

**ICON INDUSTRIES LIMITED**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2007**

**AUDITORS' REPORT**

To the Shareholders of  
Icon Industries Limited

We have audited the balance sheets of Icon Industries Limited as at December 31, 2007 and 2006 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, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

**"DAVIDSON & COMPANY LLP"**

Vancouver, Canada

Chartered Accountants

April 18, 2008



**ICON INDUSTRIES LIMITED**  
**BALANCE SHEETS**  
**AS AT DECEMBER 31**

	2007	2006
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 2,919,127	\$ 342
Receivables	<u>81,693</u>	<u>4,130</u>
	3,000,820	4,472
<b>Mineral property investment</b> (Note 3)	1,777,461	754,042
<b>Equipment</b> (Note 4)	<u>9,294</u>	<u>1,419</u>
	<u>\$ 4,787,575</u>	<u>\$ 759,933</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	<u>\$ 150,062</u>	<u>\$ 210,400</u>
<b>Shareholders' equity</b>		
Share capital (Note 5)	15,415,594	10,785,886
Share subscriptions receivable (Note 5)	(115,250)	-
Contributed surplus (Note 5)	411,452	153,078
Deficit	<u>(11,074,283)</u>	<u>(10,389,431)</u>
	<u>4,637,513</u>	<u>549,533</u>
	<u>\$ 4,787,575</u>	<u>\$ 759,933</u>

**Nature and continuance of operations** (Note 1)

**Commitment and contingencies** (Notes 3 and 5)

**On behalf of the Board:**

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 "T. B. Coughlan" Director      "T. R. Wilson" Director

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

**ICON INDUSTRIES LIMITED**  
**STATEMENT OF OPERATIONS AND DEFICIT**  
**YEAR ENDED DECEMBER 31,**

	2007	2006
<b>EXPENSES</b>		
Accounting and audit	\$ 29,694	\$ 14,812
Advertising and promotion	23,942	1,167
Amortization	1,305	540
Consulting fees	77,316	-
Investor relations	86,254	-
Legal	31,321	1,949
Management fees	60,000	60,000
Office and miscellaneous	37,917	4,210
Rent	10,957	1,072
Stock-based compensation	313,809	59,629
Transfer agent and regulatory fees	42,654	23,591
Travel and accommodation	<u>46,610</u>	<u>3,201</u>
	(761,779)	(170,171)
<b>OTHER ITEMS</b>		
Interest income	76,927	1,445
Write-down of mineral property (Note 3)	<u>-</u>	<u>(26,000)</u>
	<u>76,927</u>	<u>(24,555)</u>
<b>Loss for the year</b>	(684,852)	(194,726)
<b>Deficit, beginning of year</b>	<u>(10,389,431)</u>	<u>(10,194,705)</u>
<b>Deficit, end of year</b>	<u>\$(11,074,283)</u>	<u>\$(10,389,431)</u>
<b>Basic and diluted loss per share</b>	\$ (0.04)	\$ (0.02)
<b>Weighted average number of common shares outstanding</b>	<u>16,099,526</u>	<u>9,739,370</u>

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

**ICON INDUSTRIES LIMITED**  
**STATEMENTS OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31**

	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the year	\$ (684,852)	\$ (194,726)
Items not affecting cash:		
Amortization	1,305	540
Stock-based compensation	313,809	59,629
Write-down of mineral property	-	26,000
Changes in non-cash working capital items:		
Decrease (increase) in receivables	(77,563)	15,855
Increase in accounts payable and accrued liabilities	<u>336</u>	<u>39,973</u>
Net cash used in operating activities	<u>(446,965)</u>	<u>(52,729)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Mineral property investment	(269,756)	(88,948)
Acquisition of equipment	<u>(9,180)</u>	<u>-</u>
Net cash used in investing activities	<u>(278,936)</u>	<u>(88,948)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of capital stock	3,827,398	125,000
Share issuance costs	<u>(182,712)</u>	<u>-</u>
Net cash provided by financing activities	<u>3,644,686</u>	<u>125,000</u>
<b>Change in cash during the year</b>	<b>2,918,785</b>	<b>(16,677)</b>
<b>Cash position, beginning of the year</b>	<u><b>342</b></u>	<u><b>17,019</b></u>
<b>Cash position, end of the year</b>	<u><b>\$ 2,919,127</b></u>	<u><b>\$ 342</b></u>

