Thelon Capital Ltd.

(formerly Thelon Ventures Ltd.)

Financial Statements

September 30, 2010

Financial Statements

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CHARTERED ACCOUNTANTS
MacKay LLP

1100 - 1177 West Hastings Street
Vancouver, BC V6E 4T5
Tel: (604) 687-4511
Fax: (604) 687-5805
www.MacKay.ca

mackay.ca

Auditors' Report

To the Shareholders of
Thelon Capital Ltd.

We have audited the balance sheets of Thelon Ventures Ltd. as at September 30, 2010 and 2009 and the statements of loss and comprehensive loss, deficit, accumulated other comprehensive loss, property acquisition costs and deferred exploration expenditures, and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at September 30, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada.
January 20, 2011

"MacKay LLP"
Chartered Accountants

Thelon Capital Ltd.
(formerly Thelon Ventures Ltd.)

Balance Sheets

As at September 30,		2010		2009
Assets				
Current				
Cash	$	**668**	$	9,897
HST receivable		**17,883**		6,020
Prepaid expenses		**5,514**		49,420
		24,065		65,337
Equipment (note 3)		**2,862**		3,974
Mineral properties acquisition costs (note 4)		**240,000**		2,543,284
Deferred exploration expenditures (note 4)		**249,822**		1,002,020
	$	**516,749**	$	3,614,615
Liabilities				
Current				
Accounts payable and accrued liabilities	$	**99,610**	$	86,707
Promissory note payable (note 5)		**34,401**		-
Due to related parties (note 8)		**35,411**		13,568
		169,422		100,275
Shareholders' Equity				
Share capital (note 6)		**12,819,147**		12,325,311
Share subscriptions received (note 6)		**15,000**		37,549
Contributed surplus (note 6)		**2,329,347**		2,162,813
Deficit		**(14,816,167)**		(11,011,333)
		347,327		3,514,340
	$	**516,749**	$	3,614,615

Nature of operations (note 1)
Commitments (note 4)
Subsequent events (note 12)

Approved on behalf of the Board of Directors:

"Jason Walsh" Director

"Geoff Watson" Director

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

Statements of Loss and Comprehensive Loss

For the year ended September 30,		2010		2009
Administrative expenses				
Advertising and promotion	$	95,733	$	17,601
Amortization (note 3)		1,112		1,559
Bank charges and interest		9,124		758
Consulting (note 8)		169,328		59,550
Director fees (note 8)		12,000		-
Legal and accounting		41,314		36,748
Management fees (note 8)		-		29,500
Office and administration (note 8)		123,059		72,392
Shareholder relations		45,427		12,329
Stock-based compensation (note 6)		166,534		-
Telephone		19,946		11,035
Transfer agent and exchange fees		41,020		25,506
Travel		24,755		7,278
Loss before other items		(749,352)		(274,256)
Other items				
Interest income		-		156
Write down of abandoned mineral properties (note 4)		(3,055,482)		(247,597)
Gain (loss) on sale of marketable securities		-		(16,431)
		(3,055,482)		(263,872)
Loss and comprehensive loss for the year	$	(3,804,834)	$	(538,128)
Basic and diluted loss per share	$	(0.43)	$	(0.08)
Weighted average number of shares outstanding		8,888,631		6,461,558

Thelon Capital Ltd.
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Statements of Deficit

For the year ended September 30,		2010		2009
Deficit, beginning of year	$	(11,011,333)	$	(10,473,205)
Net loss for the year		(3,804,834)		(538,128)
Deficit, end of year	$	(14,816,167)	$	(11,011,333)

Statements of Accumulated Other Comprehensive Loss

For the year ended September 30,		2010		2009
Accumulated other comprehensive loss, beginning of year	$	-	$	(20,700)
Reclassification of net realized (gains) losses on available for sale investments to earnings		-		20,700
Accumulated other comprehensive loss, end of year	$	-	$	-

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

Thelon Capital Ltd.
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Statements of Property Acquisition Costs and Deferred Exploration Expenditures

For the year ended September 30, 2010

Acquisition costs	**Opening**	**Additions**	**Write-down/ Disposals**	**Total**
Canada				
Northwest Territories (note 4(a))	$ 1,678,300	$ -	$ (1,678,300)	$ -
Saskatchewan				
Athabasca Basin (note 4(b))	240,000	-	-	240,000
	1,918,300	-	(1,678,300)	240,000
United States				
Utah				
Four Corners (note 4(c))	624,984	-	(624,984)	-
	624,984	-	(624,984)	-
Total acquisition costs	2,543,284	-	(2,303,284)	240,000
Deferred exploration expenditures				
Canada				
Northwest Territories (note 4(a))	334,335	-	(334,335)	-
Less: cost recoveries	(498,660)	-	498,660	-
Saskatchewan				
Athabasca Basin (note 4(b))	249,822	-	-	249,822
	85,497	-	164,325	249,822
United States				
Utah				
Four Corners (note 4(c))	916,523	-	(916,523)	-
	916,523	-	(916,523)	-
Total deferred exploration expenditures	1,002,020	-	(752,198)	249,822
	$ 3,545,304	**$ -**	**$ (3,055,482)**	**$ 489,822**

