

ICN RESOURCES LTD.
(formerly Icon Industries Limited)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2010

ICN RESOURCES LTD
(formerly Icon Industries Limited)

Interim Consolidated Financial Statements
Six Months Ended June 30, 2010

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim consolidated financial statements, the statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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

ICN RESOURCES LTD.
(formerly Icon Industries Limited)
CONSOLIDATED BALANCE SHEETS
(Unaudited – Prepared by Management)

	As at June 30, 2010	As at December 31, 2009
ASSETS		
Current		
Cash	\$ 515,038	\$ 994,253
Receivables	6,285	8,183
Prepaid expenses and advances	<u>71,456</u>	<u>48,731</u>
	592,779	1,051,167
Reclamation Bond	26,950	26,596
Mineral property investment (Note 3)	2,904,519	2,056,306
Equipment (Note 4)	<u>8,091</u>	<u>7,600</u>
	<u>\$ 3,532,339</u>	<u>\$ 3,141,669</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities	\$ 14,902	\$ 261,218
Liability component of convertible debenture (Note 5)	<u>429,266</u>	<u>-</u>
	444,168	261,218
Shareholders' equity		
Share capital (Note 7)	17,140,082	16,847,328
Share subscriptions receivable (Note 7)	-	(17,000)
Contributed surplus (Note 7)	1,053,184	934,582
Equity component of convertible debenture (Note 5)	118,200	-
Deficit	<u>(15,223,295)</u>	<u>(14,884,459)</u>
	<u>3,088,171</u>	<u>2,880,451</u>
	<u>\$ 3,532,339</u>	<u>\$ 3,141,669</u>

Nature of operations and going concern (Note 1)
Subsequent events (Note 12)

On behalf of the Board:

"Herrick Lau" Director _____
"Carl Hering" Director

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

ICN RESOURCES LTD.

(formerly Icon Industries Limited)

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

(Unaudited – Prepared by Management)

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
EXPENSES				
Accounting and audit	\$ 14,346	\$ 6,461	\$ 17,346	\$ 17,711
Accretion expense (Note 5)	16,997	-	16,997	-
Advertising and promotion	375	2,365	975	2,365
Amortization	454	394	908	954
Consulting fees	17,250	20,107	32,500	29,747
Interest on convertible debenture	5,469	-	5,469	-
Investor relations	15,000	-	30,000	-
Legal	15,669	5,409	16,106	5,409
Management fees	11,760	15,000	8,381	30,000
Office and miscellaneous	15,441	10,774	28,164	27,985
Property investigation	54,234	3,133	64,820	3,133
Rent	5,842	4,045	11,684	7,915
Stock-based compensation	67,800	43,567	159,731	72,109
Transfer agent and regulatory fees	6,763	4,509	15,040	13,650
Travel and accommodation	4,989	2,781	7,368	7,432
	(252,389)	(118,545)	(415,489)	(218,410)
OTHER ITEM				
Interest income	241	594	241	1,873
Foreign exchange	(11,870)	-	(13,100)	-
Quebec mining exploration tax credit	89,512	-	89,512	-
Write-off of accounts payable	-	-	-	22,570
	77,883	594	76,653	24,443
Loss for the period	(174,506)	(117,951)	(338,836)	(193,967)
Deficit, beginning of period	(15,048,789)	(14,139,677)	(14,884,459)	(14,063,661)
Deficit, end of period	\$(15,223,295)	\$(14,257,628)	\$(15,223,295)	\$(14,257,628)
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding	30,358,112	21,000,343	29,786,908	20,661,565

