

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-QSB

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 31, 2008

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from [] to []

Commission file number **000-49664**

IKONA GEAR INTERNATIONAL, INC.

(Exact name of small business issuer as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

88-0474903
(IRS Employer Identification No.)

**1650 Brigantine Drive, Unit #100
Coquitlam, British Columbia
Canada, V3K 7B5**
(Address of principal executive offices)

(604) 523-5500
(Issuer's telephone number)

(Former name, former address and former fiscal year, if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). .
Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

39,082,791 common shares outstanding as of July 10, 2008

Transitional Small Business Disclosure Format (Check one): Yes No

IKONA GEAR INTERNATIONAL, INC.

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Part I - FINANCIAL INFORMATION

Item 1. Financial Statements

Our financial statements are stated in United States Dollars (US\$) and are prepared in accordance with generally accepted accounting principles in the United States of America.

The consolidated financial statements included herein have been prepared by Ikona Gear International, Inc. (the Company) without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such SEC rules and regulations. In the opinion of management of the Company the accompanying statements contain all adjustments necessary to present fairly the financial position of the Company as of May 31, 2008, and its results of operations for the three and nine-month periods ended May 31, 2008 and 2007 and its cash flows for the nine-month periods ended May 31, 2008 and 2007. The results for these interim periods are not necessarily indicative of the results to be expected for the entire year. The accompanying financial statements should be read in conjunction with the financial statements and the notes thereto filed as a part of the Company's most recent annual report on Form 10-KSB.

IKONA GEAR INTERNATIONAL, INC.

Consolidated Financial Statements

(Expressed in United States Dollars)

May 31, 2008

(Unaudited)

IKONA GEAR INTERNATIONAL, INC.
Consolidated Balance Sheet
(Unaudited)

| | May 31, 2008 |
|---|-----------------|
| ASSETS | |
| Current assets | |
| Cash | \$ 158,570 |
| Accounts receivable, net of allowance of \$ - | 53,859 |
| Other receivables | 22,745 |
| Inventory (Note 4) | 890,786 |
| Prepaid expenses | 34,522 |
| Deferred taxes, net of valuation allowance of \$3,958,672 | - |
| <hr/> | |
| Total current assets | 1,160,482 |
| Property and equipment (Note 5) | 159,430 |
| Deferred expenses (Note 6) | 59,583 |
| <hr/> | |
| Total assets | \$ 1,379,495 |
| LIABILITIES AND DEFICIENCY IN NET ASSETS | |
| Current liabilities | |
| Accounts payable and accrued liabilities | \$ 1,704,225 |
| Accrued warranty | 102,762 |
| Capital lease payable (Note 10) | 874 |
| Current portion of loan payable (Note 9) | 3,839 |
| Promissory notes payable (Note 11) | 135,640 |
| Obligation to issue shares (Note 12) | 100,000 |
| <hr/> | |
| Total current liabilities | 2,047,340 |
| Loan payable (Note 9) | 5,859 |
| <hr/> | |
| Total liabilities | 2,053,199 |
| Commitment (Note 16) | |
| Deficiency in net assets | |
| Common stock (Note 13) | |
| Authorized | |
| 100,000,000 common shares, \$0.00001 par value | |
| 39,082,791 common shares issued and outstanding | 390 |
| Additional paid-in capital | 10,969,059 |
| Deficit | (11,643,153) |
| <hr/> | |
| Total deficiency in net assets | (673,704) |
| <hr/> | |
| Total liabilities and deficiency in net assets | \$ 1,379,495 |

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

IKONA GEAR INTERNATIONAL, INC.
Consolidated Statements of Operations
(Unaudited)

| | Three Months Ended May 31, | | Nine Months Ended May 31, | |
|--|----------------------------|--------------------|---------------------------|--------------------|
| | 2008 | 2007 | 2008 | 2007 |
| REVENUES | | | | |
| Royalties | \$ 1,460 | \$ 2,193 | \$ 5,500 | \$ 6,049 |
| Engineering services | - | - | - | 3,035 |
| Product revenues | 332,412 | 118,779 | 2,308,865 | 440,288 |
| TOTAL REVENUE | 333,872 | 120,972 | 2,314,365 | 449,372 |
| Cost of goods sold | (210,823) | (138,807) | (2,042,529) | (497,710) |
| Gross margin (loss) | 123,049 | (17,835) | 271,836 | (48,338) |
| EXPENSES | | | | |
| Depreciation | 29,160 | 48,962 | 102,667 | 107,146 |
| Business development (Note 3) | 78,460 | 264,286 | 209,169 | 451,188 |
| Corporate finance (Note 6) | 26,250 | 36,593 | 63,038 | 350,795 |
| Foreign exchange (gain) loss | 15,428 | (3,087) | (15,655) | (3,043) |
| General and administrative (Note 3) | 117,242 | 201,116 | 408,183 | 332,045 |
| Investor relations (Note 3) | 31,219 | 111,290 | 239,548 | 345,783 |
| Listing and filing fees | 7,022 | 6,140 | 14,387 | 8,360 |
| Product development (Note 3) | 273,732 | 214,168 | 856,578 | 538,602 |
| Professional fees | 18,489 | 62,754 | 146,724 | 209,227 |
| Rent | 58,616 | 53,476 | 163,632 | 130,424 |
| Technology and development (Note 3) | 64,616 | 75,182 | 237,197 | 162,863 |
| Travel and related | 8,819 | 16,958 | 54,297 | 69,308 |
| TOTAL EXPENSES | (729,053) | (1,087,838) | (2,479,765) | (2,702,698) |
| OTHER INCOME (EXPENSES) | | | | |
| Interest income | 84 | 908 | 6,999 | 11,500 |
| Interest expense (Note 8) | - | (32,131) | (51,544) | (268,333) |
| Loss on disposal of assets | - | - | - | (4,151) |
| TOTAL OTHER INCOME (EXPENSES) | 84 | (31,223) | (44,545) | (260,984) |
| Loss before income taxes | (605,920) | (1,136,896) | (2,252,474) | (3,012,020) |
| Income taxes | - | - | - | - |
| Net loss for the period | \$ (605,920) | \$ (1,136,896) | \$ (2,252,474) | \$ (3,012,020) |
| Basic and diluted net loss per share | \$ (0.02) | \$ (0.04) | \$ (0.06) | \$ (0.11) |
| Weighted average number of common shares outstanding – basic and diluted | 37,280,074 | 28,713,759 | 35,958,406 | 28,244,314 |