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

Thelon Capital Ltd.
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Statements of Property Acquisition Costs and Deferred Exploration Expenditures

For the year ended September 30, 2009

Acquisition costs	**Opening**	**Additions**	**Write-down/ Disposals**	**Total**
Canada				
Northwest Territories (note 4(a))	$ 1,678,300	$ -	$ -	$ 1,678,300
Saskatchewan				
Athabasca Basin (note 4(b))	240,000	-	-	240,000
	1,918,300	-	-	1,918,300
United States				
Utah				
Four Corners (note 4(c))	600,869	24,115	-	624,984
Woodruff Springs (note 4(d))	196,991	-	(196,991)	-
Thornburg Mine (note 4(e))	50,606	-	(50,606)	-
	848,466	24,115	(247,597)	624,984
Total acquisition costs	2,766,766	24,115	(247,597)	2,543,284
Deferred exploration expenditures				
Canada				
Northwest Territories (note 4(a))	334,335	-	-	334,335
Less: cost recoveries	(498,660)	-	-	(498,660)
Saskatchewan				
Athabasca Basin (note 4(b))	249,822	-	-	249,822
	85,497	-	-	85,497
United States				
Utah				
Four Corners (note 4(c))	916,523	-	-	916,523
Woodruff Springs (note 4(d))	-	-	-	-
Thornburg Mine (note 4(e))	-	-	-	-
	916,523	-	-	916,523
Total deferred exploration expenditures	1,002,020	-	-	1,002,020
	$ 3,768,786	**$ 24,115**	**$ (247,597)**	**$ 3,545,304**

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

Thelon Capital Ltd.
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Statements of Cash Flows

For the year ended September 30,	**2010**	2009
Cash provided by (used for)		
Operating activities		
Loss for the year	**$ (3,804,834)**	$ (538,128)
Add items not affecting cash:		
Accrued interest	**1,401**	-
Amortization	**1,112**	1,559
Stock based compensation	**166,534**	-
Loss (gain) on sale of marketable securities	**-**	16,431
Write-down of abandoned mineral properties	**3,055,482**	247,597
	(580,305)	(272,541)
Net change in non-cash working capital	**127,412**	16,402
	(452,893)	(256,139)
Financing activities		
Advances from (to) related parties	**21,843**	33,098
Issuance of promissory notes payable	**33,000**	-
Issuance of shares for cash	**433,750**	93,250
Share issue costs	**(22,380)**	(120)
Share subscriptions received	**(22,549)**	-
	443,664	126,228
Investing activities		
Acquisition of mineral properties	**-**	(5,782)
Proceeds on sale of marketable securities	**-**	9,969
	-	4,187
Net increase (decrease) in cash	**(9,229)**	(125,724)
Cash, beginning of year	**9,897**	135,621
Cash, end of year	**$ 668**	$ 9,897
Supplemental cash flow disclosure (note 7)		
Interest received (paid)	**$ -**	$ -
Income taxes paid	**$ -**	$ -

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

1. Nature of Operations

Pursuant to a resolution passed by the shareholders, the common shares of Thelon Capital Ltd. commenced trading on the TSX Venture Exchange on February 4, 2010 and the common shares of Thelon Ventures Ltd. were delisted. The Company also consolidated its share capital on a ten old for one new basis. The Company is incorporated under the Company Act of British Columbia and its principal activity is the exploration of mineral properties.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company's ability to continue as a going concern is dependent upon achieving profitable operations and upon obtaining additional financing. The outcome of these matters cannot be predicted at this time. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

The recoverability of amounts shown as mineral properties and deferred exploration costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete their development, and future profitable production or disposition thereof.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry norms for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

2. Significant Accounting Policies

a) Mineral properties and related deferred exploration expenditures

Mineral properties consist of exploration and mining concessions, options, and contracts. Acquisition and leasehold costs and exploration costs are capitalized and deferred until such time as the property is put into production or the properties are disposed of either through sale or abandonment. If put into production, the costs of acquisition and exploration will be written off over the life of the property, based on estimated economic reserves. Proceeds received from the sale of any interest in a property will first be credited against the carrying value of the property, with any excess included in operations for the period. If a property is abandoned, the property and deferred exploration costs will be written off to operations.

All deferred expenditures are reviewed by management, on a property by property basis, to consider whether there are any conditions that may indicate an impairment in value. When the carrying value exceeds the net recoverable amount as estimated by management, or the Company's ability to sell the property for an amount exceeding the deferred cost, a provision is made for the impairment in value. Recorded costs of mineral properties and deferred exploration expenditures are not intended to reflect present or future values of mineral properties.

b) Asset retirement obligation

The Company has adopted the standard for 'asset retirement obligations' as set out in the CICA Handbook section 3110. The standard requires the recognition and measurement of liabilities related to the legal obligation to abandon and reclaim long lived assets upon acquisition, construction, development and/or normal use of the asset. The initial liability must be measured at fair value and subsequently adjusted for the accretion of discount and changes in the fair value. The asset retirement cost is capitalized as part of property and equipment and depleted into earnings over time.

