

ICON INDUSTRIES LIMITED

FINANCIAL STATEMENTS
(Unaudited)

SEPTEMBER 30, 2009

ICON INDUSTRIES LIMITED

(the “Company”)

Financial Statements

Nine Months Ended September 30, 2009

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 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 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 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.

“T. Barry Coughlan”

President and Chief Executive Officer

“T. R. Wilson”

Chief Financial Officer

November 12, 2009

ICON INDUSTRIES LIMITED
BALANCE SHEETS
(Unaudited – Prepared by Management)

	As at September 30, 2009	As at December 31, 2008
ASSETS		
Current		
Cash	\$ 459,068	\$ 1,352,400
Prepaid expenses	416	-
Receivables	<u>8,842</u>	<u>82,483</u>
	468,326	1,434,883
Mineral property investment (Note 4)	1,532,674	754,257
Equipment (Note 3)	<u>8,077</u>	<u>8,308</u>
	<u>\$ 2,009,077</u>	<u>\$ 2,197,448</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities	<u>\$ 39,558</u>	<u>\$ 118,227</u>
Shareholders' equity		
Share capital (Note 5)	15,606,792	15,506,792
Share subscriptions receivable (Note 5)	-	(7,500)
Contributed surplus (Note 5)	783,366	643,590
Deficit	<u>(14,420,639)</u>	<u>(14,063,661)</u>
	<u>1,969,519</u>	<u>2,079,221</u>
	<u>\$ 2,009,077</u>	<u>\$ 2,197,448</u>

Nature of operations and going concern (Note 1)
Subsequent events (Notes 10)

On behalf of the Board:

“T. Barry Coughlan” Director “Herrick Lau” Director

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

ICON INDUSTRIES LIMITED
STATEMENTS OF OPERATIONS AND DEFICIT
(Unaudited – Prepared by Management)

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
EXPENSES				
Accounting, audit and consulting fees	\$ 12,062	\$ 25,964	\$ 59,520	\$ 96,756
Advertising and promotion	623	(1,985)	2,988	449
Amortization	477	591	1,431	1,665
Investor relations	17,649	15,000	17,649	48,384
Legal	9,548	-	14,957	1,553
Management fees	15,000	15,000	45,000	45,000
Office and miscellaneous	11,629	40,890	39,614	57,031
Property investigation	17,306	-	20,439	-
Rent	5,376	9,538	13,291	9,538
Stock-based compensation	67,667	50,371	139,776	169,168
Transfer agent and regulatory fees	2,331	2,615	15,981	14,710
Travel and accommodation	3,528	6,182	10,960	15,012
	(163,196)	(164,166)	(381,606)	(459,266)
OTHER ITEM				
Interest income	185	19,176	2,058	59,952
Recovery of costs	-	-	22,570	-
Loss for the period	(163,011)	(144,990)	(356,978)	(399,314)
Deficit, beginning of period	<u>(14,257,628)</u>	<u>(11,328,607)</u>	<u>(14,063,661)</u>	<u>(11,074,283)</u>
Deficit, end of period	<u>\$(14,420,639)</u>	<u>\$(11,473,597)</u>	<u>\$(14,420,639)</u>	<u>\$(11,473,597)</u>
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.02)
Weighted average number of common shares outstanding	21,319,024	20,319,024	20,883,127	20,094,024

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

ICON INDUSTRIES LIMITED
STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	\$ (163,011)	\$ (144,990)	\$ (356,978)	\$ (399,314)
Items not affecting cash:				
Amortization	477	591	1,431	1,665
Stock-based compensation	67,667	50,371	139,776	169,168
Changes in non-cash working capital items:				
Decrease (Increase) in receivables	(5,593)	(58,230)	73,641	8,221
Increase prepaid expenses	(416)	-	(416)	-
Increase (decrease) in accounts payable and accrued liabilities	<u>(28,077)</u>	<u>54,886</u>	<u>(99,610)</u>	<u>(37,410)</u>
Net cash used in operating activities	<u>(128,953)</u>	<u>(97,372)</u>	<u>(242,156)</u>	<u>(257,670)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Exploration advance	-	-	-	(250,000)
Acquisition of equipment	-	(886)	(1,200)	(886)
Mineral property investment	<u>(78,948)</u>	<u>(862,195)</u>	<u>(657,476)</u>	<u>(1,173,386)</u>
Net cash used in investing activities	<u>(78,948)</u>	<u>(863,081)</u>	<u>(658,676)</u>	<u>(1,424,272)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Share subscriptions received	<u>7,500</u>	<u>-</u>	<u>7,500</u>	<u>107,750</u>
Net cash provided by financing activities	<u>7,500</u>	<u>-</u>	<u>7,500</u>	<u>107,750</u>
Change in cash during the period	(200,401)	(960,453)	(893,332)	(1,574,192)
Cash position, beginning of the period	<u>659,469</u>	<u>2,305,388</u>	<u>1,352,400</u>	<u>2,919,127</u>
Cash position, end of the period	\$ 459,068	\$ 1,344,935	\$ 459,068	\$ 1,344,935

