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 six months ended March 31, 2011 and the notes thereto of Thelon Capital Ltd. (the "Company" or "Thelon") (formerly Thelon Ventures Ltd.).

This MD&A is prepared as of May 28, 2011. All dollar figures stated herein are expressed in Canadian dollars unless otherwise stated.

1.2 OVERVIEW

CAUTION REGARDING FORWARD LOOKING STATEMENTS

This MD&A contains certain statements that 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

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.

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 agreement dated December 14, 2010 was amended on March 16, 2011. The purchase price is: 7,000,000 common shares (issued); pay US$1,000,000 (paid subsequent to March 31, 2011) on signing; pay US$3,000,000 of which US$1,500,000 has been paid and an extension has been granted for the balance of US$1,500,000 to be due on July 22, 2011; take over debt obligations of approximately US$4,800,000; 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 or before December 31, 2013 of 10% of the principal. The Company also agrees to pay a gross overriding production royalty based on selling prices as follows:

i. up to US$80/ton, a royalty of 8% of the selling price;
ii. more than US$80/ton and up to US$90/ton, a royalty of 9% of the selling price;
iii. more than US$90/ton and up to US$100/ton, a royalty of 10% of the selling price;
iv. more than US$100/ton and up to US$110/ton, a royalty of 12% of the selling price; and
v. more than US$110/ton, a royalty of 14% of the selling price.

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$1,500,000 due on July 22, 2011.

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 OPTION TO PURCHASE

On February 24, 2011, the Company announced that it had entered into an option to purchase a 100% interest in a private Tennessee mining company ("Privateco") for US$35,000,000 plus US$7,000,000 in surety bonds. The Company must pay US$1,000,000 (paid) within 14 days from the date of signing, or from February 22, 2011, with US$41,000,000 due within 120 days. The Company may get a 60 day extension by paying an additional US$500,000 prior to the expiration of the 120 day period. Privateco is a 30 year old mining company currently producing 50,000 tons of coal a month from 3 permitted mines, with a fourth permit in place with plans to start producing shortly.

1.5 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)

1.6 SUMMARY OF QUARTERLY RESULTS

	Q2 Mar 31 2011	Q1 Dec 31 2010	Q4 Sep 30 2010	Q3 Jun 30 2010	Q2 Mar 31 2010	Q1 Dec 31 2009	Q4 Sep 30 2009	Q3 Jun 30 2009
Revenues	$ 387	$ -	$ -	$ -	$ -	$ -	$ 156	$ -
Net loss	$(417,396)	$(598,591)	$(3,412,000)	$(135,473)	$(187,018)	$(70,343)	$(390,900)	$(43,654)
Loss per share	$ (0.01)	$ (0.03)	$ (0.40)	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.05)	$ (0.01)

1.7 RESULTS OF OPERATIONS

SIX MONTHS ENDED MARCH 31, 2011

The Company's net loss for the six months ended March 31, 2011 was $1,015,987 as compared to a net loss of $257,361 for the six months ended March 31, 2010. The increase in expenses is a direct result of the increased activity that has been undertaken to pursue a viable revenue producing property for the Company, along with management's efforts to promote the stock.

The largest increase in expense was the stock based compensation of $397,966 recorded for this period, as compared to $nil in the comparative period for 2010.

Advertising and promotion was $149,316 compared to $nil, and the shareholder relation expenses increased to $50,232 from $1,698 in the same period last year. Travel expenses were $52,591 compared to $19,723 in the previous period.

There was only $74 expensed in the first six months of 2010 for legal and accounting fees with $31,843 expensed this period. Transfer agent and exchange fees were $31,034 compared to $9,915. These increases are a result of the private placements that have closed, and the numerous warrants, agent warrants, and stock options that have been exercised during the period.

Consulting fees increased significantly to $194,800 from $109,100; however, the Company no longer incurs management fees with $15,500 expensed in the six months ended March 31, 2010. $11,000 in director fees were incurred in the six months ended March 31, 2011 compared to $nil in the comparative period for 2010. Office and administration fees and telephone costs both decreased to $49,462 and $6,305 respectively for the six month period compared to $89,950 and $8,513 for 2010.

