

**ICONIC MINERALS LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

**Expressed in Canadian Dollars**

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
Iconic Minerals Ltd.

We have audited the accompanying consolidated financial statements of Iconic Minerals Ltd., which comprise the consolidated statements of financial position as at August 31, 2017 and 2016 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency), cash flows, and schedule of exploration and evaluation assets for the years then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.



***Opinion***

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Iconic Minerals Ltd. as at August 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

***Emphasis of Matter***

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Iconic Minerals Ltd.'s ability to continue as a going concern.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

December 28, 2017



# Iconic Minerals Ltd

Consolidated Statements of Financial Position  
(Expressed in Canadian dollars)

	August 31, 2017 -\$-	August 31, 2016 -\$-
<b>ASSETS</b>		
Current assets		
Cash	8,801	321,952
Receivables (Note 3)	20,772	60,786
Prepaid	-	151,967
Marketable securities (Note 4)	2,400	6,400
	31,973	541,105
Non-current assets		
Exploration and evaluation assets (Schedule, Note 5)	3,455,618	2,657,775
<b>TOTAL ASSETS</b>	<b>3,487,591</b>	<b>3,198,880</b>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	1,638,206	1,268,491
Current portion of long-term liabilities (Note 8)	100,000	55,000
	1,738,206	1,323,491
Long-term liabilities (Note 8)	1,964,702	2,010,806
Rehabilitation obligation (Note 5)	48,819	45,547
<b>TOTAL LIABILITIES</b>	<b>3,751,727</b>	<b>3,379,844</b>
<b>SHAREHOLDERS' DEFICIENCY</b>		
Share capital (Note 9)	40,382,450	39,724,046
Reserves (Note 9)	3,735,894	3,809,305
Deficit	(44,382,480)	(43,714,315)
<b>TOTAL SHAREHOLDERS' DEFICIENCY</b>	<b>(264,136)</b>	<b>(180,964)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>	<b>3,487,591</b>	<b>3,198,880</b>

**Nature of Operations and Going Concern (Note 1)**  
**Subsequent Events (Note 15)**

Approved by the Directors:

"Jurgen Wolf"

"Richard Kern"

See accompanying notes to the consolidated financial statements

# Iconic Minerals Ltd.

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

	Year ended August 31	
	2017	2016
	-\$-	-\$-
<b>EXPENSES</b>		
Business development	38,306	141,110
Consulting (Note 7)	232,275	274,138
Foreign exchange gain	(38,100)	(16,657)
Interest expense (Note 8)	64,346	256,517
Management fees (Note 7)	103,118	84,253
Office administration (Note 7)	68,903	81,498
Professional fees	29,870	28,103
Shareholder communications	151,987	36,604
Share-based compensation (Notes 7 and 9)	(40,569)	607,176
Transfer agent and regulatory fees	25,814	29,852
<b>Operating loss</b>	<b>(635,950)</b>	<b>(1,522,594)</b>
Impairment of exploration and evaluation assets (Note 5)	(28,215)	(3,419,871)
Recovery of reclamation bonds (Note 5)	-	23,429
Unrealized gain (loss) on marketable securities (Note 4)	(4,000)	5,200
<b>Loss and comprehensive loss for the year</b>	<b>(668,165)</b>	<b>(4,913,836)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.01)</b>	<b>\$ (0.14)</b>
<b>Weighted average number of common shares outstanding</b>	<b>68,149,962</b>	<b>34,868,258</b>

See accompanying notes to the consolidated financial statements

# Iconic Minerals Ltd.

Consolidated Statements of Changes In Shareholders' Equity (Deficiency)  
(Expressed in Canadian dollars)

	Share capital				
	Number of shares	Amount	Reserves	Deficit	Total
<b>Balance at August 31, 2015</b>	<b>32,847,143</b>	<b>\$36,310,992</b>	<b>\$3,155,199</b>	<b>\$(38,800,479)</b>	<b>\$ 665,712</b>
Shares issued for cash	30,770,000	3,788,500	-	-	3,788,500
Shares issued to agent	20,000	1,000	-	-	1,000
Stock options exercised	400,000	57,905	(25,655)	-	32,250
Warrants exercised	300,000	22,500	-	-	22,500
Share-based compensation	-	-	607,176	-	607,176
Share issue cost	-	(456,851)	72,585	-	(384,266)
Loss for the year	-	-	-	(4,913,836)	(4,913,836)
<b>Balance at August 31, 2016</b>	<b>64,337,143</b>	<b>\$39,724,046</b>	<b>\$3,809,305</b>	<b>\$(43,714,315)</b>	<b>\$ (180,964)</b>
Shares issued for cash	4,545,454	488,181	11,819	-	500,000
Stock options exercised	800,000	107,200	(47,200)	-	60,000
Warrants exercised	1,030,000	77,250	-	-	77,250
Share-based compensation	-	-	(40,569)	-	(40,569)
Share issue cost	-	(14,227)	2,539	-	(11,688)
Loss for the year	-	-	-	(668,165)	(668,165)
<b>Balance at August 31, 2017</b>	<b>70,712,597</b>	<b>\$40,382,450</b>	<b>\$3,735,894</b>	<b>\$(44,382,480)</b>	<b>\$ (264,136)</b>

See accompanying notes to the consolidated financial statements

# Iconic Minerals Ltd.

Consolidated Statements of Cash Flows  
(Expressed in Canadian dollars)