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

IKONA GEAR INTERNATIONAL, INC.
Consolidated Statements of Cash Flows
(Unaudited)

| | Nine Months Ended May 31, | |
|---|---------------------------|--------------------|
| | 2008 | 2007 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss for the period | \$ (2,252,474) | \$ (3,012,020) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation | 102,667 | 107,146 |
| Business development fees paid by stock options | 39,836 | 188,604 |
| Corporate finance fees paid by common stock and warrants | - | 190,789 |
| General and administrative fees paid by stock options | 154,585 | 105,348 |
| Investor relations fees paid by common stock, stock options and warrants | 117,187 | 207,119 |
| Product development fees paid by stock options | 210,345 | 70,436 |
| Technology development fees paid by stock options | 193,849 | 74,611 |
| Amortization of corporate finance fees | 41,250 | 116,406 |
| Amortization of business development fees | - | 42,000 |
| Interest expense on convertible notes payable | - | 268,333 |
| Interest expense on promissory notes | 6,400 | 1,454 |
| Loss on disposal of assets | - | 4,151 |
| CHANGE IN OPERATING ASSETS AND LIABILITIES: | | |
| Accounts receivable | 391,732 | (24,726) |
| Other receivables | (10,670) | (62,815) |
| Inventory | (546,459) | (518,632) |
| Prepaid expenses | 5,282 | 5,973 |
| Accounts payable and accrued liabilities | 1,272,012 | 411,037 |
| Accrued warranty | 70,978 | - |
| Unearned revenue | (759,674) | 209,093 |
| Cash used in operating activities | (963,154) | (1,615,693) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayment of convertible notes payable (Note 8) | (1,300,699) | - |
| Repayment of loan payable | (1,962) | (1,679) |
| Proceeds from promissory notes | - | 125,675 |
| Repayment on promissory notes | - | (25,196) |
| Payment of capital lease payable | (1,310) | (734) |
| Promissory notes | 129,240 | - |
| Obligation to issue shares | 100,000 | - |
| Issuance of common stock, net of issuance costs | 983,066 | 1,171,600 |
| Subscriptions advanced | - | 456,666 |
| Cash provided by (used in) financing activities | (91,665) | 1,726,332 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Property and equipment acquired for cash | (14,190) | (268,806) |
| Cash used in investing activities | (14,190) | (268,806) |
| NET DECREASE IN CASH | (1,069,009) | (158,167) |
| CASH AT BEGINNING OF PERIOD | 1,227,579 | 437,432 |
| CASH AT END OF PERIOD | \$ 158,570 | \$ 279,265 |
| CASH PAID FOR: | | |
| Interest | \$ 152,243 | \$ - |
| Income taxes | \$ - | \$ - |

The Company issued 25,000 units valued at \$2,500 for finder's fees.

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

Note 1 – The Company and Nature of Operations

Ikona Gear International, Inc. (“Ikona – Nevada”) was incorporated in the state of Nevada on September 20, 2000. On June 7, 2007, Ikona - Nevada completed its redomestication as a corporation formed and organized under the laws of the state of Delaware. The redomestication was accomplished by consummating the statutory merger of Ikona – Nevada with and into Ikona Gear International, Inc., a Delaware corporation formed April 20, 2007 (“Ikona – Delaware” or the “Company”) with Ikona – Delaware being the surviving corporation. The redomestication had an effective date of May 17, 2007, the date the Certificate of Merger was filed with the Delaware Secretary of State.

The Company is in business to develop and commercialize a unique, patented gearing technology and to provide high-value power-transmission solutions to the oil and gas, industrial, and automotive markets.

These unaudited consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America for interim financial information. The accompanying unaudited consolidated financial statements do not include all information and footnote disclosures required for an annual set of financial statements prepared under United States generally accepted accounting principles. In the opinion of management, all adjustments (consisting solely of normal recurring accruals) considered necessary for a fair presentation of the financial position, results of operations and cash flows as at May 31, 2008, and for all periods presented, have been included. Interim results for the three and nine-month periods ended May 31, 2008, are not necessarily indicative of the results that may be expected for the fiscal year as a whole.

Note 2 – Going Concern

These financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America (“US GAAP”) with the on-going assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. However, certain conditions noted below currently exist which raise substantial doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

The operations of the Company have primarily been funded by the issuance of capital stock and debt financing. Continued operations of the Company are dependent on the Company's ability to complete additional equity financings or generate profitable operations in the future. Management's plan in this regard is to secure additional funds through future equity financings. Such financings may not be available or may not be available on terms reasonable to the Company.

| | May 31, 2008 |
|------------------------------|-----------------|
| Deficit | \$ (11,643,153) |
| Working capital (deficiency) | \$ (886,858) |

Note 3 - Significant Accounting Policies

Stock-Based Compensation

Effective September 1, 2006, the Company adopted SFAS No. 123(revised), "Share-Based Payment" ("SFAS 123(R)") utilizing the modified prospective approach. The Company records stock-based compensation in accordance with SFAS No. 123R "Accounting for Stock-based Compensation" ("SFAS 123R"), and applies the recommendations of this standard using the modified prospective method. Under this application, the Company is required to record compensation expense, based on the fair value of awards, for all awards granted after the date of the adoption and for the unvested portion of previously granted awards that remain outstanding as at the date of adoption.

The Company recorded the fair value of stock-based compensation expense from the amortization of stock options issued to employees of \$598,615 and \$438,999 during the nine-month periods ended May 31, 2008 and 2007 respectively. The Company recorded \$39,836 and \$188,604 as business development, \$154,585 and \$105,348 as general and administrative, \$210,345 and \$70,436 as product development and \$193,849 and \$74,611 as technology development expenses in the consolidated statements of operations for the nine-months ended May 31, 2008 and 2007 respectively.

The Company accounts for stock-based compensation issued to non-employees in accordance with the provisions of SFAS 123R. During the nine months ended May 31, 2008, the Company recognized stock-based compensation expense of \$78,087 relating to the fair value of warrants issued to non-employees which has been recorded in investor relations fees. During the nine months ended May 31, 2007, the Company recognized stock-based compensation expense of \$308,813 which has been recorded in investor relations in the amount of \$207,119 and in corporate finance in amount of \$101,694.

Note 4 – Inventory

| | Nine Months Ended May 31, 2008 |
|-----------------|---|
| Work-in-process | \$ 725,221 |
| Finished goods | 165,565 |
| Total | \$ 890,786 |

Note 5 – Property and Equipment

| | May 31, 2008 | | |
|------------------------|-------------------|-----------------------------|-------------------|
| | Cost | Accumulated Depreciation | Net Book Value |
| Computers and software | \$ 136,545 | \$ 132,380 | \$ 4,165 |
| Furniture | 42,668 | 26,383 | 16,285 |
| Equipment | 312,343 | 186,390 | 125,953 |
| Leasehold improvements | 20,410 | 7,383 | 13,027 |
| | <u>\$ 511,966</u> | <u>\$ 352,536</u> | <u>\$ 159,430</u> |

Note 6 - Deferred Expenses

The Company has incurred financing expenses which it has chosen to defer over the term of associated services being provided.

| | |
|-------------------------------|--------------------------------|
| | Deferred Finance Expense |
| Deferred Expense Incurred | \$ 165,000 |
| Less: Amortization | (105,417) |
| Unamortized Deferred Expenses | <u>\$ 59,583</u> |

The Company entered into an investment banking agreement in July 2006 and issued 500,000 shares of common stock, subject to the release of 100,000 shares immediately, 100,000 shares in one year, and 300,000 in two years, with all shares subject to normal trading restrictions. The Company recorded deferred expenses of \$165,000 and is amortizing the amount over the 36-month term of the agreement. For the nine-month period ended May 31, 2008, the Company recorded a charge to corporate finance fees of \$41,250.

