to reduce the cost of healthcare, including drugs. In the United States, there have been, and we expect that there will continue to be, federal and state proposals to implement similar governmental control. In addition, increasing emphasis on managed care in the United States will continue to put pressure on the pricing of pharmaceutical products. For example, the Medicare Prescription Drug Improvement and Modernization Act of 2003 reforms the way

Medicare will cover and reimburse for pharmaceutical products. The legislation expands Medicare coverage for drug purchases by the elderly and eventually will introduce a new reimbursement methodology based on average sales prices for certain drugs. In addition, the new legislation provides authority for limiting the number of outpatient drugs that will be covered in any therapeutic class. As a result of the new legislation and the expansion of federal coverage of drug products, we expect that there will be additional pressure to contain and reduce costs. The Medicaid program and state healthcare laws and regulations may also be modified to change the scope of covered products and/or reimbursement methodology. Cost control initiatives could decrease the established reimbursement rates that we receive for any products in the future, which would limit our revenues and profitability. Legislation and regulations affecting the pricing of pharmaceutical products, including iCo-007, may change at any time, which could further limit or eliminate reimbursement rates for iCo-007 or other product candidates.

Failure to obtain regulatory approval outside the United States would prevent us from marketing our product candidates abroad.

We intend to market certain of our existing and future product candidates in non-North American markets. In order to market our existing and future product candidates in the European Union and many other non-North American jurisdictions, we must obtain separate regulatory approvals. We have had no interactions with non-North American regulatory authorities, and the approval procedures vary among countries and can involve additional testing, and the time required to obtain approval may differ from that required to obtain FDA approval. Approval by the FDA or other regulatory authorities does not ensure approval by regulatory authorities in other countries, and approval by one or more non-North American regulatory authorities does not ensure approval by regulatory authorities in other countries or by the FDA. The non-North American regulatory approval process may include all of the risks associated with obtaining FDA approval. We may not obtain non-North American regulatory approvals on a timely basis, if at all. We may not be able to file for non-North American regulatory approvals and may not receive necessary approvals to commercialize our existing and future product candidates in any market.

Risks Related to Our Intellectual Property

Our proprietary rights may not adequately protect our technologies and product candidates.

Our commercial success will depend on our ability to obtain patents and/or regulatory exclusivity and maintain adequate protection for our technologies and product candidates in Canada, the United States and other countries. As of April 1, 2007, we owned or had exclusive rights to approximately 33 issued U.S. and foreign patents and approximately 10 pending U.S. and foreign patent applications. We will be able to protect our proprietary rights from unauthorized use by third parties only to the extent that our proprietary technologies and future product candidates are covered by valid and enforceable patents or are effectively maintained as trade secrets.

We apply for patents covering both our technologies and product candidates, as we deem appropriate. However, we may fail to apply for patents on important technologies or product candidates in a timely fashion, or at all. Our existing patents and any future patents we obtain may not be sufficiently broad to prevent others from utilizing our technologies or from developing competing products and technologies. In addition, we do not always control the patent prosecution of subject matter that we license from others. Accordingly, we are sometimes unable to exercise the same degree of control over this intellectual property as we would over our own. Moreover, the patent positions of biopharmaceutical companies are highly uncertain and involve complex legal and factual questions for which important legal principles remain unresolved. As a result, the validity and enforceability of our patents cannot be predicted with certainty. In addition, we cannot guarantee that:

- we or our licensors were the first to make the inventions covered by each of our issued patents and pending patent applications;
- we or our licensors were the first to file patent applications for these inventions;
- others will not independently develop similar or alternative technologies or duplicate any of our technologies;

- any of our or our licensors' pending patent applications will result in issued patents;
- any of our or our licensors' patents will be valid or enforceable;
- any patents issued to us or our licensors and collaboration partners will provide us with any competitive advantages, or will not be challenged by third parties;
- we will develop additional proprietary technologies that are patentable; or
- the patents of others will not have an adverse effect on our business.

The actual protection afforded by a patent varies on a product-by-product basis, from country to country and depends upon many factors, including the type of patent, the scope of its coverage, the availability of regulatory related extensions, the availability of legal remedies in a particular country and the validity and enforceability of the patents. Our ability to maintain and solidify our proprietary position for our product candidates will depend on our success in obtaining effective claims and enforcing those claims once granted. Our issued patents and those that may issue in the future, or those licensed to us, may be challenged, invalidated or circumvented, and the rights granted under any issued patents may not provide us with proprietary protection or competitive advantages against competitors with similar products. Due to the extensive amount of time required for the development, testing and regulatory review of a potential product, it is possible that, before any of our product candidates can be commercialized, any related patent may expire or remain in force for only a short period following commercialization, thereby reducing any advantage of the patent.

