

**ICONIC MINERALS LTD.  
MANAGEMENT DISCUSSION AND ANALYSIS  
NINE MONTHS ENDED MAY 31, 2018**

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Dated: July 30, 2018

**OVERVIEW**

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The following management discussion and analysis (“MDA”) of the financial position of Iconic Minerals Ltd. (the “Company”) and results of operations should be read in conjunction with the audited consolidated financial statements for the year ended August 31, 2017 and the unaudited condensed consolidated interim financial statements for the nine months ended May 31, 2018. All monetary amounts referred to herein are in Canadian dollars unless otherwise stated. The financial statements together with this MDA are intended to provide investors with a reasonable basis for assessing the financial performance of the Company.

Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://www.sedar.com), on the Company’s website at [www.iconicmineralsltd.com](http://www.iconicmineralsltd.com), or by requesting further information from the Company’s head office in Vancouver.

**FORWARD LOOKING STATEMENTS**

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Information contained in this MDA that is not historical fact may be considered “forward looking statements”. These forward looking statements sometimes include words to the effect that management believes or expects a stated condition or result. All estimates and statements that describe the Company’s objectives, goals or plans are forward looking statements. Since forward looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors, including such variables as new information regarding recoverable reserves, changes in commodity demand and prices, legislative, environmental and other regulatory or political changes, competition in areas where the Company operates, and other factors discussed herein. Readers are cautioned not to place undue reliance on this forward looking information.

**DESCRIPTION OF BUSINESS**

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Iconic Minerals Ltd. (TSX-V: ICM) is a mineral exploration company focused on acquiring and exploring gold and lithium properties in Nevada and Canada leading to NI43-101 compliant mineral resources in the near term. Although its Canadian properties were impaired in prior fiscal years, the Company continues to investigate new Canadian properties to acquire and explore.

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 has expanded its Bonnie Claire lithium project to 921 claims comprising 18,420 acres (28.75 mi<sup>2</sup>).

The Company holds highly prospective gold exploration properties in Nevada with the potential to host both Carlin-type and Round Mountain style gold/silver deposits. The Company, through option agreements, has acquired 50% interests in the New Pass and Squaw creek properties located in Nevada.

In September 2011 the Company entered into an earn-in agreement to acquire up to a 70% interest in a lease in the Hercules Project 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%). The terms of the amended underlying lease agreement are disclosed in the consolidated financial statements.

In January 2018 the Company 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.

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In consideration for the licensing rights, the Company has agreed 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 outlined below:

- 2,000,000 common shares upon Stage 1 Benchmark completion: which is defined by the delivery of an independent laboratory report currently commissioned by St-Georges, indication positive viable lithium recoveries;
- 1,500,000 shares upon Stage 2 Benchmark completion: which is defined by independent report describing results of initial pilot mining operations and the processing of a minimum of one metric ton in a simulated industrial environment; and
- 1,500,000 shares upon Stage 3 Benchmark completion: which is defined by the reception of a Preliminary Economical Assessment Report or at commercialization decision or the third year anniversary mark of this Agreement assuming other issuance have been completed.

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.

## **UNITED STATES**

### **Overview**

With the acquisition of a 100% interest in the Hercules Project the Company has focused its effort on bringing this bulk minable, heap leachable type target to production. The New Pass and Squaw Creek properties will be further explored once Hercules is advanced.

### **Lithium Project, Nevada**

#### **Bonnie Claire**

In December 2015, the Company entered into a property option agreement with a related party (Richard Kern, CEO) 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 (incurred) for the first year exploration development program, and by thereafter completing additional work requirements for the second (US \$200,000-incurred), third (US \$400,000-incurred) and fourth (US \$600,000) year totaling US \$1,200,000.

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 Property is a lithium brine target. It is located within a valley that is over +20 miles (+30 km) long and 12 miles (20 km) wide into which streams from an +800 mi<sup>2</sup> (2,070 km<sup>2</sup>) drainage basin empty. The source rocks are quartz-rich volcanics that contain anomalous amounts of lithium. Sampling of salt flats within the basin indicates lithium values in salt samples ranging from 50 to 340 ppm. The deeper part of a gravity low within the valley is 12 miles (20 km) long, and initial estimates of the depth to bedrock ranges from 1,500 to 2,000 feet (460-610 m) within this low. The current claim block covers the gravity low and associated mud flats that could be used for evaporation ponds if significant lithium brines are discovered in drilling.

