THELON DIAMONDS LTD.

(An Exploration Stage Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
(Unaudited –prepared by management)

For the three and six months ended February 29, 2016

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(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 consolidated financial statements of Thelon Diamonds Ltd. for the three and six months ended February 29, 2016 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 STATEMENT OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
(Unaudited –prepared by management)

	February 29, 2016	August 31, 2015
ASSETS		
Current		
Cash	$ 60,387	$ 26,217
GST/ HST recoverable	2,878	4,695
Loans to related parties (note 4)	31,467	111,209
Marketable securities (note 5)	110,000	-
	204,732	142,121
Non-Current		
Exploration and evaluation assets (Note 6)	102,608	83,347
Total Assets	$ 307,340	$ 225,468
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 8)	$ 96,449	$ 47,763
Due to related party	12,368	-
Other liability (note 6)	19,500	19,500
	128,317	67,263
EQUITY		
Share capital (Note 7)	432,901	432,901
Deficit	(253,878)	(274,696)
	179,023	158,205
Total Liabilities and Equity	$ 307,340	$ 225,468

Nature and continuance of operations (Note 1)

Approved and authorized for issue by the Directors on April 29, 2016:

"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,	Three months ended Feb 29, 2016	Three months ended Feb 28, 2015	Six months ended Feb 29, 2016	Six months ended Feb 28, 2015
EXPENSES				
Administration fees (Note 8)	$ 11,000	$ 6,000	$ 21,500	$ 6,000
Consulting fees	7,500	5,250	15,000	5,250
General and administrative	2,654	2,226	6,431	2,226
Professional fees	20,246	18,053	36,251	18,053
	41,400	31,529	79,182	31,529
OTHER ITEMS				
Unrealized gain on marketable securities	100,000	-	100,000	-
Cost of plan of arrangement (note 3)	-	115,432	-	115,432
Net and comprehensive income (loss)	$ 58,600	$ (146,961)	$ 20,818	$ (146,961)
Income (loss) per share – basic and diluted	$ 0.00	$ (0.02)	$ 0.00	$ (0.02)
Weighted average number of shares outstanding – basic and diluted	12,743,666	6,556,842	12,743,666	6,556,842

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

THELON DIAMONDS LTD.
INTERIM CONSOLIDATED STATEMENT 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	10,000	1	-	-	1
Shares issued pursuant to plan of arrangement (note 3)	8,121,667	195,751	-	-	195,751
Shares issued for acquisition (note 3)	2,260,000	60,000	-	-	60,000
Cancellation of shares	(10,000)	(1)	-	-	(1)
Subscriptions received	-	-	109,000	-	109,000
Net loss for the period	-	-	-	(146,961)	(146,961)
Balance February 28, 2015	10,381,667	255,751	109,000	(146,961)	217,790
Shares issued for cash					
Common shares $0.075	2,041,999	153,150	(109,000)	-	44,150
Flow-through shares $0.10	320,000	32,000	-	-	32,000
Premium on flow-through Shares (note 6b))	-	(8,000)	-	-	(8,000)
Net loss for the period	-	-	-	(127,735)	(127,735)
Balance August 31, 2015	12,743,666	432,901	-	(274,696)	158,205
Net income for the period	-	-	-	20,818	20,818
Balance, February 29, 2016	12,743,666	$ 432,901	$ -	$ (253,878)	$ 179,023

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

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

For the six months ended	February 29, 2016	February 28, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) for the period	$ 20,818	$ (146,961)
Addback non-cash items		
Cost of plan of arrangement	-	115,432
Unrealized gain on marketable securities	(100,000)	-
Changes in operating assets and liabilities:		
Accounts payable and accrued liabilities	48,686	(16,705)
Amounts receivable	1,817	2,181
Prepaid expenses	-	(15,504)
Cash used in operating activities	(28,679)	(61,557)
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued	-	62,000
Share subscriptions received in advance	-	61,500
Advances from related parties	(12,368)	-
Cash provided by financing activities	(12,368)	123,500
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash acquired with plan of arrangement	-	115,810
Acquisition of marketable securities	(10,000)	-
Exploration and evaluation assets	(19,261)	(86,189)
Advances to (repayments from) related parties	79,742	-
Cash provided by (used in) investing activities	50,481	29,621
Change in cash	34,170	91,564
Cash, beginning	26,217	-
Cash, ending	$ 60,387	$ 91,564
Supplemental disclosures		
Interest paid	$ -	$ -
Income tax paid	$ -	$ -

The accompanying notes are an integral part of these interim consolidated 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 1100- 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 29, 2016 the Company incurred an operating loss of $79,182 and at February 29, 2016 had working capital of $76,415. 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, 2015.

(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.

The consolidated financial statements include Thelon Diamonds Ltd. and its wholly owned subsidiary Thelon Diamond Company Limited from the date of acquisition, December 18, 2014. All inter-company transactions have been eliminated.

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 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, and assessment of the going concern assumption.

(d) Recent Accounting Pronouncements

The following pronouncements and amendments are effective for annual periods beginning on or after January 1, 2016 unless otherwise stated. Adopting these standards is expected to have minimal or no impact on the financial statements.

