

# FORM 51-102F1

## ICON INDUSTRIES LIMITED

### MANAGEMENT DISCUSSION & ANALYSIS - DECEMBER 31, 2005

*The following management discussion and analysis (“MDA”) provides information on the activities of Icon Industries Limited (“Icon” or the “Company”) and should be read in conjunction with the annual financial statements and notes thereto for the year ended December 31, 2005. The annual 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.*

#### **Description of Business and Report Date**

The Company's principal business activity is the exploration and development of mineral properties. The Company currently has one exploration property in Manitoba referred to as the Beresford Lake Property, which includes the Mirage Claim, as further described herein.

Certain information disclosed in this discussion is derived from the Company’s audited financial statements for the year ended December 31, 2005.

The following MDA is for the year ended December 31, 2005 (“Fiscal 2005”) and includes relevant information up to April 12, 2006 (the “Report Date”).

#### **Overall Performance**

##### BERESFORD LAKE PROPERTY

The Company entered into an option agreement (the “Option”) with Stephen Stares, Michael Stares, and Wayne Reid, (collectively the “Optionors”) pursuant to which the Company can acquire a 100% interest in the Beresford Lake Property (the “Property”) near Bisset, Manitoba. To date, the Company has paid the Optionors \$32,000, issued 100,000 common shares of the Company with a value of \$30,000. In addition, in order to keep the Property in good standing under the terms of the Option, the Company is obligated over a two year period to pay the Optionors an aggregate of \$62,000 and issue in aggregate 100,000 common shares of the Company in equal stages. 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.

The Option also contains a provision that if the Optionors acquired the rights to the Mirage Claim, which is located in close proximity to the Property, the Company would be required to pay \$4,000 and issue an additional 50,000 common shares in order to have that claim included in the Property. During the year ended December 31, 2004, the Company settled a dispute concerning the acquisition of an option on the Mirage Claim by issuing 15,000 common shares valued at \$9,000 to Peter Dunlop and then paid \$4,000 and issued 50,000 common shares valued at \$13,000 to complete the acquisition of the option on the Mirage Claim.

Also during the year ended December 31, 2004 the Company entered into a letter of intent with San Gold Resources Corporation (“San Gold”) to acquire an option (the “MB4942 Option”) on mineral claim #MB4942 (the “Claim”) in NTS Area 52L/14 in Manitoba, paying San Gold \$10,000 and issuing 50,000 common shares with a value of \$16,000. In addition, in order to keep in good standing under the terms of the option and earn a 100% interest in the Claim, the Company was obligated i) to pay a total of \$200,000 and issue a total of 550,000 common shares to San Gold in stages over three years and ii) to spend a total of \$475,000 on exploration of the Claim in stages over four years. The Claim is subject to a 2% NSR in favour of San Gold 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 acquisition of the Claim would allow all of the Company’s claims in the Beresford Lake area to form one contiguous group, as a portion of the Claim is situated between the Company’s Mirage Claim and the remaining claims that make up its Beresford Lake Property. The option is currently being renegotiated.

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

During the year ended December 31, 2005, the Company recorded \$19,789 (2004 - \$29,178) as a recovery of costs in connection with the Manitoba Minerals Exploration Assistance Program, which refunds to the Company a portion of the exploration expenses incurred on the Property.

## Exploration Update

The Company completed a 2005/2006 winter exploration program, consisting of one diamond drill hole totaling 650 meters, in the southeast region of Stormy Lake in the Rice Lake greenstone belt of southeastern Manitoba. The program was supervised by Andrew Tims, P. Geo. No significant Au values were returned. The Company is evaluating an exploration program for other, more promising areas of the Property.

The Company completed a 2004/2005 winter drilling program on the Property in the Rice Lake greenstone belt of southeastern Manitoba. The drilling program comprised the drilling of twelve drill holes totaling 2023 meters in several target areas on the property. The program was supervised by Eckart Buhmann, P. Geo. Drilling and surface exploration were concentrated in four target areas on the property, the Bidou Lake shear zone, the Stormy Lake shear zone, Owens trenches and the Mic prospect, all of which returned anomalous assays, with most drill holes containing at least one assay  $>1$  g/t Au. Results from individual target areas are summarized below.