By April 2016, the Company had expanded its land holding to 784 claims comprising 15,680 acres (63.5 km<sup>2</sup>) and filed with the State of Nevada an application to appropriate groundwater for future operations. Zonge International

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initiated a magnetotellurics (MT) geophysical survey over a gravity low within the valley in May, 2016. The survey will identify the depth and extent of highly conductive brine layers as well as structural and stratigraphic contacts. In June 2016 the Company expanded the Bonnie Claire land position to 921 claims comprising 18,420 acres.

In June 2016, the Company received a report by Frank Fritz of Fritz Geophysics, Fort Collins, Colorado on the MagnetoTelluric (MT) geophysical survey at the Bonnie Claire Project (the "Property"). The survey identified a widespread conductor interpreted to be a brine horizon with an average thickness of over 300 meters (985 feet). The low resistivity indicates a high salt content, because salt water is a good conductor. This layer has the characteristics of a potential lithium brine.

In the summer and fall of 2016 the Company drilled two exploration wells to test for lithium brine. Although the brines intersected contained marginal amounts of lithium, the sediments drilled were found to contain abundant lithium averaging over 1000 ppm. Initial leach tests of the sediments indicate recoveries of over 95% of the lithium using a dilute acid leach. Further metallurgical testing was initiated in late fall.

In March 2017, McClelland Laboratories Inc. ("McClelland"), of Sparks, Nevada conducted the initial metallurgy. A series of bottle roll tests were completed using hydrochloric acid at various strengths for a period of 72 hours. Although the tests indicate that this method dissolves the lithium mineral, the high calcium carbonate content of the samples caused excessive consumption of acid. The use of deionized water instead of acid has been proven to solve this problem. Testing, has shown that deionized water leaches the lithium from the sediments more effectively. Further studies are underway using water with variable solid densities, and temperatures to optimize extraction.

In May 2017, the Company completed one shallow drill hole of a lithium brine target. Both brine and sediment samples were collected continuously to a total depth of 300 feet (91.4 m). The sediments drilled consisted primarily of fine-grained sand and silt with occasional clay layers. At 160 feet (49 m), located below a thick clay zone, high density brine was intersected and continued through to the bottom of the drill hole.

In May 2018, the Company completed its third deep drill hole. The hole was drilled to a depth of 567 meters (1860 feet) and intersected large thicknesses of green, clay-rich sediments, that contained high lithium content in the first two deep holes drilled. Assay and bulk metallurgical samples of the sediments were collected in 20 foot (6.1m) intervals. Samples for assay are being securely transported to the geochem labs for further analysis, and detailed lithologic logging is still in progress.

The next claims fees of approximately US\$116,075 are due to the Bureau of Land Management in August 2018.

### **Smith Creek**

In October 2016, the Company entered into a lithium property option agreement with a company related via a common director (Richard Kern, CEO) to acquire a 100% interest in placer mining claims acres in Nevada. The Company may earn its 100% interest in the property 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 being, US \$133,100 (Unpaid), and (c) also expending for exploration in the first year US \$200,000 (Partially unexpended) , second year US \$500,000, third year US \$500,000 and fourth year US \$1,000,000, totaling US \$2,000,000. The annual claims fees were paid by the optionor in August 2017, and billed to the Company. The next claims fees of approximately US\$8,000 are due in August 2018.

The Company is currently in default on its requirements, however, the optionor has filed no notice of default and the Company is in the process of finalizing the renegotiation of the terms of the agreement and anticipates preparing the agreement in the near future. The optionor agrees that the claims are in good standing. Further, the Company is currently raising funds through a private placement which will be used to address any outstanding requirements.

If the Company is unable to conclude the renegotiations or the financing in a satisfactory manner allowing it to cure its default, the Company would forfeit its right to the option agreement.

In the fall of 2016 the Company contracted Zonge Engineering of Reno, Nevada to do a MagnetoTelluric (MT) geophysical survey to test the property for potential conductors which indicate the presence of brine.