Bank charges and interest increased to $8,928 compared to $2,108 for the same period as a result of 14,666 common shares of the Company issued as a bonus on a promissory note that was paid during the period with the corresponding value of the shares ($6,600) charged to interest expense.

During the period, 33,333 common shares were issued pursuant to the Four Corners agreement dated August 26, 2008. This agreement included the issuance of 33,333 shares of the Company to INRG at the deemed price of $1.00 per share on each of the one, two, and three year anniversaries after the date of approval of the agreement. The shares due on the third anniversary date were not previously issued. As management had decided not to continue with the project and wrote off the costs during the year ended September 30, 2010, the corresponding value of the shares ($33,333) was charged directly as a write off of abandoned properties.

THREE MONTHS ENDED MARCH 31, 2011

The Company's net loss for the three months ended March 31, 2011 was $417,396 as compared to a net loss of $187,018 for the three months ended March 31, 2010.
The largest increase in expense was the stock based compensation of $57,946 recorded for this quarter, as compared to $nil in the comparative quarter for 2010.

Advertising and promotion was $72,519 compared to $nil, and the shareholder relation expenses increased to $14,836 from $193 in the same quarter last year. Travel expenses were $41,471 compared to $19,544 in the previous quarter.

There was $8,774 expensed in the second quarter of 2010 for legal and accounting fees with $28,799 expensed this quarter. Transfer agent and exchange fees were $22,661 compared to $7,279. These increases are a result of the private placement that closed, and the numerous warrants, agent warrants, and stock options that have been exercised during the quarter.

Consulting fees increased to $98,800 from $84,600; however, the Company no longer incurs management fees with $2,000 expensed in the second quarter of 2010. $6,000 in director fees were incurred in the quarter ended March 31, 2011 compared to $nil in the comparative quarter for 2010. Office and administration fees and telephone costs both decreased to $23,782 and $5,697 respectively for the quarter compared to $57,327 and $6,485 for 2010.

Bank charges and interest increased to $7,295 compared to $426 for the same period as a result of 14,666 common shares of the Company issued as a bonus on a promissory note that was paid during the quarter with the corresponding value of the shares ($6,600) charged to interest expense.

During the quarter, 33,333 common shares were issued pursuant to the Four Corners agreement dated August 26, 2008. This agreement included the issuance of 33,333 shares of the Company to INRG at the deemed price of $1.00 per share on each of the one, two, and three year anniversaries after the date of approval of the agreement. The shares due on the third anniversary date were not previously issued. As management had decided not to continue with the project and wrote off the costs during the year ended September 30, 2010, the corresponding value of the shares ($33,333) was charged directly as a write off of abandoned properties.

1.8 OFF-BALANCE SHEET ARRANGEMENTS

None

1.9 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 March 31, 2011 and 2010. These amounts have been recorded at the exchange amount being the compensation agreed to by both parties:

		March 31 2011		**March 31 2010**
Bonus	$	50,000	$	-
Consulting	$	27,000	$	21,000
Director fees	$	11,000	$	-
Management fees	$	-	$	15,500
Office and administration	$	30,996	$	43,612

The amount due to related parties at March 31, 2011 is $14,050 (September 30, 2010 – $35,411) due to a director and companies controlled by a director of the Company.

Effective January 1, 2011, the Company had agreements with companies controlled by a director of the Company to provide administrative and consulting services for a one year term in the amounts of $5,411 and $3,500 respectively, to be paid on the first day of each month.

Amounts due to 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.

1.10 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 $658,083 as at March 31, 2011 from $668 as at September 30, 2010. The Company had a working capital surplus of $552,392 as at March 31, 2011 compared to a working capital deficiency of $145,357 as at September 30, 2010.