**Supplement disclosure with respect to cash flows (Note 8)**

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

**ICON INDUSTRIES LIMITED**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

The Company is a public company listed on Tier 2 of the TSX Venture Exchange. The Company is in the business of acquiring, exploring and developing mineral resource properties.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. Continued operations of the Company are dependent on the Company's ability to receive continued financial support, complete public equity financings, or generate profitable operations in the future.

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	2007	2006
Deficit	\$(11,074,283)	\$(10,389,431)
Working capital (deficiency)	2,850,758	(205,928)

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**2. SIGNIFICANT ACCOUNTING POLICIES**

**Use of estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates.

**Equipment and amortization**

Equipment is recorded at cost and amortization is calculated using the following annual rates and methods:

Office equipment and furniture	20% declining balance
Computer equipment	30% declining balance
Equipment and machinery	20% declining balance

**Mineral properties**

All costs related to the acquisition, exploration and development of mineral properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Mineral properties (cont'd...)**

The Company becomes eligible from time to time for non-repayable government grants in connection with exploration expenditures on its mineral property. These grants are recorded as a reduction in deferred exploration costs when there is reasonable assurance that i) the Company has complied with all conditions necessary to obtain the grant and ii) the amount of the grant can be determined.

**Asset retirement obligations**

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease in the carrying amount of the liability and the related long-lived asset.

As at December 31, 2007 and 2006, the Company had no asset retirement obligations.

**Flow-through common shares**

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company. Recording these expenditures for accounting purposes gives rise to taxable temporary differences.

When flow-through expenditures are renounced, a portion of the future income tax assets that were not recognized in previous years, due to the recording of a valuation allowance, are recognized as a recovery of income taxes in the statement of operations.

**Stock-based compensation**

In connection with incentive stock options granted by the Company to its officers, directors, employees and consultants, an expense is recognized over the vesting period based on the estimated fair value of the options on the date of the grant as determined using the Black-Scholes option pricing model. The expense is charged to stock-based compensation and the offset is credited to contributed surplus. Cash received on exercise of incentive stock options is credited to capital stock.

**2. SIGNIFICANT ACCOUNTING POLICIES** (cont'd...)

**Income taxes**

Future income taxes are recorded using the asset and liability method. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

**Loss per common share**

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year.

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year.

**Financial instruments**

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet either at fair value except for loans and receivables, held-to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

The Company has classified its cash as held-for-trading, and receivables as loans and receivables. Accounts payable and accrued liabilities are classified as other liabilities, which are measured at amortized cost.

**New accounting pronouncements**

*Assessing Going Concern*

The Accounting Standards Board ("AcSB") amended CICA Handbook Section 1400, to include requirements for management to assess and disclose an entity's ability to continue as a going concern. This section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008.

**ICON INDUSTRIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**New accounting pronouncements (cont'd...)**

*Financial Instruments*

The AcSB issued CICA Handbook Section 3862, *Financial Instruments – Disclosures*, which requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. The principles in this section complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in Section 3855, *Financial Instruments – Recognition and Measurement*, Section 3863, *Financial Instruments – Presentation*, and Section 3865, *Hedges*. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

The AcSB issued CICA Handbook Section 3863, *Financial Instruments – Presentation*, which is to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

*Capital Disclosures*

The AcSB issued CICA Handbook Section 1535, which establishes standards for disclosing information about an entity's capital and how it is managed. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

The Company is currently assessing the impact of the above new accounting standards on the Company's financial positions and results of operations.