Protection afforded by U.S. patents may be adversely affected by proposed changes to patent related U.S. statutes and to U.S. Patent and Trademark Office, or U.S. PTO, rules, especially changes to rules concerning the filing of continuation applications. If implemented, the rules may require that second or subsequent continuing application filings be supported by a showing as to why the new amendments or claims, arguments or evidence presented could not have been previously submitted. Other rules, if implemented, may limit consideration by the U.S. PTO of up to only ten claims per application. It is common practice to file multiple patent applications with many claims in an effort to maximize patent protection. If the first set of proposed U.S. PTO rules are implemented, they may limit our ability to file continuing applications directed to our product candidates and methods and related competing products and methods. In addition, if the second set of U.S. PTO rules are implemented, they may limit our ability to patent a number of claims sufficient to cover our product candidates and methods and related competing products and methods. Other changes to the patent statutes may adversely affect the protection afforded by U.S. patents and/or open U.S. patents up to third party attack in non-litigation settings.

We also rely on trade secrets to protect some of our technology, especially where we do not believe patent protection is appropriate or obtainable. However, trade secrets are difficult to maintain. While we use reasonable efforts to protect our trade secrets, our or our collaboration partners' employees, consultants, contractors or scientific and other advisors may unintentionally or wilfully disclose our proprietary information to competitors. Enforcement of claims that a third party has illegally obtained and is using trade secrets is expensive, time consuming and uncertain. In addition, non-U.S. courts are sometimes less willing than U.S. courts to protect trade secrets. If our competitors independently develop equivalent knowledge, methods and know-how, we would not be able to assert our trade secrets against them and our business could be harmed.

The intellectual property protection for our product candidates is dependent on third parties.

With respect to iCo-007 and iCo-008, we have exclusively licensed from Isis and Cambridge Antibody certain issued patents and pending patent applications covering the respective antisense sequences and antibody binding domains underlying these product candidates and their commercialization and use. These patents and pending patent applications do not cover all potential antisense sequences for the corresponding molecular targets of these product candidates nor all potential uses. We direct patent prosecution and are responsible for all fees and costs related to the preparation, filing, prosecution, enforcement and maintenance of the patent rights that we have licensed from our respective partners.

Similarly, we have licensed from Isis certain issued patents and pending patent applications directed to chemical modification of our product candidates for commercialization, use and the manufacturing thereof. We

have also received a sublicense from Isis under certain third party patent portfolios directed to such modifications. These patents and pending patent applications do not cover all potential modifications of our product candidates. We do not have and have not had any control over the filing, prosecution or enforcement of these patents or patent applications. We cannot be certain that such prosecution efforts have been or will be conducted in compliance with applicable laws and regulations or will result in valid and enforceable patents. We also cannot be assured that Isis or its licensors will agree to enforce any such patent rights at our request or devote sufficient efforts to attain a desirable result. Any failure by Isis, or any of their licensing partners, to properly protect the intellectual property rights relating to our product candidates could have a material adverse effect on our financial condition and results of operation.

We may not be able to protect our intellectual property rights throughout the world.

Filing, prosecuting and defending patents on all of our product candidates and products, when and if we have any, in every jurisdiction would be prohibitively expensive. Competitors may use our technologies in jurisdictions where we or our licensors have not obtained patent protection to develop their own products. These products may compete with our products, when and if we have any, and may not be covered by any of our or our licensors' patent claims or other intellectual property rights.

The laws of some non-U.S. countries do not protect intellectual property rights to the same extent as the laws of the United States, and many companies have encountered significant problems in protecting and defending such rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favour the enforcement of patents and other intellectual property protection, particularly those relating to biotechnology and/or pharmaceuticals, which could make it difficult for us to stop the infringement of our patents. Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial cost and divert our efforts and attention from other aspects of our business.

The patent protection for our product candidates or products may expire before we are able to maximize their commercial value which may subject us to increased competition and reduce or eliminate our opportunity to generate product revenue.

The patents for our product candidates have varying expiration dates and, when these patents expire, we may be subject to increased competition and we may not be able to recover our development costs. For example, the first granted U.S. patent directed to iCo-007 and licensed from Isis is due to expire in 2014. A U.S. patent issuing from one of the pending patent families directed to iCo-008 and licensed from Cambridge Antibody would expire as early as 2021. In some of the larger economic territories, such as the United States and Europe, patent term extension/restoration may be available to compensate for time taken during aspects of the product candidate's regulatory review. However, we cannot be certain that an extension will be granted, or if granted, what the applicable time period or the scope of patent protection afforded during any extended period will be. In addition, even though some regulatory agencies may provide some other exclusivity for a product candidate under its own laws and regulations, we may not be able to qualify the product candidate or obtain the exclusive time period.

If we are unable to obtain patent term extension/restoration or some other exclusivity, we could be subject to increased competition and our opportunity to establish or maintain product revenue could be substantially reduced or eliminated. Furthermore, we may not have sufficient time to recover our development costs prior to the expiration of our U.S. and non-U.S. patents.

We may incur substantial costs as a result of litigation or other proceedings relating to patent and other intellectual property rights and we may be unable to protect our rights to, or use of, our technology.

