1.1 DATE

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the audited financial statements for the year ended September 30, 2010, and the unaudited interim financial statements for the three months ended December 31, 2010 and the notes thereto of Thelon Capital Ltd. (the "Company" or "Thelon") (formerly Thelon Ventures Ltd.).

This MD&A is prepared as of February 21, 2011. All dollar figures stated herein are expressed in Canadian dollars.

Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

1.2 OVERVIEW

FORWARD LOOKING STATEMENTS

Certain statements contained in this report constitute forward-looking statements. When used in this document the words "anticipate", "believe", "estimate", "expect", "plan", "future", "intend", "may", "will", "should", "predicts", "potential", "continue", and similar expressions, as they relate to Thelon Capital Ltd. or its management, are intended to identify forward-looking statements. Such statements reflect current views of Thelon Capital Ltd. with respect to future events and are subject to certain known and unknown risks, uncertainties, and assumptions. These statements should not be relied upon. Many factors could cause the actual results, performance, or achievements to be materially different for many future results, performance, or achievements that may be expressed or implied by such forward-looking statements. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward looking statements prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, or expected. Thelon Capital Ltd. does not intend, and does not assume, any obligation to update these forward looking statements.

DESCRIPTION OF THE BUSINESS

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.

Thelon is an exploration stage resource company. The Company holds interests in certain mineral properties and on the basis of information available to date may not have economically viable reserves. The underlying value of the mineral properties and related deferred exploration expenditures is dependent upon the existence and economic recovery of such reserves in the future, confirmation of the Company's interest in the underlying mineral claims, and the ability to raise long-term financing.

Operations at this time are focused on the review of existing mineral properties, potential acquisitions of additional mineral properties, and sourcing of potential financing for the Company.

The Company has an office in Vancouver, British Columbia. The Company is a reporting issuer under applicable securities legislation in British Columbia and Alberta, and trades on the TSX Venture Exchange under the symbol THC.

1.3 MINERAL PROPERTIES

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 30,000 (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 20,000 common shares. Total consideration is cash of $225,000 (paid) and 100,000 (issued) common shares.

(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 10,000 common shares. Total consideration is cash of $127,500 (paid) and 50,000 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 10,000 common shares. Total consideration is cash of $115,000 (paid) and 50,000 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 100,000 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.

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 100,000 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.

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 33,333 common shares (issued) by the Company upon approval of the agreement. The agreement was amended on August 26, 2008, to include the issuance of 33,333 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 (99,999 issued).

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.

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 35,000 shares (issued) upon closing.

The Company can earn an additional 25% interest by issuing 35,000 (issued) shares on the first anniversary date of closing, and an additional 25% interest by issuing 30,000 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.

THORNBURG MINE PROPERTY

On April 28, 2008, the Company entered into a stand still agreement to acquire one 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) US$50,000 upon signing of the stand still agreement (paid);
- ii) US$70,000 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 0.05%. During the term of the agreement the Company shall bear all cost of maintaining the claims and leases. The vendor will receive US$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.

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 300,000 shares on closing. The vendor will retain a 2% NSR, in which 1% can be purchased for $1,000,000.

During the year ended September 30, 2010, management decided not to continue with the project. No costs were incurred in connection with the project.

JELLICO COAL PROPERTY

On June 9, 2010, the Company announced that it had entered into an agreement to acquire 100% of the Jellico Coal Project which consists of approximately 6,000 acres of coal mineral and surface rights in Campbell and Clairborne counties in the State of Tennessee. The purchase price is: 7,000,000 common shares of which 3,500,000 shares were issued on October 27, 2010 and 3,500,000 shares on January 14, 2011; pay US$1,000,000 (paid) on signing; pay US$3,000,000 on or before March 25, 2011; take over debt obligations not exceeding US$4,900,000; and issue a promissory note to the vendor for US$8,485,000 due in 10 years bearing interest at a rate of 6% per annum, interest paid monthly, with an annual payment starting on December 31, 2012 of 10% of the principal. A bonus of $50,000 was also paid to a company controlled by a director on this transaction. Closing is to occur upon the payment of US$3,000,000.

Portions of the property have had extensive sampling and drilling by previous operators as recently as 2009, and it is thought to contain multiple coal seams of high quality metallurgical, as well as, compliant steam coals. DRC Coal LLC has a surface mining operation on the southern boundary of the property producing from the Blue Gem, Jellico, and Rex coal seams.

Historical reserve and coal analysis data provided in a July 2009 report by A.R Leamon CPG TN estimate inferred coal reserves of approximately 12,000,000 tons in place. Coal quality analysis conducted from core holes and test pits on the property between 1992 and 2007 have shown favorable sulfur, ash, and BTU values consistent with high quality metallurgical coals being produced in the area. This historical information is not NI 43-101 complaint.