2. Significant Accounting Policies (continued)

c) Loss per share

Basic loss per share is calculated by dividing the loss for the year by the weighted average number of shares outstanding.

The Company uses the treasury stock method of calculating fully diluted loss per share amounts, whereby any proceeds from the exercise of stock options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period. The assumed conversion of outstanding common share options and warrants has an anti-dilutive impact for the reported periods thus fully diluted loss per share is the same as basic loss per share.

d) Equipment

Equipment is recorded at historical cost. The declining-balance method is used to amortize assets over their estimated useful lives at the following annual rates:

Furniture and fixtures	20%
Computer equipment	30%

In the year of acquisition, only one-half of normal rates are used.

e) Financial instruments

Under Section 3251, *Equity*, Section 3855, *Financial Instruments - Recognition and Measurement* and Sections 3862 and 3863, *Financial Instruments - Disclosure and Presentation,* all financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale assets or other financial liabilities. All financial instruments, including derivatives, are included on the balance sheet and are measured at fair market value upon inception with the exception of certain related party transactions. Subsequent measurement and recognition of change in the fair value of financial instruments depends on their initial classification. Held-for-trading financial investments are measured at fair value and all gains and losses are included in operations in the period in which they arise. Available-for-sale financial assets are measured at fair value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost using the effective interest method. Gains and losses upon inception, de-recognition, impairment write-downs and foreign exchange translation adjustments are recognized immediately. Transaction costs related to financial instruments will be expensed in the period incurred.

The Company has designated its cash as held-for-trading, which is measured at fair value. Amounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, promissory notes payable, and amounts due to related parties are classified as other financial liabilities, which are measured at amortized cost.

2. Significant Accounting Policies (continued)

f) Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 of revenues and expenses during the reporting period. Actual results could differ from those estimates. By their nature, the investment in mineral properties and deferred costs, asset retirement obligations and future income tax valuation allowances are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

g) Income taxes

Income taxes are accounted for using the future income tax method. Under this method income taxes are recognized for the estimated income taxes payable for the current year and future income taxes are recognized for temporary differences between the tax and accounting bases of assets and liabilities and for the benefit of losses available to be carried forward for tax purposes that are more likely than not to be realized. Future income tax assets and liabilities are measured using tax rates expected to apply in the years in which the temporary differences are expected to be recovered or settled.

h) Foreign currency translation

Monetary assets and liabilities are translated at year-end exchange rates; other assets and liabilities have been translated at the rates prevailing at the date of transaction. Revenue and expense items, except for amortization, are translated at the average rate of exchange for the year. Amortization is converted using the rates prevailing at the dates of acquisition. Gains and losses from foreign currency translation are included in the statements of operations.

i) Joint venture accounting

Certain of the Company's mineral property exploration activities are conducted with others, and accordingly, the accounts reflect only the Company's proportionate interest in such activities.

j) Share issue costs

Commissions paid to underwriters on the issue of the Company's shares are charged directly to share capital.

k) Stock based compensation plan

The Company accounts for stock options granted to directors, officers, employees and nonemployees using the fair value method of accounting. Accordingly, the fair value of the options at the date of the grant is determined using the Black-Scholes option pricing model and stock-based compensation is accrued and charged to operations, with an offsetting credit to contributed surplus, on a straight-line basis over the vesting periods. The fair value of stock options granted to non-employees is re-measured at the earlier of each financial reporting or vesting date, and any adjustment is charged or credited to operations upon re-measurement. If and when the stock options are exercised, the applicable amounts of contributed surplus are transferred to share capital. The Company has not incorporated an estimated forfeiture rate for stock options that will not vest; rather the Company accounts for actual forfeitures as they occur.

2. Significant Accounting Policies (continued)

l) Non-monetary consideration

In situations where share capital is issued, or received, as non-monetary consideration and the fair value of the asset received, or given up is not readily determinable, the fair market value (as defined) of the shares is used to record the transaction. The fair market value of the shares issued, or received, is based on the trading price of those shares on the appropriate Exchange on the date of the decision to issue shares as determined by the Board of Directors.

m) Flow-through shares

All flow-through shares issued by the Company are accounted for in accordance with EIC 146. The Abstract recommends that upon renunciation to the shareholders, the Company will reduce share capital and record a temporary future income tax liability for the amount of the tax deduction renounced to shareholders. In instances where the Company has sufficient deductible temporary differences available to offset the renounced tax deductions, the realization of the deductible temporary differences will be credited to income in the period of renunciation.

n) Impairment of long-lived assets

In March 2009, the Emerging Issues Committee ("EIC") issued EIC-174 "Mining Exploration Costs", which provides guidance on capitalization of exploration costs related to mineral properties. It also provides guidance for development and exploration stage entities that cannot estimate future cash flows from its properties in assessing whether impairment in such properties is required. EIC-174 also provides additional discussion on recognition for long lived assets.

o) Valuation of warrants

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants.

p) Recent accounting pronouncements

Business Combinations

In January 2009, the CICA issued Handbook Section 1582, Business Combinations, which replaces the existing standards. This section establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value. Estimated obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This standard is equivalent to the International Financial Reporting Standards on business combinations. This standard is applied prospectively to business combinations with acquisition dates on or after January 1, 2011. Earlier adoption is permitted.