If we choose to go to court to stop someone else from using the inventions claimed in our patents or our licensed patents, that individual or company has the right to ask the court to rule that these patents are invalid and/or should not be enforced against that third party. These lawsuits are expensive and would consume time and other resources even if we were successful in stopping the infringement of these patents. In addition, there is a risk that the court will decide that these patents are invalid or unenforceable and that we do not have the right to stop the other party from using the inventions. There is also the risk that, even if the validity of these patents

is upheld, the court will refuse to stop the other party on the ground that such other party's activities do not infringe our rights.

If we wish to use the technology or compound claimed in issued and unexpired patents owned by others, we will need to obtain a license from the owner, enter into litigation to challenge the validity or enforceability of the patents or incur the risk of litigation in the event that the owner asserts that we infringed its patents. The failure to obtain a license to technology or the failure to challenge an issued patent that we may require to discover, develop or commercialize our product candidates may have a material adverse impact on us.

If a third party asserts that we infringed its patents or other proprietary rights, we could face a number of risks that could seriously harm our results of operations, financial condition and competitive position, including:

- patent infringement and other intellectual property claims, which would be costly and time consuming to defend, whether or not the claims have merit, and which could delay the regulatory approval process and divert management's attention from our business;
- substantial damages for past infringement, which we may have to pay if a court determines that our product candidates or technologies infringe a competitor's patent or other proprietary rights;
- a court prohibiting us from selling or licensing our technologies or future drugs unless the third party licenses its patents or other proprietary rights to us on commercially reasonable terms, which it is not required to do; and
- if a license is available from a third party, we may have to pay substantial royalties or lump sum payments or grant cross licenses to our patents or other proprietary rights to obtain that license.

The biotechnology industry has produced a proliferation of patents, and it is not always clear to industry participants, including us, which patents cover various types of products or methods of use. The coverage of patents is subject to interpretation by the courts, and the interpretation is not always uniform. If we are sued for patent infringement, we would need to demonstrate that our product candidates or methods of use either do not infringe the patent claims of the relevant patent and/or that the patent claims are invalid, and we may not be able to do this. Proving invalidity, in particular, is difficult since it requires a showing of clear and convincing evidence to overcome the presumption of validity enjoyed by issued patents.

U.S. patent laws as well as the laws of some foreign jurisdictions provide for provisional rights in published patent applications beginning on the date of publication, including the right to obtain reasonable royalties, if a patent subsequently issues and certain other conditions are met. While we believe that there may be multiple grounds on which to challenge the validity of the U.S. patent and the foreign counterparts, we cannot predict the outcome of any invalidity challenge. Alternatively, it is possible that we may determine it prudent to seek a license from the patent holder to avoid potential litigation and other potential disputes. We cannot be sure that a license would be available to us on acceptable terms, or at all.

Because some patent applications in the United States may be maintained in secrecy until the patents are issued, because patent applications in the United States and many foreign jurisdictions are typically not published until 18 months after filing, and because publications in the scientific literature often lag behind actual discoveries, we cannot be certain that others have not filed patent applications for technology covered by our licensors' issued patents or our pending applications or our licensors' pending applications, or that we or our licensors were the first to invent the technology.

Patent applications filed by third parties that cover technology similar to ours may have priority over our or our licensors' patent applications and could further require us to obtain rights to issued patents covering such technologies. If another party files a United States patent application on an invention similar to ours, we may elect to participate in or be drawn into an interference proceeding declared by the U.S. PTO to determine priority of invention in the United States. The costs of these proceedings could be substantial, and it is possible that such efforts would be unsuccessful, resulting in a loss of our United States patent position with respect to such inventions.

Some of our competitors may be able to sustain the costs of complex patent litigation more effectively than we can because they have substantially greater resources. In addition, any uncertainties resulting from the

initiation and continuation of any litigation could have a material adverse effect on our ability to raise the funds necessary to continue our operations. We cannot predict whether third parties will assert these claims against us or against the licensors of technology licensed to us, or whether those claims will harm our business. If we are forced to defend against these claims, whether they are with or without any merit, whether they are resolved in favour of or against us or our licensors, we may face costly litigation and diversion of management's attention and resources. As a result of these disputes, we may have to develop costly non-infringing technology, or enter into licensing agreements. These agreements, if necessary, may be unavailable on terms acceptable to us, if at all, which could seriously harm our business or financial condition.

If we breach any of the agreements under which we license rights to our product candidates or technology from third parties, we could lose license rights that are important to our business. Certain of our license agreements may not provide an adequate remedy for their breach by the licensor.

We license the development and commercialization rights for each of our product candidates, and we expect to enter into similar licenses in the future. For instance, we licensed exclusive worldwide rights from Isis that enable us to use, manufacture, distribute and sell the antisense sequences corresponding to iCo-007. Under these licenses we are subject to various obligations, including royalty and milestone payments, annual maintenance fees, limits on sublicensing, insurance obligations and the obligation to use commercially reasonable best efforts to develop and exploit the licensed technology. If we fail to comply with any of these obligations or otherwise breach these agreements, our licensors may have the right to terminate the license in whole or in part or to terminate the exclusive nature of the license. Loss of any of these licenses or the exclusivity rights provided therein could harm our financial condition and operating results.