	Year ended August 31	
	2017	2016
	-\$-	-\$-
<b>OPERATING ACTIVITIES</b>		
Loss for the year	(668,165)	(4,913,836)
Adjustments for non-cash items:		
Interest expense accreted	64,346	256,517
Impairment of exploration and evaluation assets	28,215	3,419,871
Share-based compensation	(40,569)	607,176
Unrealized (gain) loss on marketable securities	4,000	(5,200)
Foreign exchange	3,272	-
Net change in non-cash working capital accounts:		
Receivables	40,014	(59,906)
Prepaid	151,967	(151,967)
Accounts payable and accrued liabilities	342,897	(1,623,589)
<b>NET CASH FLOWS USED IN OPERATING ACTIVITIES</b>	<b>(74,023)</b>	<b>(2,470,934)</b>
<b>INVESTING ACTIVITIES</b>		
Exploration and evaluation assets expenditures	(844,690)	(584,457)
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(844,690)</b>	<b>(584,457)</b>
<b>FINANCING ACTIVITIES</b>		
Shares issued	637,250	3,843,250
Share issue costs	(11,688)	(383,266)
Payment on long term debt	(20,000)	(127,500)
<b>NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES</b>	<b>605,562</b>	<b>3,332,484</b>
Increase (decrease) in cash in the year	(313,151)	277,093
Cash, beginning	321,952	44,859
<b>CASH, ENDING</b>	<b>8,801</b>	<b>321,952</b>

## SUPPLEMENTAL CASH FLOW INFORMATION (Note 10)

See accompanying notes to the consolidated financial statements

# Iconic Minerals Ltd.

Consolidated Schedule of Exploration and Evaluation Assets  
(Expressed in Canadian dollars)

	August 31, 2017 -\$ -	Current Expenditures -\$ -	Current Impairment -\$-	August 31, 2016 -\$ -
<b>UNITED STATES</b>				
<b>New Pass, Nevada</b>				
Acquisition costs	681,966	-	-	681,966
Claims renewals and reclamation bonds	215,185	11,701	-	203,484
Consulting geological	267,406	-	-	267,406
Drilling, geophysics and assay	1,783,197	-	-	1,783,197
Fieldwork	144,318	-	-	144,318
Rehabilitation obligation	21,000	-	-	21,000
Site office	109,526	-	-	109,526
Travel	51,649	-	-	51,649
Less: Impairment	(3,274,246)	-	(11,701)	(3,262,545)
	1	11,701	(11,701)	1
<b>Hercules Project, Nevada</b>				
Acquisition costs	10,804	-	-	10,804
Claims renewals and reclamation bonds	244,369	24,423	-	219,946
Consulting geological	279,600	6,358	-	273,242
Drilling, geophysics and assay	617,908	2,073	-	615,835
Fieldwork	26,582	700	-	25,882
Rehabilitation obligation	11,684	-	-	11,684
Site office	26,058	3,891	-	22,167
Travel	49,039	1,372	-	47,667
	1,266,044	38,817	-	1,227,227
<b>Squaw Creek, Nevada</b>				
Acquisition costs	1	-	-	1
Claims renewals	33,064	16,512	-	16,552
Less: Impairment	(33,064)	-	(16,512)	(16,552)
	1	16,512	(16,512)	1
<b>Bonnie Claire Lithium Project, Nevada</b>				
Acquisition costs	26,493	-	-	26,493
Claims renewals and reclamation bonds	715,279	153,357	-	561,922
Consulting geological	459,881	71,015	-	388,866
Drilling, geophysics and assay	791,063	381,489	-	409,574
Fieldwork	10,087	4,366	-	5,721
Rehabilitation obligation	13,000	-	-	13,000
Site office	234	-	-	234
Travel	46,506	21,772	-	24,734
	2,062,543	631,999	-	1,430,544
<b>Smith Creek Lithium Project, Nevada</b>				
Consulting geological	3,686	3,686	-	-
Drilling, geophysics and assay	119,605	119,605	-	-
Fieldwork	1,896	1,896	-	-
Travel	1,842	1,842	-	-
	127,029	127,029	-	-
<b>Total – Canada</b>	-	-	(2)	2
<b>Total Exploration and Evaluation Assets</b>	<b>3,455,618</b>	<b>826,058</b>	<b>(28,215)</b>	<b>2,657,775</b>

See accompanying notes to the consolidated financial statements

# Iconic Minerals Ltd.

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars)  
For the year ended August 31, 2017

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## 1. NATURE OF OPERATIONS AND GOING CONCERN

Iconic Minerals Ltd. (the "Company") is engaged in the acquisition and exploration of exploration and evaluation assets. The Company was incorporated under the laws of British Columbia on September 14, 1979. The Company's head office and principle place of business is located at 303 - 595 Howe Street, Vancouver, British Columbia, V6C 2T5.

These consolidated financial statements have been prepared on the assumption that the Company and its subsidiary will continue as a going concern, meaning they will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. At August 31, 2017 the Company had a working capital deficiency of \$1,706,233. The Company's ability to meet its obligations and maintain its current operations is contingent upon successful completion of additional financing arrangements, continued cooperation of creditors and related parties, and ultimately upon the discovery of proven reserves and generating profitable operations. These material uncertainties may cast significant doubt upon the entity's ability to continue as a going concern.

