

## **FORM 51-102F1**

**ICN RESOURCES LTD.** (formerly Icon Industries Limited)

### **MANAGEMENT DISCUSSION & ANALYSIS – June 30, 2010**

The following management discussion and analysis (“MD&A”) provides information on the activities of ICN Resources Ltd. (formerly Icon Industries Limited) (the “Company”) and should be read in conjunction with the unaudited consolidated financial statements and related notes of the Company for the six month period ended June 30, 2010, and the audited consolidated financial statements and related notes of the Company for the year ended December 31, 2009. The consolidated financial statements have been prepared in Canadian dollars and in accordance with Canadian generally accepted accounting principles. Readers are cautioned that management’s discussion and analysis contains forward-looking statements and that actual events may vary from management’s expectations. The information of this MD&A has been prepared effective August 27, 2010 (the “Report Date”).

#### **Forward Looking Statements**

This MD&A contains certain forward-looking information and statements. These forward-looking statements are based on current expectations and various estimates, factors and assumptions as at the date of this MD&A. The words “expects”, “plans”, “anticipates”, “believes”, “intends”, “estimates”, “projects”, “potential”, “interprets”, “may”, “will” and similar expressions identify forward-looking statements. Information concerning the interpretation of drill results may also be considered a forward-looking statement; as such information constitutes a prediction of what mineralization might be found to be present if and when a project is actually developed. The forward-looking statements reflect the current beliefs of the management of the Company, and are based on currently available information. Readers are cautioned not to place undue reliance on these statements as they are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Company to differ materially from those expressed in, or implied by, such forward-looking statements. The Company assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason.

#### **Overview**

ICN Resources Ltd. (formerly Icon Industries Limited) is incorporated under the laws of British Columbia and currently trades on Tier 2 of the TSX Venture Exchange (the “TSXV”). During the year ended December 31, 2009, the Company changed its name from Icon Industries Limited to ICN Resources Ltd.

During the six month period ended June 30, 2010, the Company spent \$168,213 on mineral property acquisition and exploration. Net losses for the six month period ended June 30, 2010 were \$338,836.

#### *Management changes*

The Company is continuing with its transition to a new management team. Mr. Carl Hering was appointed as President and Chief Executive Officer of the Company in December 2009. Barry Coughlan and Dave Rhys resigned as a director in February 2010. Tasso Baras was appointed as Vice President of Business Development. Subsequent to the quarter ended June 30, 2010, effective July 31, 2010 Tom Wilson has resigned his position as Chief Financial Officer and Gordon Fretwell has resigned his position as Corporate Secretary. The Company announced the appointments of Denise Lok as Chief Financial Officer and Corporate Secretary and Nancy J. Wolverson as Vice President of Exploration and Acquisitions, effective August 3, 2010.

Effective August 26, 2010, the Company created a strategic Advisory Board, to include George Brack and Raymond Threlkeld.

#### **Exploration Update**

The Company's principal business activity is the exploration and development of mineral properties. The Company currently has exploration properties in Manitoba and Quebec, Canada and Nevada, U.S.A., as further described herein.

### ***Hog Ranch and Estill Property, Nevada, U.S.A.***

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.

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.

The Hog Ranch property comprises 466 unpatented lode mining claims that cover approximately 9,628 acres (3,896 hectares), which contain the past-producing Hog Ranch minesite, and a mining lease with Estill Ranches LLC (“Estill”) on approximately 592 acres (239.6 hectares) of privately owned fee land.. The Hog Ranch Property is a large gold-bearing hydrothermal system which is the westernmost of a series of gold deposits in the northern Nevada epithermal district, which includes bonanza grade gold deposits such as the Sleeper, Midas and Hollister deposits. The deposits are likely related to the northern Nevada Rift system, a series of faults associated with 14 to 17 million year old Miocene age volcanism that are associated with the Yellowstone hotspot. In the 1980’s and early 1990’s, Western Mining Corporation extracted approximately 200,000 ounces of gold from a low grade, open pit heap leach operation from the property. This production and exploration targets are in low grade, near surface epithermal style mineralization. Only limited testing to depth beneath the known mineralisation has occurred in the system. Some historical drill holes encountered 1.5 meter intervals with >10 g/t Au beneath the current pit bottoms. Although the drilling was all completed before National Instrument 43-101 regulations, the results will have to be confirmed in future drill programs.