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

ICN RESOURCES LTD.
(formerly Icon Industries Limited)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	\$ (174,506)	\$ (117,951)	\$ (338,836)	\$ (193,967)
Items not affecting cash:				
Amortization	454	394	908	954
Accretion and accrued interest on convertible debenture	22,466	-	22,466	-
Foreign exchange	(1,144)	-	(354)	-
Stock-based compensation	67,800	43,567	159,731	72,109
Changes in non-cash working capital items:				
Receivables	6,716	82,326	1,898	79,234
Prepaid expenses and advances	(40,142)	-	(22,725)	-
Accounts payable and accrued liabilities	(15,243)	(2,057)	(246,316)	(71,533)
Net cash provided (used) in operating activities	<u>(133,599)</u>	<u>6,279</u>	<u>(423,228)</u>	<u>(113,203)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of equipment	-	-	(1,399)	(1,200)
Mineral property investment	(93,919)	(561,938)	(168,213)	(578,528)
Net cash used in investing activities	<u>(93,919)</u>	<u>(561,938)</u>	<u>(169,612)</u>	<u>(579,728)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of capital stock	-	-	96,625	-
Share subscription received	-	-	17,000	-
Net cash provided by financing activities	<u>-</u>	<u>-</u>	<u>113,625</u>	<u>-</u>
Change in cash during the period	(227,518)	(555,659)	(479,215)	(692,931)
Cash, beginning of the period	<u>742,556</u>	<u>1,215,128</u>	<u>994,253</u>	<u>1,352,400</u>
Cash, end of the period	<u>\$ 515,038</u>	<u>\$ 659,469</u>	<u>\$ 515,038</u>	<u>\$ 659,469</u>

Supplement disclosure with respect to cash flows (Note 9)

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

ICN RESOURCES LTD.

(formerly Icon Industries Limited)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2010

(Unaudited – Prepared by Management)

1. NATURE OF OPERATIONS AND GOING CONCERN

ICN Resources Ltd. (formerly Icon Industries Limited) (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. During the year ended December 31, 2009, the Company changed its name from Icon Industries Limited to ICN Resources Ltd.

The Company is in the process of exploring and developing its mineral properties and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred losses of \$15,223,295 since inception and further losses are anticipated in the development of its business plan. These circumstances lead to significant doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

In order to continue as a going concern and to meet its corporate objectives, which primarily consist of exploration work on its mineral properties, the Company will require additional financing through debt or equity issuances or other available means. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in which case the Company may be unable to meet its obligations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheets. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

These consolidated financial statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

	June 30, 2010	December 31, 2009
Deficit	\$ (15,223,295)	\$ (14,884,459)
Working capital	148,611	789,949

2. SIGNIFICANT ACCOUNTING POLICIES**Principles of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly-owned U.S. subsidiary, Hog Ranch Nevada Inc. (“HRNI”). HRNI was incorporated on October 20, 2009 in the State of Nevada, United States of America. Effective August 16, 2010 HRNI changed its name from Hog Ranch Nevada Inc. to Washoe Gold Inc. All inter-company balances and transactions are eliminated on consolidation.

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

Basis of presentation

These unaudited interim consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles. Certain information and disclosures normally required to be included in the notes to the annual consolidated financial statements have been condensed or omitted. The interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2009 together with the notes thereto. The interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the audited financial statements for the year ended December 31, 2009 except as disclosed below.

Convertible debenture

The Company's convertible debt instruments are segregated into their debt and equity components at the date of issue, based on the relative fair market values of these components in accordance with the substance of the contractual agreements. The debt component of the instruments is classified as a liability, and recorded as the present value of the Company's obligation to make future interest payments and settle the redemption value of the instrument. The carrying value of the debt component is accreted to the original face value of the instruments, over the term of the convertible debt instrument, using the effective interest method. The value of the conversion option makes up the equity component of the instruments. The conversion option is recorded using the residual value approach. Upon conversion, any gain or loss arising from extinguishment of the debt is recorded in operations of the current period.

Comparative figures

Certain comparative figures have been reclassified to conform to the current period's presentation.

Recent Accounting Pronouncements

International financial reporting standards ("IFRS")

In 2006, the AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun developing its IFRS conversion plan for 2011, it cannot reasonably disclose the impact on its financial reporting at this time but will be discussing the plan in its Management Discussion and Analysis for the six month period ended June 30, 2010.

