THELON DIAMOND COMPANY LIMITED

(An Exploration Stage Company)

ANNUAL FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

For the years ended August 31, 2014, 2013 and 2012

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(Expressed in Canadian Dollars)
For the years ended August 31, 2014, 2013 and 2012

WOLRIGE MAHON
CHARTERED ACCOUNTANTS

Independent Auditor's Report

To the Shareholders of
Thelon Diamond Company Limited

We have audited the accompanying financial statements of Thelon Diamond Company Limited, which comprise the statements of financial position as at August 31, 2014, 2013 and 2012 and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Thelon Diamond Company Limited as at August 31, 2014, 2013 and 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without modifying our opinion, we draw attention to Note 1 to the financial statements which describe the material uncertainty that may cast significant doubt about the ability of Thelon Diamond Company Limited to continue as a going concern.

Wolrige Mahon LLP

Chartered Accountants
Vancouver, British Columbia
January 21, 2014

THELON DIAMOND COMPANY LIMITED
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	August 31, 2014	August 31, 2013	August 31, 2012
ASSETS			
Current			
Cash	$ 20,037	$ 85	$ 19,203
GST/ HST recoverable	1,150	-	-
	21,187	85	19,203
Non-Current			
Loan to Thelon Capital Ltd. (Note 3)	74,125	74,360	61,000
Total Assets	$ 95,312	$ 74,445	$ 80,203
LIABILITIES			
Current			
Accounts payable and accrued liabilities (Note 5)	$ 59,836	$ 25,687	$ 11,747
EQUITY			
Share capital (Note 4)	14,751	14,751	14,751
Subscriptions received in advance	117,500	97,500	97,500
Deficit	(96,775)	(63,493)	(43,795)
	35,476	48,758	68,456
Total Liabilities and Equity	$ 95,312	$ 74,445	$ 80,203

Nature and continuance of operations (Note 1)

Approved and authorized for issue by the Directors on January 12, 2015:

"Jason Walsh" Director *"Geoff Watson"* Director

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

THELON DIAMOND COMPANY LIMITED
STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Year ended August 31, 2014	Year ended August 31, 2013
EXPENSES		
Administration fees (Note 5)	$ 7,000	$ 19,488
Consulting fees (Note 5)	16,000	-
General and administrative	282	210
Professional fees	10,000	-
	33,282	19,698
Net and comprehensive loss for the year	$ (33,282)	$ (19,698)
Loss per share – basic and diluted	$ (0.02)	$ (0.01)
Weighted average number of shares outstanding – basic and diluted	1,475,001	1,475,001

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

THELON DIAMOND COMPANY LIMITED
STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Number of Shares	Amount	Subscriptions received in advance	Deficit	Total
Balance, February 8, 2012	1	$ 1	$ -	$ -	$ 1
Shares issued:					
Private placement					
Cash, $0.01 per share	1,475,000	14,750	-	-	14,750
Subscriptions received in advance	-	-	97,500	-	97,500
Net loss for the period	-	-	-	(43,795)	(43,795)
Balance, August 31, 2012	1,475,001	14,751	97,500	(43,795)	68,456
Net loss for the year	-	-	-	(19,698)	(19,698)
Balance, August 31, 2013	1,475,001	14,751	97,500	(63,493)	48,758
Subscriptions received in advance	-	-	20,000	-	20,000
Net loss for the year	-	-	-	(33,282)	(33,282)
Balance, August 31, 2014	1,475,001	$ 14,751	$ 117,500	$ (96,775)	$ 35,476

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

THELON DIAMOND COMPANY LIMITED
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year ended August 31, 2014	Year ended August 31, 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (33,282)	$ (19,698)
Changes in operating assets and liabilities:		
Accounts payable and accrued liabilities	34,149	13,940
Amounts receivable	(1,150)	-
Cash used in operating activities	(283)	(5,758)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share subscriptions received in advance	20,000	-
Cash provided by financing activities	20,000	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan advanced (repaid)	235	(13,360)
Cash provided by (used in) investing activities	235	(13,360)
Change in cash during the year	19,952	(19,118)
Cash, beginning of year	85	19,203
Cash (bank overdraft), end of year	$ 20,037	$ 85
Supplemental disclosures		
Interest paid	$ -	$ -
Income tax paid	$ -	$ -

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Thelon Diamond Company Limited (the "Company") was incorporated under the laws of the province of British Columbia on February 8, 2012. The Company's principal business is the exploration and evaluation of mineral resources. The Company's corporate office is located at 1500- 888 Dunsmuir Street, Vancouver B.C.

