

**THELON DIAMOND COMPANY LIMITED**  
(An Exploration Stage Company)

**INTERIM CONDENSED FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)

**For the three months ended November 30, 2014**

**THELON DIAMOND COMPANY LIMITED**  
**INTERIM CONDENSED FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
(unaudited – prepared by management)  
For the period ended November 30, 2014

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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 Diamond Company Limited for the three months 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 DIAMOND COMPANY LIMITED**  
**INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars)  
(unaudited – prepared by management)

	November 30, 2014	August 31, 2014
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 117,302	\$ 20,037
GST/ HST recoverable	3,726	1,150
	120,028	21,187
<b>Non-Current</b>		
Loan to Thelon Capital Ltd. (Note 3)	89,125	74,125
<b>Total Assets</b>	<b>\$ 210,153</b>	<b>\$ 95,312</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 5)	\$ 64,363	\$ 59,836
Other liability (note 4)	9,000	-
	73,363	59,836
<b>EQUITY</b>		
Share capital (Note 4)	195,751	14,751
Subscriptions received in advance	92,500	117,500
Deficit	(151,461)	(96,775)
	136,790	35,476
<b>Total Liabilities and Equity</b>	<b>\$ 210,153</b>	<b>\$ 95,312</b>

**Nature and continuance of operations** (Note 1)

**Approved and authorized for issue by the Directors on January 28, 2015:**

“Jason Walsh” \_\_\_\_\_ Director      “Geoff Watson” \_\_\_\_\_ Director

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

**THELON DIAMOND COMPANY LIMITED**  
**INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE LOSS**  
(Expressed in Canadian Dollars)  
(unaudited – prepared by management)

Three months ended November 30,	2014	2013
<b>EXPENSES</b>		
Administration fees (Note 5)	\$ 7,500	\$ -
Consulting fees	15,786	
General and administrative	135	75
Professional fees	31,265	-
	<b>54,686</b>	<b>75</b>
<b>Net and comprehensive loss for the period</b>	<b>\$ (54,686)</b>	<b>\$ (75)</b>
<b>Loss per share – basic and diluted</b>	<b>\$ (0.01)</b>	<b>\$ (0.00)</b>
<b>Weighted average number of shares outstanding – basic and diluted</b>	<b>7,089,067</b>	<b>1,475,001</b>

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

**THELON DIAMOND COMPANY LIMITED**  
**INTERIM CONDENSED STATEMENTS OF CHANGES IN EQUITY**  
(Expressed in Canadian Dollars)  
(unaudited – prepared by management)

	Number of Shares	Amount	Subscriptions received in advance	Deficit	Total
Balance, August 31, 2013	1,475,001	\$ 14,751	\$ 97,500	\$ (63,493)	48,758
Net loss for the period	-	-	-	(75)	(75)
Balance November 30, 2013	1,475,001	14,751	97,500	(63,568)	48,683
Subscriptions received in advance	-	-	20,000	-	20,000
Net loss for the period	-	-	-	(33,207)	(33,207)
Balance, August 31, 2014	1,475,001	14,751	117,500	(96,775)	35,476
Shares issued for cash					
Private placement \$0.02	5,000,000	100,000	(25,000)	-	75,000
Private placement \$0.075	720,000	54,000	(54,000)	-	-
Private placement \$0.10	360,000	36,000	(36,000)	-	-
Premium on issuance of Flow-through shares	-	(9,000)	-	-	(9,000)
Subscriptions received in advance	-	-	90,000	-	90,000
Net loss for the period	-	-	-	(54,686)	(54,686)
Balance November 30, 2014	7,555,001	\$ 195,751	\$ 92,500	\$ 151,461	136,790

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

**THELON DIAMOND COMPANY LIMITED**  
**INTERIM CONDENSED STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars)  
(unaudited – prepared by management)

Three months ended November 30,	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (54,686)	\$ (75)
Changes in operating assets and liabilities:		
Accounts payable and accrued liabilities	4,527	-
Amounts receivable	(2,576)	-
Cash used in operating activities	(52,735)	(75)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Shares issued	75,000	-
Share subscriptions received in advance	90,000	-
Cash provided by financing activities	165,000	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Loan advanced (repaid)	(15,000)	-
Cash provided by (used in) investing activities	(15,000)	-
<b>Change in cash</b>	<b>97,265</b>	<b>(75)</b>
<b>Cash, beginning</b>	<b>20,037</b>	<b>85</b>
<b>Cash, ending</b>	<b>\$ 117,302</b>	<b>\$ 10</b>
<b>Supplemental disclosures</b>		
Interest paid	\$ -	\$ -
Income tax paid	\$ -	\$ -

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

**THELON DIAMOND COMPANY LIMITED**  
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
AUGUST 31, 2014  
(Expressed in Canadian Dollars)  
(unaudited –prepared by management)

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**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 three months ended November 30, 2014 the Company incurred a net loss of \$38,900 and at November 30, 2014 had working capital of \$56,665. 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. The accounting policies applied by the Company in these financial statements are the same as those applied by the Company in its most recent annual financial statements for the year ended August 31, 2014.

*(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:

- 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.

**THELON DIAMOND COMPANY LIMITED**  
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
AUGUST 31, 2014  
(Expressed in Canadian Dollars)  
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**3. LOAN TO THELON CAPITAL LTD.**

The Company has advanced \$89,125 (August 31, 2014 -\$74,125) 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, without par value

b) Issued

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. A premium of \$9,000 was attributed to the flow-through shares and recorded as other liability at November 30, 2014.

c) Subscriptions received in advance

During the three months ended November 30, 2014 the Company has collected subscriptions in advance of \$90,000 in anticipation of closing a private placement of flow-through common shares at \$0.10 per flow-through shares, and non flow-through common shares at \$0.075 per common share.

d) Warrants outstanding

At November 30, 2014 the Company has 5,000,000 warrants outstanding exercisable at \$0.10 to September 4, 2017.

**5. RELATED PARTY BALANCES AND TRANSACTIONS**

The Company:

- paid administration fees of \$7,500 (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 \$41,338 (August 31, 2014 - \$49,836) 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.

**6. 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.

**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 of \$56,665. 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.

**8. SUBSEQUENT EVENTS**

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.