

THELON DIAMONDS LTD.
(An Exploration Stage Company)

INTERIM CONDENSED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

For the period ended November 30, 2014

THELON DIAMONDS LTD.
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(Expressed in Canadian Dollars)
(unaudited – prepared by management)
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Notice to Readers

Under National Instrument 51-102, Part 4.3(3)(a), if an auditor has not performed a review of the interim condensed financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited interim condensed financial statements of Thelon Diamonds Ltd. for the period ended November 30, 2014 have been prepared in accordance with International Accounting Standard 34 for Interim Financial Reporting under International Financial Reporting Standards. These interim condensed financial statements are the responsibility of the Company's management and have been approved by the Board of Directors. The Company's independent auditors have not performed an audit or review of these interim condensed financial statements.

THELON DIAMONDS LTD.
INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
(unaudited – prepared by management)

November 30,
2014

ASSETS

Current

Accounts receivable

\$ 1

Total Assets

\$ 1

LIABILITIES

Current

-

EQUITY

Share capital (Note 3)

1

Total Liabilities and Equity

\$ 1

Nature and continuance of operations (Note 1)

Approved and authorized for issue by the Directors on February xx, 2015:

"Jason Walsh"

Director

"Geoff Watson"

Director

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

THELON DIAMONDS LTD.
INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
(unaudited – prepared by management)

Period ended November 30,	2014
EXPENSES	\$ -
Loss for the period	\$ -
Loss per share – basic and diluted	\$ (0.00)
Weighted average number of shares outstanding – basic and diluted	10,000

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

THELON DIAMONDS LTD.
INTERIM CONDENSED STATEMENTS OF CHANGES IN EQUITY
 (Expressed in Canadian Dollars)
 (unaudited – prepared by management)

	Number of Shares	Amount	Deficit	Total
Balance, November 6, 2014	-	\$ -	\$ -	-
Shares issued	10,000	1	-	1
Loss for the period	-	-	-	-
Balance, November 30, 2014	10 000	\$ 1	\$ -	1

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

THELON DIAMONDS LTD.
INTERIM CONDENSED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
(unaudited – prepared by management)

Period ended November 30,	2014
CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss for the period	\$ -
Changes in operating assets and liabilities:	
Accounts payable and accrued liabilities	-
Amounts receivable	-
	-
CASH FLOWS FROM FINANCING ACTIVITIES	
Shares issued	-
Change in cash	-
Cash, beginning	-
Cash, ending	\$ -
Supplemental disclosures	
Interest paid	\$ -
Income tax paid	\$ -

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Thelon Diamonds Ltd. (the “**Company**”) was incorporated under the laws of the province of British Columbia on November 6, 2014. 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. 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

These unaudited condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the IFRS Interpretations Committee.

(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) 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:

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.

3. SHARE CAPITAL AND RESERVES

a) Authorized

An unlimited number of Common shares, without par value

b) Issued

On November 6, 2014 the Company issued 10,000 Common Shares to Thelon Capital Ltd. (“**Thelon Capital**”), its parent company, for cash of \$1.00 which was collected subsequent to the period end.

4. 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.

5. FINANCIAL RISK MANAGEMENT

The Company’s financial instruments consist of cash, due from Thelon Capital 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.

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 of \$ 0 Management is assessing various options to raise funds including the issuance of shares.

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.

THELON DIAMONDS LTD.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

November 30, 2014

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6. SUBSEQUENT EVENTS

On December 31, 2014, the statutory plan of arrangement (the “**Arrangement**”) entered into on December 18, 2014, among Thelon Capital, the parent company of the Company; Thelon Diamond Company Limited (“**TDC**”), a company with common Directors; and the Company, received approval from the Supreme Court of British Columbia in accordance with Part 9 of the *Business Corporation Act* (British Columbia), and the arrangement was subsequently completed on January 14, 2015. As a result of completing the arrangement, the Company became a reporting issuer in Alberta and British Columbia, and TDC became a wholly owned subsidiary of the Company.

Pursuant to the Arrangement, the following principal steps were completed on January 14, 2015:

1. TDC purchased all the issued and outstanding common shares of the Company from THC for consideration of \$1,000;
2. TDC acquired 8,121,667 common shares of the Company being all of the issued and outstanding share capital of the Company, from the shareholders of TDC through a one-for-one share exchange;
3. The Company issued 2,260,000 common shares (the “**Issuer Distribution Shares**”) to Thelon Capital in exchange for Thelon Capital assigning all of its interest in its joint venture in diamond mining with Peregrine Diamonds Ltd. and the mineral leases that are the subject of such joint venture to the Company;
4. Thelon Capital reduced its paid-up capital by an amount equal to the value of the Issuer Distribution Shares;
5. The Issuer Distribution Shares were distributed to the shareholders of Thelon Capital as of the record date previously set by Thelon Capital of October 21, 2014; and
6. The 10,000 shares in the Company that were issued to Thelon Capital immediately after incorporation of the Company were cancelled.

For further clarification, the Company issued 2,260,000 common shares to Thelon Capital and not 1,869,840 common shares, as was previously announced by Thelon Capital in a press release on December 30, 2014.

Upon the arrangement becoming effective on January 14, 2015, the Company became a reporting issuer in the jurisdictions of Alberta and British Columbia. The Company has issued a total of 10,381,667 common shares as of the date of preparation of these financial statements.

The Company was incorporated on November 6, 2014 and its fiscal year-end is August 31. As a result of completing the Arrangement, the Company has one wholly owned subsidiary, TDC, which was incorporated on February 8, 2012.