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In March, 2017, the company completed an interpretation of the Magneto Telluric (MT) geophysical survey. The Survey was conducted along the long axes of the valley to determine the presence and the extent of the brine. The survey identified two probable brines. There is a thin, near surface anomaly that correlates with brine drilled by the USGS in a 1989 hydrology study of the basin. The USGS did not include an analysis of lithium within this study. The Survey also identified a deeper probable brine averaging 400 meters in interpreted thickness, which dips gently to the south and extends beyond the Survey to the north. The top layer of this brine anomaly occurs 200-500 meters below the surface. There were two major interpreted faults identified also.

**Hercules Project, Nevada**

In September 2011 the Company entered into an earn-in agreement with a company with a common director (Richard Kern, CEO) to acquire up to a 70% interest in a lease to explore the Hercules Project located in Lyon County, Nevada. To acquire its interest in the lease, the Company was required to expend a total of US\$3,000,000 in staged expenditures on the property over a five year period. In October 2013, the Company amended the earn-in agreement to obtain an additional 30% in the lease (total 100%) in consideration of a one-time payment of US\$10,000. As a result, the Company is now responsible for the commitments of the underlying agreement, which was concurrently amended. The terms of the amended underlying lease agreement are disclosed in the consolidated financial statements.

The annual claims fees were paid by the optionor in August 2017, and billed to the Company. The next claims fees of approximately US\$19,382 are due in August 2018.

The Company has not made all payments or expenditures required to date but the Company and the optionor have now verbally agreed to defer the requirements of the agreement until the earliest of the Company's 2018 fiscal year end or the raising of sufficient funds to move forward with the agreement. The optionor agrees that the claims are in good standing. The formal document is being prepared for execution and is expected to be concluded shortly. Further, the Company is currently raising funds through a private placement which will be used to address outstanding requirements.

<b>Cash payments required</b>	<b>Payment</b>
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 (Paid)	20,000
On or before November 17, 2017 (Payable)	
Then annually from 2017-2031 with increase tied to inflation	50,000

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

If the Company is unable to conclude the renegotiations or the financing in a satisfactory manner allowing it to cure its default, the Company would forfeit its right to the earn-in agreement.

The Hercules Project is located in the Como Mining District, Lyon County, Nevada, approximately 15 kilometers east of the Comstock Mine. Similar to Comstock the Hercules Project is a high level epithermal vein and disseminated gold/silver prospect occurring within Tertiary volcanic rocks. Iconic has agreed to explore the Project due to its potential for bulk minable heap leachable gold-silver mineralization as well as deeper high-grade and bonanza grade gold/silver. Two sub-parallel structural zones approximately 750 meters apart can be traced along surface for over 2,700 meters.

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The Company completed a summer drilling program at Hercules during 2012 consisting of 12 Reverse Circulation and 8 core holes totaling 6,631 feet (2,021 meters). During the summer of 2014, surface alteration mapping was conducted at Hercules. The identification of broad outcrops of potentially mineralized material led to the design of a surface outcrop and trench sampling program. In January, 2015 the Company was granted a Plan of Operation (POO) permit by the Bureau of Land Management (BLM) which will allow drilling of additional 200+ holes. This drilling will allow determination of an NI 43-101 resource for the Project. Completion of this work remains subject to additional funding. Early in the spring of 2015 outcrop sampling was initiated. Sample lines are carefully surveyed, logged and channel sampled on 0.3 to 3.0 meter intervals. To insure quality control, standards and blanks are added before the samples are sent to ALS Chemex in Reno, Nevada for analysis. Results were published in 2015.

**New Pass Property, Nevada**

In April 2006 the Company received a mineral resource report on the New Pass project compiled by Sam S. Arentz III, P.E. of Sierra Environmental Engineers, Inc., Reno, Nevada. The report was prepared using NI 43-101 guidelines and standards and is identified as an addendum to the NI 43-101 report filed on SEDAR.

According to the Arentz report the New Pass project contains an Inferred Mineral Resource of 11.5 million tons (10.5 million tonnes) averaging 0.0226 oz/t (0.78 g/t) gold and 0.2214 oz/t (7.59 g/t) silver. This is equivalent to approximately 260,000 ounces of gold and 2.546 million ounces of silver. The shallow and largely oxidized nature of the resource indicates it may be amenable to open pit heap-leach mining methods.

On September 8, 2010, the Company filed an NI 43-101 technical report which included updated information on all of the drilling since the 2006 resource report. A Plan of Operation was granted in July, 2009 and bonded in November, 2009. In a news release dated June 11, 2013, the Company announced the results of the 11 holes exploration program completed during the period at the Company's New Pass property.

