



**GLOBAL**  
**LI-ION GRAPHITE CORP**

**GLOBAL LI-ION GRAPHITE CORP.**

**Form 2A**

**LISTING STATEMENT**

**Dated July 12, 2017**

**FORM 2A – LISTING STATEMENT**

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<b>SCHEDULE</b>	<b>DESCRIPTION</b>
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<b>"A"</b>	Audited Financial Statements of Thelon Diamonds Ltd. for the year ended August 31, 2016 and the year ended August 31, 2015
<b>"B"</b>	MD&A of Thelon Diamonds Ltd. for the year ended August 31, 2016
<b>"C"</b>	Audited Financial Statements of Thelon Diamonds Ltd. for the year ended August 31, 2015
<b>"D"</b>	Audited Financial Statements of Thelon Diamond Company Limited for the years ended August 31, 2014, 2013 and 2012.
<b>"E"</b>	Unaudited consolidated interim financial statements of Thelon Diamonds Ltd. for the period ended November 30, 2016
<b>"F"</b>	MD&A of Thelon Diamonds Ltd. for the period ended November 30, 2016
<b>"G"</b>	Certificate of the Company

## GLOSSARY

The following is a glossary of certain terms used in this Listing Statement. Terms and abbreviations used in this Listing Statement and also appearing in the documents attached as schedules to this Listing Statement (including the financial statements) are defined separately and the terms and abbreviations defined below are not used therein, except where otherwise indicated. Words below importing the singular, where the context requires, include the plural and vice versa, and words importing any gender include all genders. All dollar amounts herein are in Canadian dollars, unless otherwise stated.

<b>Archean</b>	means a geological eon before the proterozoic eon, before 2.5 billion years ago.
<b>Arrangement</b>	means the arrangement agreement and plan of arrangement among the Company, THC and Thelon Diamond Company dated December 18, 2014 and completed on January 14, 2015.
<b>BCA</b>	means the <i>Business Corporations Act</i> (British Columbia).
<b>Board</b>	means the board of directors of the Company.
<b>Bua Capital</b>	means Bua Capital Management Ltd.
<b>Chedic Property</b>	means the Chedic Graphite Property located in Carson City, Nevada.
<b>Chedic Property Agreement</b>	means the option agreement dated December 30, 2016 between GeoXplor Corp., as optionor, and the Company, as optionee, pursuant to which the Company obtained an option to acquire a 100% undivided right, title and interest in certain mineral leases over the Chedic Property.
<b>Chedic Technical Report</b>	means the technical report prepared in accordance with NI 43-101 for the Chedic Property, as filed on SEDAR on April 19, 2017.
<b>Company</b>	means Global Li-Ion Graphite Corp., a company incorporated under the BCA.
<b>Craton</b>	means an old and stable part of the continental lithosphere.
<b>CSE</b>	means the Canadian Securities Exchange.
<b>GeoXplor</b>	means GeoXplor Corp., an Arizona company.
<b>Glaciofluvial</b>	means of, relating to, or coming from streams deriving much or all of their water from the melting of a glacier.
<b>Head Agreement</b>	means the option agreement dated July 12, 2002 between an individual, Mackenzie Jaims, as optionor, and THC, as optionee, pursuant to which THC obtained an option to acquire a 100% undivided right, title and interest in certain mineral leases over property situated in the Lac de Gras region of the Northwest Territories, Canada, 70.54% of which right and interest was later assigned to Peregrine Diamonds.
<b>Indicated</b>	means that part of a mineral resource for which quantity, grade or quality,