The Company completed a Phase I drill program in December 2009. The most significant results from the Phase I program come from hole HR09-11, drilled beneath the historic 139 pit. This hole intercepted 1.5 m of 7.4 g/t Au (8.0 g/t metallic screen check assay) and 2.1 m of 9.3 g/t Au (9.4 g/t metallic screen check assay). This drill hole, located to the northeast of the historic Geib pit, is in an area of other historical drill holes which also encountered similar gold grades. No drilling was completed by the Company in three other areas of gold mineralisation, Airport, Cameco and White Mountain, delineated by previous workers, but which were not previously mined. Additionally, the Company did not drill in the area of Bell Springs pit, at the south end of the property. The complete drill results were announced in the Company’s news release on March 9, 2010. The Company plans to complete work towards a 43-101 technical report at Hog Ranch during fall 2010 and spring 2011. The Company will make every attempt to acquire additional historical drill hole data that is not currently in the database, otherwise re-drilling of certain areas would be necessary. The Company was recently successful in acquiring data on another 70 drill holes, along with additional historical geophysical information, and will continue these efforts as a means to most efficiently advance the project.

### ***JJ Property, Nevada, USA***

The Company signed a letter agreement dated May 19, 2010 to acquire a 100% interest in 20 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.

The JJ property is located approximately 20 miles from the historic high grade Sleeper deposit, mined by AMAX Gold from 1986 to 1996, producing 1.66 million ounces of gold and 2.3 million ounces of silver. The JJ property is a high level, epithermal Au-Ag system, hosted by Tertiary volcanic rocks. AMAX Gold explored the property from 1988 to 1989 and reported the following in annual summary reports: completion of 15 reverse circulation holes in two phases of drilling surface rock chip sampling and geophysical survey interpretations. AMAX reported up to 1.05 g/t Au, up to 400 ppm As, 175 ppm Sb, and 12.3 g/t Ag in surface rock chip sampling.

The AMAX drilling did not adequately test the 1.05 g/t surface gold value referred to above. The closest drill hole, GT-06, intercepted 29 meters of 0.48 g/t Au from the surface. This vertical hole terminated at 132.6 meters depth in mineralized rock, with the last 4.6 meters grading 0.37 g/t Au. The highest grade individual 1.5 meter sample in this interval grades 1.02 g/t Au. With the exception of the first hole drilled by AMAX, all drill holes were vertical, and no further drilling has been completed on the property since 1989. All assay data reported herein is historic in nature, completed prior to National Instrument 43-101 regulation standards, and reported in summary form by AMAX. Quality control procedures are unknown, and not all assay certificates are available. This data should not be relied upon and future surface sampling and drilling will be designed to confirm these historical data.

The Company plans to compile and reinterpret the historic data, complete additional geological mapping and geophysical surveys and attempt to acquire additional data in preparation for future drill testing or to facilitate a joint venture with a third party.

#### ***Beresford Lake Property***

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% net smelter royalty ("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.

The Company completed a number of exploration programs between 2004 and 2006. No high grade mineralization was intersected, but widespread low grade gold mineralization was encountered. The Company owns 100% of the property and, although there are no current drilling plans, it is in the process of determining how best to move forward with this project.

The Company is not planning to perform any exploration on the property, but has maintained the property in good standing, with the view to a potential joint venture in the future.

#### ***Exploration Outlook***

The Company plans to continue to advance its key project, the Hog Ranch property, and other newly acquired mineral interests. On other strategic fronts, the Company is completing evaluation of numerous other opportunities, at both early exploration stages and more advanced resource stages in order to expand its project portfolio. Subsequent to the quarter ended June 30, 2010, the Company has announced the following mineral property transactions:

#### ***Rockland-Pine Grove Property***

The Company signed a letter agreement to acquire a 100% interest in 111 unpatented lode mining claims 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, one 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.