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
(Unaudited – Prepared by Management)
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1. NATURE OF OPERATIONS AND GOING CONCERN

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.

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 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 \$14,420,639 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 the future or that such financing will be on terms advantageous to the Company.

These 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.

	As at September 30, 2009	As at December 31, 2008
Deficit	\$(14,420,639)	\$(14,063,661)
Working capital	428,768	1,316,656

2. SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles. Certain information and disclosure normally required to be included in notes to annual financial statements have been condensed or omitted. The interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2008 together with the notes thereto. The interim 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, 2008 except as disclosed in below.

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

New accounting policies adopted

EIC 173: credit risk and the fair value of financial assets and financial liabilities

On January 20, 2009, the CICA issued EIC abstract 173 which establishes that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of this standard did not have a significant impact on the Company's financial statements.

EIC 174: mining exploration costs

On March 27, 2009, the CICA issued EIC abstract 174 to provide additional guidance for mining exploration enterprises on when an impairment test is required. This abstract was applied during the current year. The adoption of this standard did not have a significant impact on the Company's financial statements.

Other new standards were issued, but are not expected to have a material impact on the Company's financial requirements.

Recent Accounting Pronouncements

Goodwill and intangible assets

The Canadian Accounting Standards Board ("AcSB") issued CICA Handbook Section 3064 which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. The section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008.

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 assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

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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.

Financial instruments - disclosures

In June 2009, the CICA amended Section 3862, Financial Instruments – Disclosures that includes additional disclosure requirements about fair value measurements for financial instruments and liquidity risk disclosures. These amendments entail a three-level hierarchy that takes into account the significance of the inputs used in making the fair value measurements. The amendments to Section 3862 apply for annual financial statements relating to fiscal years ending after September 30, 2009. The Company has not yet adopted the disclosure requirements of this standard and does not expect them to have a significant impact on the Company’s financial statements.

Comparative figures

Certain comparative figures have been reclassified to conform to the current year’s presentation.

3. EQUIPMENT

	September 30, 2009			December 31, 2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Equipment and machinery	\$ 9,180	\$ 3,562	\$ 5,618	\$ 9,180	\$ 2,570	\$ 6,610
Office furniture and equipment	3,746	2,262	1,484	2,546	2,106	440
Computer equipment	<u>8,628</u>	<u>7,653</u>	<u>975</u>	<u>8,628</u>	<u>7,370</u>	<u>1,258</u>
	<u>\$ 21,554</u>	<u>\$ 13,477</u>	<u>\$ 8,077</u>	<u>\$ 20,354</u>	<u>\$ 12,046</u>	<u>\$ 8,308</u>

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4. MINERAL PROPERTY INVESTMENT

September 30, 2009	Hog Ranch Property	Beresford Lake Property	Total
Acquisition costs	\$ 656,250	\$ -	\$ 656,250
Deferred exploration expenditures			
Consulting – geological	73,321	-	73,321
Equipment rental	3,710	-	3,710
Field expenses	15,733	-	15,733
Project administration	28,903	-	28,903
Samples and assay	<u>500</u>	<u>-</u>	<u>500</u>
	<u>122,167</u>	<u>-</u>	<u>122,167</u>
Net costs for the period	778,417	-	778,417
Balance, beginning of the period	<u>-</u>	<u>754,257</u>	<u>754,257</u>
Balance, end of the period	<u>\$ 778,417</u>	<u>\$ 754,257</u>	<u>\$ 1,532,674</u>