These financial statements have been prepared in accordance with International Financial Reporting Standards applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. During the year ended August 31, 2014 the Company incurred a net loss of $33,282 and at August 31, 2014 had a working capital deficiency of $38,649. The continuation of the Company as a going concern is dependent on its ability to obtain necessary financing, generate positive cash flows and ultimately the achievement of profitable operations. These material uncertainties cast significant doubt upon the Company's ability to continue as a going concern. As the outcome of these matters cannot be predicted at this time, these financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue in business. These adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

(b) Basis of Preparation

These financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial assets at fair value through profit or loss, and available-for-sale which are stated at their fair values. In addition these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial Instruments

Non-derivative financial assets:

The Company classifies its non-derivative financial assets as fair value through profit or loss, available-for-sale financial assets, held-to-maturity or loans and receivables.

Financial assets at fair value through profit or loss ("FVTPL")
Financial assets are designated as at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

The Company does not have any assets classified as FVTPL.

Available-for-sale financial assets
Available-for-sale ("AFS") financial assets are non-derivatives that are either designated as AFS or are not classified as (i) loans and receivables, (ii) held-to-maturity investments or (iii) financial assets as at FVTPL. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS monetary items, are recognized in other comprehensive income or loss. When an investment is derecognized, the cumulative gain or loss in the investment revaluation reserve is transferred to profit or loss.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The change in fair value attributable to translation differences that result from the amortized cost of the monetary asset is recognized in profit or loss. The change in fair value of AFS equity investments is recognized in other comprehensive income or loss.

The Company does not have any assets classified as AFS financial assets.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

The Company has classified cash and due from Thelon Capital Ltd. as loans and receivables.

Held-to-maturity investments
These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at amortized cost using the effective interest method, less any impairment losses. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized through profit or loss.

The Company does not have any assets classified as held-to-maturity.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial Instruments (continued)

Impairment of financial assets:

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to profit or loss in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as AFS, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

Fair value through profit or loss
This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized through profit or loss.

Other financial liabilities
These liabilities are initially recognized at fair value less directly attributable costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The Company’s accounts payable and accrued liabilities are classified as other financial liabilities.

(d) Exploration and Evaluation Expenditures

Pre-exploration Costs

Pre-exploration costs are expensed in the period in which they are incurred.

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures (“E&E”) are recognized and capitalized, in addition to acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Exploration and Evaluation Expenditures (continued)

Exploration and Evaluation Expenditures

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as ‘mines under construction’. Exploration and evaluation assets are tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Mineral exploration and evaluation expenditures are classified as intangible assets.

(e) Impairment

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount is the higher of fair value less costs to sell and value in use.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Impairment (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(f) Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants, options and flow-through shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(g) Flow-through Shares

The Company may, from time to time, issue flow-through common shares to finance a portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) share capital, equal to the market value of the shares, ii) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as other liabilities, and iii) if applicable, reserve for warrants, equal to the remaining proceeds received. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's period is disclosed separately.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Valuation of Equity Units Issued in Private Placements

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 most 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 private placements is determined to be the more easily measurable component and are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as warrant reserve. If the warrants are exercised, the related amount is reclassified as share capital. If the warrants expire unexercised, the related amount remains in warrant reserve.

(i) Income Taxes

Income tax on the profit or loss for the period presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or loss or directly in equity, in which case it is recognized in other comprehensive income or loss or equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for unused tax loss carry-forwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Loss per Share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

(k) Significant Accounting Estimates and Judgments

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i. the fair value and the recoverability of the loan to Thelon Capital Ltd.; and
ii. the composition of the deferred income tax asset and recognition of deferred income tax asset.

Critical accounting judgments

The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves significant judgment made by management.

(p) Recent Accounting Pronouncements

The following pronouncements and amendments are effective for annual periods beginning on or after January 1, 2014 unless otherwise stated. Adopting these standards is expected to have minimal or no impact on the financial statements.