The property and surrounding area has well-established power, logistics, and transportation infrastructure including mine access roads, several secondary county roads, and a railroad parallel to Tennessee State Highway 90, which extends through the property.

The Company's immediate objectives are to close the transaction, begin the necessary drilling to define additional coal reserves, and complete a National Instrument 43-101 report of measured and indicated mineable coal reserves on the property.

1.4 SELECTED ANNUAL INFORMATION

The following table provides selected annual audited financial information that should be read in conjunction with the audited financial statements and notes:

	Year ended September 30 2010	Year ended September 30 2009	Year ended September 30 2008
Total revenues	$ -	$ 156	$ 5,755
Administrative expenses	$ 749,352	$ 274,256	$ 452,582
Write down of abandoned mineral properties	$ 3,055,482	$ 247,597	$ 439,371
Loss on sale of marketable securities	$ -	$ 16,431	$ -
Write down of available for sale marketable securities	$ -	$ -	$ 14,100
Loss for the year	$ 3,804,834	$ 538,128	$ 886,198
Basic and diluted loss per share	$ (0.43)	$ (0.08)	$ (0.16)

1.5 SUMMARY OF QUARTERLY RESULTS

	Q1 31-Dec 2010	Q4 30-Sep 2010	Q3 30-Jun 2010	Q2 31-Mar 2010	Q1 31-Dec 2009	Q4 30-Sep 2009	Q3 30-Jun 2009	Q2 31-Mar 2009
Revenues	$ -	$ -	$ -	$ -	$ -	$ 156	$ -	$ -
Net loss	$(598,591)	$(3,412,000)	$(132,758)	$(189,733)	$(70,343)	$(390,900)	$(43,654)	$(49,603)
Loss per share	$ (0.03)	$ (0.40)	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.05)	$ (0.01)	$ (0.01)

1.6 RESULTS OF OPERATIONS

The Company's net loss for the three months ended December 31, 2010 was $598,491 as compared to a net loss of $92,059 for the three months ended December 31, 2009. The increase in expenses primarily resulted from the stock based compensation of $340,020 recorded this quarter, as compared to $nil in the comparative period for 2009.

Advertising and promotion almost quadrupled to $76,797 as compared to $19,911. Shareholder relation expenses increased dramatically to $35,396 from $4,220 in the same period last year. Travel expenses were $11,120 compared to $179 in the previous period. These increases reflect management's efforts to promote the stock.

There were no legal fees expensed in the first three months of 2009 with $3,044 expensed this period. Transfer agent and exchange fees were $8,373 compared to $2,636. These increases in costs reflect the increased share activity with the private placement that closed on October 20, 2010 and the numerous warrants and options that have been exercised this quarter

Consulting fees increased significantly to $96,000 from $24,500; however, the Company no longer incurs management fees with $13,500 expensed in the three months ended December 31, 2009. $5,000 in director fees were incurred in the three months ended December 31, 2010 compared to $nil in the comparative period for 2009.

1.7 OFF-BALANCE SHEET ARRANGEMENTS

None

1.8 TRANSACTIONS WITH RELATED PARTIES

The following amounts were paid or accrued to directors or companies controlled by directors or officers of the Company for services provided during the period ended December 31, 2010 and 2009. These amounts have been recorded at the exchange amount being the compensation agreed to by both parties:

	December 31 2010	December 31 2009
Bonus (note 4(g))	$ 50,000	$ -
Consulting	$ 10,500	$ 24,500
Director fees	$ 5,000	$ -
Management fees	$ -	$ 13,500
Office and administration	$ 15,342	$ 12,047

The amount due from related parties at December 31, 2010 is $11,852 (2009 – $(11,953)) due from a company which is controlled by a director of the Company.

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

1.9 LIQUIDITY

The Company does not have any cash flow from operations or any production of mineral resources; accordingly, it must rely on equity financing to fund operations. The Company's access to exploration financing when the financing is not transaction specific is always uncertain. There can be no assurance of continued access to any equity funding.

The Company's cash on hand increased to $368,698 as at December 31, 2010 from $668 as at September 30, 2010. The Company had a working capital surplus of $342,512 as at December 31, 2010 compared to a working capital deficiency of $145,357 as at September 30, 2010.

The Company's current asset balance of $432,453 (September 30, 2010 - $24,065) is comprised of cash of $368,698 (September 30, 2010 - $668), an amount due from related parties of $11,852 (September 30, 2010 -

$(35,411)), HST receivable from the Canada Revenue Agency of $35,288 (September 30, 2010 - $17,883), and prepaid expenses of $16,615 (September 30, 2010 - $5,514).