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

December 31, 2008	Otish Mountain Property	Beresford Lake Property	Total
Acquisition costs			
Cash payments	\$ 75,000	\$ -	\$ 75,000
Common share issuances	<u>195,000</u>	<u>-</u>	<u>195,000</u>
	<u>270,000</u>	<u>-</u>	<u>270,000</u>
Deferred exploration expenditures			
Consulting – geological	53,035	-	53,035
Contracted labour	65,429	-	65,429
Maps, photos, reproductions, and reports	342	-	342
Project administration	7,446	-	7,446
Claim fees, assessments & permits	12,507	215	12,722
Samples and assay	13,058	-	13,058
Travel & accommodation	23,543	-	23,543
Equipment & supplies	32,973	-	32,973
Drilling	773,217	-	773,217
Freight	<u>256,724</u>	<u>-</u>	<u>256,724</u>
	<u>1,238,274</u>	<u>215</u>	<u>1,238,489</u>
Net costs for the year	1,508,274	215	1,508,489
Balance, beginning of the year	1,023,419	754,042	1,777,461
Write off of property	<u>(2,531,693)</u>	<u>-</u>	<u>(2,531,693)</u>
Balance, end of the year	\$ -	\$ 754,257	\$ 754,257

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.

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

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 assigned 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 in cash payments, issuing 1,000,000 common shares, and completing \$1,000,000 of expenditures on the property over 3 years as follows:

- Pay \$75,000 (paid), issue 300,000 shares on March 30, 2007 (issued with a value of \$273,000);
- Pay \$75,000 (paid), issue 350,000 shares (issued with a value of \$140,000), and incur exploration expenditures of \$300,000 by March 30, 2008 (incurred);
- Pay \$100,000, issue 350,000 shares, and incur \$350,000 by March 30, 2009;
- Incur exploration expenditures 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 Eoro 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 \$1,000,000 of expenditures on the property over a 3-year period. The terms are as follows:

- Issue 50,000 shares upon signing (April 23, 2007) (issued with a value of \$60,000);
- Issue 100,000 shares (issued with a value of \$55,000), and incur \$150,000 of expenditures by the 1st year anniversary (incurred);
- Issue 150,000 shares, and incur \$300,000 of expenditures by the 2nd year anniversary;
- Incur \$550,000 of expenditures by the 3rd 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.

At December 31, 2008, the Company decided not to proceed with the options on the Otish Mountain Property and wrote off the carrying value of \$2,531,693 in acquisition and exploration costs incurred on the property.

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4. 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.

Hog Ranch Property, Nevada

On April 28, 2009, the Company entered into a formal option agreement with Seabridge Gold Inc. ("Seabridge"), whereby in consideration of \$500,000 (paid) and 1,000,000 common shares of the Company (issued), Seabridge grant the Company an option to purchase its 100% interest in certain unpatented lode mining claims and land, collectively the Hog Ranch and Estill Property in Washoe County, Nevada. To exercise the option, the Company shall pay Seabridge \$525,000 and 1,000,000 common shares of the Company on or before April 17, 2010. The Company will pay a finder's fee of \$95,000 (\$56,250 paid and the remainder payable upon exercise of the option).

This property is subject to a 3% NSR due to a third party, Platoro West Inc. on production from the unpatented lode claims when gold is under \$300 (US) per ounce, rising to 5% above \$500 per ounce, 40% of which can be purchased by the Company at any time for \$2 million.

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, 2007	19,869,024	\$ 15,415,594	\$ 411,452
Mineral property acquisition	450,000	195,000	-
Tax benefits renounced to flow-through share subscribers	-	(103,802)	-
Stock-based compensation	-	-	232,138
Balance, December 31, 2008	20,319,024	15,506,792	643,590
Mineral property acquisition	1,000,000	100,000	-
Stock-based compensation	-	-	139,776
Balance, September 30, 2009	21,319,024	\$ 15,606,792	\$ 783,366

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

Share subscriptions receivable

During the year ended December 31, 2008, the Company received share subscription proceeds of \$107,750 outstanding at December 31, 2007. During the nine month period ended September 30, 2009, the Company received share subscription proceeds of \$7,500 outstanding at December 31, 2008.