Note 7 - Related Party Transactions

On April 1, 2004, the Company amended a consulting agreement with a director, officer and significant shareholder of the Company to pay monthly management fees totaling approximately \$8,500 (C\$11,333). This agreement can be terminated with six months advance notice. In September 2007, the Company increased monthly management fees totaling approximately \$11,911 (C\$11,792).

The Company entered into the following transactions with related parties during the nine-month period ending May 31, 2008:

- a) Paid or accrued business development fees of \$106,451 (2007 - \$89,417) to a company controlled by a director of the Company.
- b) Paid or accrued corporate finance fees of \$nil (2007 - \$43,600) to a company controlled by a former director of the Company.

Included in accounts payable and accrued liabilities is \$20,375 due to a director.

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Note 8 - Convertible Notes Payable

On March 3, 2006, and March 13, 2006, the Company closed on a private placement of 2,400,000 units for cash proceeds of \$1,056,000 (gross proceeds of 1,200,000, net of issuance costs of \$144,000). Each unit consisted of an unsecured convertible promissory note (the "Note") convertible at the option of the holder into common stock at a price of \$0.50 per share, and a detachable warrant to purchase shares of common stock at \$0.59 per share until March 13, 2011. If, one year after the issue date of the warrants, a registration statement is not effective, the warrants may be exercised on a cashless basis.

The fair value of the warrants granted by the Company was \$350,404. The Company has recorded a debit to convertible notes payable and a credit to additional paid-in capital. The Company was amortizing the warrant value over the one year term of the promissory notes. As of February 28, 2007, the warrants were fully amortized. The fair market value of the common stock into which the promissory notes were convertible at that time of issuance was \$1,296,000. The Company recorded a beneficial conversion feature of \$96,000 and recorded a debit to convertible notes payable and a credit to additional paid-in capital.

The Notes ranked senior to other debt, bore interest at 10% per year, which accrued and was added to the outstanding principal amount on a daily basis. The holder of each Note had the right to convert the Note into shares of common stock at a conversion price of \$0.50 per share. Notes with a face value of \$600,000 were due on March 3, 2007, and Notes with a face value of \$600,000 were due on March 13, 2007. The notes including interest were fully repaid in September 2007.

Note 9 - Loan Payable

In March 2006, the Company entered into an agreement for the purchase of computer server equipment. The amount financed was \$14,200 (C\$15,954), amortization period is 48 months and interest rate is 17.99%.

Note 10 – Capital Lease Payable

In September 2006, the Company entered into a lease agreement for two computers. The amount of the lease is \$3,314 (C\$3,766), monthly payments are \$159, amortization period is 24 months, interest rate is 14% and the purchase option is \$1.

Note 11 – Promissory notes payable

During the nine-month period ended May 31, 2008, the Company issued four promissory notes (two to non-related parties and two to a director) with a total face value of \$131,327 (C\$129,240). The promissory notes bear interest at 20% per annum and are payable on or before August 31, 2008.

Note 12 - Obligation to issue shares

During the current period, the Company received \$100,000 towards future share issuances. The funds received do not have any interest or repayment terms and the number and pricing of future shares to be issued has not been set. Since the number of shares to be issued has not been fixed, pursuant to FASB Statement 150, “Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity”, the amount has been recorded as a liability.

Note 13 – Common Stock

In September 2007, the Company issued 3,313,332 units at a price of \$0.50 per unit for cash proceeds of \$1,424,733 (gross proceeds of \$1,656,666, net of finder’s fees of \$231,933). Each unit consists of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase one additional share of common stock at a price of \$0.54 per share for a period of two years from the date of issuance. Of these proceeds, \$906,666 was received at the year ended August 31, 2007.

In October 2007, the Company issued 85,000 shares valued at a price of \$0.46 per share in payment of investor relations fees.

In April 2008, the Company issued 5,000,000 units at a price of \$0.10 per unit for cash proceeds of \$465,000 (gross proceeds of \$500,000, net of finder’s fees of \$35,000). Each unit consists of one common share and one whole warrant. Each whole warrant entitles the holder to purchase one additional share of common stock at a price of \$0.25 per share for a period of one year from the date of issuance. The Company also issued 25,000 units for finder’s fees under the same terms as the units issued on the private placement.

Note 14 – Stock Options and Warrants

Stock Options

On October 28, 2003, the Company adopted a stock incentive plan (the "2003 Stock Plan") to provide incentives to employees, directors and consultants. The Stock Plan provides for the issuance of up to 4,400,000 options with a maximum term of ten years. At the annual meeting of shareholders held on April 16, 2007, the 2003 Stock Plan was amended to increase the number of options that may be issued under the plan to 8,400,000.

As disclosed in the summary of Significant Accounting Policies, the Company follows SFAS No. 123R and has elected to use the Black-Scholes option pricing model to determine the fair value of stock options granted. In accordance with SFAS No. 123R for employees, the compensation expense is amortized on a straight-line basis over the requisite service period which approximates the vesting period. Compensation expense for stock options granted to non-employees is amortized over the contract services, period or, if none exists, from the date of grant until the options vest. Compensation associated with unvested options granted to non-employees is re-measured on each balance sheet date using the Black-Scholes option pricing model.

The Company uses historical data to estimate option exercise, forfeiture and employee termination within the valuation model. For non-employees, the expected term of the options approximates the full term of the options. The risk-free interest rate is based on a treasury instrument whose term is consistent with the expected term of the stock options. The Company has not paid and does not anticipate paying dividends on its common stock; therefore, the expected dividend yield is assumed to be zero. In addition, SFAS 123R requires companies to utilize an estimated forfeiture rate when calculating the expense for the reporting period. Based on the best estimated, management applied the estimated forfeiture rate of nil in determining the expense recorded in the accompanying Statements of Operations.

| | Number of Options | Weighted Average Exercise Price |
|--------------------------------------|-------------------|------------------------------------|
| Options outstanding, August 31, 2007 | 7,219,951 | \$ 0.52 |
| Issued | 1,147,691 | 0.29 |
| Exercised | - | - |
| Expired | (835,979) | (0.42) |
| Options outstanding, May 31, 2008 | 7,531,663 | \$ 0.50 |
| Options exercisable, May 31, 2008 | 6,176,857 | \$ 0.51 |

The weighted average fair value of options granted during the nine-month period ended May 31, 2008 was \$0.29 per option.