The Company is currently evaluating its exploration and evaluation assets and has not determined whether any of these properties contain reserves that are economically recoverable. The recoverability of amounts recorded for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves. The Company's future capital requirements depend on many factors, including costs of exploration and development of the exploration and evaluation assets, cash flow from operations, costs to complete additional exploration, and competition and global market conditions. The Company's operating losses and working capital deficiency will require that it obtain additional capital to continue operations.

The Company will depend almost exclusively on outside capital. Such outside capital will include the issuance of additional equity shares. There can be no assurance that capital will be available to meet the continuing exploration costs or, if the capital is available, that it will be on terms acceptable to the Company. The issuances of additional equity securities by the Company may result in significant dilution to the equity interests of its current shareholders. Obtaining commercial loans, assuming those loans would be available, will increase the Company's liabilities and future cash commitments. If the Company is unable to obtain financing in the amounts and on terms deemed acceptable, the business and future success may be adversely affected, thus giving rise to doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments relating to the recoverability and reclassification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

### Statement of compliance to International Financial Reporting Standards

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC").

The financial statements were authorized for issue on December 28, 2017 by the directors of the Company.

# Iconic Minerals Ltd.

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars)  
For the year ended August 31, 2017

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## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd...)

### Principles of consolidation

These financial statements have been prepared on a consolidated basis and include the accounts of the Company and its wholly-owned subsidiary Bonaventure Nevada Inc. incorporated in the State of Nevada, USA. All significant inter-company balances and transactions have been eliminated on consolidation. All amounts are expressed in Canadian dollars which is the functional currency of the parent company and its subsidiary, unless denominated otherwise.

### Exploration and evaluation assets

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

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

### Joint venture participation and accounting

From time to time the Company enters into agreements that provide for specified percentage interests in exploration and evaluation asset rights to be allocated to joint venture participants in exchange for funding or joint funding of exploration programs.

Where agreements specify the Company as the operator and where controlling interest of the exploration program remains with the Company, such arrangements are considered to be participation funding and not considered to be joint ventures.

### Tax credits

Any federal or provincial tax credits received by the Company, with respect to exploration or development work conducted on any of its exploration and evaluation assets are credited as a reduction to the carrying costs of the exploration and evaluation assets to which the credits relate. Until such time that there is significant certainty with regard to collections and assessments, the Company will record any recovered tax credits at the time of receipt. No gain or loss is realized during the exploration stage until all carrying costs of the specific interest have been offset.

# Iconic Minerals Ltd.

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars)  
For the year ended August 31, 2017

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## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd...)

### Future site restoration costs

Provision for environmental rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of its exploration and evaluation assets, when those obligations result from the acquisition, construction, development, or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the related assets along with a corresponding increase in the decommissioning liability in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as related assets.

The Company's estimates of decommissioning costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of decommissioning costs, are charged to profit or loss.

Estimated future removal and site restoration costs will be provided for on the unit-of-production method. Costs will be based on estimates in accordance with current legislation and industry practices. Actual removal and site restoration expenditures will be charged to the accumulated provision account as incurred.

### Financial instruments – Presentation and disclosure

Financial assets and financial liabilities are recognized on the consolidated statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument. All financial instruments are required to be measured at fair value at initial recognition. Measurement in subsequent periods is dependent upon classification of the financial instruments as fair value through profit or loss ("FVTPL"), available for sale, loans and receivables, held to maturity, or other financial liabilities. For financial instruments classified as FVTPL, transaction costs are added to the initial fair value of the related financial instrument.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

- 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 (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets and liabilities classified as FVTPL are measured at fair value with changes in those fair values recognized in profit or loss. Financial assets classified as available for sale are measured at fair value with changes in those fair values recognized in Other Comprehensive Income. Financial assets classified as loans and receivables, held to maturity or other financial liabilities are measured at amortized cost using the effective interest rate method of amortization. Where a financial asset classified as held to maturity or available for sale has a loss in value which is considered to be other than temporary, the loss is recognized in profit or loss.

The Company has classified cash and marketable securities as FVTPL, accounts payable and accrued liabilities and long-term liabilities as other financial liabilities.

# Iconic Minerals Ltd.

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars)  
For the year ended August 31, 2017

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## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd...)

### Loss per share

The Company computes earnings (loss) per share assuming that proceeds received from in-the-money stock options and share purchase warrants are used to repurchase common shares at the prevailing market rate.

Basic loss per share figures are calculated using the weighted average number of shares outstanding during the respective years. Diluted loss per share is computed by dividing net loss by the weighted average shares outstanding adjusted for additional shares from the assumed exercise of stock options, restricted share units, or warrants, if dilutive. The number of additional shares is calculated by assuming the outstanding dilutive stock options are exercised and that the assumed proceeds are used to acquire common shares at the average market price during the year. Diluted loss per share figures for the years presented are equal to those of basic loss per share for the years since the effects of stock options and warrants are anti-dilutive.

### Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the determination of the recoverability of the carrying value of exploration and evaluation assets, rehabilitation obligation, fair value measurements for long term liabilities and other equity-based payments, and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates and judgments.

*Rehabilitation obligation* - The Company has recorded an estimated present value of a rehabilitation obligation that is expected to be paid at a future date, determined by estimates of amounts to be paid in future years. Such estimates are revised based on market conditions.

*Long term debt* - The Company has non-interest bearing long-term debt as described in Note 8. The Company has recorded an estimate of the current value of such debt expected to be repaid over 20 years. In determining the present value of the liabilities, assumptions and estimates are made in relation to discount rates, the expected amounts to be repaid in future years, and the expected timing of those repayments. Such estimates are revised based on market conditions.