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<b>Mineral Resource</b>	densities, shape and physical characteristics, can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.
<b>IFRS</b>	means International Financial Reporting Standards.
<b>Kimberlite(s)</b>	means a dark-coloured, heavy, often altered and fragmented, intrusive igneous rock that may contain diamonds.
<b>Late Wisconsinan</b>	means a period of time and the most recent glacial episode in the North American ice sheet complex.
<b>Laurentide</b>	means of or relating to a large ice sheet that covered most of the region that now comprises Canada and the Northern United States.
<b>Letter Agreement</b>	has the meaning ascribed thereto in Section 3 of this Listing Statement.
<b>Listing Statement</b>	means this CSE Form 2A Listing Statement of the Company.
<b>MD&amp;A</b>	means Management's Discussion and Analysis.
<b>NI 41-101</b>	means National Instrument 41-101 <i>General Prospectus Requirements</i> .
<b>NI 43-101</b>	means National Instrument 43-101 <i>Standards of Disclosure for Mineral Projects</i> .
<b>NI 52-110</b>	means National Instrument 52-110 <i>Audit Committees</i> .
<b>NI 58-101</b>	means National Instrument 58-101 <i>Disclosure of Corporate Governance Practices</i> .
<b>North American Craton</b>	means the large continental craton forming part of the ancient geological core of the North American Continent.
<b>Peregrine Diamonds</b>	means Peregrine Diamonds Ltd.
<b>Peregrine Joint Venture</b>	has the meaning ascribed thereto in Section 3 of this Listing Statement.
<b>Plan of Arrangement</b>	means the plan of arrangement between the Company, Thelon Diamond Company and THC including any amendments or variations thereto;
<b>Principals</b>	means: <ul style="list-style-type: none"> <li>(a) a person or company who acted as a promoter of the Company within two years before the date of this Listing Statement;</li> </ul>

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- (b) a director or senior officer of the Company or any of its material operating subsidiaries at the time of this Listing Statement;
- (c) a person or company that holds securities carrying more than 20% of the voting rights attached to the Company's outstanding securities immediately before and immediately after the date of this Listing Statement; or
- (d) a person or company that:
  - (i) holds securities carrying more than 10% of the voting rights attached to the Company's outstanding securities immediately before and immediately after the date of this Listing Statement; and
  - (ii) has elected or appointed, or has the right to elect or appoint, one or more directors or senior officers of the Company or any of its material operating subsidiaries.

<b>Project or the LDG Property</b>	means mineral lease nos. NT-5269, NT-5263 and NT-5264 over property located approximately 300 km north-northeast of the city of Yellowknife in the Lac de Gras region of the Northwest Territories, Canada to the southeast of the Diavik Diamond Miner, centred at approximately 64° 20' N latitude and 109° 50' W longitude, with an aggregate area of 4,035.01 acres (1,632.91 hectares).
<b>Properties</b>	means the LDG Property and Chedic Property.
<b>SEDAR</b>	means the System for Electronic Document Analysis and Retrieval.
<b>Shares</b>	means the common shares without par value in the capital of the Company.
<b>Slave Province</b>	means the Slave Structural Province of the Northwest Territories.
<b>Technical Report</b>	means the technical report prepared in accordance with NI 43-101 for the LDG Property, as filed on SEDAR on February 3, 2015.
<b>THC</b>	means THC BioMed Intl. Ltd., formerly Thelon Capital Ltd., a company incorporated under the name "AnSCO Resources (B.C. Ltd.)" under the <i>Company Act</i> (British Columbia) on February 2, 1982 continued under the BCBCA on July 23, 2004, and a reporting issuer in British Columbia and Alberta.
<b>Thelon Diamond Company</b>	means Thelon Diamond Company Limited, a subsidiary of the Company, and a company incorporated under the BCA.
<b>Thelon Diamonds Distribution Shares</b>	means 2,260,000 common shares of the Company issued to the shareholders of THC pursuant to the Arrangement.

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**Trustco**

means Computershare Investor Services Inc.

**VC Claims**

means the 19 unpatented lode mining claims of VC -1 thru VC-19 on the Chedic Property.

**We, us, our**

means the Company.