During fiscal 2016 the Company decided to concentrate its resources and efforts towards its Bonnie Claire and Hercules Project properties, and accordingly impaired the New Pass Property to a nominal value, but continues to hold the rights to further explore this property. The next claims fees of approximately US\$10,000 are due in August 2018.

**Squaw Creek Property, Nevada**

The Squaw Creek property is located in the Ivanhoe Mining District, four miles northwest of the Hollister Deposit and is 15 miles southeast of the Ken Snyder Deposit in the Midas Mining District. Both the Ivanhoe Mining District and the Midas Mining District lie on the northwest strike projection of the Carlin Trend and within the Northern Nevada Rift. The Midas Mining District lies at the northwest end of a line of gold deposits, which extends to the southeast to the Rain deposit, south of Carlin. The property is a joint venture with McEwen Mining Inc. (Formerly White Knight Resources Ltd.)

According to the NI 43-101 report on the property, strongly anomalous gold mineralization has been consistently intersected in drill holes over an area 3 miles long by 1 mile wide. The Company conducted a geophysics survey of the property and a 3 holes deep core drilling program. The primary target is a high grade vein deposit like the Ken Snyder mine or the deeper part of the Ivanhoe (Hollister) mine.

During fiscal 2012 the Company decided to concentrate its resources and efforts towards its Hercules Project properties, and accordingly impaired the Squaw Creek Property to a nominal value, but continues to hold the rights to further explore this property. The next claims fees of approximately US\$10,000 are due in August 2018.

**CANADA**

In the prior year, the Company impaired its Canadian property, but continues to seek opportunities to acquire and explore new properties.

Richard Kern, CPG #11494 and President/CEO of the Company, is the QP responsible for the technical disclosure contained in this document.

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**SELECTED ANNUAL INFORMATION**

The following table provides a brief summary of the Company's financial operations for the prior three fiscal years. For more detailed information, refer to the Company's financial statements for the years then ended.

	Years ended August 31	2017	2016	2015
		- \$ -	- \$ -	- \$ -
Net loss		(668,165)	(4,913,836)	(644,537)
Basic and diluted loss per share		(0.01)	(0.14)	(0.03)
Total assets		3,487,591	3,198,880	4,565,476
Total long term liabilities		2,013,521	2,043,353	2,217,423
Total equity		(264,136)	(180,964)	665,712

**Year ended August 31, 2017:** The Company recorded a net loss for the year of \$668,165 compared to \$4,913,863 in 2016. Significant variances in costs between the two years include business development, share based compensation, shareholder communication and impairment of exploration and evaluation properties.

Business development decreased to \$38,306 in 2017 (2016 - \$141,110) commensurate with the decreased level of activity relating to the search for new properties acquisitions in the current year. Share based compensation decreased to \$(40,569) (2016 \$607,176) due to granting of stock options during the prior year and the recovery in the current year. Impairment costs decreased to \$28,215 (2016 - \$3,419,871) as a result of impairment charged to the New Pass property and the Yellow Lake property in the prior year, whereas there were no comparable charges in the current year other than claim renewal fees.

At year end, there was a working capital deficiency of \$1,706,233 (2016 - \$782,386). Net cash used in operations was \$74,023 (2016 - \$2,470,934), net cash used in investing activities totaled \$844,690 (2016 \$584,457), and net cash provided by financing activities was \$605,562 (2016 - \$3,332,484).

**Year ended August 31, 2016:** The Company recorded a net loss for the year of \$4,913,836 compared to \$644,537 in 2015. Significant variances in costs between the two years include business development, share based compensation, consulting fees and impairment of exploration and evaluation properties.

Business development increased to \$141,110 in 2016 (2015 - \$13,266) due to increased activities in search for new properties. Foreign exchange has a gain of \$16,657 (2015 - loss of \$141,174) due to changes in exchange rates between Canada and the United States. Consulting costs increased to \$274,138 (2015- \$99,868) as the Company increased the use of consultants to evaluate new potential acquisitions. Share based compensation increased to \$607,176 (2015 \$ 79,413) due to granting of stock options during the year. Impairment costs for New Pass property in Nevada as well as the Yellow Lake property in Quebec resulted in an increase to \$3,419,871 (2015 - \$Nil).