*Valuation of Exploration and Evaluation assets* - Management has determined that exploration, evaluation, and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project. Property under lease has attributes of an option agreement and accordingly the Company capitalizes annual lease payments and exploration and evaluation costs required under the lease agreement.

*Share based compensation* - The Company uses the Black-Scholes option pricing model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can significantly change the fair value estimate and the Company's earnings and equity reserves.

# Iconic Minerals Ltd.

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended August 31, 2017

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## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd...)

*Deferred income taxes* - Judgement is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted. The Company has not recorded any deferred tax assets for the years presented.

### Share-based compensation

The Company grants stock options to directors, officers and consultants. All share-based awards are measured and recognized using a fair value based method. The fair value of options and other share-based awards to employees or consultants, issued or altered in the period, are determined using the Black-Scholes option pricing model.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

### Deferred income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither the accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that the future taxable profits will be available against which the assets can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

### Foreign currency translation

The Company's reporting currency and the functional currency of all its operations is the Canadian dollar as this is the principal currency of the economic environment in which the Company operates. The functional currency determination was conducted through an analysis of consideration factors identified in IAS 21, *The Effect of Changes in Foreign Exchange Rates*.

# Iconic Minerals Ltd.

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars)  
For the year ended August 31, 2017

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## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd...)

### Foreign currency translation (cont'd)

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the financial position reporting date. Exchange gains or losses arising on foreign currency translation are reflected in profit or loss.

### Impairment of assets

The carrying amount of the Company's assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

### Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resource or obligations between related parties.

### New accounting standards adopted

The Company adopted new accounting standards during the year ended August 31, 2017. The new standards adopted, which had no effect on the Company, are as follows:

Effective for annual periods beginning on or after January 1, 2016

### **IAS 16 & IAS 38, *Clarification of Acceptable Methods of Depreciation and Amortization***

Amended to (i) clarify that the use of a revenue-based depreciation and amortization method is not appropriated, and (ii) provide a rebuttable presumption for intangible assets.

# Iconic Minerals Ltd.

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars)  
For the year ended August 31, 2017

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## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd...)

### ***New standards, interpretations and amendments not yet effective***

A number of new standards, amendments to standards and interpretations are not yet effective as of August 31, 2017 and have not been applied in preparing these financial statements.

Effective for annual periods beginning on or after January 1, 2018

### **IFRS 15, Revenue from Contracts with Customers:**

IFRS 15 is a new standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programs*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC-31, *Revenue – Barter Transactions involving Advertising Service*.

### **IFRS 9, Financial Instruments – Classification and Measurement**

IFRS 9 is a new standard on financial instruments that will replace IAS 39, *Financial Instruments: Recognition and Measurement*.

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as de-recognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

The Company has not early adopted these revised standards and none of these standards are expected to have a material effect on the financial statements other than note disclosure.

## 3. RECEIVABLES

The components of receivables are as follows:

	<b>August 31, 2017</b>	<b>August 31, 2016</b>
Due from government agencies	\$ 20,772	\$ 60,786
	\$ 20,772	\$ 60,786

## 4. MARKETABLE SECURITIES

Marketable securities consist of shares of publicly listed companies which are carried at market value.

During the year ended August 31, 2017, the Company recorded an unrealized loss of \$4,000 (2016 – gain of \$5,200).

# Iconic Minerals Ltd.

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## 5. EXPLORATION AND EVALUATION ASSETS

Title to exploration and evaluation assets 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 exploration and evaluation assets. The Company has investigated title to its exploration and evaluation assets and, to the best of its knowledge, they are in good standing.

### NEVADA, USA PROPERTIES

**New Pass** - The property consists of a 50% interest in certain unpatented mining claims located in Churchill County, Nevada.

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The Company has estimated a rehabilitation obligation of \$25,000 (2016 - \$21,000) related to this property. During fiscal 2016, the Company impaired the property to a nominal value as there are currently no future plans for exploration.

**Squaw Creek** - The property consists of a 50% interest in certain unpatented mining claims located in Elko County, Nevada. During fiscal 2016, the Company incurred \$16,222 of expenditures which have been written off and also recovered \$23,429 in reclamation bonds previously written off.

**Hercules Project** – The Company entered into an earn-in agreement on September 20, 2011 to obtain up to a 70% interest in a lease of unpatented mining claims located in Lyon County, Nevada.

During fiscal 2014, the Company amended the earn-in agreement to obtain an additional 30% interest in the lease of the property (for a total of 100%), in consideration of a one-time payment of US \$10,000. As a result of the amended earn-in agreement, the Company is responsible for the commitments of the underlying lease agreement, which was concurrently amended with the lessor of the property. The term of the lease agreement matures on April 20, 2031 at which time there is a right to renew.

The Company has estimated a rehabilitation obligation of \$11,054 (2016- \$11,684) related to this property.

Under the revised agreement, which is payable to a company with a common director, the Company will be responsible to make cash payments of US \$20,000 per year for two years and thereafter US \$50,000 per year (indexed for inflation) until 2031, and undertake exploration expenditures of US \$3,100,000 over 5 years. The cash payments and exploration expenditure commitments begin in April 2015 and are payable as follows:

Cash payments required	Payment
On or before April 20, 2015 (Paid)	US \$ 20,000
On or before November 17, 2015 (Paid)	20,000
On or before November 17, 2016	20,000
On or before November 17, annually from 2017-2031 with increase tied to inflation	50,000

The Company is currently in negotiations to amend the cash payments.