Share issuances

During the nine month period ended September 30, 2009, the Company issued 1,000,000 common shares pursuant to mineral property agreements on the Hog Ranch property with a total value of \$100,000.

During the year ended December 31, 2008, the Company issued 450,000 common shares pursuant to mineral property agreements on the Otish Mountain property with a total value of \$195,000.

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 policy of the TSX-V Exchange.

Stock option transactions are summarized as follows:

	Number of Options		Weighted Average Exercise Price
Balance, December 31, 2007	2,280,000	\$	0.48
Granted	150,000		0.35
Cancelled/expired	<u>(395,000)</u>		0.37
Balance, December 31, 2008	2,035,000		0.50
Granted	2,280,000		0.19
Cancelled	<u>(1,395,000)</u>		0.63
Balance, September 30, 2009	2,920,000	\$	0.19
Exercisable at September 30, 2009	1,423,750	\$	0.18
Weighted average fair value of options granted during the period			\$0.15 (2008 - \$0.04)

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

Stock options (cont'd...)

At September 30, 2009, the following stock options were outstanding:

Number of Options	Exercise price	Expiry Date
390,000	0.15	February 3, 2011
100,000	0.15	September 25, 2011
150,000	0.35	November 3, 2013
1,080,000	0.15	March 19, 2014
1,200,000	0.22	September 29, 2014

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 nine months ended September 30, 2009 an expense of \$139,776 (2008 - \$169,168) 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:

	2009	2008
Risk-free interest rate	1.64%	2.32%
Expected life of options	3 years	3 years
Annualized volatility	154.05%	126.51 %
Dividend rate	Nil	Nil

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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, 2007	4,362,781	\$	0.71
Expired	<u>(1,759,448)</u>		0.77
Balance, September 30, 2009 and December 31, 2008	2,603,333	\$	0.30
Exercisable at September 30, 2009	2,603,333	\$	0.30

At September 30, 2009, the following warrants were outstanding:

Number of Warrants	Exercise price	Expiry Date
2,603,333	\$ 0.30	April 13, 2010

6. RELATED PARTY TRANSACTIONS

The Company paid or accrued amounts to related parties during the nine month periods ended September 30 as follows:

	2009	2008
Consulting and administrative fees to a company controlled by an officer	\$ 54,873	\$ 33,750
Geological fees to companies controlled by directors of the Company	22,360	9,575
Legal fee expenses to a law firm controlled by an officer of the Company	14,957	-
Management fees to a company controlled by a director	45,000	45,000
Rent and office services to a company with directors in common with the Company	13,291	-

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 September 30, 2009 is \$nil (December 31, 2008 - \$56,453) owing to related parties for services rendered to the Company.

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7. 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 chartered bank, which are high-credit quality financial institutions. The Company's receivables primarily consist of goods and services tax due from Federal Government of Canada.

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 September 30, 2009, the Company had a cash balance of \$459,068 to settle current liabilities of \$39,558. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

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.

(b) Foreign currency rate risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. Management believes the foreign exchange risk derived from currency conversions is insignificant and therefore does not hedge its foreign exchange risk.

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.

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.

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8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

		2009	2008
Cash paid for interest expense during the period	\$	-	\$ -
Cash paid for income taxes during the period	\$	-	\$ -

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

- a) The issuance of 1,000,000 common shares with a total value of \$100,000 toward the acquisition of the Hog Ranch Property.
- b) Included in mineral property costs at September 30, 2009 is \$37,531 incurred through accounts payable and accrued liabilities.

The significant non-cash transactions during the nine month period ended September 30, 2008 included:

- a) The issuance of 450,000 common shares with a total value of \$195,000 toward the acquisition of the Otish Mountain Property.

9. 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.

10. SUBSEQUENT EVENT

The Company announced a proposed private placement of 7,000,000 units at a price of \$0.17 per unit for gross proceeds of \$1,190,000. Each unit is comprised of one common share and one-half of a share purchase warrant; each whole warrant entitles the holder to acquire one additional common share of the Company at a price of \$0.25 for a period of 2 years. The Company will pay a cash finder's fee equal to 6% of the proceeds. The private placement is subject to the approval of the TSX Venture Exchange.