**3. MINERAL PROPERTY INVESTMENT**

<b>2007</b>	Otish Mountain Property	Beresford Lake Property	Total
<b>Acquisition costs</b>			
Cash payments	\$ 75,000	\$ -	\$ 75,000
Common share issuances	<u>733,000</u>	<u>-</u>	<u>733,000</u>
	<u>808,000</u>	<u>-</u>	<u>808,000</u>

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**3. MINERAL PROPERTY INVESTMENT (cont'd...)**

<b>2007</b>	Otish Mountain Property	Beresford Lake Property	Total
<i>Continued...</i>			
<b>Deferred exploration expenditures</b>			
Consulting – geological	67,296	-	67,296
Contracted labour	38,818	-	38,818
Maps, photos, reproductions, and reports	2,955	-	2,955
Project administration	5,049	-	5,049
Survey - airborne	98,874	-	98,874
Travel and accommodation	<u>2,427</u>	<u>-</u>	<u>2,427</u>
	<u>215,419</u>	<u>-</u>	<u>215,419</u>
<b>Net costs for the year</b>	1,023,419	-	1,023,419
<b>Balance, beginning of the year</b>	<u>-</u>	<u>754,042</u>	<u>754,042</u>
<b>Balance, end of the year</b>	\$ 1,023,419	\$ 754,042	\$ 1,777,461

<b>2006</b>	Beresford Lake Property
<b>Acquisition costs</b>	
Cash payments	\$ 50,001
Common share issuances	<u>30,750</u>
	<u>80,751</u>
<b>Deferred exploration expenditures</b>	
Assaying	1,265
Consulting – geological	2,423
Equipment and rentals	285
Project administration	362
Supplies	15
Travel and accommodation	<u>1,232</u>
	<u>5,582</u>
<b>Net costs for the year</b>	86,333
<b>Write-down of mineral property</b>	(26,000)
<b>Balance, beginning of the year</b>	<u>693,709</u>
<b>Balance, end of the year</b>	\$ 754,042

**3. MINERAL PROPERTY INVESTMENT (cont'd...)**

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

**Otish Mountain Property, Quebec**

During the year ended December 31, 2007, the Company entered into an assignment agreement with Tasso Baras and Kevin Torudag (the "Assignors"), whereby the assignors assign all of their rights, title and interest in and to the Letter Agreement dated March 12, 2007 with Ms. Lai Lai Chan (the "Owner") for an option to acquire 85 contiguous mineral claims (the "Property") in the Otish Mountain area of Quebec. The Company issued the Assignors 500,000 common shares, valued at \$400,000, as consideration for the Assignment.

The Company entered into a formal option agreement dated March 30, 2007 with Ms. Lai Lai Chan as provided for by the terms of the Letter Agreement. Pursuant to the terms of the Option Agreement, the Company has the right to earn a 100% interest in the Property by making \$250,000 cash payments, issuing 1,000,000 common shares, and completing \$1 million of expenditures on the property over 3 years as follows:

- Pay \$75,000, issue 300,000 shares on March 30, 2007; (paid and issued; shares valued at \$273,000)
- Pay \$75,000 (subsequently paid), issue 350,000 shares (subsequently issued with a value of \$140,000), and incur exploration expenditures of \$300,000 by March 30, 2008 (subsequently extended to October 30, 2008);
- Pay \$100,000, issue 350,000 shares, and incur \$350,000 by March 30, 2009;
- Incur exploration expenditure of \$350,000 by March 30, 2010.

The Property is subject to a 2% Net Smelter Royalty ("NSR") with the Company having the right to purchase half of the 2% NSR (i.e. 1%) for \$1,000,000.

Also during the year ended December 31, 2007, the Company entered into an option agreement dated April 10, 2007 with Eloro Resources Ltd. pursuant to which the Company has an option to earn up to a 55% interest in 7 mineral claims located in the Lac Henri prospect of the Otish Mountain area of Quebec. In order to earn an initial 50% interest, the Company is required to issue 300,000 common shares and complete \$1 million of expenditure on the property over a 3-year period. The terms are as follows:

- Issue 50,000 shares upon signing (April 23, 2007); (issued, shares valued at \$60,000)
- Issue 100,000 shares (subsequently issued with a value of \$55,000), and incur \$150,000 of expenditures by 1<sup>st</sup> year anniversary (subsequently extended to September 10, 2008);
- Issue 150,000 shares, and incur \$300,000 of expenditures by 2<sup>nd</sup> year anniversary;
- Incur \$550,000 of expenditures by 3<sup>rd</sup> year anniversary.