The Bidou Lake shear zone has now been traced for nearly four kilometers across the southern portions of the property. This structure is a 100-120 m wide network of carbonate-sericite altered shear zones which is hosted in southern parts of the 500-900 m thick Bidou Lake gabbro sill. Previously tested mineralization in the structure occurs at the Mirage prospect, a set of pyrite-arsenopyrite bearing quartz-carbonate-tourmaline shear veins from which shallow drilling by Esso Minerals in the 1980's included intersections of 6.4 g/t Au over 5.93 m and 6.64 g/t Au over 4.82 m, and from which numerous channel samples grading  $> 10$  g/t Au have been obtained over 0.3-1 m wide intervals. The 2004 surface program identified several other prospects along the shear zone, including Oasis and Stormy Lake West, from which maximum grades in grab samples of 10.3 g/t Au and 26.22 g/t Au were obtained, respectively, from selective samples of mineralized material.

Six holes were completed along the Bidou Lake shear zone drilling during the winter program, which were concentrated along a 1 km strike length of the structure. The drilling tested the down dip and lateral extent of historical drilling results at the Mirage prospect, and areas from which anomalous samples had been obtained from in the Oasis showing to the east. The most significant drilling results were obtained where quartz-carbonate veinlets are developed within pyrite +/- arsenopyrite alteration. These include 2.7 g/t over 0.75 m in hole 05-OA-4, 2.12 g/t Au over 0.8 m in hole 05OA-05, and multiple anomalous assays between 0.1 and 0.9 g/t Au in these and the other holes. Two drill holes completed beneath the interpreted down dip easterly plunge of veins in the Mirage prospect (drill holes 04MR-1 and 04MR-2) intersected only anomalous values, indicating that the Mirage mineralization does not plunge into this area. Poor ice development on Stormy Lake prevented drill access to the Stormy Lake prospect area, 2.5 km southeast of the Mirage prospect, where surface mapping identified multiple veins with locally significant Au grades.

During geological mapping, the newly discovered Stormy Lake shear zone was identified along the eastern shore of Stormy Lake in the southeastern part of the property. This northerly trending structure is poorly exposed, and runs mainly beneath the lake, however exposed areas contain quartz veins with carbonate alteration that returned grab samples ranging from trace to 3.7 g/t Au. Drilling of one hole (05SC-11) from the lake shore tested the eastern part of this structure, intersecting 3.0 g/t Au over 1.0 m, within a broader interval of 0.6 g/t Au over 9.0 m within sericite-carbonate altered shear zone.

East of the Stormy Lake shear zone, the Owens trenches prospect yielded several anomalous surface grab samples in narrow quartz-carbonate-pyrite shear veins, with similar grades intersected in follow-up drilling (e.g. 2.1 g/t Au over 0.8 m in hole 05OA-5). Less continuity of veining and the restricted area of surface mineralization make this a low priority target for follow-up.

The fourth target area, the Mic prospect, is a sulphide-bearing shear zone developed along the northeastern contact of an ultramafic dyke in northern parts of the property. Drilling here by a previous operator in two holes completed in 2001 intersected and 11 m wide mineralized zone containing intervals of 5.83 g/t Au over 1.53 m and 6.04 g/t Au over 1.22 m (approximate true thickness). During the winter drilling program, four follow-up holes were completed here at 40 m stepouts along strike and down dip. Best intersections include 3.03 g/t Au over 1.95 m in hole 05MC-08, including 4.5 g/t Au over 1.0 m, 1.5 g/t over 1.15 m in hole 05MC-07, 1.44 g/t Au over 1.0 m and 1.8 g/t Au over 2.01 m 35 m further downhole in hole 05MC-09, 2.31 g/t Au over 1.1 m in hole 05MC-10. All intercepts in the Mic shear zone are at depths from surface of less than 70 m. These intercepts occur within a 6-20 m wide zone containing anomalous assays that range between 0.1 and 1 g/t Au. Mineralization is open at depth and laterally beneath areas of poor outcrop exposure to the northwest and southeast.

While no areas of high grade mineralization were intersected in the drilling program, management was encouraged by the widespread distribution of gold mineralization in prospects and drillholes from throughout the property. The style, continuity and presence of auriferous veining along the entire length of the Bidou Lake shear zone indicated that it remains highly prospective.

The content of the above property update was reviewed by David Rhys, P. Geo., a director of the Company and a qualified person as defined by National Instrument 43-101.

### Selected Annual Information

The following table sets out selected financial information for the Company which has been derived from the Company's audited financial statements for the fiscal years ended December 31, 2005, 2004, and 2003. These financial statements were prepared in accordance with accounting principles generally accepted in Canada and are in Canadian dollars.