The property is located approximately 35 kilometres south-southeast of Yerington, Nevada in the Walker Lane mineral belt and has geological and geochemical characteristics of epithermal gold deposits, including both high grade veins as well as larger, bulk tonnage mineralization. An inactive underground mine, the Rockland Mine, reportedly produced 50,000 tons of gold ore grading approximately 0.5 opt Au (17.1 g/t) from veins related to a Tertiary rhyolite flow-dome complex. Other hydrothermally altered rhyolite domes occur in the district, many of which contain silicification and brecciation, accompanied by stockwork and banded chalcedonic quartz veins. These characteristics suggest comparison to epithermal vein systems at the nearby Aurora and Bodie districts in Nevada and California respectively, each with over 1 million ounces of historic Au production from veins grading up to 1 opt Au.

#### Dunes Property

The Company has staked 136 unpatented mining claims in Nevada, located immediately to the west of the Sandman Project, a Joint Venture between Newmont and Fronteer Gold. Dunes was staked to include the area to the west of the North Hills and Silica Ridge deposits at Sandman, currently being drilled by Newmont, as part of their earn-in agreement with Fronteer Gold. Numerous high grade drill intercepts from Newmont's work have recently been released by Fronteer Gold.

The technical content of the above property updates was reviewed by Nancy J. Wolverson; CPG and a qualified person as defined by National Instrument 43-101.

### **Results of Operations**

#### Three month period ended June 30, 2010

For the three months ended June 30, 2010, the Company incurred a net loss of \$174,506 compared to a net loss of \$117,951 incurred in the three months ended June 30, 2009. The increase in net loss of \$56,555 is primarily the result of an increase in general operating costs by \$133,844 to \$252,389 (2009 - \$118,545), mitigated by an increase in income from other items by \$77,289 to \$77,883 (2009 - \$594).

General operating costs excluding stock-based compensation expenses for the three months ended June 30, 2010 were \$184,589, an increase of \$109,611 from \$74,978 in the 2009 period. The variance was mainly attributable to:

- Accretion and accrued interest on convertible debenture of \$22,466 (2009 - \$nil) relates to the convertible debenture issued during the current period in connection with the Hog Ranch property acquisition.
- Investor relations of \$15,000 (2009 - \$nil) has increased over the comparative period as the Company engaged an investor relations firm starting from January 1, 2010 to increase the Company's exposure to institutional and retail investors and to provide corporate communication services.
- Legal fees of \$15,669 (2009 - \$5,409) has increased over the comparative period due to increased corporate and mineral property acquisition activities.
- Property investigation of \$54,234 (2009 - \$3,133) has increased over the 2009 period as result of increased activities investigating properties for future mineral exploration projects.

Stock-based compensation expenses of \$67,800 (2009 - \$43,567), a non-cash charge, are the estimated fair value of the vesting portion of stock options granted in fiscal 2010 and 2009. The Company used the Black-Scholes option pricing model for the fair value calculation.

The increase in income from other items in the current period is mainly the result of the Quebec mining exploration tax credit refund of \$89,512 (2009 - \$nil) received from Quebec government for exploration expenditures spent on the Company's Otish property in Quebec in 2008.

#### Six month period ended June 30, 2010

For the six months ended June 30, 2010, the Company incurred a net loss of \$338,836 compared to a net loss of \$193,967 incurred in the six months ended June 30, 2009. The increase in net loss of \$144,869 is primarily the result of an increase in general operating costs by \$197,079 to \$415,489 (2009 - \$218,410), mitigated by an increase in income from other items by \$52,210 to \$76,653 (2009 - \$24,443).

General operating costs excluding stock-based compensation expenses for the six months ended June 30, 2010 were \$255,758, an increase of \$109,457 from \$146,301 in the 2009 period. The variance was mainly attributable to:

- Accretion and accrued interest on convertible debenture of \$22,466 (2009 - \$nil) relates to the convertible debenture issued during the current period in connection with the Hog Ranch property acquisition.
- Investor relations of \$30,000 (2009 - \$nil) has increased over the comparative period as the Company engaged an investor relations firm starting from January 1, 2010 to increase the Company's exposure to institutional and retail investors and to provide corporate communication services.
- Legal fees of \$16,106 (2009 - \$5,409) has increased over the comparative period due to increased corporate and mineral property acquisition activities.
- Management fees of \$8,381 (2009 - \$30,000) has decreased over the comparative period due to the termination of the contract of the former President in December 2009.
- Property investigation of \$64,820 (2009 - \$3,133) has increased over the 2009 period as result of increased activities investigating properties for future mineral exploration projects.