Upon exercising the initial option, the Company has eighteen months in which to acquire a further 5% interest in the property by paying a further \$500,000 in cash.

The Property is subject to a 2% NSR with the Company having the right to purchase half of the 2% NSR (i.e. 1%) for \$1,000,000.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**3. MINERAL PROPERTY INVESTMENT (cont'd...)**

**Beresford Lake Property, Manitoba**

The Company acquired a 100% interest in the Beresford Lake Property (the "Property") near Bisset, Manitoba pursuant to an option agreement (the "Option") with Stephen Stares, Michael Stares, and Wayne Reid (collectively the "Optionors"). To acquire its 100% interest, the Company paid the Optionors \$82,001 and issued 300,001 common shares of the Company with a value of \$60,750. The Option also included a work commitment which the Company has met. The Property is subject to a 2% NSR with the Company having the right to purchase 1% of the NSR for \$1,000,000 with a first right of refusal to the remaining 1%. The Option contains a provision for the acquisition of additional claim units in an area of interest surrounding the Property.

The Option also contains a provision for the Company to acquire the rights to the Mirage Claim, located in close proximity to the Property. During fiscal 2004, the Company paid \$4,000 and issued an additional 65,000 common shares valued at \$22,000 to complete the acquisition of the option on the Mirage Claim.

Also during fiscal 2004, the Company entered into a letter of intent with San Gold Resources Corporation ("San Gold") for an option (the "MB4942 Option") to acquire a 100% interest in one mineral claim (MB4942) in Manitoba. The Company is required to pay \$210,000 cash (\$10,000 paid), issue 600,000 common shares (50,000 shares issued with a value of \$16,000), and spend a total of \$475,000 on exploration on the Claim in stages over four years. The Company decided not to proceed with the MB4942 Option and the total related costs of \$26,000 were written off to operations in 2006.

During fiscal 2004, the Company paid \$9,016 to acquire six additional adjacent mineral claims to form part of the Property.

**4. EQUIPMENT**

	2007			2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Equipment and machinery	\$ 9,180	\$ 918	\$ 8,262	\$ -	\$ -	\$ -
Office furniture and equipment	2,332	2,023	309	2,332	1,945	387
Computer equipment	<u>7,743</u>	<u>7,020</u>	<u>723</u>	<u>7,743</u>	<u>6,711</u>	<u>1,032</u>
	<u>\$ 19,255</u>	<u>\$ 9,961</u>	<u>\$ 9,294</u>	<u>\$ 10,075</u>	<u>\$ 8,656</u>	<u>\$ 1,419</u>

**ICON INDUSTRIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**5. SHARE CAPITAL AND CONTRIBUTED SURPLUS**

	Number of Shares	Capital Stock	Contributed Surplus
Authorized			
Unlimited number of common shares without par value			
Issued :			
Balance, December 31, 2005	9,628,548	\$ 10,755,136	\$ 93,449
Mineral property acquisition	200,001	30,750	-
Stock-based compensation	-	-	59,629
Balance, December 31, 2006	9,828,549	10,785,886	153,078
Private placements	5,383,887	3,345,248	-
Flow-through private placement	1,000,000	150,000	-
Mineral property acquisition	850,000	733,000	-
Shares-for-debt settlement	542,246	81,337	-
Finder's fees in shares	135,342	121,808	-
Exercise of options	482,000	133,735	(55,435)
Exercise of warrants	1,647,000	369,100	-
Share issuance costs	-	(304,520)	-
Stock-based compensation	-	-	313,809
Balance, December 31, 2007	19,869,024	\$ 15,415,594	\$ 411,452

**Share subscriptions receivable**

Share subscription proceeds of \$80,000 was received subsequent to December 31, 2007.