The Company's current asset balance of $769,865 (September 30, 2010 - $24,065) is comprised of cash of $658,083 (September 30, 2010 - $668), amounts receivable of $67,312 (September 30, 2010 - $nil), HST receivable from the Canada Revenue Agency of $22,248 (September 30, 2010 - $17,883), and prepaid expenses of $22,222 (September 30, 2010 - $5,514).

The Company's current liabilities total $217,473 (September 30, 2010 - $169,422) is made up of outstanding accounts payable and accrued liabilities relating to administrative and exploration expenses of $203,423 (September 30, 2010 - $99,610) and an amount due to a director of $14,050 (September 30, 2010 - $35,411). During the six months ended March 31, 2011, a promissory note payable in the amount of $34,401 as at September 30, 2010 was paid.

On April 11, 2011, the Company closed its most recent financing, a non-brokered private placement of 6,972,222 units at $0.45 per unit for gross proceeds of $3,137,500. Each unit consisted of one share and one purchase warrant exercisable into one common share at $1.00 during the first year and $1.25 during the second year. The Company also issued 488,055 agent warrants exercisable into one common share at $1.00 during the first year and $1.25 during the second year. The agent warrants have a fair value, calculated using the Black-Scholes option pricing model, of $126,382 or $0.26 per share, assuming an expected life of two years, a risk-free interest rate of 1.93%, an expected dividend rate of 0.00% and an expected volatility coefficient of 143.00%.

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.

1.11 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.

1.12 CRITICAL ACCOUNTING ESTIMATES

None

1.13 CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

None

1.14 INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

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.

1.15 CAPITAL RESOURCES

SHARE CAPITAL AS AT MAY 28, 2011

	Shares	Amount	Contributed Surplus
Balance, September 30, 2010	10,715,973	$ 12,819,147	$ 2,329,347
Issued for property	7,033,333	2,168,333	-
Issued for debt	14,666	6,600	-
Issued for cash			
Private placements	17,246,220	5,762,200	-
Exercise of warrants	4,890,318	1,067,038	-
Exercise of agent warrants	70,691	17,672	-
Exercise of stock options	427,500	85,750	-
Reallocation from contributed surplus	-	75,485	(75,485)
Share issue costs			
Cash	-	(291,022)	-
Agents warrants issued	-	(281,847)	281,847
Stock based compensation	-	-	397,966
Balance, May 28, 2011	40,398,701	$ 21,429,356	$ 2,933,675

WARRANTS OUTSTANDING AS AT MAY 28, 2011

Exercise Price	Number of Warrants	Expiry Date
$ 0.25	(1) 10,000	August 5, 2011
$ 0.25	(1) 10,000	October 29, 2011
$ 0.30	150,000	March 25, 2012
$ 0.30	497,964	March 26, 2012
$0.25/$0.35	5,344,998	October 20, 2012
$1.00/$1.25	3,612,000	March 7, 2013
$1.00/$1.25	6,972,222	April 11, 2013
	16,597,184	

(1) 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, from $1.00 to $0.25.

AGENT WARRANTS OUTSTANDING AS AT MAY 28, 2011

Exercise Price	Number of Warrants	Expiry Date
$0.25/$0.35	510,975	October 20, 2012
$1.00/$1.25	252,840	March 7, 2013
$1.00/$1.25	488,055	April 11, 2013
	1,251,870	

STOCK OPTIONS OUTSTANDING AS AT MAY 28, 2011

Exercise Price	Number of Options Outstanding	Number of Options Exercisable	Expiry Date
$ 0.20	652,500	652,500	May 5, 2012
$ 0.25	1,095,000	1,095,000	October 28, 2012
$ 0.35	200,000	200,000	December 1, 2012
$ 0.35	300,000	300,000	December 15, 2012
$ 0.45	220,000	55,000	January 3, 2013
$ 0.45	500,000	500,000	April 11, 2013
$ 0.45	125,000	-	May 6, 2013
	3,092,500	2,802,500	

1.16 ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR at www.sedar.com.