Exploration expenditures to be incurred	Expenditures
On or before November 17, 2015	Incurred US \$ 350,000
On or before November 17, 2016	Incurred 450,000
On or before November 17, 2017	550,000
On or before November 17, 2018	750,000
On or before November 17, 2019	1,000,000
Total expenditures required	US \$ 3,100,000

The property is subject to a 3% net smelter royalty ("NSR"), payable to a company with a common director.

# Iconic Minerals Ltd.

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## 5. EXPLORATION AND EVALUATION ASSETS (cont'd)

### NEVADA, USA PROPERTIES (cont'd)

**Bonnie Claire Lithium Project-** In December 2015, the Company entered into a property option agreement with a related party to acquire a 100% interest in certain lithium claims located in Nye County, Nevada.

The Company may earn its 100% interest in the property by: (a) reimbursing expenses not to exceed US \$20,000 for the property (paid); (b) expending initial claim filing fees and expenses estimated to be US \$76,500 (paid); and (c) expending US \$100,000 for the first year exploration development program (incurred), and by thereafter completing additional work requirements for the second year of US \$200,000 (incurred), third year of US \$400,000 and fourth year of US \$600,000 totaling US \$1,300,000.

The Vendor will retain a 4.5% NSR, 1.5% of which the Company shall have the right to buy back within 90 days of the property going into production for US \$2,000,000, and an additional 1.5% of which the Company shall have the right to buy back within 180 days of the property going into production for US \$4,000,000; and (b) a cash payment of US \$1,000,000 to be made by the Company to the Vendor upon the property attaining commercial production.

The Company has estimated a rehabilitation obligation of \$12,565 (2016 - \$13,000) related to this property

**Smith Creek Lithium Project** - In October 2016, the Company entered into an option agreement with a company related by virtue of a common director to acquire a 100% interest in certain mining claims in Nevada. The Company may earn its 100% interest by: (a) reimbursing the vendor for all documented expenses, not to exceed US \$40,000; (b) expending initial and annual claim filing fees and expenses estimated at US \$193,000; and (c) also expending for exploration in the first year US \$200,000, second year US \$500,000, third year US \$500,000 and fourth year US \$1,000,000, totaling US \$2,000,000. The Company is currently in default, however, no notice of default has been filed by the optionor and the Company is in the process of renegotiating the terms of the agreement.

### CANADA PROPERTIES

**Four Lakes, Saskatchewan** – In July 2007, the Company acquired a 100% interest in certain mineral claims located in the Athabasca Basin, Saskatchewan. The properties are subject to a 2% NSR and a 2% gross overriding royalty.

**Yellow Lake, Quebec** – In April 2013, the Company entered into a Property Option Agreement with an entity associated with the corporate manager to acquire up to an 85% exclusive right and interest in and to certain surface and mineral rights in the James Bay area, Quebec, known as the Yellow Lake Property. During fiscal 2015, the agreement was extended for an additional two years.

During fiscal 2017, the Company determined its focus on the exploration and evaluation assets in Nevada, and accordingly impaired the Canadian properties in full.

## 6. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

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	August 31, 2017	August 31, 2016
Trade payables	\$ 376,117	\$ 423,851
Amounts due to related parties (Note 7)	741,993	496,640
Accrued liabilities	520,096	348,000
	\$ 1,638,206	\$ 1,268,491

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# Iconic Minerals Ltd.

Notes to the Consolidated Financial Statements  
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## 7. RELATED PARTY TRANSACTIONS AND BALANCES

The Company defines key management as directors and officers of the Company.

During the years ended August 31, 2017 and 2016, transactions with key management were as follows:

	2017	2016
	- \$ -	- \$ -
Management fees paid or accrued to the CEO and President	79,118	79,753
Consulting fees paid or accrued to a company controlled by the corporate manager	48,000	48,000
Office administration fees paid or accrued to a company controlled by the CFO	24,000	24,000
Fees paid to outside director	5,610	4,500
Office administration fees accrued to a company controlled by the corporate manager	54,000	68,450
Share-based payment	-	98,171

The amounts due to key management personnel as at August 31, 2017 and 2016 were as follows:

	2017	2016
	- \$ -	- \$ -
Included in accounts payable and accrued liabilities are amounts due to the corporate manager or companies controlled by the corporate manager	207,817	44,084
Included in accounts payable are amounts due to a director	-	1,500
Included in accounts payable are amounts due to a company controlled by the CFO	8,400	-
Included in accounts payable are amounts due to the CEO or companies related to current and former directors	525,776	489,968

The remuneration of directors and other key management personnel, which include the amounts disclosed above for the year ended August 31, were as follows:

	2017	2016
	- \$ -	- \$ -
Short-term employee benefits – management, administrative, and consulting fees	156,728	156,253

## 8. LONG-TERM LIABILITIES

Pursuant to debt settlement agreements reached with some creditors during fiscal 2010, the Company agreed to repay their debts pro-rata at an aggregate amount of ten percent from the gross proceeds of future share financings plus twenty percent of any warrants exercised. The expected fiscal 2018 repayment of \$100,000 is included in the current portion of long-term debt. The debts are unsecured and non-interest bearing.