At year end, there was a working capital deficiency of \$782,386 (2015 - \$1,635,402). Net cash used in operations was \$2,473,186 (2015 - \$329,130), net cash used in investing activities totaled \$582,205 (2015 - \$132,103), and net cash provided by financing activities was \$3,332,484 (2015 - \$501,359).

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**Summary of quarterly financial results:** The following is a summary of selected financial information compiled from the quarterly interim unaudited financial statements for eight quarters ending May 31, 2018:

	May 31, 2018	February 28, 2018	November 30, 2017	August 31, 2017
<i>Three months ending</i>	- \$ -	- \$ -	- \$ -	- \$ -
Total assets	4,165,119	4,348,772	3,499,420	3,487,591
Exploration and evaluation assets	3,620,235	3,473,436	3,474,014	3,455,618
Working capital deficiency	(1,355,769)	(928,846)	(1,796,169)	(1,706,233)
Long term liabilities	2,160,818	2,110,353	2,059,063	2,013,521
Shareholders' equity/(deficiency)	103,648	434,237	(381,217)	(264,136)
Net income (loss)	(241,339)	(998,451)	(117,081)	124,519
Income (loss) per share	(0.00)	(0.01)	(0.00)	0.00

	May 31, 2017	February 28, 2017	November 30, 2016	August 31, 2016
<i>Three months ending</i>	- \$ -	- \$ -	- \$ -	- \$ -
Total assets	3,271,004	3,335,841	3,092,782	3,198,880
Exploration and evaluation assets	3,164,346	3,038,177	2,868,026	2,644,775
Working capital deficiency	(1,214,078)	(1,073,427)	(1,133,966)	(782,386)
Long term liabilities	2,229,121	2,164,672	2,074,936	2,056,353
Shareholders' equity	(278,853)	(145,922)	(386,766)	(180,964)
Net loss	(222,353)	(277,357)	(292,974)	(4,210,505)
Loss per share	(0.00)	(0.00)	(0.00)	(0.12)

In August 2016, the increase in the Company's net loss to \$4,210,505 was a primarily a result of \$3,419,871 in impairment costs of its New Pass, Squaw Creek and Yellow lake properties and its non-cash expense of \$607,176 for share based compensation.

In August 2017, the increase in the Company's net income to \$124,519 was a primarily a result of a reduction in interest cost as a result of applying accretion factors different from previous calculations and a reduction in share based compensation as stock options were exercised.

In February 2018, the increase in the Company's loss to \$998,129 was a primarily a result of its non-cash expense of \$500,131 for share based compensation and an increase in consulting for financial advisory and property investigation services.

**In the nine month period ended May 31, 2018 and May 31, 2017:**

The Company had a net loss of \$1,356,871 in the period compared to a net loss of \$795,555 in the prior comparable period. Most expenses were similar in both periods, with the most significant variances explained in the following table:

	<i>Nine months ended</i>	May 31, 2018	May 31, 2017
		- \$ -	- \$ -
Stock based compensation		500,131	70,266
<i>The increase in share-based payment is due to the granting of stock options during the period.</i>			
Consulting		342,430	319,025
<i>The increase in consulting is due to the increase usage of financial advisory and property investigation services in the current period.</i>			
Foreign exchange loss (gain)		34,920	(18,487)
<i>The change is due to a change in the US dollar in the current period applied to the US dollar denominated debts.</i>			

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**In the three month period ended May 31, 2018 and May 31, 2017:**

The Company had a net loss of \$241,339 in the period compared to a net loss of \$222,353 in the prior year's comparable period. Most expenses were similar in both periods, with the most significant variances explained in the following table:

	<i>Three months ended</i>	May 31, 2018	May 31, 2017
		- \$ -	- \$ -
Stock based compensation		-	23,422
<i>The decrease in share-based payment is due to the granting of stock options during the comparative period.</i>			
Shareholder communications		16,153	1,000
<i>The increase in shareholder communications is the result of increased news release and marketing activities in the current period.</i>			
Foreign exchange loss (gain)		16,132	(6,112)
<i>The change is due to a change in the US dollar in the current period applied to the US dollar denominated debts.</i>			

**LIQUIDITY AND CAPITAL RESOURCES**

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The Company has financed its operations to date primarily through the issuance of common shares, exercise of stock options and related party advances. The Company continues to seek capital through various means including the issuance of equity and/or debt.