We may be subject to damages resulting from claims that we, or our employees or consultants, have wrongfully used or disclosed alleged trade secrets of third parties. Many of our employees were previously employed, and certain of our consultants are currently employed, at universities or biotechnology or pharmaceutical companies, including our competitors or potential competitors. Although we have not received any claim to date, we may be subject to claims that these employees or consultants or we have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of these current or former employers. Litigation may be necessary to defend against these claims. If we fail in defending such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. We may be subject to claims that employees of our partners or licensors of technology licensed by us have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers. We may become involved in litigation to defend against these claims. If we fail in defending such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel.

Risks Related to this Offering

There has been no active trading market for our common shares, our common share price will likely be highly volatile, and your investment could decline in value.

Prior to this offering, there has been no public market for our common shares and an active public market for our common shares may not develop or be sustained after the offering. If an active public market does not develop, the liquidity of your investment may be limited and our share price may decline below its initial public offering price. The offering price has been determined by negotiation between us and the underwriters based on several factors and may bear no relation to the price at which our common shares will trade in the public market following the offering. The stock market in general, and the market for biopharmaceutical and biotechnology company stocks in particular, have historically experienced significant price and volume fluctuations. Volatility in the market price for a particular company's shares has often been unrelated or disproportionate to the operating performance of that company. Market and industry factors may depress the market price of our common shares, regardless of our operating performance.

Future sales of our currently outstanding shares could cause the market price of our common shares to decrease significantly, even if our business is doing well.

Following the closing, our current shareholders will hold approximately ● of our common shares, representing a fully-diluted interest of approximately ● % (● % if the over-allotment option is exercised in full). If any shareholder sells a substantial number of our common shares in the public market, the market price of our common shares could fall. The perception among the public that such sales may occur could have the same effect.

We will have broad discretion in the use of the net proceeds of this offering and may not use them to effectively manage our business.

We will have broad discretion over the use of the net proceeds from this offering. Because of the number and variability of factors that will determine our use of such proceeds, our ultimate use might vary substantially from our planned use. You may not agree with how we allocate or spend the proceeds from this offering. We may pursue collaborations, clinical trials or other activities that do not result in an increase in the market value of our common shares and may increase our losses.

Certain Canadian laws could delay or deter a change of control.

Limitations on the ability to acquire and hold our common shares may be imposed by the *Competition Act* (Canada). This legislation permits the Commissioner of Competition (Canada) to review any acquisition of a significant interest in us. This legislation grants the Commissioner jurisdiction to challenge such an acquisition before the Canadian Competition Tribunal if the Commissioner believes that it would, or would be likely to, result in a substantial lessening or prevention of competition in any market in Canada.

The *Investment Canada Act* (Canada) subjects an acquisition of control of a company by a non-Canadian to government review if the value of our assets as calculated pursuant to the legislation exceeds a threshold amount. A reviewable acquisition may not proceed unless the relevant minister is satisfied that the investment is likely to be a net benefit to Canada.

Any of the foregoing could prevent or delay a change of control and may deprive or limit strategic opportunities for our shareholders to sell their common shares.

An increase in the market price of our common shares, which is uncertain and unpredictable, may be your sole source of gain from an investment in our common shares. An investment in our common shares may not be appropriate for investors who require dividend income.

We have never declared or paid cash dividends on our capital stock. We do not anticipate paying any cash dividends on our capital stock in the foreseeable future. We currently intend to retain all available funds and any future earnings to fund the development and growth of our business. As a result, capital appreciation, if any, of our common shares will be your sole source of gain for the foreseeable future. Accordingly, an investment in our common shares may not be appropriate for investors who require dividend income.

We are at risk of securities class action litigation.

In the past, securities class action litigation has often been brought against a company following a decline in the market price of its securities. This risk is especially relevant for us because biotechnology and biopharmaceutical companies have experienced significant stock price volatility in recent years. If we face such litigation, it could result in substantial costs and a diversion of management's attention and resources, which could harm our business.

LEGAL PROCEEDINGS

We are not involved in any legal or arbitration proceedings that are material to our operations nor are we aware of any material threatened or contemplated proceedings against us as of the date of this prospectus.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only contracts entered into by us during the two years preceding the date of this prospectus, or to be entered into by us on or before the closing of this offering, which may be regarded as material to us is the underwriting agreement dated ● , 2007 between us and the underwriters. For further information see "*Plan of Distribution*".

A copy of the underwriting agreement may be inspected during ordinary office business hours at our registered and records office, located at 1300 - 777 Dunsmuir Street, Vancouver, British Columbia, Canada until the closing of this offering.