The total amount of debt subject to the agreements was \$3,613,433. The amount expected to be repaid within the upcoming fiscal year has been estimated at \$100,000. During the year ended August 31, 2017, the Company recorded an interest expense of \$64,346 (2016 - \$256,517). The total principal owed at August 31, 2017 was \$3,276,933 (2016 - \$3,296,933). The remaining long-term balance has been discounted to reflect a fair value long-term balance, using a net present value calculation to reflect a 25 year repayment schedule, of which 20 years remain, and a risk-free rate of interest of 3.2% per annum. The discount is being accreted to interest expense and loan balance over a period of 25 years. Based on the financing completed, \$500,900 was due to the creditors, of which \$147,500 was paid and \$353,400 remains in accounts payable and accrued liabilities as at August 31, 2017.

# Iconic Minerals Ltd.

Notes to the Consolidated Financial Statements

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For the year ended August 31, 2017

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## 9. SHARE CAPITAL AND RESERVES

### 2017 Transactions

On February 21, 2017, the Company closed a second tranche of a private placement by issuing a total of 3,363,636 Units at a price of \$0.11 per Unit for a gross proceeds of \$370,000, each Unit being comprised of one common share and one-half share purchase warrant, each whole warrant being exercisable into one common share on or before February 21, 2018 at \$0.20 per share. No finder's fee was paid in connection with this second tranche closing.

On December 22, 2016, the Company closed a first tranche of a private placement by issuing a total of 1,181,818 Units at a price of \$0.11 per Unit for a gross proceeds of \$130,000, each Unit being comprised of one common share and one-half share purchase warrant, each whole warrant being exercisable into one common share on or before December 21, 2017 at \$0.20 per share. A total of \$6,600 cash and broker's warrants to purchase up to 60,000 shares of the Company at \$0.20 per share on or before December 21, 2017 was paid and issued as a finder's fee in connection with this first tranche closing. Expected volatility of 159%; risk free interest rate of 0.81%; expected dividend yield rate of 0%; and forfeiture rate of 0% resulted in the broker's warrants valued at \$2,539.

### 2016 Transactions

On June 2, 2016, the Company closed the first tranche of private placement by issuing a total of 13,525,000 Units at a price of \$0.20 per Unit, each Unit being comprised of one common share and one-half share purchase warrant, each whole warrant being exercisable into one common share on or before June 1, 2018 at \$0.30 per share.

A total of \$158,150 cash and 309,900 compensation warrants valued at \$72,585 were issued as finders' fees in connection with this first tranche closing. Expected volatility of 196%; risk free interest rate of 0.57%; expected dividend yield rate of 0%; and forfeiture rate of 0%. The compensation warrants are exercisable on or before June 1, 2017 into a total of 309,900 units at \$0.20 per unit. Each unit if and when issued will be comprised of one common share and one-half non-transferable share purchase warrant, each whole warrant being exercisable at \$0.30 per share for two years from the date of issuance.

On June 15, 2016 the Company closed the second tranche of private placement by issuing a total of 1,475,000 Units at a price of \$0.20 per Unit, each Unit being comprised of one common share and one-half share purchase warrant, each whole warrant being exercisable into one common share on or before June 14, 2018 at \$0.30 per share.

On March 28, 2016 the Company issued a total of 10,000,000 common shares at a price of \$0.05 per share for gross proceeds of \$500,000 pursuant to a private placement. No warrants or finders' fees were issued in connection with this financing.

On March 18, 2016 the Company issued a total of 1,020,000 Units at a price of \$0.05 per Unit for gross proceed of \$51,000 pursuant to a private placement. Each Unit being comprised of one common share and one-half share purchase warrant, each whole warrant being exercisable into one common share for a period of two years from the date of issuance at \$0.075 in the first year, and thereafter at \$0.15 in the second year. A total of \$500 cash and 10,000 common shares were issued, valued at \$500 as finders' fees.

On February 29, 2016 the Company issued a total of 4,750,000 Units at a price of \$0.05 per Unit for gross proceed of \$237,500. Each Unit being comprised of one common share and one-half share purchase warrant, each whole warrant being exercisable into one common share for a period of two years from the date of issuance at \$0.075 in the first year, and thereafter at \$0.15 in the second year. A total of \$5,500 cash and 10,000 common shares were issued, valued at \$500 as finders' fees.

# Iconic Minerals Ltd.

Notes to the Consolidated Financial Statements

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## 9. SHARE CAPITAL AND RESERVES (cont'd)

### Stock options

The Company's stock option plan allows for the granting of options to acquire a number of common shares equal to 10% of the issued and outstanding common shares at the time of the grant. Options granted under the plan will vest at a schedule determined by the board of directors.

### Share-based payment

On June 6, 2016 a total of 1,400,000 stock options were granted to purchase common shares, exercisable on or before June 6, 2018, at an exercise price of \$0.30 per share, 900,000 vested immediately, the remaining 500,000 vested over 12 months. The estimated grant date fair value of these options was \$353,746.

The grant date fair values of the options granted above were based on the following assumptions: share price at grant date of \$0.30; exercise price of \$0.30; expected life of 2 years; expected volatility of 182%; risk free interest rate of 0.54%; expected dividend yield rate of 0%; and forfeiture rate of 0%.

On April 13, 2016, a total of 500,000 stock options were granted to purchase common shares, exercisable on or before April 12, 2018, at an exercise price of \$0.20 per share. 400,000 of the options vest over one year from the date of grant. The estimated grant date fair value of these options was \$98,450. The grant date fair values of the options granted above were based on the following assumptions: share price at grant date of \$0.20; exercise price of \$0.20; expected life of 2 years; expected volatility of 181%; risk free interest rate of 0.57%; expected dividend yield rate of 0%; and forfeiture rate of 0%.