Note 14 – Stock Options and Warrants (continued)

Stock Options (continued)

A summary of stock options outstanding at May 31, 2008 is as follows:

| Outstanding Options | | Exercisable Options | | |
|---------------------|---------------------------------|---------------------|---------------------------------|---------------|
| Number | Weighted Average Exercise Price | Number | Weighted Average Exercise Price | Expiry Date |
| 727,000 | \$ 1.10 | 727,000 | \$ 1.10 | June 29, 2010 |
| 140,000 | 0.56 | 140,000 | 0.56 | July 13, 2011 |
| 300,000 | 0.45 | 258,333 | 0.45 | Nov 3, 2011 |
| 108,000 | 0.36 | 69,000 | 0.36 | July 4, 2012 |
| 270,000 | 0.27 | 270,000 | 0.27 | July 24, 2012 |
| 1,225,000 | 0.35 | 1,225,000 | 0.35 | Aug 22, 2012 |
| 3,413,972 | 0.52 | 2,738,379 | 0.52 | Apr 16, 2013 |
| 150,000 | 0.41 | 150,000 | 0.41 | Apr 27, 2013 |
| 50,000 | 0.38 | 13,889 | 0.38 | Aug 3, 2013 |
| 727,691 | 0.35 | 181,923 | 0.35 | Sep 5, 2013 |
| 20,000 | 0.25 | 3,333 | 0.25 | Dec 17, 2013 |
| 400,000 | 0.17 | 400,000 | 0.17 | Feb 25, 2014 |
| 7,531,663 | | 6,176,857 | | |

As of May 31, 2008, the total number of in-the-money options was nil and the aggregate intrinsic value was \$nil.

The Company uses the Black-Scholes option pricing model to compute estimated fair value, based on the following assumptions:

| | |
|---|---------|
| Risk-free interest rate | 4.25 % |
| Dividend yield rate | 0.00 % |
| Price volatility | 135 % |
| Weighted average expected life of options | 6 years |

Warrants

In September 2007, the Company issued 400,000 warrants exercisable for a two year period at an exercise price of \$0.54 per warrant. The fair value of the warrants issued was \$78,087. The Company has recorded \$78,087 of investor relations fees for the nine-month period ended May 31, 2008.

The Company uses the Black-Scholes option pricing model to compute the estimated fair value of compensatory warrants, based on the following weighted average assumptions:

| | |
|--|---------|
| Risk-free interest rate | 4.25 % |
| Dividend yield rate | 0.00 % |
| Price volatility | 104.1 % |
| Weighted average expected life of warrants | 2 years |

Note 14 – Stock Options and Warrants (continued)

Warrants (continued)

| | Number of Warrants | Weighted Average Exercise Price |
|---|--------------------|------------------------------------|
| Warrants outstanding, August 31, 2007 | 6,079,333 | \$ 0.62 |
| Issued | 7,081,666 | 0.33 |
| Exercised | - | - |
| Expired | (1,050,000) | 0.89 |
| Warrants outstanding May 31, 2007 | 12,110,999 | \$ 0.44 |
| Warrants exercisable May 31, 2008 | 12,110,999 | \$ 0.44 |
| Weighted average fair value of warrants granted in the period | | \$ 0.20 |

In September 2007, the board of directors approved an extension and repricing of certain previously issued warrants. The revised terms are reflected in the table below.

The summary of warrants outstanding is as follows:

| Issuances | Outstanding | Exercise Price | Expiry Date |
|--------------------|-------------|-------------------|--------------------|
| March 31, 2005 | 50,000 | \$ 0.75 | March 31, 2010 |
| March 13, 2006 | 751,000 | 0.50 | March 13, 2011 |
| March 13, 2006 | 2,400,000 | 0.59 | March 13, 2011 |
| September 21, 2006 | 995,000 | 0.54 | September 21, 2009 |
| July 18, 2007 | 833,333 | 0.65 | July 18, 2009 |
| September 18, 2007 | 1,656,666 | 0.54 | September 18, 2009 |
| September 21, 2007 | 400,000 | 0.54 | September 21, 2009 |
| April 2, 2008 | 5,000,000 | 0.25 | April 2, 2009 |
| April 3, 2008 | 25,000 | 0.25 | April 3, 2009 |
| Total outstanding | 12,110,999 | | |

Note 15 - Segment Information

The Company's operations were conducted in one reportable segment, being the development and commercialization of a unique patented gearing technology, primarily in Canada and USA.

| | Nine Months Ended May 31, 2008 | | Total |
|--------------------------|--------------------------------------|--------------|--------------|
| | USA | Canada | |
| REVENUES | \$ - | \$ 2,314,365 | \$ 2,314,365 |
| LONG-LIVED ASSETS | \$ - | \$ 159,430 | \$ 159,430 |

Note 16 – Commitment

In September 2006, the Company entered into a premises sublease for office and workshop facilities for a period of 42 months commencing December 1, 2006. The premises lease commits the Company to a net annual rental expense of \$132,323 in 2007 (C\$148,864), \$133,939 in 2008 (C\$150,682), \$135,959 in 2009 (C\$152,955) and additional annual operating costs estimated at \$40,420 (C\$45,473) for a period of 42 months ending May 29, 2010. The Company provided a deposit of one month of rent equaling \$17,381 (C\$17,381) which is included in prepaid expenses as at May 31, 2008.

Item 2. Management's Discussion and Analysis or Plan of Operations

The following discussion and analysis covers material changes in the financial condition of Ikona Gear International, Inc., (the "Company") for the nine months ended May 31, 2008, and material changes in the financial condition to the three months ended May 31, 2008, as compared to the same periods in 2007. This discussion and analysis should be read in conjunction with "Management's Discussion and Analysis" included in the Company's Annual Report on Form 10-KSB for the year ended August 31, 2007, including the audited financial statements, as filed with the Securities and Exchange Commission.

Special note regarding forward-looking statements

This report contains forward-looking statements within the meaning of federal securities laws. These statements plan for or anticipate the future. Forward-looking statements include statements about our future business plans and strategies, statements about our need for working capital, future revenues, results of operations and most other statements that are not historical in nature. In this Report, forward-looking statements are generally identified by the words "intend", "plan", "believe", "expect", "estimate", and the like. Investors are cautioned not to put undue reliance on forward-looking statements. Except as otherwise required by applicable securities statutes or regulations, the Company disclaims any intent or obligation to update publicly these forward-looking statements, whether as a result of new information, future events or otherwise. Because forward-looking statements involve future risks and uncertainties, these are factors that could cause actual results to differ materially from those expressed or implied.

Overview

Our mission is to become the leading provider of high-value power-transmission solutions to industrial, automotive and oil & gas markets. In order to accomplish this aggressive objective, Ikona will focus on key priorities:

- On-time fulfillment of lead customer orders
- Continued growth and prototype development in the Industrial market segment: Ikona has entered into development relationships in the separate applications of Indexing and Wind Energy and would like to enhance those relationships and work toward prototype production in each case
- Continued development of licensing opportunities in the Automotive market: Ikona plans to continue the execution of our License Agreement for royalties with our current partner Magna and develop other similar potential customers

Ikona has made the transition from a development-stage company to a manufacturing organization with a range of high-value oil & gas products successfully commercialized throughout FY 2007. However, changes in market place present new challenges and demands for Ikona. Our current key priority is to be proactive and face them successfully. The Company is currently in the process of reorganization with intent to preserve the business, ensure jobs and maximize potential returns to shareholders. Once Ikona has successfully adjusted to a change, it will focus on activities in a number of functional areas.