LEGAL MATTERS

Certain legal matters in respect of this offering of our common shares will be passed upon at the closing of this offering on our behalf by McCarthy Tétrault LLP and on behalf of the underwriters by Heenan Blaikie LLP. As of the date of this prospectus, none of the partners and associates of McCarthy Tétrault LLP and Heenan Blaikie LLP as a group beneficially own, directly or indirectly, any of our outstanding common shares.

AUDITORS, TRANSFER AGENT AND REGISTRAR

Our auditors are PricewaterhouseCoopers LLP, Chartered Accountants, located at PricewaterhouseCoopers Place, 250 Howe Street, 7th Floor, Vancouver, British Columbia V6C 3S7.

The registrar and transfer agent for our common shares is Valiant Trust Company at its principal offices in Vancouver and Calgary.

ELIGIBILITY FOR INVESTMENT

In the opinion of McCarthy Tétrault LLP, our counsel, and Heenan Blaikie LLP, counsel to the underwriters, based on legislation in effect on the date of this prospectus, our common shares offered by this prospectus, if issued on the date of this prospectus, would be "qualified investments" under the *Income Tax Act* (Canada) and the regulations thereunder for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans, and deferred profit sharing plans.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some provinces, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

iCo THERAPEUTICS INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

March 2, 2007 (except for note 11, which is as of •)

AUDITORS' REPORT

To the Shareholders of
iCo Therapeutics Inc.

We have audited the balance sheets of **iCo Therapeutics Inc.** (a development stage company) as at December 31, 2006 and 2005 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

iCo THERAPEUTICS INC.
(a development stage company)

BALANCE SHEET

As at December 31, 2006 and 2005

	2006 $	2005 $
ASSETS		
Current assets		
Cash and cash equivalents	961,652	345,848
Short-term investments	640,760	40,000
GST receivable	17,071	6,941
Prepaid expenses	37,034	5,950
Tax credits receivable	—	24,800
Deposit (note 6)	—	610,890
	1,656,517	1,034,429
Equipment (note 5)	12,577	7,857
Intangible assets (note 6)	977,530	576,625
	2,646,624	1,618,911
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	737,923	49,041
Notes payable	—	697,800
	737,923	746,841
Shareholders' Equity		
Capital stock (note 7)	4,533,829	1,395,155
Contributed surplus (note 7)	252,732	62,154
Warrants (note 7)	246,909	—
Deficit	(3,124,769)	(585,239)
	1,908,701	872,070
	2,646,624	1,618,911

Nature of operations and going concern (note 1)

Subsequent events (note 11)

Approved by the Board of Directors

(signed) JOHN MEEKISON
Director

(signed) ANDREW RAE
Director

iCo THERAPEUTICS INC.
(a development stage company)
STATEMENT OF OPERATIONS AND DEFICIT
December 31, 2005 to December 31, 2006

	Year ended December 31, 2006 $	Period from February 15, 2005 (date of incorporation) to December 31, 2005 $	Cumulative from inception to December 31, 2006 $
Interest revenue	25,102	3,712	28,814
Expenses			
Research and development	1,377,076	80,752	1,457,828
Salaries and benefits	395,451	132,610	528,061
General and administration	202,451	56,408	258,859
Stock-based compensation	190,578	62,154	252,732
Professional fees	173,861	123,412	297,273
Business development	156,147	109,628	265,775
Amortization	69,068	23,987	93,055
	2,564,632	588,951	3,153,583
Loss for the year	(2,539,530)	(585,239)	(3,124,769)
Deficit — Beginning of year	(585,239)	—	—
Deficit — End of year	(3,124,769)	(585,239)	(3,124,769)
Basic and diluted loss per share	(0.284)	(0.014)	
Weighted average number of shares	8,933,783	4,169,414	

iCo THERAPEUTICS INC.
(a development stage company)
STATEMENT OF CASH FLOWS
December 31, 2005 to December 31, 2006

	Year ended December 31, 2006 $	Period from February 15, 2005 (date of incorporation) to December 31, 2005 $	Cumulative from inception to December 31, 2006 $
Cash flows from operating activities			
Loss for the year	(2,539,530)	(585,239)	(3,124,769)
Items not affecting cash			
Amortization	69,068	23,987	93,055
Stock-based compensation	190,578	62,154	252,732
Foreign exchange gain on conversion of note payable	(2,580)	—	(2,580)
	(2,282,464)	(499,098)	(2,781,562)
Changes in non-cash working capital			
GST receivable	(10,130)	(6,941)	(17,071)
Prepaid expenses	(31,084)	(5,950)	(37,034)
Tax credits receivable	24,800	(24,800)	—
Accounts payable and accrued liabilities	397,557	49,041	446,598
Deposit	610,890	(203,840)	407,050
	(1,290,431)	(691,588)	(1,982,019)
Cash flows from investing activities			
Purchase of short-term investments	(600,760)	(40,000)	(640,760)
Purchase of equipment	(9,758)	(9,398)	(19,156)
Purchase of intangible assets	(173,610)	(308,321)	(481,931)
	(784,128)	(357,719)	(1,141,847)
Cash flows from financing activities			
Issuance of units	2,872,663	1,395,155	4,267,818
Unit issuance costs	(182,300)	—	(182,300)
	2,690,363	1,395,155	4,085,518
Increase in cash	615,804	345,848	961,652
Cash — Beginning of year	345,848	—	—
Cash — End of year	961,652	345,848	961,652
Supplemental cash flow information			
Issuance of shares to settle notes payable (note 6)	695,220	—	695,220
Note payable issued as payment for license (note 6)	—	290,750	290,750