The financial statements have been prepared on a going concern basis which assumes that the Company will be able realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

At May 31, 2018, the Company had a working capital deficiency of \$1,355,769 and a cumulative deficit of \$45,739,351. Management considers its cash-on-hand is not sufficient to fund its recommended exploration work, planned acquisition program and corporate overhead through the next twelve months. Accordingly, the Company is continuing to seek additional funds from existing shareholders and potential investors.

The Company has several overdue payments required on its Hercules and Smith Creek projects, as well as substantial expenditure requirements. It also has US\$400,000 in expenditure requirements due in fiscal 2018 on its Bonnie Claire Lithium project.

To address these issues, the Company has performed or is performing the following:

During the period ended May 31, 2018, the Company 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.

On December 28, 2017, the Company closed a private placement by issuing a total of 6,000,000 units at a price of \$0.10 per Unit for a gross proceeds of \$600,000, each Unit being comprised of one common share and one share purchase warrant, each whole warrant being exercisable into one common share on or before December 27, 2019 at \$0.15 per share (subject to an acceleration clause). The Company paid finders' fees of \$15,200 in connection with the financing.

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On January 9, 2018 announced the grant, pursuant to its 10% Rolling Stock Option Plan that was ratified and approved by shareholders on February 16, 2017 and accepted for filing by the TSX Venture Exchange on February 22, 2017, of options to certain eligible directors, officers and consultants to purchase a total of 3,000,000 common shares, exercisable in whole or in part on or before January 8, 2020 at an exercise price of \$0.25 per share.

If the Company is unable to raise sufficient funds through the above items or conclude satisfactory renegotiations with the optionors on the Smith Creek and Hercules projects, it is likely that these projects will be impaired or lost. Management anticipates that these issues will be resolved in this fiscal year.

The Company's future capital requirements will depend on many factors, including costs of exploration and development of the properties, cash flow from operations, costs to complete additional exploration, and competition and global market conditions. The Company's recurring operating losses and growing working capital needs will require that it obtain additional capital to operate its business.

The Company will depend on outside capital to complete the exploration and development of the resource properties. Such outside capital will include the sale of additional common shares. There can be no assurance that capital will be available as necessary to meet these continuing exploration and development 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 a significant dilution in the equity interests of its current shareholders. 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.

**RELATED PARTY TRANSACTIONS**

During the period ended May 31, 2018 and 2017, transactions with key management were as follows:

	2018	2017
	- \$ -	- \$ -
Management fees paid or accrued to the CEO and CFO <sup>(1)(2)</sup>	75,172	78,103
Consulting fees paid or accrued to a company controlled by the corporate manager <sup>(5)</sup>	36,000	36,000
Office administration fees accrued to a company controlled by the corporate manager <sup>(5)</sup>	112,500	45,000

The amounts due to key management personnel as at May 31, 2018 and August 31, 2017 were as follows:

	May 31, 2018	Aug 31, 2017
	- \$ -	- \$ -
Included in accounts payable are amounts due to the corporate manager, or MLTK Management Inc., or Simco Services Inc., companies controlled by the corporate manager <sup>(5)</sup>	264,038	207,817
Included in accounts payable are amounts due to Jenrich Operations Ltd., a company controlled by the CFO <sup>(2)</sup>	-	8,400
Included in accounts payable are amounts due to Richard Kern, director, or Great Basin Oil LLP, or Minquest Inc., companies related to him. <sup>(1)</sup>	642,826	525,776

**DIRECTORS AND OFFICERS**

<sup>1</sup> Richard Kern, President Director and CEO

<sup>2</sup> Richard Barnett, CFO & Secretary

<sup>3</sup> Jurgen Wolf, Director

<sup>4</sup> Huitt Tracey, Director

<sup>5</sup> Joe DeVries, Corporate Manager

<sup>6</sup> Joseph Charland, Director

The remuneration of directors and other key management personnel, which include the amounts disclosed above for the nine months ended May 31, 2018 and 2017, were as follows:

	2018	2017
	- \$ -	- \$ -
Short-term employee benefits – management, administrative, and consulting fees	111,172	114,404

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Management fees are charged by the CEO and the CFO for the overall management of the Company. Consulting fees are charged by the Corporate Manager to run the day to day operations as well as raising funds. Administration fees are charged as reimbursements (plus a 10% fee) for rent, accounting, securities administration, reception and other office services expended on behalf of the Company.