ICN RESOURCES LTD.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2010
(Unaudited – Prepared by Management)

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

Recent Accounting Pronouncements (cont'd...)

Business Combinations, Non-controlling Interest and Consolidated Financial Statements

In January 2009, the CICA issued Handbook Sections 1582 “Business Combinations”, 1601 “Consolidated Financial Statements” and 1602 “Non-controlling Interests” which replace CICA Handbook Sections 1581 “Business Combinations” and 1600 “Consolidated Financial Statements”. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable for the Company’s business combinations with acquisition dates on or after January 1, 2011. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company’s interim and annual financial statements for its fiscal year beginning January 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently. The Company has not yet determined the impact of the adoption of these standards on its consolidated financial statements

3. MINERAL PROPERTY INVESTMENT

2010	Beresford Lake Property	JJ Property	Hog Ranch and Estill Property	Total
Acquisition costs				
Cash payments	\$ -	\$ 5,172	\$ 45,165	\$ 50,337
Common share issuances	-	-	155,000	155,000
Convertible debenture issuance	-	-	525,000	525,000
	-	5,172	725,165	730,337
Deferred exploration expenditures				
Assays	-	-	60,804	60,804
Consulting – geological	-	-	27,284	27,284
Equipment rental	-	-	297	297
Miscellaneous	-	-	1,580	1,580
Project administration	-	-	16,393	16,393
Surveys	-	-	1,206	1,206
Telecommunication	-	-	267	267
Travel	-	-	10,045	10,045
	-	-	117,876	117,876
Net costs for the year	-	5,172	843,041	848,213
Balance, beginning of the year	294,160	-	1,762,146	2,056,306
Balance, June 30, 2010	\$ 294,160	\$ 5,172	\$ 2,605,187	\$ 2,904,519

ICN RESOURCES LTD.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2010
(Unaudited – Prepared by Management)

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

2009	Beresford Lake Property	Hog Ranch and Estill Property	Total
Acquisition costs			
Cash payments	\$ -	\$ 710,090	\$ 710,090
Common share issuances	-	100,000	100,000
	-	810,090	810,090
Deferred exploration expenditures			
Assays	-	42,454	42,454
Camp	-	4,383	4,383
Consulting – geological	-	202,063	202,063
Drilling	-	510,802	510,802
Equipment rental	-	46,609	46,609
Freight	-	11,051	11,051
Miscellaneous	-	3,120	3,120
Project administration	-	84,188	84,188
Supplies	-	9,222	9,222
Surveys & maps	-	3,704	3,704
Telecommunication	-	2,434	2,434
Travel	-	32,026	32,026
	-	952,056	952,056
Net costs for the year	-	1,762,146	1,762,146
Balance, beginning of the year	754,257	-	754,257
Write off of property	(460,097)	-	(460,097)
Balance, end of the year	\$ 294,160	\$ 1,762,146	\$ 2,056,306

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.

Hog Ranch and Estill Property, Nevada, USA

On April 28, 2009 the Company entered into an option agreement with Seabridge Gold Corporation (“Seabridge”) and its wholly-owned subsidiary, Seabridge Gold Inc. (“SEA”), whereby the Company paid \$500,000 and issued 1,000,000 shares of the Company to SEA, for and in consideration of Seabridge granting the Company an option to acquire a 100% interest in certain unpatented lode mining claims and land, collectively the Hog Ranch and Estill Property in Washoe County, Nevada, subject to the terms of the leases with the owners. During the second quarter ended June 30, 2010, the Company exercised its option by issuing to Seabridge an additional 1,000,000 common shares and a convertible debenture for the principal amount of \$525,000 with a term of 18 months at 5% interest and convertible at Seabridge’s option at \$0.30 per common share of the Company in lieu of the cash payment pursuant to the amended term. The amended terms was approved by the TSX Venture Exchange on April 27, 2010.