1. NATURE OF OPERATIONS AND GOING CONCERN

iCo Therapeutics Inc. (iCo or the company) was incorporated on February 15, 2005 and commenced operations on April 1, 2005. iCo is a biotechnology company focused on the development and commercialization of drugs for a range of conditions within "isolated biological environments" such as the eye, spinal cord or joints. iCo's current business strategy is to acquire the rights to drugs and develop them by redosing or reformulating them for new uses in isolated biological environments. iCo is currently focused on ophthalmic indications. The company's operations are located in Canada and it operates primarily in the pharmaceutical industry.

Going concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the realization of assets and discharge of liabilities in the normal course of business. The company has incurred losses from operations since inception and its ability to continue operations on a going concern basis is dependent upon obtaining additional financing through equity offerings, entering research and development collaborations with strategic partners, completing development and commercialization of its products, and generating cash from operations. There is no assurance the company will be successful in achieving these objectives. These financial statements do not give effect to any adjustments that would be necessary should the company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

Generally accepted accounting principles

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada and are presented in Canadian dollars.

Development stage company

The accompanying financial statements have been prepared in accordance with the provisions of Accounting Guideline No. 11, "Enterprises in the Development Stage" (note 1).

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. While management believes that these estimates and assumptions are reasonable, actual results could vary significantly.

Cash and cash equivalents

Cash and cash equivalents include term deposits, guaranteed investment certificates, treasury bills and investment grade commercial paper with maturities of 90 days or less from the date of purchase.

Short-term investments

Short-term investments include guaranteed investment certificates, treasury bills and investment grade commercial paper with maturities greater than 90 days from the date of purchase. All short-term

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

investments are recorded at cost, which approximates their market value. Interest earned is recognized immediately in the statement of operations.

Tax credits receivable

Refundable tax credits for research and development activities are recognized in the period the qualifying expenditures are made provided there is reasonable assurance of recoverability. The tax credits reduce the cost of equipment and research and development expenses as applicable. Refundable tax credits are subject to audit by the relevant tax authorities.

Equipment

Equipment is recorded at cost less accumulated amortization. Management reviews equipment for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability is assessed by management by comparing the carrying amount to the estimated future net cash flows the assets are expected to generate. Where the carrying value exceeds estimated future net cash flows, the assets are written down to fair value.

Amortization is provided based on the estimated useful lives of the equipment using the straight-line method at the following annual rates:

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

Intangible assets

Intangible assets include licenses. Expenditures incurred to prepare, file and obtain licenses are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the terms of the related licenses, which range from 10 to 15 years.

Intangible 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, as measured by comparing their net book value to the estimated undiscounted future cash flows generated by their use. Impaired assets are recorded at fair value, determined principally using discounted future cash flows expected from their use and eventual disposition.

Stock-based compensation

The company grants stock options to directors, officers, employees and consultants pursuant to a stock-based compensation plan described in note 7. Compensation expense is recorded for stock 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 share capital.

Under the fair value-based method, stock-based payments to non-employees are measured at the fair value of the equity instrument issued. The fair value of stock-based payments to non-employees is periodically re-measured until the earlier of completion of the services provided, a firm commitment to complete the services, or the vesting date; and any change therein is recognized over the service period.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Salaries and benefits are exclusive of stock-based compensation of $101,311 (2005 — $3,759).

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 under Canadian generally accepted accounting principles. The company amortizes deferred product development expenditures over the expected future life of the product once product revenues or royalties are recorded. No product development expenditures have been deferred to date.

Research and development costs are exclusive of stock-based compensation of $89,267 (2005 — $58,395).

Foreign currency transactions

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 statement of operations.

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.

Comparative amounts

Comparative amounts have been reclassified, where necessary, to conform with the financial statement presentation adopted in the current year.

3. FINANCIAL INSTRUMENTS

Concentration of credit risk

Financial instruments that potentially subject the company to a significant concentration of credit risk consist primarily of cash and cash equivalents and short term investments. The company limits its exposure to credit loss by placing its cash and cash equivalents with high credit quality financial institutions.

Fair value of financial instruments

The carrying values of cash and cash equivalents, short-term investments, tax credits receivable, other receivables, accounts payable and accrued liabilities and notes payable approximate their fair values due to the short-term nature of these instruments.

4. PROJECT UNDER DEVELOPMENT

The company's significant project relates to the development of drugs for ophthalmic indications. The primary activities associated with this project include development of a clinical program and product development.

