

THELON DIAMONDS LTD.
(An Exploration Stage Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

For the period ended May 31, 2015

THELON DIAMONDS LTD.
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(Expressed in Canadian Dollars)
(unaudited – prepared by management)
For the period ended May 31, 2015

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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 May 31, 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)

May 31, 2015

ASSETS

Current

Cash	\$ 61,646
GST/ HST recoverable	3,375
Prepaid expenses and deposits	-

65,021

Non-Current

Loans to related parties (Note 3)	115,909
Exploration and evaluation assets (Note 4)	198,779

Total Assets **\$ 379,709**

LIABILITIES

Current

Accounts payable and accrued liabilities (Note 6)	\$ 28,102
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Other liability (note 5) 19,500

47,602

EQUITY

Share capital (Note 5)	432,901
Deficit	(100,794)

332,107

Total Liabilities and Equity **\$ 379,709**

Nature and continuance of operations (Note 1)

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

"Jason Walsh"

Director

"Geoff Watson"

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 May 31, 2015	Period ended May 31, 2015
EXPENSES		
Administration fees (Note 6)	\$ 10,500	\$ 16,500
Advertising and promotion	-	1,390
Consulting fees	40,262	45,512
General and administrative	2,438	3,274
Professional fees	16,065	34,118
	<u>69,265</u>	<u>100,794</u>
Net and comprehensive loss	\$ 69,265	\$ 100,794
Loss per share – basic and diluted	\$ 0.01	\$ 0.01
Weighted average number of shares outstanding – basic and diluted	11,831,927	8,912,705

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 pursuant to plan of arrangement	8,121,667	195,751	-	-	195,751
Share issued for acquisition	2,260,000	60,000	-	-	60,000
Shares issued for cash					
Private placement	10,000	1	-	-	1
Common shares \$0.075	2,041,999	153,150	-	-	153,150
Flow-through shares \$0.10	320,000	32,000	-	-	32,000
Premium on flow-through shares	-	(8,000)	-	-	(8,000)
Cancellation of shares	(10,000)	(1)	-	-	(1)
Net loss for the period	-	-	-	(100,794)	(100,794)
Balance May 31, 2015	12,743,666	\$ 432,901	\$ -	\$ (100,794)	\$ 332,107

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 May 31,	2015
CASH FLOWS FROM OPERATING ACTIVITIES	
Loss for the period	\$ (100,794)
Changes in operating assets and liabilities:	
Accounts payable and accrued liabilities	(44,130)
Amounts receivable	741
Prepaid expenses and deposits	-
Cash used in operating activities	(144,183)
CASH FLOWS FROM FINANCING ACTIVITIES	
Shares issued	140,150
Share subscriptions received in advance	-
Cash provided by financing activities	140,150
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash acquired with plan of arrangement	115,810
Exploration and evaluation assets	(23,347)
Cash provided by (used in) investing activities	65,679
Change in cash	61,646
Cash, beginning	-
Cash, ending	\$ 61,646
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 May 31, 2015 the Company incurred a net loss of \$100,794 and at May 31, 2015 had working capital of \$36,919. 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
 MAY 31, 2015
 (Expressed in Canadian Dollars)
 (unaudited –prepared by management)

3. LOANS TO RELATED PARTIES

	May 31, 2015
THC BioMed Int'l Ltd.	\$ 104,409
Zadar Ventures Ltd.	11,500
Total	\$ 115,909

THC BioMed Int'l Ltd. (formerly Thelon Capital Ltd.) and Zadar Ventures Ltd. are public companies with Directors in common with the Company. The amounts are unsecured, non-interest bearing and have no fixed terms of repayment, with the exception of the loan to THC BioMed Intl Ltd., this amount 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.

On March 18, 2015 the Company issued 1,629,999 common shares at \$0.075 for cash proceeds of \$122,250 and 320,000 flow-through common shares at \$0.10 for cash proceeds of \$32,000.

On May 29, 2015 the Company issued 412,000 common shares at \$0.075 for cash proceeds of \$30,900.

During the period 1,048,667 common shares, for proceeds of \$78,650, issued in the private placements above, offset amounts otherwise payable to the participants.

6. RELATED PARTY BALANCES AND TRANSACTIONS

The Company:

- paid administration fees of \$16,500 to a company controlled by a director and president of the Company.

As at May 31, 2015, accounts payable and accrued liabilities included \$11,988 owed to companies 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.

7. 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.

8. 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 loans to related parties (note 3).

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 \$36,919. 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.

SUBSEQUENT EVENTS

At the time of this filing, the company has no subsequent events to report