(a) IFRS 9 – Financial Instruments: Classification and Measurement applies to classification and measurement of financial assets and liabilities as defined in IAS 39. It is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

(b) IAS 32 – Financial Instruments: Presentation amendment provides clarification on the application of offsetting rules. The amendments are effective for annual periods beginning on or after January 1, 2014.

3. LOAN TO THELON CAPITAL LTD.

The Company has advanced $74,125 (2013 -$74,360; 2012 - $61,000) to Thelon Capital Ltd., a company with common Directors. The amount is unsecured, non-interest bearing and is due no earlier than January 1, 2016.

4. SHARE CAPITAL AND RESERVES

a) Authorized

An unlimited number of Common shares, with one vote per share

b) Issued

(i) During fiscal 2012 1 common share was issued at $1.00, and 1,475,000 common shares were issued at $0.01 per share, for cash of $14,751 to the founders of the Company.

5. RELATED PARTY BALANCES AND TRANSACTIONS

The Company:

- paid administration fees of $7,000 (2013 - $19,488) to a company controlled by a director and president of the Company.
- paid consulting fees of $16,000 (2013 - $nil) to a company controlled by a director and president of the Company.

As at August 31, 2014, accounts payable and accrued liabilities included $49,836 (2013 - $25,687; 2012 - $11,747) owed to a company controlled by a director and president of the Company.

These transactions were agreed upon by the board of directors and were measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

(Expressed in Canadian Dollars)

6. INCOME TAXES

The reconciliation of income tax provision computed at statutory rates to the reported income tax provision is as follows:

		August 31, 2014		**August 31, 2013**
Canadian tax rate		26.00%		25.00%
Income tax benefit computed at statutory rates	$	(8,650)	$	(4,900)
Unrecognized deferred tax assets		8,650		4,900
	$	-		

The significant components of the Company's unrecorded deferred income tax assets (liabilities) are as follows:

		August 31, 2014		**August 31, 2013**
Deferred income tax assets (liabilities)				
Non-capital losses	$	24,550	$	15,900
Unrecognized deferred tax assets		(24,550)		(15,900)
	$	-	$	-

As at August 31, 2014, the Company had estimated non-capital losses for Canadian tax purposes of $96,800. These losses may be carried forward to reduce taxable income derived in future years. A summary of non-capital losses and their year of expiry are as follows:

Year of expiry		Non-Capital Loss
2032	$	43,800
2033		19,700
2034		33,300
	$	96,800

7. FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist of cash, due from Thelon Capital Ltd. and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company believes it has credit risk in the amount of the loan to Thelon Capital Ltd.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with liabilities and continuance of the business. The Company has a working capital deficit of $38,650. Management is assessing various options to raise funds including the issuance of shares subsequent to year end (note 9).

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company does not believe it is exposed to significant market risk.

8. CAPITAL DISCLOSURES

The Company's principal source of capital is from the issuance of common shares. The Company's capital management objective is to obtain sufficient capital to develop new business opportunities for the benefit of its shareholders. To meet the objectives, management monitors the Company's ongoing capital requirements on specific business opportunities on a case by case basis. The capital structure of the Company consists of cash and equity attributable to common shareholders, consisting of issued share capital, and deficit. The Company is not subject to any externally imposed capital requirements.

9. SUBSEQUENT EVENTS

On September 4, 2014 the Company closed a private placement and issued 5,000,000 units at $0.02 for cash proceeds of $100,000. Each unit consisted of one common share and one warrant to acquire a common share at an exercise price of $0.10 for a period of three years.

On September 30, 2014 the Company closed a private placement of 360,000 flow-through common shares at $0.10 per flow-through share for cash proceeds of $36,000. The Company also closed a private placement of 720,000 non flow-through common shares at $0.075 per common share for cash proceeds of $54,000.

On December 18, 2014 the Company entered into a Plan of Arrangement with Thelon Capital Ltd. ("THC"), a company with common Directors, and its wholly owned subsidiary Thelon Diamonds Ltd. ("THD"). Pursuant to the transaction the Company acquired from THC all of the issued and outstanding shares of THD for consideration of $1,000. THC will then transfer its interest in a diamond mining joint venture with Peregrine Diamonds to THD for 2,260,000 common shares of the Company.