2. Significant Accounting Policies (continued)

p) Recent accounting pronouncements (continued)

Consolidated Financial Statements

In January 2009, the CICA issued Handbook Section 1601, Consolidated Financial Statements, which replaces the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for interim and annual consolidated financial statements beginning on or after January 1, 2011.

Non-Controlling Interests

In January 2009, the CICA issued Handbook Section 1602, Non-Controlling Interests, which establishes standards for the accounting of non-controlling interests of a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. This standard is equivalent to the International Financial Reporting Standards on consolidated and separate financial statements. This standard is effective for interim and annual consolidated financial statements beginning on or after January 1, 2011.

The Company is required to adopt Sections 1582, 1601 and 1602 concurrently. At this time the Company does not anticipate adopting these sections prior to the adoption of IFRS and therefore does not expect any impact to the consolidated financial statements.

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Effective October 1, 2011, the Company will be required to restate amounts previously reported to IFRS for the year ending September 30, 2011 for comparative purposes. The Company will prepare its first set of financial statements under IFRS for the first quarter ending December 31, 2011.

During the fiscal year ending September 30, 2011, the Company will assess its requirements and first time adoption methodologies including its internal training and resources needs. The Company expects that by September 30, 2011, management will have assessed the conversion and first time adoption implications. During the fiscal year ending September 30, 2011, additional disclosures and analysis of impacts will be provided leading up to adoption for the first quarter ending December 31, 2011.

3. Equipment

	Cost	Accumulated amortization	2010 Net book value
Furniture and fixtures	$ 9,068	$ 8,425	$ 643
Computer equipment	22,357	20,138	2,219
	$ 31,425	$ 28,563	$ 2,862

	Cost	Accumulated amortization	2009 Net book value
Furniture and fixtures	$ 9,068	$ 8,264	$ 804
Computer equipment	22,357	19,187	3,170
	$ 31,425	$ 27,451	**$** 3,974

4. Mineral Properties

a) Northwest Territories

During the year ended September 30, 2004, the Company signed a binding letter of intent with Peregrine Diamonds Ltd. ("Peregrine"), whereby Peregrine can earn up to a 65% interest in all of the Company's mineral properties located in the Northwest Territories by issuing 300,000 (received) treasury shares to the Company in stages and spending $4.1 million ($100,000 reimbursed to the Company) in a combination of exploration and underlying land payments over a period of five years.

During the year ended September 30, 2008, Peregrine earned its 65% interest in the Company's mineral properties in the Northwest Territories.

During the year ended September 30, 2010, management decided not to continue with these projects and wrote off the costs accordingly.

i) Lac de Gras Property

By agreement dated July 12, 2002, the Company entered into an option agreement to acquire a 100% interest in approximately 48,601 acres located in Northwest Territories. Upon commencement of commercial production the optionor will be entitled to a net smelter return royalty of 4% on all minerals, and a gross overriding royalty of 4% on the average appraised value (as defined) of diamonds. Up to 50% of each royalty may be purchased from the optionor in increments of 0.1%, at a cost of $200,000 per increment, for a total cost of $4,000,000 for each royalty.

Consideration is $25,000 on signing and five payments, at six month intervals commencing on May 29, 2003, of $40,000 cash and 200,000 common shares. Total consideration is cash of $225,000 (paid) and 1,000,000 (issued) common shares.

4. Mineral Properties (continued)

a) Northwest Territories (continued)

ii) Oki Property

By agreement dated July 12, 2002, the Company entered into an option agreement to acquire a 100% interest in approximately 4,029 acres located in the Northwest Territories. Upon commencement of commercial production the optionor will be entitled to a net smelter return royalty of 4% on all minerals, and a gross overriding royalty of 4% on the average appraised value (as defined) of diamonds. Up to 50% of each royalty may be purchased from the optionor in increments of 0.1%, at a cost of $200,000 per increment, for a total cost of $4,000,000 for each royalty.

Consideration is $27,500 on signing (paid) and five payments, at six month intervals commencing on approval date, of $20,000 cash and 100,000 common shares. Total consideration is cash of $127,500 (paid) and 500,000 common shares (issued).

iii) Thonokied Lake Property

By agreement dated July 12, 2002, the Company entered into an option agreement to acquire a 100% interest in approximately 2,737 acres located in the Northwest Territories. Upon commencement of commercial production the optionor will be entitled to a net smelter return royalty of 4% on all minerals, and a gross overriding royalty of 4% on the average appraised value (as defined) of diamonds. Up to 50% of each royalty may be purchased from the optionor in increments of 0.1%, at a cost of $200,000 per increment, for a total cost of $4,000,000 for each royalty.