Marketing and Business Development will be the key to Ikona's continued commercialization efforts. Our planned marketing activities include a significant tradeshow presence as well as a high amount of travel in order to meet prospective customers and joint development partners. We intend to focus significantly on Oil and Gas tradeshows in the next 12 months and plan to attend and exhibit our full range of product at the leading events in North America and the Middle East. We intend to promote Ikona technology to Middle East, European and North American industry leaders through participating in gear industry trade shows, hybrid vehicle conferences and through development and refining of joint development alliances and licensing agreements for existing and potential customers.

We will be continuing our **Product Development** activities in Oil & Gas while trying to secure joint development arrangements with gearing application providers who wish to incorporate Ikona designs into their applications. We also intend to secure partnering relationships with gear manufacturers who can manufacture gears under license from Ikona based on our design specifications. Our objective is to maintain our focus as a gear design specialist and engineering solution provider of patented gearing products, while delegating component fabrication to third parties and keeping final assembly and testing in house.

We have focused substantially all **Technology Development** activities over the past year on development of applications of our gearing technology in the Oil & Gas and Industrial sectors. Over the next 12 months we will focus our efforts on developing new prototypes in the Oil & Gas and Industrial markets.

We presently have 3 fulltime employees and 3 contractors and we expect to grow gradually as needed.

We anticipate our total cash requirements for the next twelve months will be approximately \$3 million, of which we had \$158,570 available at May 31, 2008. The balance of our cash requirements will need to be raised through reorganization and additional financings. The Company anticipates that it will soon commence selling mud-pump product line with objective to continue the operations in more effective and efficient way while on developing alternative energy products using the Company's patented technology. We have no current arrangements with respect to sources of additional financing and there can be no assurance that additional financing will be available to us on commercially reasonable terms. The inability to obtain additional financing, when needed, would have a material adverse affect on us, including possibly requiring us to curtail our operations. To the extent that future financing involves the sale of our equity securities, our then existing stockholders, could be substantially diluted.

We do not consider any specific accounting policies to be critical to the economic success of our business.

We maintain our principal executive offices at 1650 Brigantine Drive, Unit #100, Coquitlam, British Columbia, Canada, V3K 7B5. Our telephone number is (604) 523-5500. Our internet website address is www.ikonagear.com. Reference to this website does not constitute incorporation by reference of the information contained therein. We have included our website address as a factual reference and do not intend it to be an active link to our website.

Results of Operations

The following is a discussion of our financial condition, changes in financial condition and results of operations for the nine months and three months ended May 31, 2008, as compared to the nine months and three months ended May 31, 2007. This discussion and analysis should be read in conjunction with our most recent audited annual financial statements as of August 31, 2007, filed under Form 10-KSB on December 11, 2007, and the related notes that appear elsewhere in this quarterly report.

Nine-Month Period Ended May 31, 2008 compared to Six-Month Period Ended May 31, 2007.

REVENUES. Revenues are generated from the provision of product revenues and from licensing royalties. In the nine months ended May 31, 2008, we generated revenues of \$2,314,365 (product revenues to various clients of \$2,308,865 and \$5,550 for royalties). In the nine months ended May 31, 2007, we generated revenues of \$449,372 (product revenues of \$440,288, \$3,035 for engineering services and \$6,049 for royalties). The increase in revenue reflects delivery of drawworks and oil and gas equipment.

COST OF GOODS SOLD. Our cost of goods sold consists of costs attributable directly to project revenues. Our cost of goods sold in the nine-month period ended May 31, 2008 was \$2,042,529. In the comparative period, we recorded \$497,710 as cost of goods sold. The increase in cost reflects assembly costs of oil and gas equipment and drawworks.

DEPRECIATION. We record depreciation expense on our property and equipment. In the nine months ended May 31, 2008, we recorded depreciation of \$102,667. In the comparative period, we recorded depreciation expense of \$107,146.

BUSINESS DEVELOPMENT. Business development expense reflects internal and external costs to market our business opportunity to existing clients and potential new clients. Business development expense includes: the salaries and benefits of our president and fees paid to external consultants. Business development expense was \$209,169 for the nine months ended May 31, 2008. This amount included non-cash stock based compensation expense in amount of \$39,836. In the comparative period, we recorded business development expense of \$451,188. This amount included non-cash stock-based compensation expense in amount of \$188,604. The decrease in business development expenses pertains mainly to utilization of our business development team.

CORPORATE FINANCE. Corporate finance expense reflects costs associated with fees paid to maintain the corporate finance function within our company. These fees were paid to external consultants who oversee fund-raising function for our company. Corporate finance expense was \$63,038 for the nine months ended May 31, 2008. In the comparative period, we recorded corporate finance expense of \$350,795 which included non-cash compensation expense in amount of \$190,789 paid by common stock and warrants. The decrease in corporate finance fees is due to utilization of our corporate finance team.

GENERAL AND ADMINISTRATIVE. Our general and administrative expenses consist primarily of administrative salaries and benefits, office supplies, telephone and telecommunications expenses, courier and other general costs not attributable directly to other Income Statement line items. Our selling, general and administrative expenses were \$408,183 for the nine months ended May 31, 2008. In the comparative period, we recorded general and administrative expenses of \$332,045. The increase in general and administrative expense pertains to non-cash stock-based compensation expense in amount of \$154,585 and additional office supplies and maintenance fees related to increased commercial activities relative to the same period in the prior year. In the comparative period, we recorded \$105,348 non-cash stock-based compensation expense.

INVESTOR RELATIONS. Our investor relations expense consists primarily of external consulting fees and associated communications costs to increase investors' awareness of our company. Investor relations expenses were \$239,548 for the nine months ended May 31, 2008. In the comparative period, there were recorded investor relations expenses of \$345,783. In the nine months ended May 31, 2008, we recorded

\$117,187 as non-cash stock-based compensation expense. In the comparative period, non-cash stock-based compensation expense was \$207,199.

LISTING AND FILING FEES. Our listing and filing fees expense consist primarily of external consulting fees and associated communication costs to convert our regulatory filings into Edgar filing format. Listing and filing fees expense were \$14,387 for the nine months ended May 31, 2008. In the comparative period, we record listing and filing fees expense of \$8,360. The increase in expenses pertains to payments to various Canadian Securities Commissions.

PRODUCT DEVELOPMENT. Our product development expense consists primarily of indirect costs that are attributable to costs of product services, salaries, and materials and supplies consumed by our department. Our product development expense was \$856,578 for the nine months ended May 31, 2008. This amount includes non-cash stock-based compensation expense in amount of \$210,345. In the comparative period, we recorded product development expense in amount of \$538,602. This amount included non-cash stock-based compensation expense in amount of \$70,436. The increase in product development expense is due primarily to expansion of our product development team and non-cash compensation expense.

PROFESSIONAL FEES. Our professional fees expense consists primarily of external audit fees associated with our auditors and legal fees for our corporate and securities counsels. Professional fees expense was \$146,724 for the nine months ended May 31, 2008. In the comparative period, we recorded professional fees expense of \$209,227. The decrease in professional fees is mainly due to utilization of our external services.

RENT. Our rent expense consists primarily of an office premises lease and associated variable costs such as property taxes, maintenance, and costs passed on to us regarding our lease agreement. Rent expense was \$163,632 for the nine months ended May 31, 2008. In the comparative period, we recorded rent expense of \$130,424. The increase is associated with higher payments for current premise.