Stock-based compensation expenses of \$159,731 (2009 - \$72,109), a non-cash charge, are the estimated fair value of the vesting portion of stock options granted in fiscal 2010 and 2009. The Company used the Black-Scholes option pricing model for the fair value calculation.

The increase in income from other items in the current period is mainly the result of the Quebec mining exploration tax credit refund of \$89,512 (2009 - \$nil) received from Quebec government for exploration expenditures spent on the Company's Otish property in Quebec in 2008.

### Summary of Quarterly Results

Results for the eight most recent quarters ending with the last quarter for the three months ending on June 30, 2010 are:

	For the Three Months Ending							
	Fiscal 2010		Fiscal 2009				Fiscal 2008	
	Jun. 30	Mar. 31	Dec. 31	Sept. 30	June. 30	Mar. 31	Dec. 31	Sept. 30
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
<b>Income Statement Data<sup>(1)</sup></b>								
Total revenue	-	-	-	-	-	-	-	-
Net loss	(174,506)	(164,330)	(463,820)	(163,011)	(117,951)	(76,016)	(2,590,064)	(144,990)
<b>Loss per common share outstanding – basic<sup>(1)</sup></b>								
Loss per share	(0.01)	(0.00)	(0.02)	(0.01)	(0.01)	(0.00)	(0.12)	(0.01)
<b>Loss per common share outstanding – diluted<sup>(1)</sup></b>								
Loss per share	(0.01)	(0.00)	(0.02)	(0.01)	(0.01)	(0.00)	(0.12)	(0.01)

<sup>(1)</sup> The financial data presented above is derived from the Company's financial statements, which are prepared in accordance with accounting principles generally accepted in Canada and in Canadian dollars.

### Factors That Affect the Comparability of the Quarterly Financial Data Disclosed Above

Due to the nature of the business, the cash balance generating interest income is subject to fluctuations from quarter to quarter. Also, the timing of equity financing and ensuing exploration and operating expenses are other factors affecting the level of expenditures from quarter to quarter.

## Liquidity and Capital Resources

As at June 30, 2010, the Company had a cash balance of \$515,038 compared to \$994,253 as at December 31, 2009. The Company had working capital as at June 30, 2010 of \$148,611 compared to working capital of \$789,949 as at December 31, 2009.

### Current quarter

During the second quarter, the cash balance decreased by \$227,518. Cash used in operating activities was \$133,599 (2009 - \$6,279 cash provided). The Company incurred \$93,919 (2009 - \$561,938) for mineral property exploration and acquisition activities. No cash was generated from financing activities during the quarter ended June 30, 2010 and 2009.

### Going Concern

At present, the Company's operations do not generate cash flow and its financial success is dependent on management's ability to discover economically viable mineral deposits. The mineral exploration process can take many years and is subject to factors that are beyond the Company's control. 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 the future or that such financing will be on terms advantageous to the Company. Management believes it will be able to raise equity capital as required in the long term, but recognizes there will be risks involved that may be beyond their control.

## Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

## 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.

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. 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 former CFO.

### **Critical Accounting Estimates**

The preparation of consolidated 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 consolidated financial statements and the reported amount of revenues and expenses during the year. Significant areas requiring the use of management estimates include the determination of impairment of mineral properties and equipment; amounts of reclamation and environmental obligations; amortization rates for equipment; effective interest rate for calculation of the discount of the convertible debenture; valuation allowance for future income tax assets; and determination of the assumptions used in calculating fair value of stock-based compensation. While management believes the estimations are reasonable, actual results could differ from these estimates and could impact future results of operations and cash flows.

### **Summary of Outstanding Share Data**

The Company's issued and outstanding share capital as at the date of this report is as follows:

- (1) Authorized: Unlimited common shares without par value.
- (2) As at August 27, 2010, the Company has 30,696,024 common shares, 3,200,000 options, and 3,572,250 warrants issued and outstanding.