Consideration is $15,000 on signing (paid) and five payments, at six month intervals commencing on approval date, of $20,000 cash and 100,000 common shares. Total consideration is cash of $115,000 (paid) and 500,000 common shares (issued).

iv) Afridi Lake Property

By agreement dated November 15, 2002, and amended September 8, 2003, the Company entered into an option agreement to purchase a 100% interest in the Afridi Lake property, in the Northwest Territories, totaling 12,900 acres. Consideration for the option is issuance of 1,000,000 common shares (issued) of the Company, and payment of $72,000 ($42,000 paid) cash in staged tranches over four years. The vendor will retain a gross overriding royalty of 4% of which 2% may be purchased by the Company for $2,000,000.

4. Mineral Properties (continued)

b) Athabasca Basin Property

By agreement dated March 9, 2005, the Company entered into an option agreement to acquire a 100% interest (subject to a 3% smelter royalty) in three mineral prospecting permits totaling approximately 120,000 hectares, located in the Athabasca Basin, Saskatchewan.

Consideration is cash of $100,000 (paid) and 1,000,000 common shares (issued).

By agreement dated August 9, 2006, the Company entered into an option agreement with Triex Minerals Corporation ("Triex"), in which Triex can acquire up to an 80% interest in the Athabasca Basin Properties located in northern Saskatchewan. Triex earned an initial 51% interest in the Property at which time a Joint Venture was formed, by incurring $250,000 in expenditures on the property before December 1, 2006, of which $90,000 may be paid in the form of direct payments to the Company. During the year ended September 30, 2007, Triex paid $80,385 in direct payments to the company and incurred the required amount of expenditures on the property in order to satisfy the First Option.

Triex can earn an additional 9% interest by incurring $1,500,000 before September 1, 2008 (completed), an additional 10% interest by incurring $1,200,000 before April 30, 2010 (completed), and an additional 10% interest by incurring $3,100,000 before April 30, 2013 (completed).

Thelon and Triex have formed a 20%-80% joint venture. The Company's investment in the Joint Venture is recorded at the carrying value of the Athabasca Basin Property.

c) Four Corners Property

On April 20, 2007, the Company entered into Letter of Intent with International Ranger Corp. (INRG), which has an officer that serves as a Director of the Company, granting the Company the right to acquire up to a 65% interest in the Four Corners Property, Emery County, Utah.

On October 18, 2007, the Company entered into an option agreement with INRG (superseding the LOI entered into April 20, 2007 with INRG), granting the Company the right to acquire up to a 75% interest in the Four Corners Property, Emery County, Utah for consideration of cash US$650,000 for staking and BLM fees (paid) and issuance of 333,333 common shares (issued) by the Company upon approval of the agreement. The agreement was amended on August 26, 2008, to include the issuance of 333,333 shares of the Company to INRG at the deemed price of $0.10 per share on each of the one, two and three year anniversaries after the date of approval of the agreement (666,667 issued in 2009).

The Company is also required to spend US$850,000 on work on the property over 3 years (completed). During the term of the agreement, the Company is required to reimburse INRG for 100% of all payments made under the Head Agreement dated May 1, 2007, including staking costs and filing costs for mining claims.

During the year ended September 30, 2010, management decided not to continue with the project and wrote off the costs accordingly.

4. Mineral Properties (continued)

d) Woodruff Springs Property

By agreement dated April 18, 2007, the Company entered into an option agreement to acquire a 100% interest (subject to a 3% smelter royalty) in the Woodruff Springs Uranium Project located in Utah. The Company can earn an initial 50% interest in the Property for consideration of $25,000 (paid) upon execution of the agreement, and $25,000 (paid) and 350,000 shares (issued) upon closing.

The Company can earn an additional 25% interest by issuing 350,000 (issued) shares on the first anniversary date of closing, and an additional 25% interest by issuing 300,000 shares on the second anniversary date of closing.

During the year ended September 30, 2009, management decided not to continue with the project and wrote off the costs accordingly.

e) Thornburg Mine Property

On April 28, 2008, the Company entered into a stand still agreement to acquire 1 State of Utah mineral lease and 251 unpatented lode claims situated in Grand County, Utah.

The total purchase price is US$120,000 cash and 1,000,000 shares of the Company, payable as follows:

i) $50,000 USD upon signing of the stand still agreement (paid);
ii) $70,000 USD upon execution of the Definitive Agreement;
iii) 500,000 shares upon closing;
iv) 500,000 shares on the first anniversary of the Definitive Agreement date.

The vendor will retain a 3% NSR, in which 1.5% can be purchased for $500,000 per .05%. During the term of the agreement the Company shall bear all cost of maintaining the claims and leases. The vendor will receive $1,000,000 from proceeds of production if and when the project gets put into production.

During the year ended September 30, 2009, management decided not to continue with the project and wrote off the costs accordingly.

f) Lac Malartic Lithium Property

On September 8, 2009, the Company signed a letter of intent to acquire a 100% interest in 60 mineral Claims in the Lac Malartic area of Quebec. To earn the 100% interest the Company must pay $100,000 and issue three million shares on closing. The vendor will retain a 2% NSR, in which 1% can be purchased for $1,000,000.

During the year, management decided not to continue with the project. No costs were incurred in connection with the project.