On March 29, 2016, a total of 2,250,000 stock options were granted to purchase common shares, exercisable on or before March 28, 2018, at an exercise price of \$0.12 per share vesting immediately. The estimated grant date fair value of these options was \$225,246. The fair values were based on the following assumptions: share price at grant date of \$0.12; exercise price of \$0.12; expected life of 2 years; expected volatility of 196%; risk free interest rate of 0.51%; expected dividend yield rate of 0%; and forfeiture rate of 0%.

During the year ended August 31, 2017, 800,000 (2016 – 400,000) options were exercised for proceeds of \$60,000 (2016 - \$32,250).

	August 31, 2017		August 31, 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of year	5,100,000	\$ 0.160	1,350,000	\$ 0.075
Options granted	-	-	4,150,000	0.19
Options expired	(200,000)	0.075	-	-
Options exercised	(800,000)	0.075	(400,000)	0.081
Options outstanding, end of the year	4,100,000	0.19	5,100,000	\$ 0.160
Options exercisable, end of the year	4,100,000	\$ 0.190	4,300,000	\$ 0.150

Subsequent to the year ended August 31, 2017, 100,000 options priced at \$0.12, and 50,000 options priced at \$0.30, were cancelled.

# Iconic Minerals Ltd.

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## 9. SHARE CAPITAL AND RESERVES (cont'd)

### Warrants

During the year ended August 31, 2017, 1,030,000 warrants were exercised (2016 – 300,000) for proceeds of \$77,250 (2016 - \$22,500)

Details of the Company's warrants are as follows:

	Number of Warrants	Weighted Average Prices - \$ -	Weighted Average Remaining Life
Balance, August 31, 2015	3,177,940	0.15	0.50 years
- warrants expired during the year	(3,177,940)	0.15	
- warrants exercised during the year	(300,000)	0.075	
- warrants issued during the year <sup>(1)</sup>	2,375,000	0.075	
- warrants issued during the year <sup>(2)</sup>	510,000	0.075	
- warrants issued during the year	7,500,000	0.30	
- warrants issued during the year	309,900	0.20	
Balance, August 31, 2016	10,394,900	0.24	1.68 years
- warrants exercised during the year	(1,030,000)	0.075	
- warrants expired during the year	(309,900)	0.20	
- warrants issued during the year	2,332,727	0.20	0.44 years
Balance, August 31, 2017	11,387,727	0.26	0.66 years

(1) \$0.075 on or before February 28, 2017, then \$0.15 to February 28, 2018.

(2) \$0.075 on or before March 17, 2017, then \$0.15 to March 18, 2018.

See note 15 for subsequent warrant expiry extension.

## 10. SUPPLEMENTAL CASH FLOW INFORMATION

The significant non-cash transactions during the years presented include:

	2017 - \$ -	2016 - \$ -
Accounts payable related to exploration and evaluation assets	706,231	724,863
Rehabilitation obligation	-	13,000
Allocation of debt from short term to long term	45,000	302,950
Finders warrants	2,539	72,585
Re-class of reserve on exercise of options	47,200	25,655
Residual value of warrants	11,819	-
Shares issued for finders fees	-	1,000

# Iconic Minerals Ltd.

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## 11. SEGMENTED INFORMATION

The Company operates in one business segment being the acquisition and exploration of properties.

Geographic information is as follows:

Exploration and evaluation assets	Canada - \$ -	United States - \$ -	Total - \$ -
At August 31, 2017	-	3,455,618	3,455,618
At August 31, 2016	2	2,657,773	2,657,775

## 12. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to carry out exploration and evaluation activities and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company depends on external financing to fund its activities. The capital structure of the Company currently consists of common shares. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or adjust the amount of cash.

The issuance of common shares requires approval of the Board of Directors. It is the Company's objective to safeguard its ability to continue as a going concern, so that it can continue to explore and develop its properties for the benefit of its stakeholders. The Company seeks to place its cash with reputable financial institutions. Accordingly, the Company believes that it is exposed to minimal credit risks at the current time. There are no externally imposed capital requirements other than described in note 8.

## 13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### Financial Instruments

The fair value of cash and marketable securities are measured using level 1 of the fair value hierarchy. The carrying values of receivables and accounts payable and accrued liabilities approximate fair values because of the short-term nature of these instruments.

The carrying value of long-term debt differed from the fair value which was estimated based on discounted future cash flows using the Company's estimated risk-free rate of interest.

The Company's financial instruments are exposed to a number of financial and market risks, including credit, liquidity, interest rate and price risks. The Company may, or may not, establish from time to time active policies to manage these risks. The Company does not currently have in place any active hedging or derivative trading policies to manage these risks since the Company's management does not believe that the current size, scale and pattern of its operations would warrant such hedging activities.

# Iconic Minerals Ltd.

Notes to the Consolidated Financial Statements

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## 13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

### *Credit Risk*

Credit risk arises from non-performance by counterparties of contractual financial obligations. The Company's credit risk is primarily attributable to cash and receivables. The Company's cash is invested in established Canadian and US banking and federal institutions and collection of receivables is primarily due from government agencies.