ICN RESOURCES LTD.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2010

(Unaudited – Prepared by Management)

3. MINERAL PROPERTY INVESTMENT (cont'd...)**Hog Ranch and Estill Property, Nevada, USA (cont'd...)**

The Hog Ranch property is subject to an annual advance royalty of US\$20,000, payable on November 15 of each year, and a production royalty to the owner in the amount of 5% of gross proceeds on the sale of minerals from the properties, and pay the owner a further US\$250,000 in cash upon the earlier of (i) confirmation by an independent third party of a measured and indicated gold resource of more than 1.0 million ounces, (ii) completion of a positive bankable feasibility study which demonstrates a mine capable of producing at least 100,000 ounces of gold per annum.

The Estill property is subject to a 3% NSR with an exception of precious metals production royalty ranging from 1.8% to 3.3% depending on gold price.

The Estill property is subject to a lease payment of US\$17,760 on October 1 of each year, should the total exploration expenditure on the Estill properties be less than \$200,000; or US\$11,840 on October 1 of each year, should the total exploration expenditure on the Estill properties be \$200,000 or more.

In connection with the option agreement, the Company agreed to pay a finder's fee of \$95,000, of which \$56,250 was paid during the fiscal 2009 and the remainder of \$38,750 was paid during the second quarter ended June 30, 2010 upon the Company's exercise of the option.

JJ Property, Nevada, USA

The Company signed a letter agreement dated May 19, 2010 to acquire a 100% interest in certain mining claims located in Humboldt County, Nevada. To earn its interest, the Company is required to pay US\$1,000,000 (US\$5,000 paid) and incur work expenditures of US\$1,000,000 over six years. The transaction is subject to approval by the TSX Venture Exchange.

The property is subject to a 2% NSR on gold and silver, half of which may be purchased by the Company for US\$1,000,000 at any time prior to completion of the first year of commercial production.

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.

During the year ended December 31, 2009, the Company let certain claims lapse as the Company has no further plan on these claims. The Company thus wrote off exploration costs of \$460,097 associated with these claims.

ICN RESOURCES LTD.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2010
(Unaudited – Prepared by Management)

4. EQUIPMENT

	June 30, 2010			December 31, 2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Equipment and machinery	\$ 9,180	\$ 4,421	\$ 4,759	\$ 9,180	\$ 3,892	\$ 5,288
Office furniture and equipment	3,746	2,457	1,289	3,746	2,314	1,432
Computer equipment	<u>10,027</u>	<u>7,984</u>	<u>2,043</u>	<u>8,628</u>	<u>7,748</u>	<u>880</u>
	\$ 22,953	\$ 14,862	\$ 8,091	\$ 21,554	\$ 13,954	\$ 7,600

5. CONVERTIBLE DEBENTURE

As a result of the acquisition of the Hog Ranch property (Note 3), the Company is carrying a convertible debenture with a face value of \$525,000 as at June 30, 2010. This debenture has a compounding rate of 5% per annum and interest is payable semi-annually. The debenture matures on October 17, 2011, and is convertible at the option of the holder at a price of \$0.30 for one common share of the Company. The Company may repay the principal outstanding amount before maturity only with the consent of the holder. The debenture is secured by the Company's interest in the Hog Ranch property.

The Company has valued the debt component of the debenture at \$406,800 at inception, utilizing the effective interest rate method at a 25% discount rate. The discount is being accreted over the term of the Debenture. For the six month ended June 30, 2010, accretion of the discount totalled \$16,997. The residual value of \$118,200, representing the value ascribed to the holders' option to convert the principal amount into common shares, is classified in shareholders' equity as "equity component of convertible debentures".

6. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern. In the management of capital, the Company includes shareholders' equity and working capital in the definition of capital.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue common shares through private placements. The Company is not exposed to any externally imposed capital requirements.