5. Promissory Note Payable

At September 30, 2010, there was one promissory note payable issued on July 30, 2010 in the principal amount of $33,000, due on demand, bearing interest at 25% per annum plus common shares of the Company having a fair value of $6,600 on the day before the date the shares are issued.

6. Share Capital

a) Authorized:

Unlimited number of common shares without par value

b) Issued:

Year ended September 30,	2010		2009	
	Shares	Amount	Shares	Amount
Balance, beginning of year	6,614,691	$ 12,325,311	6,408,024	$ 12,265,098
Issued for property (note 4(c))	-	-	66,667	18,333
Issued for cash				
Private placements	3,351,590	433,750	140,000	42,000
Issued for debt	749,692	82,466	-	-
Share issue costs				
Cash	-	(22,380)	-	(120)
Balance, end of year	10,715,973	$ 12,819,147	6,614,691	$ 12,325,311

Pursuant to a resolution passed by the shareholders, the common shares of Thelon Capital Ltd. commenced trading on the TSX Venture Exchange on February 4, 2010 and the common shares of Thelon Ventures Ltd. were delisted. The Company also consolidated its share capital on a ten old for one new basis. These financial statements reflect this change retrospectively.

c) Private placements

(i) During the year ended September 30, 2009, 33,333 shares were issued for mineral properties at a value of $0.25; and 33,334 shares at a value of $0.30.

(ii) On August 5, 2009, the Company closed a non-brokered private placement of 140,000 units at $0.30 per unit for net proceeds of $41,880. Each unit consisted of one share and one share purchase warrant exercisable into one common share for a period of two years at $1.00. On October 21, 2010, these warrants were re-priced to $0.25.

(iii) On October 29, 2009, the Company closed a non-brokered private placement of 342,500 units at $0.30 per unit for net proceeds of $99,620. Each unit consisted of one share and one share purchase warrant exercisable into one common share for a period of two years at $1.00. On October 21, 2010, these warrants were re-priced to $0.25. Finders' fees totaling $3,130 were paid in connection with this private placement.

(iv) On March 19, 2010, the Company issued 749,692 units at $0.11 per unit in lieu of $82,466 of debt. Each unit consisted of one share and one share purchase warrant exercisable into one common share for a period of two years at $0.20 per share during the first year and $0.30 per share during the second year.

(v) On March 25, 2010, the Company closed a non-brokered private placement of 3,009,090 units at $0.11 per unit for net proceeds of $311,750. Each unit consisted of one share and one share purchase warrant exercisable into one common share for a period of two years at $0.20 per share during the first year and $0.30 per share during the second year. Finders' fees totaling $19,250 were paid in connection with this private placement.

6. Share Capital (continued)

d) Warrants outstanding

	Number of Warrants	Weighted Avg Exercise Price
Outstanding at September 30, 2008	1,249,886	$1.60
Warrants granted	140,000	1.00
Warrants expired	(120,335)	3.50
Outstanding at September 30, 2009	1,269,551	1.30
Warrants granted	4,101,282	0.31
Warrants expired	(1,129,551)	1.50
Outstanding at September 30, 2010	4,241,282	$0.34

As at September 30, 2010, the following share purchase warrants of the Company were outstanding:

Exercise Price	Number of Warrants	Expiry Date
$ 1.00	(1) 140,000	August 5, 2011
$ 1.00	(1) 342,500	October 29, 2011
$0.20/$0.30	749,692	March 19, 2012
$ 0.20/$0.30	3,009,090	March 25, 2012
$ 0.34	4,241,282	

(1) Subsequent to the year end, these warrants were re-priced to $0.25.

e) Contributed surplus

September 30,	2010	2009
Balance, beginning of the year	$ 2,162,813	$ 2,162,813
Stock-based compensation expense	166,534	-
Balance, end of year	$ 2,329,347	$ 2,162,813

6. Share Capital (continued)

g) Options outstanding

The Company, in accordance with the policies of the TSX Venture Exchange, is authorized to grant options to directors, officers, and employees to acquire common shares. The Company's previous stock option plan was cancelled and the Company has adopted the 2010 Stock Option Incentive Plan (the "Plan"). The essential elements of the Plan provide that the aggregate number of shares of the Company's capital stock issuable pursuant to options granted under the Plan may not exceed 10% of the issued common shares of the Company from time to time. Options granted under the Plan may have a maximum term of ten (10) years. The exercise price of options granted under the Plan will not be less than the fair market value price of the shares on the date of grant of the options (defined as the last closing market price of the Company's shares on the last day shares are traded prior to the grant date). Stock options granted under the Plan vest immediately subject to vesting terms which may be imposed at the discretion of the Directors.