## Forward-Looking Statements

Certain statements in this Listing Statement are forward-looking statements or information (collectively, “**forward-looking statements**”). We are providing cautionary statements identifying important factors that could cause our actual results to differ materially from those projected in the forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as “may”, “anticipates”, “is expected to”, “estimates”, “intends”, “plans”, “projection”, “could”, “vision”, “goals”, “objective” and “outlook”) are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. In making the forward-looking statements, we have assumed that the current market will continue and grow and that the risks listed below will not adversely impact us.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may be delayed. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to: a downturn in general economic conditions; dependency on continued growth in the exploration sector; competitive conditions in the industry which could prevent us from becoming profitable; the effectiveness and efficiency of advertising and promotional expenditures to generate market interest in our business; the inability to list on a public market; volatility of our share price following listing; the inability to secure additional financing; our intention not to pay dividends; claims, lawsuits and other legal proceedings and challenges; conflict of interest with directors and management; and other factors beyond our control.

Further, any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by applicable law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. See Part 17 - Risk Factors.

## 2. Corporate Structure

We were incorporated under the BCA on November 6, 2014. We were incorporated as a wholly-owned subsidiary of THC.

We entered into an arrangement agreement containing a Plan of Arrangement, on December 18, 2014 with THC and Thelon Diamond Company. The statutory plan of arrangement was approved by the Supreme Court of British Columbia on January 14, 2015 and the Arrangement was completed on that date. Following the completion of the Arrangement, Thelon Diamond Company became our wholly-owned subsidiary.

Thelon Diamond Company was incorporated under the BCA on February 8, 2012.

Our head office is located at Suite 908 - 510 Burrard Street, Vancouver B.C. V6C 3A8, and our registered and records office is located at Suite 200 – 1238 Homer Street, Vancouver, BC V6B 2Y5.

We have one subsidiary at the date of this Listing Statement: Thelon Diamond Company. We do not have any affiliates at the date of this Listing Statement.

## **CORPORATE DEVELOPMENT**

THC originally became listed on the Vancouver Stock Exchange in November 1983 by way of a listing application following a prospectus that was dated September 30, 1983 and that went effective on October 13, 1983. On February 4, 2010, THC changed its name from "Thelon Ventures Ltd." to "Thelon Capital Ltd." and began trading on the TSXV.

In April 2014, due to prevailing market conditions and the experience and interests of THC's management, THC decided to shift its business plan away from its existing mining operations. Subsequently, THC delisted from the TSXV and listed on the CSE. The Company was incorporated as a wholly-owned subsidiary of THC to continue THC's mining interests and to create additional value for THC's shareholder base.

On December 17, 2014, THC received conditional acceptance for listing on the CSE. On December 22, 2014, the THC voluntarily delisted from the TSXV. On March 23, 2015, THC changed its name from "Thelon Capital Ltd." to "THC BioMed Intl. Ltd."

We entered into an arrangement agreement containing a Plan of Arrangement, on December 18, 2014 with THC and Thelon Diamond Company. The statutory plan of arrangement was approved by the Supreme Court of British Columbia on January 14, 2015 and the Arrangement was completed on that date. Following the completion of the Arrangement, Thelon Diamond Company became our wholly-owned subsidiary.

We are no longer a subsidiary of THC and nor is there a continued intercorporate relationship between the companies.

On July 11, 2017 we changed our name from "Thelon Diamonds Ltd." to "Global Li-Ion Graphite Corp."

## **THE ARRANGEMENT**

On January 14, 2015, we completed a plan of arrangement with THC and Thelon Diamond Company, as the Supreme Court of British Columbia granted a final order approving the Arrangement in accordance with Part 9 of the BCA. Pursuant to the terms of the Arrangement, the following steps were completed:

- Thelon Diamond Company purchased all the issued and outstanding common shares of the Company from THC;
- The Company acquired 8,121,667 common shares of Thelon Diamond Company, being all the issued and outstanding share capital of Thelon Diamond Company, from all the shareholders of Thelon Diamond Company through a 1-for-1 share exchange;
- The Company and THC exchanged securities as follows: the Company the Thelon Diamonds Distribution Shares and THC transferred all its interest in the joint venture in diamond mining with Peregrine Diamonds and the mineral leases which are the subject of such joint venture;
- The Thelon Diamonds Distribution Shares were distributed to the shareholders of THC as of the record date of October 21, 2014; and
- THC reduced its paid-up capital by an amount equal to the value of the Thelon Diamonds Distribution Shares.



