

THELON DIAMONDS LTD.
(An Exploration Stage Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

For the period ended February 28, 2015

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 consolidated 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 consolidated financial statements of Thelon Diamonds Ltd. for the period ended February 28, 2015 have been prepared in accordance with International Accounting Standard 34 for Interim Financial Reporting under International Financial Reporting Standards. These interim consolidated 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 consolidated financial statements.

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

February 28, 2015

ASSETS

Current

Cash	\$ 91,564
GST/ HST recoverable	1,935
Prepaid expenses and deposits	15,504

109,003

Non-Current

Loan to Thelon Capital Ltd. (Note 3)	89,125
Exploration and evaluation assets (Note 4)	201,621

Total Assets **\$ 399,749**

LIABILITIES

Current

Accounts payable and accrued liabilities (Note 5)	\$ 55,027
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Other liability (note 4) 11,500

66,527

EQUITY

Share capital (Note 4)	255,751
Subscriptions received in advance	109,000
Deficit	(31,529)

317,436

Total Liabilities and Equity **\$ 399,749**

Nature and continuance of operations (Note 1)

Approved and authorized for issue by the Directors on April 29, 2015:

"Jason Walsh"

"Geoff Watson"
 Director Director

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

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

For the	3 months ended February 28, 2015	Period ended February 28, 2015
EXPENSES		
Administration fees (Note 5)	\$ 6,000	\$ 6,000
Advertising and promotion	1,390	1,390
Consulting fees	5,250	5,250
General and administrative	836	836
Professional fees	18,053	18,053
	<u>31,529</u>	<u>31,529</u>
Net and comprehensive loss	\$ (31,529)	\$ (31,529)

Loss per share – basic and diluted

Weighted average number of shares
 outstanding – basic and diluted

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

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

	Number of Shares	Amount	Subscriptions received in advance	Deficit	Total
Balance, November 6, 2014	-	\$ -	\$ -	\$ -	-
Shares issued for cash					
Private placement	10,000	1	-	-	1
Shares issued pursuant to plan of arrangement	8,121,667	195,751	-	-	195,751
Share issued for acquisition	2,260,000	60,000	-	-	60,000
Cancellation of shares	(10,000)	(1)	-	-	(1)
Subscriptions received in advance	-	-	109,000	-	109,000
Net loss for the period	-	-	-	(79,748)	(79,748)
Balance February 28, 2015	10,381,667	\$ 255,751	\$ 109,000	\$ 176,523	\$ 214,942

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

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

Period ended February 28,	2015
CASH FLOWS FROM OPERATING ACTIVITIES	
Loss for the period	\$ (31,529)
Changes in operating assets and liabilities:	
Accounts payable and accrued liabilities	(17,554)
Amounts receivable	2,181
Prepaid expenses and deposits	(15,504)
Cash used in operating activities	(62,406)
CASH FLOWS FROM FINANCING ACTIVITIES	
Shares issued	-
Share issue costs	-
Share subscriptions received in advance	61,500
Cash provided by financing activities	61,500
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash acquired with plan of arrangement	115,810
Exploration and evaluation assets	(23,340)
Cash provided by (used in) investing activities	92,470
Change in cash	91,564
Cash, beginning	-
Cash, ending	\$ 91,564
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 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. During the period ended February 28, 2015 the Company incurred a net loss of \$31,529 and at February 28, 2015 had working capital of \$53,976. 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 consolidated 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:

- 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 DIAMONDS LTD.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2015
(Expressed in Canadian Dollars)
(unaudited –prepared by management)

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. TRANSACTION WITH THELON CAPITAL LTD.

On December 18, 2014 the Company's then parent company Thelon Capital Ltd. ("THC"), a public company, entered into a Plan of Arrangement with Thelon Diamond Company Limited ("THD"). Pursuant to the transaction THD acquired all of the outstanding shares of the company for \$1,000. The Company then acquired all outstanding shares of THD from the shareholders through a 1 for 1 share exchange, 8,121,667 common shares were issued with a value of \$195,751. The Company then issued 2,260,000 common shares to THC for THC's interest in a joint venture with Peregrine Diamonds valued at \$60,000.

5. SHARE CAPITAL AND RESERVES

a) Authorized

An unlimited number of Common shares, without par value

b) Issued

On December 18, 2014 pursuant to the transaction in note 4 the Company issued 8,121,667 common shares in a share for share exchange with the shareholders of Thelon Diamond Company Limited.

On December 18, 2014 pursuant to the transaction in note 4 the Company issued 2,260,000 common shares to Thelon Capital Ltd.

c) Subscriptions received in advance

During the period ended February 28, 2015 the Company has collected subscriptions in advance of \$106,000.

6. RELATED PARTY BALANCES AND TRANSACTIONS

The Company:

- paid administration fees of \$6,000 to a company controlled by a director and president of the Company.

As at February 28, 2015, accounts payable and accrued liabilities including \$ 35,288 (November 30, 2014, \$41,338) 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 \$53,976. 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.

7. SUBSEQUENT EVENT

The Company closed a private placement of 1,029,999 non-flow through shares at a price of \$0.075 per share, and 320,000 flow-through common shares at a price of \$0.10 per shares for combined cash proceeds of \$109,250.