IFRS 9 – Financial Instruments

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after January 1, 2018. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any ‘recycling’ of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with IAS 39, with one exception, being that the portion of a change of fair value relating to the entity’s own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The impact of the adoption of this standard is yet to be assessed.

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 deals with revenue recognition and establishes principles of reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when the customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The Standard replaces IAS 18 Revenue, and IAS 11 Construction Contracts and related interpretations. It is effective for annual periods beginning on or after January 1, 2017 and earlier application is permitted. The Standard is not expected to have an impact on the Company in its present form.

3. 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 securities exchange, 8,121,667 common shares and 5,000,000 warrants 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.

The cost of the transaction was allocated to the identifiable assets and liabilities with the difference expensed as the cost of the plan of arrangement.

Assets acquired	
Cash	$ 115,810
Receivables	4,116
Loans to related parties	89,125
Liabilities assumed	
Accounts payable and accrued liabilities	(119,732)
Other liabilities	(9,500)
Net assets acquired	80,319
Fair value of common shares issued	195,751
Cost of plan of arrangement	$ 115,432

(Expressed in Canadian Dollars)

3. LOANS TO RELATED PARTIES

	February 29, 2016	August 31, 2015
THC BioMed Int'l Ltd.	$ 12,467	$ 97,209
Zadar Ventures Ltd.	14,000	14,000
Firdaus Capital Corp.	5,000	-
Total	$ 31,467	$ 111,209

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.

4. MARKETABLE SECURITIES

	# of shares	Cost	Fair market value
Balance August 31, 2015	-	$ -	$ -
Purchase	1,000,000	10,000	10,000
Unrealized gain	-	-	70,000
Balance February 29, 2016	1,000,000	$ 10,000	$ 80,000

	# of warrants	Cost	Fair market value
Balance August 31, 2015	-	$ -	$ -
Purchase	1,000,000	-	-
Unrealized gain	-	-	30,000
Balance February 29, 2016	1,000,000	$ -	$ 30,000

During the period the Company acquired 1,000,000 units of Zadar Ventures Ltd., a company with Directors in common, through a private placement. Each unit was comprised of one common share and one warrant to acquire one common share at an exercise price of $0.05 for a period of 3 years.

5. EXPLORATION AND EVALUATION ASSETS

During the year, pursuant to the transaction in note 3, the Company acquired an interest in the Lac De Gras property, NorthWest Territories. The Company holds a 29.46 % interest in 3 claims, pursuant to a NMT Head Agreement with Peregrine Diamonds Ltd. The property is subject to a GOR of 4% on diamonds and a net smelter royalty of 4% on all metals, of which 50% of either of these royalties can be purchased for $4,000,000.

	February 29, 2016	August 31, 2015
Acquisition costs	$ 60,000	$ 60,000
Deferred exploration	42,608	23,347
	$ 102,608	$ 83,347

6. 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 3 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 3 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 August 29, 2015 the Company issued 412,000 common shares at $0.075 for cash proceeds of $30,900.

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

c) Warrants

On December 18, 2014 pursuant to the transaction in note 3 the Company issued 5,000,000 warrants in a 1 for 1 securities exchange with the shareholders of Thelon Diamond Company Limited. Each warrant entitles the holder to acquire 1 common share at an exercise price of $0.10 until September 4, 2017. At February 29, 2016 5,000,000 warrants are outstanding.

7. RELATED PARTY BALANCES AND TRANSACTIONS

The Company:

- incurred administration fees of $21,000 (2015 - $6,000) and consulting fees of $15,000 (2015 - $5,250) from a company controlled by a director and President of the Company;
- incurred accounting fees of $10,785 (2015 - $nil) from a company controlled by a director and Chief Financial Officer of the Company.

As at February 29, 2016, accounts payable and accrued liabilities included $41,803, owed to a companies controlled by directors 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.

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 equity attributable to common shareholders, consisting of issued share capital, and deficit. The Company is not subject to any externally imposed capital requirements.

9. FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist of cash, amounts due to and from related parties 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 a counterparty's inability to fulfill its payment obligations. The Company has credit risk in the amount of its cash and loans to related parties, with the carrying values of each representing the Company's maximum exposure to credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company has a working capital deficiency of $4,085. Management is assessing various options to raise funds including the issuance of shares.

Market risk

Market risk is the risk of loss that may arises from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

The Company is exposed to market risk with respect to its investment in marketable securities,

The following valuation techniques and inputs were used to estimate the fair value of marketable securities:

The fair value of common shares of publicly traded companies is determined based on the closing price of each security at the end of each reporting period. The fair value of the share purchase warrants was determined based on their intrinsic value, that is the amount by which the closing price of the underlying stock exceeds the exercise price of the warrants. The share purchase warrants are valued only when they are in the money. The closing price is a quoted market price obtained from the exchange that is the principal active market for the particular security, and therefore marketable securities are classified within Level 1 of the fair value hierarchy.

10. SUBSEQUENT EVENTS

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