**Share issuances**

During the year ended December 31, 2007, the Company:

- a) Completed a non-brokered private placement of 2,000,333 units ("units") at \$0.15 per unit for gross proceeds of \$300,050 and 1,000,000 flow through units ("FT units") at \$0.15 per unit for gross proceeds of \$150,000. Each unit comprises one common share and one share purchase warrant entitling the holder to acquire one additional common share of the Company at the exercise price of \$0.30 until April 19, 2009. Each FT unit comprises one flow through common share ("FT shares") and one flow through share purchase warrant entitling the holder to acquire one additional FT share of the Company at the exercise price of \$0.30 until April 19, 2009.
- b) Completed a non-brokered private placement of 3,383,554 units at \$0.90 per unit for gross proceeds of \$3,045,198. Each unit comprises one common share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at an exercise price of \$1.25 until November 18, 2008. The warrants are subject to the exercise term being accelerated to 30 days after the Company gives notice of such acceleration if the closing price of the Company's shares is \$2.00 or greater for 10 consecutive trading days. The Company paid finder's fees of \$182,712 in cash and 135,342 in units, where each unit has the same terms as the financing.

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**5. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd...)**

- c) Issued 542,246 common shares at \$0.15 per shares to settle \$81,337 of accounts payable. Of the \$81,337 debt settlement, \$70,087 was repaid to a former director and a company controlled by a director.
- d) Issued 482,000 common shares from exercise of options at various prices ranging from \$0.15 to \$0.21 per share for proceeds of \$78,300. Accordingly, \$55,435 was transferred from contributed surplus to capital stock.
- e) Issued 1,647,000 common shares from exercise of warrants at various prices ranging from \$0.20 to \$0.30 per share for proceeds of \$369,100. Of the shares issued, 997,500 (with a value of \$205,500) were flow-through common shares.
- f) Issued 850,000 common shares pursuant to mineral property agreements on the Otish Mountain Property with a total value of \$733,000.

During the year ended December 31, 2006, the Company issued 200,001 common shares pursuant to mineral property agreements on the Beresford Lake property with a total value of \$30,750.

**Stock options**

The Company has a stock option plan (the "Stock Option Plan") under which it can grant up to a maximum of 3,738,408 options or 20% of the issued and outstanding shares of the Company at the date of grant, whichever is less. The exercise price of each option shall not be less than the market price of the Company's stock at the date of grants and the options can be granted for a maximum term of 5 years. The vesting period is determined by the board of directors and must be in compliance with the policy of the TSX-V Exchange.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2005	615,000	\$ 0.25
Granted	<u>1,000,000</u>	0.15
Balance, December 31, 2006	1,615,000	0.19
Granted	1,263,000	0.72
Exercised	(482,000)	0.16
Cancelled/expired	<u>(116,000)</u>	0.28
Balance, December 31, 2007	2,280,000	\$ 0.48
Exercisable at December 31, 2007	1,542,500	\$ 0.37
Weighted average fair value of options granted during the year		\$0.44 (2006 - \$0.10)

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**5. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd...)**

**Stock options (cont'd...)**

At December 31, 2007, the following stock options were outstanding:

Number of Options	Exercise price	Expiry Date
295,000	\$ 0.21	September 12, 2008
195,000	0.31	July 14, 2009
440,000	0.15	February 3, 2011
100,000	0.15	September 25, 2011
100,000	0.41	March 3, 2012
200,000	0.90	April 19, 2012
50,000	0.96	April 24, 2012
900,000	0.70	August 7, 2012

**Stock-based compensation**

For stock options granted to employees, officers, directors and consultants, the Company recognizes as an expense the estimated fair value of the stock options granted. The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option-pricing model.

For the year ended December 31, 2007 an expense of \$313,809 (2006 - \$59,629) was recorded in the financial statements of the Company as stock-based compensation and the offset was credited to contributed surplus. The fair value of stock options granted was determined using the following weighted average assumptions:

	2007	2006
Risk-free interest rate	4.43%	3.98%
Expected life of options	3 years	5 years
Annualized volatility	106.39%	85.09%
Dividend rate	Nil	Nil

**ICON INDUSTRIES LIMITED**  
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**5. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd...)**