Cumulative research and development expenses as at December 31, 2006 relating to the project totalled $1,457,828 (2005 — $80,752). As at December 31, 2006, the company has not deferred any development costs due to the inherent uncertainty of this product reaching successful commercialization.

5. EQUIPMENT

	2006		
	Cost $	Accumulated amortization $	Net $
Computer equipment	13,883	5,357	8,526
Computer software	2,226	968	1,258
Office equipment	3,046	253	2,793
	19,155	6,578	12,577

	2005		
	Cost $	Accumulated amortization $	Net $
Computer equipment	8,249	1,172	7,077
Computer software	1,149	369	780
	9,398	1,541	7,857

6. INTANGIBLE ASSETS

	2006 $	2005 $
Cost	1,064,006	599,071
Accumulated amortization	86,476	22,446
Net book value	977,530	576,625

The company entered into a licensing agreement with a third party dated August 24, 2005, pursuant to which the company was granted an exclusive, worldwide license to use certain patented technology in the company's development compounds in consideration for a license issuance fee of $599,071. In accordance with the license agreement, the company issued a note payable for US$250,000 and paid cash of $308,321. On April 26, 2006, the note payable for US$250,000 was converted into 362,094 common shares at $0.80 per share. In addition, the company will make further payments of up to US$23 million upon the attainment of certain milestones relating to the commercial development of the product candidates. The company will also pay a royalty based on future sales.

6. INTANGIBLE ASSETS (Continued)

The company also entered into a manufacturing and supply agreement dated December 16, 2005. Under the agreement, the company will acquire goods relating to the company's development compounds for up to US$700,000. In accordance with the agreement, US$525,000 was payable on December 16, 2005, of which US$175,000 was paid in cash and US$350,000 was issued in the form of a note payable. At December 31, 2005, these amounts were recorded as a deposit. The remaining balance is to be paid upon receipt of the goods. During the year ended December 31, 2006, the note payable of US$350,000 was converted into 506,931 common shares at $0.80 per share and title to the goods was taken by the company.

In 2006, the company entered into a new licence agreement with a third party to acquire the worldwide exclusive rights to a drug compound to be developed by the company primarily for sight threatening forms of allergic conjunctivitis. In exchange the company will pay consideration of up to US$7.4 million, of which US$0.4 million is payable in the first 12 months and the rest on achieving certain development milestones. A royalty will also be paid based on future sales. The agreement additionally provides that the company will pay up to US$7 million in milestone payments, plus royalties, for each non-ocular disease indication for which the compound is developed.

7. CAPITAL STOCK

Authorized

Unlimited number of common shares.

Issued and outstanding

	Number of shares	Amount $
Balance at February 15, 2005	—	—
Issuance of common shares for cash	6,747,766	1,395,155
Balance at December 31, 2005	6,747,766	1,395,155
Issuance of common shares for cash	1,484,219	1,187,375
Issuance of units from private placement (a)	1,785,288	1,408,431
Issuance of common shares on conversion of notes payable (note 6)	869,025	695,220
Share issuance costs	—	(152,352)
Balance at December 31, 2006	10,886,298	4,533,829

a) During 2006, the company completed a private placement of 1,685,288 units at a price of $1.00 per unit for gross proceeds of $1,685,288. Each unit comprised one common share and one-half of one common share warrant. Each warrant is exercisable at a price of $1.30 and is granted for a term ending on the earlier of: (i) 36 months from the date of issuance; (ii) 12 months from the date on which the company completes an initial public offering; and (iii) the date of closing of a sale of all of the company.

In addition, 100,000 additional shares and 123,760 additional warrants were issued to agents in connection with the financing. These warrants had the same terms as those embedded in the units, except that the exercise price for the additional warrants is $1.00. Of the gross proceeds, $1,408,431 was attributable to the common shares and $276,857 was attributable to warrants. In addition, issuance

7. CAPITAL STOCK (Continued)

costs of $182,300 were incurred, of which $152,352 was allocated to share capital and $29,948 was allocated to warrants.

The fair value of the warrants issued was estimated on the issuance date using the Black-Scholes valuation model with the following assumptions:

Expected life of the options	18 months
Volatility	124%
Dividend yield	—
Risk-free interest rate	3.5%

Stock options

Under its stock option plan, the company may grant options to its directors, officers, employees and consultants for up to 1,400,000 shares of common stock. The exercise price of each option is determined by the board of directors on the date of grant. Options vest over a three-year period, unless otherwise specified by the board of directors. All options granted have a 10-year term, unless otherwise specified by the board of directors.

	Number of stock options outstanding	Weighted average exercise price $
February 15, 2005 (date of incorporation)	—	—
Granted	675,000	0.17
December 31, 2005	675,000	0.17
Granted	590,000	0.82
December 31, 2006	1,265,000	0.47

The following table summarizes information about common share options outstanding at December 31, 2006:

Range of exercise price $	Number outstanding at December 31, 2006	Weighted average remaining contractual life (years)	Weighted average exercise price $
$0.15 – $1.00	1,265,000	3.9	0.47

For the year ended December 31, 2006, the fair value of stock options issued was $372,580 (2005 — $210,496). The fair value of each option granted is estimated as at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2006	2005
Dividend yield	0%	0%
Expected volatility	124	124
Risk-free interest rate	3.85% – 4.53%	3.25% – 3.95%
Expected average option term (years)	5	5

7. CAPITAL STOCK (Continued)

The weighted average fair value of options granted to employees during the year ended December 31, 2006 was $0.15 per option.