TECHNOLOGY DEVELOPMENT. Technology development expense reflects internal and external costs to develop our technology including attributable salaries of our engineers, and fees paid to external consultants in advancing our core intellectual property. Technology development expense was \$237,197 for the nine months ended May 31, 2008, and includes non-cash stock-based compensation expense in amount of \$193,849. In the comparative period, we recorded technology development expense of \$162,863. This amount included non-cash stock-based compensation expense in amount of \$74,611. The increase in technology development expense is due to non-cash compensation expense.

TRAVEL AND RELATED. Travel and related expense includes all of our travel costs associated with travel including travel for business development, technology and development, and corporate finance. Included in travel are the costs of flights, trains, automotive rentals, accommodations, meals and other associated travel costs. Travel and related expense was \$54,297 for the nine months ended May 31, 2008. In the comparative period, we recorded travel and related expense of \$69,308. The decrease in expense is associated with limited travel arrangements during the nine months ended May 31, 2008.

Three-Month Period Ended May 31, 2008 compared to Three-Month Period Ended May 31, 2007.

REVENUES. Revenues are generated from the provision of product revenues and from licensing royalties. In the three months ended May 31, 2008, we generated revenues of \$333,872 (product revenues to various clients of \$332,412 and \$1,460 for royalties). In the three months ended May 31, 2007, we generated revenues of \$120,972 (product revenues of \$118,779 and \$2,193 for royalties). The increase in revenue reflects delivery of drawworks and oil and gas equipment.

COST OF GOODS SOLD. Our cost of goods sold consists of costs attributable directly to project revenues. Our cost of goods sold in the three months period ended May 31, 2008 was \$210,823. In the comparative period, we recorded \$138,807 as cost of goods sold. The increase in cost reflects assembly costs of oil and gas equipment and drawworks.

DEPRECIATION. We record depreciation expense on our property and equipment. In the three months ended May 31, 2008, we recorded depreciation of \$29,160. In the comparative period, we recorded depreciation expense of \$48,962.

BUSINESS DEVELOPMENT. Business development expense reflects internal and external costs to market our business opportunity to existing clients and potential new clients. Business development expense includes: the salaries and benefits of our president and fees paid to external consultants. Business development expense was \$78,460 for the three months ended May 31, 2008. This amount included non-cash stock based compensation expense in amount of \$6,225. In the comparative period, we recorded business development expense of \$264,286. This amount includes non-cash stock-based compensation expense in amount of \$178,942. The decrease in business development expenses pertains mainly to non-cash stock based compensation expense and utilization of our business development team.

CORPORATE FINANCE. Corporate finance expense reflects costs associated with fees paid to maintain the corporate finance function within our company. These fees were paid to external consultants who oversee fund-raising function for our company. Corporate finance expense was \$26,250 for the three months ended May 31, 2008. In the comparative period, we recorded corporate finance expense of \$36,593 which included non-cash compensation expense in amount of \$19,095 paid by common stock and warrants. The decrease in corporate finance fees is due to utilization of our corporate finance team.

GENERAL AND ADMINISTRATIVE. Our general and administrative expenses consist primarily of administrative salaries and benefits, office supplies, telephone and telecommunications expenses, courier and other general costs not attributable directly to other Income Statement line items. Our selling, general and administrative expenses were \$117,242 for the three months ended May 31, 2008. In the comparative period, we recorded general and administrative expenses of \$201,116. The decrease in general and administrative expense pertains to non-cash stock-based compensation expense in amount of \$36,010 and utilization of our general and administrative team. In the comparative period, we recorded \$101,924 non-cash stock-based compensation expense.

INVESTOR RELATIONS. Our investor relations expense consists primarily of external consulting fees and associated communications costs to increase investors' awareness of our company. Investor relations expenses were \$31,219 for the three months ended May 31, 2008. In the comparative period, there were recorded investor relations expenses of \$111,290. In the three months ended May 31, 2008, we recorded \$nil as non-cash stock-based compensation expense. In the comparative period, non-cash stock-based compensation expense was \$64,197.

LISTING AND FILING FEES. Our listing and filing fees expense consist primarily of external consulting fees and associated communication costs to convert our regulatory filings into Edgar filing format. Listing and filing fees expense were \$7,022 for the three months ended May 31, 2008. In the comparative period, we record listing and filing fees expense of \$6,140.

PRODUCT DEVELOPMENT. Our product development expense consists primarily of indirect costs that are attributable to costs of product services, salaries, and materials and supplies consumed by our department. Our product development expense was \$273,720 for the three months ended May 31, 2008. This amount includes non-cash stock-based compensation expense to employees in amount of \$70,253. In the comparative period, we recorded product development expense in amount of \$214,168. This amount included non-cash stock-based compensation expense to employees in amount of \$59,338. The increase in product development expense is due primarily to non-cash compensation expense.

PROFESSIONAL FEES. Our professional fees expense consists primarily of external audit fees associated with our auditors and legal fees for our corporate and securities counsels. Professional fees expense was \$18,489 for the three months ended May 31, 2008. In the comparative period, we recorded professional fees expense of \$62,754.

RENT. Our rent expense consists primarily of an office premises lease and associated variable costs such as property taxes, maintenance, and costs passed on to us regarding our lease agreement. Rent

expense was \$58,616 for the three months ended May 31, 2008. In the comparative period, we recorded rent expense of \$53,476.

TECHNOLOGY DEVELOPMENT. Technology development expense reflects internal and external costs to develop our technology including attributable salaries of our engineers, and fees paid to external consultants in advancing our core intellectual property. Technology development expense in amount of \$64,616 for the three months ended May 31, 2008 represents non-cash stock-based compensation expense. In the comparative period, we recorded technology development expense of \$75,182. This amount included non-cash stock-based compensation expense in amount of \$60,113. The decrease in technology development expense is due primarily to non-cash compensation expense.

TRAVEL AND RELATED. Travel and related expense includes all of our travel costs associated with travel including travel for business development, technology and development, and corporate finance. Included in travel are the costs of flights, trains, automotive rentals, accommodations, meals and other associated travel costs. Travel and related expense was \$8,819 for the three months ended May 31, 2008. In the comparative period, we recorded travel and related expense of \$16,958. The decrease in expense is associated with limited travel arrangements during the three months ended May 31, 2008.

Liquidity and Capital Resources

As at May, 2008, our total cash was \$158,570, our working capital deficiency was \$886,858, and our net deficiency in assets was \$673,704. Since inception, we have incurred cumulative losses of \$11,643,153. Our current working capital is expected to be sufficient to satisfy our operating requirements for approximately for about a month. Our ability to satisfy projected working capital requirements is dependent upon our ability to generate revenue, and to secure additional funding through public or private sales of securities, including equity securities. We have an obligation to issue shares in an amount of \$100,000. We are continuing to actively pursue investments from a number of potential sources. There is no assurance that we will secure the necessary capital on terms acceptable to us. If we are unable to raise additional capital when needed, this could have a material adverse affect on us, including possibly requiring us to curtail or cease our operations.