These transactions and the other related party transactions disclosed elsewhere in the financial statements 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.

All of the above items are charged on a month to month basis and there are no long term agreements with any related parties.

**OTHER MATTERS**

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**Outstanding Share Data:** As at May 31, 2018, and at the current date, the Company has 80,630,778 common shares outstanding.

**Stock options:** As at May 31, 2018, 4,200,000 stock options outstanding. Subsequent to the period ended May 31, 2018, 1,200,000 options expired. At the current date, there are 3,000,000 stock options outstanding.

**Warrants:** As at May 31, 2018, 14,104,546 warrants are outstanding. Subsequent to the period ended May 31, 2018, 7,350,000 warrants expired. As of the current date, there are 6,754,546 warrants outstanding.

**Off-Balance Sheet Arrangements:** The Company has not entered into any off-balance sheet arrangements.

**FINANCIAL INSTRUMENTS – PRESENTATION AND DISCLOSURE**

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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 consolidated statement of operations. 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 the consolidated statement of operations.

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

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION**

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The Company's financial statements and the other financial information included in this management report are the responsibility of the Company's management, and have been examined and approved by the Board of Directors. The accompanying consolidated financial statements are prepared by management in accordance with International Financial Reporting Standards ("IFRS") and include certain amounts based on management's best estimates using careful judgment. The selection of accounting principles and methods is management's responsibility.

Management recognizes its responsibility for conducting the Company's affairs in a manner to comply with the requirements of applicable laws and established financial standards and principles, and for maintaining proper standards of conduct in its activities.

The Board of Directors supervises the financial statements and other financial information through its audit committee, which is comprised of a majority of non-management directors.

This committee's role is to examine the financial statements and recommend that the Board of Directors approve them, to examine the internal control and information protection systems and all other matters relating to the Company's accounting and finances. In order to do so, the audit committee meets annually with the external auditors, with or without the Company's management, to review their respective audit plans and discuss the results of their examination. This committee is responsible for recommending the appointment of the external auditors or the renewal of their engagement.

## **ACCOUNTING POLICIES**

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

A number of new standards, amendments to standards and interpretations are not yet effective as of May 31, 2018 and have not been applied in preparing these financial statements.

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

### ***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.

## **RISKS**

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The Company is engaged in the exploration for and development of exploration and evaluation assets. These activities involve significant risks which careful evaluation, experience and knowledge may not, in some cases, eliminate. The commercial viability of any material deposit depends on many factors not all of which are within the control of management. Some of the factors that affect the financial viability of a given mineral deposit include its size, grade, proximity to infrastructure. Government regulation, taxes, royalties, land tenure, land use, environmental protection and reclamation and closure obligations, have an impact on the economic viability of a mineral deposit.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts revenues and expenses during the reporting period. Actual results could differ from those estimates.

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Annual losses are expected to continue until the Company has an interest in an exploration and evaluation asset that produces revenues. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon the continued support of its shareholders, obtaining additional financing and generating revenues sufficient to cover its operating costs. The accompanying consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements.

Any forward-looking information in the management discussion and analysis is based on the conclusions of management. The Company cautions that due to risks and uncertainties, actual events may differ materially from current expectations. With respect to the company's operations, actual events may differ from current expectations due to economic conditions, new opportunities, changing budget priorities of the Company and other factors.

**INTERNAL CONTROLS OVER FINANCIAL REPORTING**

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The Chief Executive Officer and Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting ("ICFR") or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. We have designed controls for this process and have conducted an evaluation which has identified potential weaknesses in such controls. Due to the limited number of staff, it is not feasible to attain complete segregation of incompatible duties. Weaknesses in the Company's internal controls over financial reporting allow for a greater likelihood that a material misstatement would not be prevented or detected.

The company is not required to certify the design and evaluation of its ICFR and has not completed such an evaluation, and inherent limitations on the ability of the certifying officers to design and implement, on a cost-effective basis, ICFR for the company may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

**DIRECTORS**

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Certain directors of the Company are also directors, officers and/or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploring natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required to act in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his/her interest and abstain from voting in the matter(s). In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at the time.