### **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. The detail of the Company's IFRS project is summarized under **Changeover Plan to International Financial Reporting Standards**.

#### *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.

## **Financial Instruments**

The Company's financial instruments consist of cash, receivables, reclamation bond, accounts payable and accrued liabilities, and convertible debenture. 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.

### *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

## Risks and Uncertainties

### *Operating Hazards and Risks*

Mineral exploration involves many risks. The operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, any of which could result in work stoppages and damage to persons or property or the environment and possible legal liability for any and all damage. Fires, power outages, labour disruptions, flooding, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are some of the risks involved in the conduct of exploration programs.

### *Environmental Factors*

The Company currently conducts exploration activities in both Canada and the U.S. Such activities are subject to various laws, rules and regulations governing the protection of the environment.

All phases of the Company’s operations are subject to environmental regulation in the jurisdictions in which it operates. Environmental legislation is evolving in a manner which requires stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed properties and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company’s operations. The cost of compliance with changes in governmental regulations has the potential to preclude entirely the economic development of a property.

The Company is able to conduct its exploration within the provisions of the applicable environmental legislation without undue constraint on its ability to carry on efficient operations. The estimated annual cost of environmental compliance for all properties held by the Company in the exploration stage is minimal and pertains primarily to carrying out diamond drilling, trenching or stripping. Environmental hazards may exist on the Companies properties, which hazards are unknown to the Company at present, which have been caused by previous or existing owners or operators of the properties.

### *Governmental Regulation*

Exploration activities on the Company’s properties are affected to varying degrees by: (i) government regulations relating to such matters as environmental protection, health, safety and labour; (ii) mining law reform; (iii) restrictions on production, price controls, and tax increases; (iv) maintenance of claims; (v) tenure; and (vi) expropriation of property. There is no assurance that future changes in such regulation, if any, will not adversely affect the Company’s operations. Changes in such regulation could result in additional expenses and capital expenditures, availability of capital, competition, reserve uncertainty, potential conflicts of interest, title risks, dilution, and restrictions and delays in operations, the extent of which cannot be predicted.

The Company is at the exploration stage on all of its properties. Exploration on the Company's properties requires responsible best exploration practices to comply with company policy, government regulations, maintenance of claims and tenure.

If any of the Company's projects are advanced to the development stage, those operations will also be subject to various laws and regulations concerning development, production, taxes, labour standards, environmental protection, mine safety and other matters.

### **Changeover Plan to International Financial Reporting Standards ("IFRS")**

In February 2008, the AcSB confirmed that publicly accountable enterprises are required to adopt IFRS for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. Following this timeline, the Company will issue its first set of consolidated financial statements prepared under IFRS for the interim periods ending March 31, 2011 and for the fiscal period ending December 31, 2011. The standard also requires that the comparative figures for 2010 be based on IFRS.

During 2010, the Company's accounting consultant leads the IFRS project reporting to the President and the Audit Committee. The consultant evaluates the key aspects of IFRS affecting the Company and attends seminars on the adoption and implementation of IFRS. The Board of Directors and the Audit Committee receive quarterly updates on the status of the project.

The Company's IFRS project consists of three phases – scoping and planning, evaluation and design, and implementation and review. The Company has completed the scoping and planning stage which included putting together an initial project plan, education, and identification of a number of differences between Canadian GAAP and IFRS that relate to the Company. The Company is now in the evaluation and design stage.

In phase one the Company had identified some areas where there is the most potential for a significant impact to the Company's consolidated financial statements. These areas do not represent a complete list of expected changes and may be subject to change as the Company progresses through the second phase. The areas which could have a material impact are as follows.

- *First-time Adoption of International Financial Reporting Standards ("IFRS 1")*

The adoption of IFRS requires the application of IFRS 1 which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment. The Company has not yet made any final decisions on policies or elections on IFRS 1 and therefore continued this process into the third quarter of 2010.