In the nine months ended May 31, 2008, our operations consumed \$963,154. Our net loss of \$2,252,474 included non-cash expenses of \$715,802, depreciation of \$102,667, interest expenses of \$6,400 and amortization expenses of \$41,250. In arriving at our net cash consumed in operations, our net loss was increased by \$423,201 of cash consumed in our operating assets and liabilities, resulting in net cash used in operations of \$963,154.

In the nine months ended May 31, 2008, we spent \$14,190 on new furniture, computer hardware and equipment.

In the nine months ended May 31, 2008, we consumed \$91,665 from our financing activities. We received a private placement of \$1,250,000 (\$983,066 net of associated fees), related to the investment of non-US investors for investment purposes. We have \$100,000 obligation to issue shares. Our cash flow from financing activities was decreased by payments of loan payable in amount of \$1,962, capital lease payable in amount of \$1,310 and repayment of convertible notes payable in amount of \$1,300,699.

In total, our cash decreased by \$1,069,009 to \$158,570 for the nine month period ended May 31, 2008. Our cash was \$279,265 as of May 31, 2007.

Item 3. Controls and Procedures

- a) The Company's Principal Executive Officer and Principal Financial Officer, Laith Nosh, has established and is currently maintaining disclosure controls and procedures for the Company. The disclosure controls and procedures have been designed to provide reasonable assurance that the information required to be disclosed by the Company in reports that it files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and to ensure that information required to be disclosed by the Company is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure.

The Principal Executive Officer and Principal Financial Officer conducted a review and evaluation of the effectiveness of the Company's disclosure controls and procedures and has concluded, based on his evaluation as of the end of the period covered by this Report, that our disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and to ensure that information required to be disclosed by the Company is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure.

- b) There has been no change in our internal control over financial reporting during the three months ended May 31, 2008 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.
- c) Our principal executive and financial officer does not expect that our disclosure controls or internal controls will prevent all error and all fraud. Although our disclosure controls and procedures were designed to provide reasonable assurance of achieving their objectives and our principal executive and financial officer has determined that our disclosure controls and procedures are effective at doing so, a control system, no matter how well conceived and operated, can provide only reasonable, not absolute assurance that the objectives of the system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented if there exists in an individual a desire to do so. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Part II - OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

1. In October 2003, we completed a private placement of 314,000 shares of common stock at \$0.50 per share for total proceeds of \$157,000. The issuance was to a total of one investor who acquired the securities in an offshore transaction pursuant to Regulation S ("Reg S") under the Securities Act ("Securities Act"). The securities, which were taken for investment purposes, were subject to appropriate transfer restrictions and restrictive legend, and were issued without registration under the Securities Act in reliance upon the exclusion set forth in Regulation S there under.
2. In October 2003, we completed the acquisition of Ikona Gear International, Inc. ("Ikona"). As consideration for all of the common shares of Ikona, we issued 15,041,633 common shares to the stockholders of Ikona of the Company. The issuance was to a total of 59 investors who acquired the securities in offshore transactions pursuant to Regulation S under the Securities Act. The securities, which were taken for investment purposes, were subject to appropriate transfer restrictions and restrictive legend, and were issued without registration under the Securities Act in reliance upon the exclusion set forth in Regulation S there under.
3. In January 2004, we completed a private placement consisting of 290,000 shares of common stock at a price of \$0.50 per share for gross proceeds of \$145,000. The issuance was to a total of 11 investors who acquired the securities in offshore transactions pursuant to Regulation S under the Securities Act. The securities, which were taken for investment purposes, were subject to appropriate transfer restrictions and restrictive legend, and were issued without registration under the Securities Act in reliance upon the exclusion set forth in Regulation S there under.
4. From February to April 2004, we completed a private placement consisting of 2,384,026 units at a price of \$0.75 per unit for gross proceeds of \$1,788,020. Each unit consisted of one share of common stock and one-half of one non-transferable share purchase warrant whereby each whole warrant entitles the holder to acquire one additional share of common stock at a price of \$3.00 per share for a period of one year. The issuance was to a total of 63 investors who acquired the securities in offshore transactions pursuant to Regulation S under the Securities Act. The securities, which were taken for investment purposes, were subject to appropriate transfer restrictions and restrictive legend, and were issued without registration under the Securities Act in reliance upon the exclusion set forth in Regulation S there under.
5. From February to April 2004, we sold an aggregate of 54,000 units at a price of \$0.75 per unit for gross proceeds of \$40,500. Each unit consisted of one share of common stock and one-half warrant, each whole warrant exercisable to purchase one share of common stock at a price of \$3.00 per share. The units were sold to two persons who qualified as "accredited investors" within the meaning of Rule 502(a) of Regulation D ("Reg D"). The securities, which were taken for investment purposes and were subject to appropriate transfer restrictions and restrictive legend, were issued without registration under the Securities Act in reliance upon the exemption set forth in Section 4(2) of the Securities Act and Regulation D there under.
6. In July 2004, we sold an aggregate of 6,666 units at a price of \$0.75 per unit for gross proceeds of \$5,000. Each unit consisted of one share of common stock and one-half warrant, each whole warrant exercisable to purchase one share of common stock at a price of \$3.00 per share. The issuance was to one investor who acquired the securities in an offshore transaction pursuant to Regulation S under the Securities Act. The securities, which were taken for investment purposes, were subject to appropriate transfer restrictions and restrictive legend, and were issued without registration under the Securities Act in reliance upon the exemptions set forth in Regulation S there under.
7. In March 2005, we sold an aggregate of 1,046,667 units at a price of \$0.75 per unit for gross proceeds of \$785,000. Each unit consisted of one share of common stock and one whole warrant, each whole warrant exercisable to purchase one share of common stock at a price of \$1.00 per share, for a period of one year,

after which each whole warrant is exercisable to purchase one share of common stock at a price of \$1.40 per share, for a further period of one year. The issuance was to six investors who acquired the securities in offshore transactions pursuant to Regulation S under the Securities Act. The securities, which were taken for investment purposes, were subject to appropriate transfer restrictions and restrictive legend, and were issued without registration under the Securities Act in reliance upon the exemptions set forth in Regulation S there under.

8. In October 2005, we sold an aggregate of 400,000 units at a price of \$0.75 per unit for gross proceeds of \$300,000. Each unit consisted of one share of common stock and one whole warrant, each whole warrant exercisable to purchase one share of common stock at a price of \$1.00 per share, for a period of one year, after which each whole warrant is exercisable to purchase one share of common stock at a price of \$1.40 per share, for a further period of one year. The issuance was to one investor who acquired the securities in an offshore transaction pursuant to Regulation S under the Securities Act. The securities, which were taken for investment purposes, were subject to appropriate transfer restrictions and restrictive legend, and were issued without registration under the Securities Act in reliance upon the exemptions set forth in Regulation S there under.

9. In October 2005, we sold issued an aggregate of 10,000 shares at a price of \$0.50 per share in settlement of accounts payable payment of corporate finance fees, for gross proceeds of \$5,000. The issuance was to one investor who acquired the securities in an offshore transaction pursuant to Regulation S under the Securities Act. The securities, which were taken for investment purposes, were subject to appropriate transfer restrictions and restrictive legend, and were issued without registration under the Securities Act in reliance upon the exemptions set forth in Regulation S there under.