As at December 31,	2005 (\$)	2004 (\$)	2003 (\$)
<b>Income Statement Data</b>			
Revenues	-	-	-
Loss before discontinued operations and extraordinary items	(33,862)	(233,574)	(137,351)
Net loss for the year	(33,862)	(233,574)	(137,351)
<b>Loss per common share outstanding - basic and diluted:</b>			
Loss before discontinued operations and extraordinary items	(0.01)	(0.04)	(0.03)
Net loss for the year	(0.01)	(0.04)	(0.03)
<b>Balance Sheet Data</b>			
Total assets	732,672	839,521	119,659
Total long-term liabilities	-	-	-
<b>Dividends</b>	-	-	-

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

The Company is a resource exploration company. During Fiscal 2003, the Company entered into an option agreement entitling it to earn a one hundred percent (100%) interest in certain mining claim units referred to as the Beresford Lake Property as further described herein. During Fiscal 2004 the Company undertook a significant exploration program on the Beresford Lake Property, including a drilling program that commenced in December 2004. The increase in loss during Fiscal 2004, as compared to the loss in Fiscal 2003, represents an increase in most of the Company's cost categories primarily due to an increase in the Company's activities and an increase in stock-based compensation costs due to the options granted during 2004 and 2003 and vesting in 2004. The loss before income tax recovery in Fiscal 2005 was \$246,133, which is comparable to Fiscal 2004's loss of \$233,574. The net loss for Fiscal 2005 of \$33,862 includes an income tax recovery of \$212,271 related to the renouncing of flow-through expenditures to shareholders.

### Share Capital, Convertible Securities, Options, and Warrants

As at the Report Date, the Company had the following:

#### Share Capital

Authorized Share Capital: 100,000,000 common shares without par value  
 Issued Share Capital: 9,628,548 common shares with a stated value of \$10,755,136  
 Shares in escrow 15,000 common shares

#### Convertible securities

None

## Options

Options outstanding were:

Number of Options	Number of Options Exercisable	Exercise Price	Expiry Date
395,000	395,000	\$0.21	September 12, 2008
220,000	198,000	\$0.31	July 14, 2009
900,000	-	\$0.15	February 3, 2011
1,515,000	593,000		

In accordance with the terms of Icon's stock option plan (the "Plan"), incentive stock options vest at the rate of 15% per quarter commencing at the end of the first quarter after the date of grant. Pursuant to the policies of the TSX Venture Exchange, shares issued on exercise of options are restricted from trading during the four month period subsequent to the date of grant.

## Warrants

Warrants outstanding were:

Number of Warrants	Exercise Price	Expiry Date
700,000	\$0.50	December 9, 2006
1,250,000	\$0.20	December 30, 2006
1,950,000		

## **Results of Operations**

### Current Quarter

The loss for the three months ended December 31, 2005 (the "Current Quarter") was \$28,903, which represents a decrease in loss of \$46,940, compared to the loss of \$75,843 incurred during the three months ended December 31, 2004 (the "Prior Quarter"). Decreases in expenses during the Current Quarter, as compared to the Prior Quarter, occurred in accounting and audit (decrease of \$12,500), in consulting fees (decrease of \$2,750), in stock-based compensation (decrease of \$7,358), and in travel and accommodation (decrease of \$6,530). During the Current Quarter, the Company also recorded an income tax recovery of \$28,931 (Prior Quarter - \$Nil). These decreases reflect a decrease in overall corporate activity primarily due to the acquisition of an option on the Beresford Lake Property in Fiscal 2004 as further described herein, and no comparable acquisitions in Fiscal 2005. The decrease in travel and accommodation represents primarily costs relating to the Company's participation in mining industry investor conferences in the Prior Quarter. Stock-based compensation was recognized in the Prior Quarter in connection with options granted during Fiscal 2003 and Fiscal 2004, however in the Current Quarter, the 2003 options had totally vested in a previous quarter, so stock-based compensation expense was lower. Accounting and audit fees decreased in the Current Quarter, as compared to the Prior Quarter, due to the elimination of the monthly accounting fee paid to a director and a decrease in audit costs.

### Current Year

The loss for the year ended December 31, 2005 (the "Current Year") was \$ 33,862, which represents a decrease in loss of \$199,712, compared to the loss of \$233,574 incurred during the year ended December 31, 2004 (the "Prior Year"). This was mainly due to the recording in the Current Year of an income tax recovery of \$212,271 (Prior Year - \$Nil). Expenses were \$242,411 in the Current Year, an increase of \$8,010, compared to expenses of \$234,401 incurred in the Prior Year. Increases in expenses during the Current Year, as compared to the Prior Year, occurred primarily in consulting fees (increase of \$7,550) and in management fees (increase of \$22,500). Decreases in expenses during the Current Year, as compared to the Prior Year, occurred primarily in accounting and audit (decrease of \$4,383), in advertising and promotion (decrease of \$6,547), and in travel and accommodation

(decrease of \$7,627). The decrease in advertising and promotion and in travel and accommodation represents primarily costs relating to the Company's participation in mining industry investor conferences. The decrease in accounting and audit was due mostly to the elimination of the monthly accounting fee paid to a director. The increase in management fees was due to an increase in the monthly fee paid or accrued to the CEO.