The Company's current liabilities total $89,941 (September 30, 2010 - $169,422) is made up of outstanding accounts payable and accrued liabilities relating to administrative and exploration expenses. During the three months ended December 31, 2010, a promissory note payable in the amount of $34,401 as at September 30, 2010, and amounts due to related parties of $35,411 were repaid.

There can be no assurance that future financings will be available to the Company or, if it is, that it will be available on terms acceptable to the Company and will be sufficient to fund cash needs. If the Company is unable to obtain the financing necessary to support its operations, it may be unable to continue as a going concern. The Company currently has no commitments for any credit facilities such as revolving credit agreements or lines of credit that could provide additional working capital, and substantial doubt exists regarding the Company's ability to continue as a going concern. The Company has no long term debt, capital lease obligations, operating leases, or any other long term obligations.

1.10 PROPOSED TRANSACTIONS

There are no proposed assets or business acquisitions or disposition, other than those in the ordinary course of business, before the board of directors for consideration.

1.11 CAPITAL RESOURCES

SHARE CAPITAL

	Shares	Amount	Contributed Surplus
Balance, September 30, 2009	6,614,691	$ 12,325,311	$ 2,162,813
Issued for cash			
Private placements	3,351,590	433,750	-
Issued for debt	749,692	82,466	-
Share issue costs	-	(22,380)	-
Stock based compensation	-	-	166,534
Balance, September 30, 2010	10,715,973	12,819,147	2,329,347
Issued for property	7,033,333	1,083,333	-
Issued for cash			
Private placements	6,661,998	999,300	-
Exercise of warrants	4,092,529	886,881	-
Exercise of agent warrants	20,000	5,000	-
Exercise of stock options	422,500	84,500	-
Share issue costs			
Cash	-	(63,244)	-
Agents warrants issued	-	(102,540)	-
Stock based compensation	-	66,975	445,969
Balance, February 21, 2011	28,946,333	$ 15,779,352	$ 2,775,316

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. This MD&A reflects this change retrospectively.

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.

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.

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.

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.

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.

On October 20, 2010, the Company closed a non-brokered private placement of 6,661,998 units at $0.15 per unit for net proceeds of $936,056. 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. The Company also issued 581,660 agent warrants exercisable into one common share until October 20, 2012 at $0.25 during the first year and $0.35 during the second year. The agent warrants have a fair value, calculated using the Black-Scholes option pricing model, of $102,540 or $0.18 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%.

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 price is: 7,000,000 common shares; pay US$1,000,000 (paid) on signing; pay US$3,000,000 on or before March 25, 2011; take over debt obligations not exceeding US$4,900,000; and issue a promissory note to the vendor for US$8,485,000 due in 10 years bearing interest at a rate of 6% per annum, interest paid monthly, with an annual payment starting on December 31, 2012 of 10% of the principal. A bonus of $50,000 was also paid to a company controlled by a director on this transaction. Closing is to occur upon the payment of US$3,000,000.

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

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

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

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

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

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

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

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

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

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

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

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

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

On December 31, 2011, 120,000 warrants were exercised at $0.25 for gross proceeds of $30,000.
On January 6, 2011, 20,000 warrants were exercised at $0.25 for gross proceeds of $5,000.

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

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

On January 14, 2011, 3,500,000 shares were issued pursuant to the Letter of Agreement regarding the Jellico Coal Project.

On January 18, 2011, 60,000 warrants were exercised at $0.25 for gross proceeds of $15,000.

On January 21, 2011, 33,333 shares were issued pursuant to the Letter of Intent regarding the Four Corners Property with International Ranger Corp., which has an officer that serves as a Director of the Company. During the year ended September 30, 2010, management decided not to continue with the project and wrote off the costs; however, these shares were not issued previously as required under the agreement.

On January 25, 2011, 20,000 agent warrants were exercised at $0.25 for gross proceeds of $5,000.

On January 27, 2011, 10,000 warrants were exercised at $0.25 for gross proceeds of $2,500.

On February 2, 2011, 160,000 warrants were exercised at $0.25 for gross proceeds of $40,000.

On February 4, 2011, 25,000 warrants were exercised at $0.25 for gross proceeds of $6,250.

On February 8, 2011, 14,666 warrants were exercised at $0.20 for gross proceeds of $2,933.

On February 14, 2011, 20,000 warrants were exercised at $0.25 for gross proceeds of $5,000.

On February 18, 2011, 10,000 stock options were exercised at $0.20 for gross proceeds of $2,000.

At February 21, 2011, the Company had 28,946,333 shares issued and outstanding.