	Number of Options	Weighted Average Exercise Price
Outstanding at September 30, 2008	879,400	$1.60
Options expired	(125,000)	1.20
Outstanding at September 30, 2009	754,400	1.70
Options cancelled	(754,400)	1.70
Options granted	1,075,000	0.20
Outstanding at September 30, 2010	1,075,000	$0.20

The following summarizes the stock options outstanding and exercisable at September 30, 2010:

Outstanding and Exercisable at September 30, 2010	Weighted Average Exercise Price	Expiry Date
1,075,000	$0.20	May 5, 2012
1,075,000	$0.20	

On May 5, 2010, 1,075,000 (Nil – 2009) stock options were granted to directors and consultants of the Company to acquire 1,075,000 shares of the Company at an exercise price of $0.20 per share. These options have a fair value, calculated using the Black-Scholes option pricing model, of $166,534 or $0.15 per share, assuming an expected life of two years, a risk-free interest rate of 1.72%, an expected dividend rate of 0.00% and an expected volatility coefficient of 170.00%.

7. Supplemental Cash Flow Information

The following non-cash transactions were recorded during the year ended:

September 30,		2010		2009
Investing activity				
Shares issued for mineral property acquisition	$	-	$	18,333
Financing activity				
Shares issued for mineral property acquisition	$	-	$	18,333
Shares issued for debt	$	**82,466**	$	-

8. Related Party Transactions

The following amounts were paid or accrued to directors or companies controlled by directors or officers of the Company for services provided during the year September 30, 2010 and 2009. These amounts have been recorded at the exchange amount being the compensation agreed to by both parties:

		2010		2009
Consulting	$	**42,000**	$	43,000
Director fees	$	**12,000**	$	-
Management fees	$	**-**	$	29,500
Office and administration	$	**60,469**	$	60,169

Included in the amount due to related parties at September 30, 2010 is $1,350 (2009 – $9,292) due to a company which is controlled by a director of the Company, and $34,061 (2009 - $4,276) due to a director of the Company. $Nil (2009 - $38,000) was prepaid for expenditures to a company which is controlled by a director of the Company.

Amounts due to related parties are unsecured, do not bear interest, and are classified as a current liability due to their nature and expected time of repayment; accordingly, the fair value cannot be practicably determined.

9. Segmented Information

The Company operates in one industry segment, the junior natural resource – mining industry, and all revenue and expenses are incurred in Canada.

10. Financial Instruments

Capital risk management

The Company manages its capital to ensure it will be able to continue as a going concern largely through equity financing. These stock issues depend on numerous factors including a positive mineral exploration environment, positive stock market conditions, a company's track record, and the experience of management. The capital structure of the Company consists of shareholders' equity, contributed surplus comprising issued capital, and deficit. The Company is not exposed to externally imposed capital requirements.

Financial risk management

The Company monitors and manages the financial risks relating to operations through analysis of exposures by degree and magnitude of risks. These risks include credit risk, market risk, and liquidity risk.

Credit risk
Credit risk refers to the risk that another entity will default on its contractual obligations resulting in financial loss to the Company.

The Company's only significant financial assets are cash and accounts receivable, which are on deposit at a high credit-worthy financial institution and the Government of Canada, respectively. These financial assets are not subject to material financial risks.

Market risk
Market risk includes currency risk, interest rate risk, and price risk. The Company's activities expose it primarily to the financial risks of changes in the price of resources. The Company does not currently hold any financial instruments that mitigate this risk.

Foreign currency risk
Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates. The Company's functional and reporting currency is the Canadian dollar. The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates to the extent that various transactions incurred by the Company are not denominated in Canadian dollars. The Company has not entered into any foreign currency contracts to mitigate this risk.

Liquidity risk
Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due, or can only do so at excessive cost. The Company expects to satisfy obligations under accounts payable and accrued liabilities. Management intends to continue, as was done in the past, to finance its activities by raising funds by private equity investments, loans, or debentures. Even if it succeeded in financing its activities in the past, management cannot comment on the success of its future fund raising and believes that the liquidity risk is high.

11. Income Taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

September 30,	**2010**	**2009**
Loss before income taxes	$ (3,804,834)	$ (538,128)
Income tax recovery at statutory rates	$ (1,098,836)	$ (162,138)
Non-deductible items for tax purposes	59,594	5,127
Adjustments to future tax assets and liabilities for substantively enacted changes in tax laws and rates	139,621	96,074
Non-capital losses expired	-	-
Change in valuation allowance	899,621	(60,937)
	$ -	$ -

The significant components of the Company's future income tax assets are as follows:

September 30,	**2010**	**2009**
Future income tax assets		
Equipment	$ 6,469	$ 6,191
Mineral properties	1,769,254	1,005,383
Share issuance costs	8,830	15,265
Net capital losses available	39,815	39,815
Non-capital losses available for future periods	877,380	729,877
	2,701,748	1,796,531
Valuation allowance	(2,701,748)	(1,796,531)
	$ -	$ -

At September 30, 2010 the Company has non-capital tax losses of approximately $3,495,000 available for carry-forward to reduce future years' income taxes, expiring as follows:

Expiry Date	**Amount**
2014	$ 358,000
2015	261,000
2026	598,000
2027	870,000
2028	518,000
2029	314,000
2030	590,000
	$3,509,000

The Company also has capital losses of $319,000 available to reduce future years' income taxes. In addition the Company has available mineral resource related expenditure pools totaling approximately $7,567,000 which may be deducted against future taxable income on a discretionary basis.

Future tax benefits, which may arise as a result of applying these deductions to taxable income, have not been recognized in these accounts.