### Summary of Quarterly Results

Results for the eight most recent quarters ending with the last quarter for the three months ending on December 31, 2005 are:

	For the Three Months Ending							
	Fiscal 2005				Fiscal 2004			
	Dec. 31	Sept 30	June 30	Mar. 31	Dec. 31	Sep. 30	June 30	Mar. 31
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
<b>Income Statement Data<sup>(1)</sup></b>								
Total revenues	-	-	-	-	-	-	-	-
Loss before discontinued operations and extraordinary items	(28,903)	(33,266)	(80,198)	108,505	(75,843)	(44,715)	(62,969)	(50,047)
Net loss	(28,903)	(33,266)	(80,198)	108,505	(75,843)	(44,715)	(62,969)	(50,047)
<b>Income (loss) per common share outstanding – basic<sup>(1)</sup></b>								
Income (loss) before discontinued operations and extraordinary items	(0.01)	(0.01)	(0.01)	0.02	(0.01)	(0.01)	(0.01)	(0.01)
Net income (loss) per share	(0.01)	(0.01)	(0.01)	0.02	(0.01)	(0.01)	(0.01)	(0.01)
<b>Income (loss) per common share outstanding – diluted<sup>(1)</sup></b>								
Income (loss) before discontinued operations and extraordinary items	(0.01)	(0.01)	(0.01)	0.01	(0.01)	(0.01)	(0.01)	(0.01)
Net income (loss) per share	(0.01)	(0.01)	(0.01)	0.01	(0.01)	(0.01)	(0.01)	(0.01)

(1) 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

The income for the quarter ended March 31, 2005 of \$108,505 represents income from the recognition of an income tax recovery of \$183,340 which was partially offset by expenses incurred during the quarter. The loss for the quarter ended June 30, 2005 reflected a comparable amount of expenses to the prior two quarters. The loss for the quarter ended September 30, 2005 was down as activity on the Beresford Lake Property was down. The loss for the Current Quarter was also relatively low. This was due to an income tax recovery of \$28,931.

### Liquidity and Capital Resources

As at December 31, 2005, the Company had a cash balance of \$17,019 compared to \$296,328 as at December 31, 2004. The Company had a working capital deficiency as at December 31, 2005 of \$166,788, compared to working capital of \$306,176 as at December 31, 2004. The cash at December 31, 2004 was used to fund the Company's operating activities and exploration activities during the Current Year.

#### Current Quarter

The Company's cash balance decreased by \$109,473 during the Current Quarter as compared to an increase in cash of \$218,505 during the Prior Quarter. Cash flows used in operating activities during the Current Quarter were \$46,799 compared to \$142,763 during the Prior Quarter. The decrease in cash balances during the Current Quarter reflects the cash used in operating activities as well as cash of \$62,674 expended on exploration activities.

#### Current Year

The Company's cash balances decreased by \$279,309 during the Current Year compared to an increase in cash of \$218,367 during the Prior Year. Cash flows used in operating activities during the Current Year were \$54,584 compared to \$270,263 used

during the Prior Year. The decrease in cash balances during the Current Year reflects no private placement funds being received in Fiscal 2005 as opposed to the \$829,630 raised from three private placements that closed during the Prior Year. Cash was used for the operating activities and for investing activities of \$227,325, used primarily for expenditures on the Company's mineral property investment.

During the year ended December 31, 2005, the Company issued 312,500 units for total proceeds of \$125,000 pursuant to a non-brokered private placement. Each unit consisted of three flow-through common shares, three flow-through share purchase warrants, one non flow-through common share and one non flow-through share purchase warrant. Each flow-through share purchase warrant entitles the holder to acquire one flow-through common share for \$0.20 to December 30, 2006. Each non flow-through warrant entitles the holder to acquire one non flow-through common share at \$0.20 to December 30, 2006. The total proceeds of \$125,000 were recorded as subscriptions receivable at December 31, 2005 and received in January, 2006.

#### Requirement for Additional Financing

The Company is in the mineral exploration and development business and has incurred losses since its inception. The Company has no revenue generating operations and has funded its operations primarily through the issue of capital stock. The Company may be required to raise additional funds in the future in order to explore and develop its mineral properties, to acquire additional exploration properties, or to acquire and develop other business opportunities. However, there can be no assurances that the Company will be able to secure acceptable financing to conduct such activities.