### *Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity by endeavoring to maintain sufficient cash to meet its anticipated operational needs. Liquidity requirements are managed based on expected cash flow to ensure that there is adequate capital to meet short term and long term obligations. At August 31, 2017, the Company had a working capital deficiency of \$1,706,233 and is seeking additional financing.

### *Currency risk*

The Company operates in Canada and the United States. The Company has foreign exchange risk with respect to US accounts payable of CAD \$910,496.

If the Canadian dollar changes by one percent against all foreign currencies, with all other variables held constant, the impact of the foreign currency change on the Company's foreign denominated financial instruments would result in a reduction or increase of after tax net loss of less than \$10,000 for the year ending August 31, 2017.

### *Interest rate risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has minimal risk as it does not carry interest bearing debt liabilities.

### *Commodity price risk*

The ability of the Company to find and explore exploration and evaluation assets and the future profitability of the Company are directly related to the market price of base metals. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

### **Risk management**

The Company conducts business in Canada and the United States giving rise to exposure to market risks from changes in foreign currency rates. Currently, the Company does not use derivative instruments to reduce its exposure to foreign currency risk.

The Company is engaged primarily in mineral exploration and manages related industry risk issues directly. The Company is at risk for environmental issues and fluctuations in commodity pricing. Management is not aware of and does not anticipate any significant environmental remediation costs or liabilities in respect of its current operations. The Company is not exposed to significant credit concentration risk or interest rate risk.

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## 14. DEFERRED INCOME TAXES

The actual income tax provision differs from the expected amounts calculated by applying the Canadian combined federal and provincial statutory corporate income tax rate to the Company's loss before income tax recovery. The components of these differences are as follows:

	2017	2016
	- \$ -	- \$ -
Loss before income tax recovery	(668,165)	(4,913,836)
Corporate tax rate	26.000%	26.000%
Income tax expense (recovery) at statutory tax rates	(174,000)	(1,278,000)
Increase (decrease) resulting from:		
Impact of different foreign statutory tax rates, foreign exchange and other	110,000	(185,000)
Non-deductible expenditures and non-taxable revenues	(10,000)	163,000
Share issue cost	(3,000)	(100,000)
Expiry of non-capital losses	-	27,000
Change in unrecognized deductible temporary differences	77,000	1,373,000
Income tax recovery	-	-

The significant components of the Company's deferred tax liabilities and offsetting tax assets are as follows:

	2017	2016
	- \$ -	- \$ -
Deferred Tax Assets (liabilities)		
Long term liabilities	(236,000)	(254,000)
Non-capital losses	236,000	254,000
Total	-	-

Significant components of deferred tax assets that have not been set up are as follows:

	2017	2016
	- \$ -	- \$ -
Share issue costs	64,000	83,000
Allowable capital losses	117,000	117,000
Non- capital losses	4,660,000	4,254,000
Rehabilitation obligation	17,000	15,000
Exploration and evaluation assets	2,636,000	2,948,000
Marketable securities	6,000	6,000
Total unrecognized tax assets	7,500,000	7,423,000

Tax attributes are subject to review and potential adjustment by tax authorities.

The Company has non-capital losses of approximately \$6,964,000 available for deduction against future taxable income in Canada and an additional \$6,669,000 USD available for deduction against future taxable income in the United States. These losses, if not utilized, will expire through to 2037. The Company has allowable capital losses of approximately \$450,000 available for deduction against future capital gains and, if not utilized, will carry forward indefinitely. Future tax benefits which may arise as a result of these losses have not been recognized in these financial statements as it is not probable that they will be realized.

# Iconic Minerals Ltd.

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## 15. SUBSEQUENT EVENTS

Subsequent to the year ended August 31, 2017 the Company:

- a) extended the expiry date of previously issued warrants so they all expire on February 22, 2020:
  - Warrants issued December 22, 2016 to purchase a total of 590,909 common shares of the Company at \$0.20 per share, currently expiring December 21, 2017; and
  - Warrants issued February 22, 2017 to purchase a total of 1,681,818 common shares of the Company at \$0.20 per share, currently expiring February 21, 2018;
- b) entered into an exclusive definitive licensing agreement with St-Georges Platinum and Base Metals Ltd. ("St-Georges" or "SX") to utilize its proprietary lithium extraction, purification and processing technology.

The Agreement grants the Company the exclusive right to a site license within the state Nevada, to use St-Georges' proprietary and related technology, products, patents and future improvements for the purpose of extracting, processing and selling lithium. Pursuant to the Agreement, St-Georges has agreed to provide engineering and technical services on all licensed production sites.

In consideration for the licensing rights, the Company has agreed, subject to receipt of acceptance by regulatory authorities, to issue St-Georges a total of 5,000,000 common shares in its capital stock in stages over a 36 month period, subject to performance benchmarks. Additionally, the Company has agreed to advance \$100,000 toward a future financing.

The Company has agreed to pay a Net Revenue Interest Royalty (NRI) of 5% on all minerals produced and sold on all production sites licensed with SX's technologies. The Company is entitled to receive 20% of royalties received by SX from other operations within a specified area.

- c) closed a private placement financing to raise gross proceeds of \$600,000, by issuing 6,000,000 units at a price of \$0.10 per unit, each unit consisting of one common share and one share purchase warrant. Each whole warrant entitling the holder thereof to purchase one additional common share, exercisable for a period of two years from the date of issuance at a price of \$0.15 per share (subject to an acceleration clause).

The Company paid finders' fees of \$15,200 in connection with the financing.