Warrants

At December 31, 2006, the following common share purchase warrants were outstanding:

	Number of warrants outstanding	Exercise price $	Number of warrants exercisable	Amount $
Private placement	842,644	1.30	842,644	241,402
Agents' warrants	123,760	1.00	123,760	35,455
Warrant issue costs	—	—	—	(29,948)
	966,404		966,404	246,909

Contributed surplus

	$
Balance as at February 15, 2005 (date of incorporation)	—
Stock options issued	62,154
Balance as at December 31, 2005	62,154
Stock options issued	190,578
Balance as at December 31, 2006	252,732

8. INCOME TAXES

The company has the following non-capital losses available to reduce taxable income of future years:

Expiry date	$
2026	1,292,846
2015	337,073

Future tax assets comprise the following:

	2006 $	2005 $
Non-capital losses carried forward	556,128	99,213
SR&ED expenditures	15,101	19,650
Equipment	31,750	7,587
Share issue costs	77,498	28,592
	680,477	155,042
Valuation allowance	(680,477)	(155,042)
Net future tax assets	—	—

8. INCOME TAXES (Continued)

Management believes there is sufficient uncertainty regarding the realization of future tax assets such that a full valuation allowance has been provided.

The company's effective income tax rate differs from the statutory income tax rate. The differences arise from the following items:

	$
Income tax at statutory rate	(543,954)
Change in valuation allowance	525,435
Permanent differences	36,442
Book to tax adjustments	(17,923)
	—

9. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2006, a director provided consulting services to the company totalling $15,331 (2005 — $nil). This transaction was recorded at its exchange amount.

10. SEGMENTED INFORMATION

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

11. SUBSEQUENT EVENTS

Subsequent to December 31, 2006, the company:

a) Completed a private placement for gross proceeds of $2,611,232 through the issuance of 1,865,166 units at a price of $1.40 per unit. Each unit comprised one common share and one-quarter of one common share warrant. Each warrant is exercisable at $1.75 for a term ending on the earlier of: (i) 36 months from the date of issuance; (ii) 12 months from the date on which the company completes an initial public offering; and (iii) the date of closing of a sale of all of the company.

b) Entered into a manufacturing agreement with a third party for the manufacture of a bulk batch of iCo-008. The scope of services for the manufacturing agreement is estimated to be $1,017,600.

AUDITORS' CONSENT

We have read the preliminary prospectus of iCo Therapeutics Inc. (the "Company"), dated ● , 2007, relating to the initial public offering of common shares of the Company. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report to the shareholders of the Company on the consolidated balance sheets as at December 31, 2006 and 2005 and the statements of operations and deficit and cash flows for the year ended December 31, 2006 and the period from incorporation on February 15, 2005 to December 31, 2005 then ended. Our report is dated March 2, 2007 (except for note 11, which is as of ●).

Vancouver, Canada
● , 2007

Chartered Accountants

CERTIFICATE OF THE COMPANY

Dated: May 1, 2007

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 9 of the *Securities Act* (Alberta), by Part XI of *The Securities Act*, 1988 (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Part VI of the *Securities Act* (New Brunswick), by Section 63 of the *Securities Act* (Nova Scotia), by Part II of the *Securities Act* (Prince Edward Island) and by Part XIV of the *Securities Act* (Newfoundland and Labrador) and the respective regulations thereunder. This prospectus contains no misrepresentation likely to affect the value or the market price of the securities to be distributed within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

iCo THERAPEUTICS INC.

(Signed) ANDREW J. RAE
President and Chief Executive Officer

(Signed) W. JOHN MEEKISON
Chief Financial Officer

On behalf of the Board of Directors

(Signed) SIDNEY HIMMEL
Director

(Signed) WILLIAM JAROSZ
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: May 1, 2007

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 9 of the *Securities Act* (Alberta), Part XI of *The Securities Act*, *1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Part VI of the *Securities Act* (New Brunswick), by Section 64 of the *Securities Act* (Nova Scotia), by Part II of the *Securities Act* (Prince Edward Island) and by Part XIV of the *Securities Act* (Newfoundland and Labrador) and the respective regulations thereunder. To our knowledge, this prospectus contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

CORMARK SECURITIES INC.

By: (Signed) MARC MURNAGHAN

CANACCORD CAPITAL CORPORATION

By: (Signed) STEVEN L. WINOKUR

HAYWOOD SECURITIES INC.

By: (Signed) BLAKE CORBET

VERSANT PARTNERS INC.

By: (Signed) WILLIAM MURRAY