#### Related Party Transactions

Transactions with related parties during the Current Year not elsewhere disclosed herein are as follows:

Type of transaction	Nature of relationship to the Company	2005	2004
Accounting fees	To William Harper, a director	\$ 15,000	\$ 22,000
Legal fees expensed	To Gordon J. Fretwell Law Corporation, a law firm controlled by a director	5,307	11,374
Management fees	To TBC Investments Ltd., a company controlled by T. Barry Coughlan, an officer and director	60,000	37,500
Rent	To Tri-Gold Resources Corp., a public company with directors in common	900	389
Office services	To Tri-Gold Resources Corp., a public company with directors in common	-	6,142
Geological consulting fees and expenses	To Panterra Geoservices Inc., a company controlled by David Rhys, a director	1,050	5,365
Geological consulting fees and expenses	To Orequest Consultants Ltd., a company controlled by George Cavey, a director	884	4,355

Included in accounts payable and accrued liabilities as at December 31, 2005 is \$117,313 (2004-\$55,606) owing to related parties as follows:

Owed to:	Nature of relationship	2005	2004
TBC Investments Ltd.	A company controlled by T. Barry Coughlan, an officer and director	\$ 109,325	\$ 45,125
William Harper	A director	2,675	-
Panterra Geoservices Inc.	A company controlled by David Rhys, a director	-	481
Orequest Consultants Ltd.	A company controlled by George Cavey, a director	268	-
Gordon J. Fretwell Law Corporation	A law firm controlled by an officer and director	5,045	10,000
		\$ 117,313	\$ 55,606

Amounts owing to related parties are non-interest bearing and have no specific terms of repayment.

Included in receivables at December 31, 2005 is \$3,281 (2004 - \$Nil) owing from companies with common directors.

## **Financial instruments**

The Company's financial instruments consist of cash, receivables, deposits, and accounts payable and accrued liabilities. The fair value of cash, receivables, deposits, and accounts payable and accrued liabilities are assumed to approximate their carrying amounts because of their short term to maturity. The Company is exposed to credit risk to the extent that its debtors may be unable to repay amounts owing to the Company.

## **Outlook**

The Company plans to continue an exploration program on the Beresford Lake Property during Fiscal 2006 and intends to complete an additional drilling program on the property. The Company is also looking to acquire additional mineral exploration properties.

## **Other**

### Subsequent events

Subsequent to December 31, 2005:

- a) The Company granted 900,000 stock options enabling the holders to acquire up to 900,000 common shares at \$0.15 per share to February 3, 2011.
- b) Share purchase warrants entitling the holders to acquire up to 1,190,000 common shares for \$0.26 per share to March 1, 2006, expired unexercised.

### Investor relations

The Company handles its investor relations activities internally by assigning various duties to its officers and directors.

### Proposed acquisition – Rio Negro mineral property

During the year ended December 31, 2004, the Company entered into a letter of intent (the "LOI") to acquire, subject to certain conditions precedent, all of the common shares of CORPONIQUÉL, SOCIEDAD ANÓNIMA ("CORPONIQUÉL"), a private company incorporated in Guatemala. CORPONIQUÉL's sole asset is a 100 % interest in the Rio Negro mineral property (the "Property") located in Guatemala, Central America.

Under the terms of the LOI, the Company had a one year period to complete the acquisition. The acquisition was not completed within this one year period and the rights granted to the Company pursuant to the LOI lapsed.

## **Additional Information**

Additional information is available concerning the Company and its operations on SEDAR at [www.sedar.com](http://www.sedar.com). Additional financial information concerning the Company is provided in its audited comparative financial statements for the year ended December 31, 2004. Copies of this information are available by contacting the Company at its offices located at 1780-400 Burrard St., Vancouver, BC, V6C 3A6; phone 604-685-8666; fax 604-685-8677.

## **Directors and Officers**

The Company's directors and officers as at the Report Date are:

### Directors:

T. Barry Coughlan  
William S. Harper  
George Cavey  
David Rhys  
Gordon J. Fretwell

### Officers:

T. Barry Coughlan – President & Chief Executive Officer  
T. R. Wilson - CFO  
Tracy Hansen - Secretary

## **Board Approval**

The contents of this management discussion and analysis have been approved and its mailing has been authorized by the board of directors of the Company.

*ON BEHALF OF THE BOARD OF DIRECTORS*

*“T. Barry Coughlan”*

*T. BARRY COUGHLAN, PRESIDENT*