- *Share-Based Payment ("IFRS 2")*

IFRS and Canadian GAAP largely converge on the accounting treatment for share based transaction with only a few differences. For stock options that vest in installments, IFRS 2 requires the Company to determine the fair value of each installment as a separate share option grant while Canadian GAAP treats the entire grant of stock options as a pool and recognize expense on a straight line basis. Starting the fourth quarter of 2009, the Company moved from a straight line basis to a graded basis vesting for the recognition of stock-based compensation expense. A greater portion of expense is recorded in the initial vesting periods compared to distributing the expense equally over all vesting period. In addition, under IFRS the Company must make an estimate of stock options that are forfeited before they vest whereas under Canadian GAAP the Company records forfeitures as they occur. The change in this accounting policy is not expected to have a material impact on the Company's consolidated financial statements.

- *Exploration for and evaluation of mineral resources ("IFRS 6")*

Under the Company's current accounting policy, acquisition and exploration costs of mineral properties are capitalized as incurred. IFRS 6 permits mining companies to retain their existing policies with respect to the capitalization of exploration and evaluation costs until guidance that is more definitively developed in this area. Such guidance is not expected to be issued until after the Company's changeover to IFRS. The Company will retain its existing policies with respect to mining interests and exploration costs.

- *Foreign Currency ("IAS 21")*

IFRS requires that the functional currency of each entity in the consolidated group be determined separately in accordance with IAS 21 and the entity's financial results and position should be measured using the currency of the primary economic environment in which the entity operates. Currently the functional currency of the consolidated entity is the Canadian dollar which is also the presentation currency of the Company's consolidated financial statements. The management will assess the

appropriate functional currency based on existing circumstances which may have a significant impact on the Company's consolidated financial statements.

• *Income Taxes* ("IAS 12")

Fundamentals of accounting for income taxes are the same under IFRS as they are under Canadian GAAP. In certain circumstances, IFRS contains different requirements related to recognition and measurement of future (deferred) income taxes. The International Accounting Standards Board ("IASB") is currently reviewing IAS based on various meetings and comments received and will consider whether to propose limited amendments. The Company does not expect any changes to its accounting policies related to income taxes that would have a material impact on its consolidated financial statements.

Upon completion of the second phase, the Company will move into the implementation phase, in which it will update its significant accounting policies, adjust its accounting systems, and design tools and processes for the preparation of IFRS information, including comparative and opening balance sheet information. In addition, the Company will evaluate its internal and disclosure control processes as a result of its conversion to IFRS. The Company will also design model IFRS financial statements including all note disclosures and disclosures required for the MD&A.

In the period leading up to the changeover in 2011, IASB will also continue to issue new accounting standards during the conversion period. As a result, the final impact of IFRS on the Company's consolidated financial statements can only be measured once all the IFRS accounting standards at the conversion date are known. Management will continue to review new standards, as well as the impact of the new accounting standards, between now and the conversion date to ensure all relevant changes are addressed.

## **Corporate Governance**

Management of the Company is responsible for the preparation and presentation of the consolidated financial statements and notes thereto, MD&A and other information contained in this annual report. Additionally, it is Management's responsibility to ensure the Company complies with the laws and regulations applicable to its activities.

The Company's management is held accountable to the Board of Directors ("Directors"). The Directors are responsible for reviewing and approving the annual audited consolidated financial statements and MD&A. Responsibility for the review and approval of the Company's quarterly unaudited interim financial statements and MD&A is delegated by the Directors to the Audit Committee, which is comprised of three directors, two of whom are independent of management. Additionally, the Audit Committee pre-approves audit and non-audit services provided by the Company's auditors.

The auditors are appointed annually by the shareholders to conduct an audit of the financial statements in accordance with generally accepted auditing standards. The external auditors have complete access to the Audit Committee to discuss the audit, financial reporting and related matters resulting from the annual audit as well as assist the members of the Audit Committee in discharging their corporate governance responsibilities.

## **Other**

### 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.

**Additional Information**

Additional information concerning the Company and its operations is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company web site at [www.icnresources.com](http://www.icnresources.com).

**Board Approval**

The Board of Directors of ICN Resources Ltd. has approved the contents of this management discussion and analysis. A copy of this MD&A will be provided to anyone who requests it.