12. Subsequent Events

a) On October 20, 2010, the Company closed a non brokered private placement announced September 21, 2010 of 6,661,998 units at $0.15 per unit for net proceeds of $936,046. Each unit consisted of one share and one purchase warrant exercisable into one common share until October 20, 2012 at $0.25 during the first year and $0.35 during the second year.

b) On October 21, 2010, the Company re-priced 140,000 warrants expiring on August 5, 2011 and 342,500 warrants expiring on October 29, 2011 to $0.25.

c) On October 27, 2010, the Company issued 3,500,000 common shares pursuant to the Letter of Agreement to acquire the Jellico Coal Project announced June 9, 2010. The purchase agreement requires Thelon to pay $1,000,000 on signing, $3,000,000 on March 25, 2011, and to take over debt obligations of $4,800,000. The vendor will also hold a 10 year note for $8,450,000 bearing 6% interest. Thelon issued an additional 1,000,000 common shares on January 14, 2011.

The Company must spend US$750,000 on confirmation drilling to generate and complete a National Instrument (NI 43-101) compliant resource report. Thelon shall issue an additional 3,500,000 shares: (i) upon the signing of a definitive agreement; and (ii) the successful completion and receipt of the (NI 43-101) compliant resource report demonstrating a measured and indicated aggregate coal resource of not less than 20 million tons of sufficient quality and thickness to be conventionally mined. A bonus of $50,000 was also paid to a director regarding this transaction.

d) On October 28, 2010, the Company issued 1,100,000 stock options at a price of $0.25 for a period of two years. These options have a fair value, calculated using the Black-Scholes option pricing model, of $179,860 or $0.16 per share, assuming an expected life of two years, a risk-free interest rate of 1.45%, an expected dividend rate of 0.00% and an expected volatility coefficient of 158.00%.

e) On November 1, 2010, the Company paid the promissory note issued on July 30, 2010 in the principal amount of $33,000 with interest for a total of $35,200. Common shares having a value of $6,600 pursuant to the promissory note have not yet been issued.

f) On November 22, 2010, 50,000 warrants were exercised at $0.20 for gross proceeds of $10,000.

g) On November 30, 2010, 150,000 stock options were exercised at $0.20 for gross proceeds of $30,000.

h) On December 1, 2010, the Company issued 200,000 stock options at a price of $0.35 for a period of two years. These options have a fair value, calculated using the Black-Scholes option pricing model, of $54,212 or $0.27 per share, assuming an expected life of two years, a risk-free interest rate of 1.67%, an expected dividend rate of 0.00% and an expected volatility coefficient of 170.00%.

i) On December 6, 2010, 1,379,090 warrants were exercised at $0.20 for gross proceeds of $275,818.

j) On December 7, 2010, 450,000 warrants were exercised at $0.20 for gross proceeds of $90,000.

k) On December 9, 2010, 250,000 stock options were exercised at $0.20 for gross proceeds of $50,000.

l) On December 10, 2010, 12,500 stock options were exercised at $0.20 for gross proceeds of $2,500.

m) On December 10, 2010, 340,000 warrants were exercised at $0.20 for gross proceeds of $68,000.

12. Subsequent Events (continued)

n) On December 10, 2010, the Company issued 300,000 stock options at a price of $0.35 for a period of two years. These options have a fair value, calculated using the Black-Scholes option pricing model, of $81,330 or $0.27 per share, assuming an expected life of two years, a risk-free interest rate of 1.72%, an expected dividend rate of 0.00% and an expected volatility coefficient of 170.00%.

o) On December 14, 2010, 25,000 warrants were exercised at $0.20 for gross proceeds of $5,000.

p) On December 15, 2010, 351,273 warrants were exercised at $0.20 for gross proceeds of $70,255.

q) On December 17, 2010, 100,000 warrants were exercised at $0.25 for gross proceeds of $25,000.

r) On December 24, 2010, 800,000 warrants were exercised at $0.25 for gross proceeds of $200,000.

s) On December 29, 2010, 125,000 warrants were exercised at $0.20 for gross proceeds of $25,000.

t) On December 29, 2010, 17,500 warrants were exercised at $0.25 for gross proceeds of $4,375.

u) On January 5, 2011, the Company issued 220,000 stock options at a price of $0.45 for a period of 2 years. These options have a fair value, calculated using the Black-Scholes option pricing model, of $76,692 or $0.35 per share, assuming an expected life of two years, a risk-free interest rate of 1.76%, an expected dividend rate of 0.00% and an expected volatility coefficient of 170.00%.

v) On January 5, 2011, 120,000 warrants were exercised at $0.25 for gross proceeds of $30,000.

w) On January 6, 2011, 20,000 warrants were exercised at $0.25 for gross proceeds of $5,000.

x) On January 11, 2011, 10,000 warrants were exercised at $0.25 for gross proceeds of $2,500.

y) On January 13, 2011, 15,000 warrants were exercised at $0.25 for gross proceeds of $3,750.

z) On January 13, 2011, 60,000 warrants were exercised at $0.25 for gross proceeds of $15,000.