ICN RESOURCES LTD.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**SIX MONTHS ENDED JUNE 30, 2010**

(Unaudited – Prepared by Management)

7. 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, 2008	20,319,024	15,506,792	643,590
Mineral property acquisition	1,000,000	100,000	-
Private placement	7,444,500	1,265,565	-
Exercise of options	150,000	40,347	(17,847)
Share issuance costs	-	(65,376)	-
Stock-based compensation	-	-	308,839
Balance, December 31, 2009	28,913,524	16,847,328	934,582
Mineral property acquisition	1,000,000	155,000	-
Exercise of options	382,500	100,254	(41,129)
Exercise of warrants	150,000	37,500	-
Stock-based compensation	-	-	159,731
Balance, June 30, 2010	30,446,024	\$ 17,140,082	\$ 1,053,184

Share subscriptions receivable

The Company received share subscription proceeds of \$17,000 outstanding at December 31, 2009 in the six month period ended June 30, 2010.

Share issuances

During the six month period ended June 30, 2010, the Company:

- Issued 382,500 common shares from exercise of options at exercise prices ranging from \$0.15 to \$0.22 per share for proceeds of \$59,125. Accordingly, \$41,129 was transferred from contributed surplus to capital stock.
- Issued 150,000 common shares from exercise of warrants at an exercise price of \$0.25 per share for proceeds of \$37,500.
- Issued 1,000,000 common shares pursuant to mineral property agreements on the Hog Ranch and Estill Property with a total value of \$155,000.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2010
(Unaudited – Prepared by Management)

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd...)

Share issuances (cont'd...)

During the year ended December 31, 2009, the Company:

- a) Completed a non-brokered private placement of 7,444,500 units ("units") at a price of \$0.17 per unit for gross proceeds of \$1,265,565. Each unit is comprised of one common share and one half of a share purchase warrant; each whole share purchase warrant entitles the holder to purchase one additional common share of the Company at an exercise price of \$0.25 for a period of two years. The Company paid finder's fees of \$65,376.
- b) Issued 150,000 common shares from exercise of options at an exercise price of \$0.15 per share for proceeds of \$22,500. Accordingly, \$17,847 was transferred from contributed surplus to capital stock.
- c) Issued 1,000,000 common shares pursuant to mineral property agreements on the Hog Ranch and Estill Property with a total value of \$100,000.

Stock options

The Company has a stock option plan (the "Stock Option Plan") under which it can grant up to a maximum of 4,263,804 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 grant 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 policies of the TSX-V Exchange.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2008	2,035,000	\$ 0.50
Granted	3,580,000	0.20
Exercised	(150,000)	0.15
Cancelled/expired	<u>(1,495,000)</u>	0.60
Balance, December 31, 2009	3,970,000	0.20
Granted	100,000	0.22
Exercised	(382,500)	0.15
Cancelled	<u>(187,500)</u>	0.18
Balance, June 30, 2010	3,500,000	\$ 0.21
Exercisable at June 30, 2010	2,215,000	\$ 0.21
Weighted average fair value of options granted during the period		\$0.14 (2009 - \$0.12)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2010

(Unaudited – Prepared by Management)

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd...)**Stock options (cont'd...)**

At June 30, 2010, the following stock options were outstanding:

Number of Options	Exercise price	Expiry Date
170,000	\$ 0.15	February 3, 2011
100,000	0.15	September 25, 2011
150,000	0.35	November 3, 2013 (50,000 subsequently cancelled)
580,000	0.15	March 19, 2014
1,100,000	0.22	September 29, 2014
1,050,000	0.22	October 22, 2014
100,000	0.22	December 3, 2014
150,000	0.22	December 8, 2014
100,000	0.22	February 15, 2015

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 six months ended June 30, 2010 an expense of \$159,731 (2009 - \$72,109) was recorded in the consolidated 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:

	2010	2009
Risk-free interest rate	1.62%	1.34%
Expected life of options	3 years	3 years
Annualized volatility	173.49 %	136.38 %
Dividend rate	0%	0%

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2010
(Unaudited – Prepared by Management)

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd...)