**Warrants**

Warrant transactions are summarized as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance, December 31, 2005	3,140,000	\$	0.29
Cancelled/expired	<u>(1,890,000)</u>		0.35
Balance, December 31, 2006	1,250,000		0.20
Issued	4,759,781		0.68
Exercised	<u>(1,647,000)</u>		0.22
Balance, December 31, 2007	4,362,781	\$	0.71
Exercisable at December 31, 2007	4,362,781	\$	0.71

At December 31, 2007, the following warrants were outstanding:

Number of Warrants	Exercise price	Expiry Date
1,759,448	\$ 1.25	November 18, 2008
2,603,333	0.30	April 13, 2009

**6. RELATED PARTY TRANSACTIONS**

The Company paid or accrued amounts to related parties during the year ended December 31 as follows:

	2007	2006
Consulting fees to a company controlled by a director	\$ 30,000	\$ -
Geological fees to companies controlled by directors of the Company	53,716	150
Legal fees expenses to a law firm controlled by a director of the Company	29,176	1,949
Management fees to a company controlled by a director	60,000	60,000
Rent and office services to a company with directors in common with the Company	24,681	-

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**6. RELATED PARTY TRANSACTIONS (cont'd...)**

The amounts charged to the Company for the services provided have been determined by negotiation among the parties and, in certain cases, are covered by signed agreements. These transactions were in the normal course of operations and were measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

During the year ended December 31, 2007, the Company issued 467,246 (2006 – Nil) common shares to settle accounts payable of \$70,087 (2006 - \$Nil) owed to a former director and a company controlled by a director.

Included in accounts payable and accrued liabilities at December 31, 2007 is \$92,126 (2006 - \$162,831) owing to related parties for services rendered to the Company.

Included in receivables at December 31, 2007 is \$Nil (2006 - \$174) owing from a company controlled by a director.

**7. FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash, receivables and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency, or credit risk arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

**8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

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	2007	2006
Cash paid for interest expense during the year	\$ -	\$ -
Cash paid for income taxes during the year	\$ -	\$ -

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The significant non-cash transactions during the year ended December 31, 2007 included:

- a) issuance of 850,000 common shares with a total value of \$733,000 towards the acquisition of Otish Mountain Property (Note 3).
- b) issuance of 542,246 common shares to settle accounts payable of \$81,337.
- c) issuance of 135,342 common shares as finder's fee with a total value of \$121,808.
- d) included in mineral property costs at December 31, 2007 is \$37,253 incurred through accounts payable and accrued liabilities.

The significant non-cash transactions during the year ended December 31, 2006 included:

- a) issuance of 200,001 common shares with a value of \$30,750 towards the acquisition of the Beresford Lake Property (Note 3).

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**8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (cont'd...)**

b) included in mineral property costs at December 31, 2006 is \$16,590 incurred through accounts payable and accrued liabilities.

**9. INCOME TAXES**

Income tax expense (recovery) varies from the amount that would be computed by applying the combined federal and provincial income tax rate as follows:

	2007	2006
Loss before income tax recovery	\$ (684,852)	\$ (194,726)
Expected income tax recovery at statutory rates	\$ (233,672)	\$ (70,335)
Non-deductible expenses	168,150	31,242
Tax loss not recognized	<u>65,522</u>	<u>39,093</u>
Total income tax recovery	\$ -	\$ -

The significant components of the Company's future tax assets are as follows:

	2007	2006
Net operating loss carryforwards	\$ 298,600	\$ 457,011
Capital loss carryforwards	-	106,933
Financing costs	65,700	-
Equipment and furniture	70,600	80,681
Cumulative exploration and development expenses	<u>1,514,200</u>	<u>1,705,403</u>
	1,949,100	2,350,028
Less: valuation allowance	<u>(1,949,100)</u>	<u>(2,350,028)</u>
Net future tax assets	\$ -	\$ -

The Company has incurred approximately \$1,100,000 of operating losses which, if unutilized, will expire through 2027. Subject to certain restrictions, the Company also has capital losses and resource exploration expenditures available to reduce taxable income of future years. Future tax benefits which may arise as a result of these losses and resource deductions have not been recognized in these financial statements, as their realization is not judged likely to occur.