10. On March 6, 2006 and March 14, 2006, pursuant to subscription agreements, escrow was released on a private placement to an aggregate of 26 investors for an aggregate of 2,400,000 units, and total gross proceeds of U\$1,200,000. The units consisted on 10% convertible notes and warrants. Please refer to our Form 8-K, filed with SEC on March 16, 2006.

11. In May 2006, we sold issued an aggregate of 100,000 shares at a price of \$0.58 per share in payment of business development fees. The issuance was to one investor who acquired the securities in an offshore transaction pursuant to Regulation S under the Securities Act. The securities, which were taken for investment purposes, were subject to appropriate transfer restrictions and restrictive legend, and were issued without registration under the Securities Act in reliance upon the exemptions set forth in Regulation S there under.

12. In July 2006, we sold issued an aggregate of 500,000 shares at a price of \$0.33 per share in payment of corporate finance fees. Each unit consisted of one share to one individual of who acquired the securities pursuant to Regulation D under the Securities Act. The securities, which were taken for investment purposes, were subject to appropriate transfer restrictions and restrictive legend, and were issued without registration under the Securities Act in reliance upon the exemptions set forth in Regulation D there under.

13. In September 2006, we issued 1,990,000 units at a price of \$0.50 per unit for cash proceeds of \$905,000 (gross proceeds of \$995,000 net of finder's fees of \$95,000). Each unit consists of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase one additional share of common stock at a price of \$0.60 per share for a period of one year from the date of issuance. The securities, which were issued for investment purposes, were subject to appropriate transfer restrictions and restrictive legend, and were issued without registration under the Securities Act in reliance upon the exemptions set forth in Reg S there under.

14. In December 2006, we issued an aggregate of 200,000 shares at a price of \$0.35 per share pursuant to a termination agreement of an executive officer of the Company. The securities, which were taken for investment purposes, were subject to appropriate transfer restrictions and restrictive legend, and were issued without registration under the Securities Act in reliance upon the exemptions set forth in Reg D there under.

15. In March 2007, we issued an aggregate of 28,500 shares at a price of \$0.67 per share in payment of corporate finance fees. The issuance was to three investors who acquired the securities in an offshore transaction pursuant to Reg S under the Securities Act. The securities, which were taken for investment purposes, were subject to appropriate transfer restrictions and restrictive legend, and were issued without registration under the Securities Act in reliance upon the exemptions set forth in Reg S there under.

16. In April 2007, we issued an aggregate of 500,000 units at a price of \$0.50 per unit for cash proceeds of \$250,000. Each unit consists of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase one additional share of common stock at a price of \$0.55 per share for a period of one year from the date of issuance. The issuance was to one investor who acquired the securities in an offshore transaction pursuant to Reg S under the Securities Act. The securities, which were taken for investment purposes, were subject to appropriate transfer restrictions and restrictive legend, and were issued without registration under the Securities Act in reliance upon the exemptions set forth in Reg S there under.

17. In July 2007, we issued an aggregate of 1,666,667 units at a price of \$0.60 per unit for cash proceeds of \$860,000 (gross proceeds of \$1,000,000, net of finders' fees of \$140,000). Each unit consists of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase one additional share of common stock at a price of \$0.64 per share for a period of two years from the date of issuance. The issuance was to one investor who acquired the securities in an offshore transaction pursuant to Reg S under the Securities Act. The securities, which were taken for investment purposes, were subject to appropriate transfer restrictions and restrictive legend, and were issued without registration under the Securities Act in reliance upon the exemptions set forth in Reg S there under.

18. In August 2007, we issued an aggregate of 35,000 shares at a price of \$0.27 per share in payment of corporate finance fees. The issuance was to one investor who acquired the securities in an offshore transaction pursuant to Reg S under the Securities Act. The securities, which were taken for investment purposes, were subject to appropriate transfer restrictions and restrictive legend, and were issued without registration under the Securities Act in reliance upon the exemptions set forth in Reg S there under.

19. In September 2007, we issued an aggregate of 3,313,332 units at a price of \$0.50 per unit for cash proceeds of \$1,424,733 (gross proceeds of \$1,656,666, net of finders' fees of \$231,933). Each unit consists of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase one additional share of common stock at a price of \$0.54 per share for a period of two years from the date of issuance. The issuance was to one investor who acquired the securities in an offshore transaction pursuant to Reg S under the Securities Act. The securities, which were taken for investment purposes, were subject to appropriate transfer restrictions and restrictive legend, and were issued without registration under the Securities Act in reliance upon the exemptions set forth in Reg S there under.

20. In October 2007, we issued an aggregate of 85,000 shares valued at a price of \$0.46 per share in payment of investor relations fees. The issuance was to one investor who acquired the securities in an offshore transaction pursuant to Reg S under the Securities Act. The securities, which were taken for investment purposes, were subject to appropriate transfer restrictions and restrictive legend, and were issued without registration under the Securities Act in reliance upon the exemptions set forth in Reg S there under.

21. In April 2008, we issued 5,000,000 units at a price of \$0.10 per unit for cash proceeds of \$465,000 (gross proceeds of \$500,000, net of finder's fees of \$35,000). Each unit consists of one common share and one whole warrant. Each whole warrant entitles the holder to purchase one additional share of common stock at a price of \$0.25 per share for a period of one year from the date of issuance. The Company also issued 25,000 units for finder's fees under the same terms as the units issued on the private placement. The issuance was to eight investors who acquired the securities in an offshore transaction pursuant to Reg S under the Securities Act. The securities, which were taken for investment purposes, were subject to appropriate transfer restrictions and restrictive legend, and were issued without registration under the Securities Act in reliance upon the exemptions set forth in Reg S there under.

In each of the foregoing transaction undertaken in reliance upon the exemption from the registration requirements of the Securities Act, the sale of securities was to a non-US Person(s) in off-shore transactions within the meaning of Rule 902 under the Securities Act.

Item 6. Exhibits and Reports on Form 8K

(a) Exhibits

Exhibit No. Description

31.1 Certification of Principal Executive Officer and Interim Principal Financial Officer

32.0 Certificate pursuant to 18 USC Section 1350

(b) Current Reports on Form 8K

1. Current Report on Form 8K dated October 9, 2007, Item 7.01 and Item 9.01, as filed with the Commission on October 10, 2007.
2. Current Report on Form 8K dated January 3, 2008, as filed with the Commission on January 3, 2008, as amended by Current Report on Form 8-K/A-1 filed with the Commission on January 8, 2008, Item 4.01.
3. Current Report on Form 8K dated April 7, 2008, as filed with the Commissions on April 7, 2008.
4. Current Report on Form 8K dated April 14, 2008, as filed with the Commissions on April 15, 2008.

SIGNATURES

In accordance with the requirements of the Securities Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

IKONA GEAR INTERNATIONAL, INC.
Registrant

By: /s/ Laith Nosh
Laith Nosh, President, CEO & Interim CFO
(Principal Financial and Accounting Officer)
Date: July 14, 2008