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2008	2,603,333	\$ 0.30
Issued	<u>3,722,250</u>	0.25
Balance, December 31, 2009	6,325,583	0.27
Exercised	(150,000)	0.25
Expired	<u>(2,603,333)</u>	0.30
Balance, June 30, 2010	3,572,250	\$ 0.25
Exercisable at June 30, 2010	<u>3,572,250</u>	<u>\$ 0.25</u>

At June 30, 2010, the following warrants were outstanding:

Number of Warrants	Exercise price	Expiry Date
3,572,250	\$ 0.25	December 17, 2011

8. RELATED PARTY TRANSACTIONS

The Company paid or accrued amounts to related parties during the six months ended June 30 as follows:

	2010	2009
Consulting and administrative fees to a company controlled by an officer and former director of the Company	\$ 36,582	\$ 36,770
Consulting fees to an officer of the Company	10,000	-
Geological fees to a director and companies controlled by former directors of the Company	18,623	7,060
Management fees to a director and a company controlled by a former director	17,381	30,000
Legal fee expenses to a law firm controlled by a former officer	15,406	5,409
Rent to a company with directors in common with the Company	-	7,915

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.

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8. RELATED PARTY TRANSACTIONS (cont'd...)

Included in accounts payable and accrued liabilities at June 30, 2010 is \$nil (December 31, 2009 - \$226,450) owing to related parties for services rendered to the Company.

The Company entered into a consulting agreement effective June 1, 2009 with a company controlled by the former President and CEO of the Company for consulting services expiring May 31, 2012. The Company paid a monthly fee of \$5,000 plus GST and reimbursed all reasonable expenses incurred during the performance of the services. When the President was terminated as a result of a change of control of the Company, the Company was obligated to pay a minimum severance compensation of \$330,000. The Company entered into a settlement agreement with the former President and CEO, whereby in consideration of a payment of \$189,000 to the former President, the Company was released from all claims arising from the consulting agreement with the company controlled by the former President. Of the \$189,000 cash settlement, \$96,625 was provided for the former President to exercise his stock options and warrants (Note 7). The \$189,000 was included in the December 31, 2009 accounts payable and paid during the six months ended June 30, 2010.

The Company entered into a consulting agreement effective June 1, 2009 with a company controlled by the CFO of the Company for consulting services expiring May 31, 2011. The Company will pay a monthly fee of \$3,750 plus applicable taxes and reimburse all reasonable expenses incurred during the performance of the services. If the CFO is terminated as a result of a change of control of the Company, the Company shall pay a minimum severance compensation of \$90,000 plus HST. Subsequent to the six month period ended June 30, 2010, as a result of the termination of the CFO position effective July 31, 2010, the former CFO and the Company agreed on a termination payment of \$100,800. Of the \$100,800 cash settlement, \$37,500 was provided for the former CFO to exercise his stock options. The Company also agreed to pay a severance payment of \$10,000 plus HST to an administrative staff employed through the company controlled by the formal CFO.

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2010	2009
Cash paid for interest expense during the period	\$ -	\$ -
Cash paid for income taxes during the period	\$ -	\$ -

The significant non-cash transactions during during the six month period ended June 30, 2010 included:

- The issuance of 1,000,000 common shares with a total value of \$155,000 toward the acquisition of the Hog Ranch Property.

The significant non-cash transactions during the six month period ended June 30, 2009 included:

- The issuance of 1,000,000 common shares with a total value of \$100,000 toward the acquisition of the Hog Ranch Property.
- Included in mineral property costs at June 30, 2009 is \$26,908 incurred through accounts payable and accrued liabilities.

10. FINANCIAL INSTRUMENTS AND RISK

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of potential loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is limited to the carrying amount on the balance sheet and arises from the Company's cash and receivables.

The Company's cash is held through a Canadian and US chartered bank, which is a high-credit quality financial institution. The Company's receivables primarily consist of goods and services tax due from Federal Government of Canada. Management believes that the credit risk concentration with respect to receivables is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2010, the Company had a cash balance of \$515,038 and a working capital of \$148,611. Accounts payable and accrued liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. The Company's liabilities included a convertible debenture which matures in October 2011.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term certificates of deposits issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company carries a convertible debenture bearing interest at a fixed rate of 5% per annum and payable semi-annually.

(b) Foreign currency rate risk

The Company is exposed to foreign currency risk as it funds its exploration programs and certain administrative expenses in the United States by using US dollars converted from its Canadian bank account. The Company does not enter into any foreign exchange hedging contracts. Notwithstanding, the Company continuously monitors this exposure to determine if any mitigation strategies become necessary. An effect of a plus or minus 10% change in the exchange rate between the Canadian and US dollars on these instruments would have a minimal change to net loss for the year.

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10. FINANCIAL INSTRUMENTS AND RISK (cont'd...)

Sensitivity analysis

The carrying value of cash, receivables, and accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturities of these financial instruments. The carrying value of the liability component of convertible debenture approximates its fair values as current interest rates have not change significantly.

Based on management's knowledge of and experience in the financial markets, management does not believe that the Company's current financial instruments will be materially affected by credit risk, liquidity risk or market risk.

Fair Value

CICA Handbook Section 3862 "Financial Instruments – disclosures" establishes a fair value hierarchy that prioritizes the inputs used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 – inputs for the asset or liability that are not based on observable market data.

As at June 30, 2010, the Company's financial instruments are comprised of cash, receivables, reclamation bond, accounts payable and accrued liabilities, and convertible debenture. The carrying value of cash, receivables, and accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturities of these financial instruments. The carrying value of the liability component of convertible debenture approximates its fair values as current interest rates have not change significantly.

Financial instruments measured at fair value on the balance sheet are summarized in levels of fair value hierarchy as follows:

Assets	Level 1	Level 2	Level 3	Total
Cash	\$ 515,038	\$ -	\$ -	\$ 515,038
Total	\$ 515,038	\$ -	\$ -	\$ 515,038

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11. SEGMENTED INFORMATION

The Company conducts all of its operations in North America in one business segment, being the exploration and development of mineral properties. Geographic information is as follows:

	June 30, 2010	December 31, 2009
Mineral properties and deferred exploration costs in		
- Canada	\$ 1,674,331	\$ 950,409
- United States	<u>1,230,188</u>	<u>1,105,897</u>
	<u>\$ 2,904,519</u>	<u>\$ 2,056,306</u>

12. SUBSEQUENT EVENTS

Subsequent to June 30, 2010:

- (a) The Company signed a letter agreement to lease a 100% interest in certain mining leases located in Lyon County, Nevada. The Company paid US\$5,000 and is required to pay a further US\$5,000 upon TSX approval of the agreement. A formal agreement will be completed and executed within 30 days of the TSX approval. To earn its interest, the Company is required to pay minimum annual lease payments ranging from US\$40,000 to US\$100,000 and incur work expenditures of US\$525,000 over six years. The lessor retains a 3% NSR on the property, two third of which may be purchased by the Company for US\$5,000,000 at any time prior to completion of the first year of commercial production. The transaction is subject to approval by the TSX Venture Exchange.
- (b) The Company entered into an agreement with a company with common directors effective August 1, 2010 for corporate advisory services for one year term. The Company will pay a monthly fee of \$10,000 plus HST and reimburse all reasonable expenses incurred during the performance of the services.
- (c) Effective July 31, 2010, the consulting agreement with the CFO of the Company was terminated. The terms and conditions regarding the termination included a termination payment of \$100,800 to be paid to the former CFO. Of the \$100,800 cash settlement, \$37,500 was provided for the former CFO to exercise his stock options. The 250,000 stock options were exercised by the former CFO on August 16, 2010.
- (d) Effective August 16, 2010, Hog Ranch Nevada Inc., a wholly-owned U.S. subsidiary of the Company, changed its name to Washoe Gold Inc.