## PRE-ARRANGEMENT



## POST-ARRANGEMENT



### Fundamental Change

We are not requalifying for a listing following a fundamental change or proposing an acquisition, amalgamation, merger, reorganization or arrangement.

### Non-corporate Issuers and Issuers incorporated outside of Canada

Not applicable.

### 3. General Development of the Business

In April 2014, due to prevailing market conditions and the experience and interests of THC's management, THC decided to shift its business plan away from its existing mining operations. We were incorporated as a wholly-owned subsidiary of THC on November 6, 2014 to continue THC's mining interests and to create additional value for THC's shareholder base.

Pursuant to the Head Agreement dated July 12, 2002, THC obtained an option (the "Option") to acquire a 100% undivided right, title and interest in certain mineral leases over the LDG Property, subject to a royalty payable of 4% gross overriding royalty and 4% net smelter royalty on all metals payable to Mackenzie Jaims. A royalty buy-back applies up to 2% of the net smelter return in increments of 0.1% at a price of \$200,000 per 0.1% increment (for a total of \$4,000,000 to exercise the entire right to purchase 2% of the net smelter return). A royalty buy-back also applies up to 2% of the gross overriding royalty in increments of 0.1% at a price of \$200,000 per 0.1% increment (for a total of \$4,000,000 to exercise the entire right to

purchase 2% of gross overriding royalty). In addition to the royalties noted above, royalty payments are also required to be made to the Government of the Northwest Territories on any future production pursuant to the Northwest Territories Mining Regulations (SOR/2014-68).

THC exercised the Option and acquired a 100% interest in the LDG Property.

By a letter agreement dated February 18, 2004, as amended March 30, 2004 and September 8, 2004 (collectively, the "**Letter Agreement**") between THC and Dunsmuir Ventures Ltd., whose rights and obligations under the Letter Agreement were assumed by Peregrine Diamonds, THC granted to Peregrine Diamonds an option to acquire a portion of THC's interest in the mineral leases and the Head Agreement and entered into a joint venture with Peregrine Diamonds for the purposes of exploration and development of the LDG Property (the "**Peregrine Joint Venture**"). Peregrine Diamonds exercised its option and acquired from THC a 70.54% interest in the mineral leases and the Head Agreement with THC retaining a 29.46% interest.

On January 14, 2015, THC assigned its 29.46% interest in and to the Head Agreement, the LDG Property and the Peregrine Joint Venture to the Company pursuant to the Plan of Arrangement.

For the past year, we have been focused on increasing our working capital, evaluating prospective projects and maintaining the LDG Property.

In 2015, the Company commenced data review to ascertain what the best use of capital would be to continue exploration on the LDG Property, while reviewing the work completed by Peregrine on the LDG Property. The junior capital markets were not conducive to raising money in a non-trading diamond exploration company at this time. As a result, the Company decided to preserve its treasury and maintain its current exploration efforts.

As normal course business, the Company's management continued to evaluate new opportunities and established an opportunity to develop the Chedic Property. The Company's management has experience in Nevada and with carbon-based minerals, including diamonds, coal and graphite. Additionally, as the resource exploration capital markets started to recover, the Company increased its focus on raising financing to advance work on both the LDG Property and the Chedic Property.

On December 1, 2016, we entered into negotiations with Bua Capital to acquire the right to make staged payments to earn a 100% interest in the Chedic Property, located in Carson City, Nevada.

On December 30, 2016, we entered into an Assignment Agreement with Bua Capital pursuant to which Bua assigned its rights in a standstill agreement with GeoXplor to the Company. On the same date, we entered into the Chedic Property Agreement with GeoXplor to acquire a 100% interest in the Chedic Property. Pursuant to the Chedic Property Agreement with GeoXplor, we have commenced work on the Chedic Property, with GeoXplor serving as the primary operator on the Chedic Property.

### **Significant Acquisitions and Dispositions**

We have not completed any significant acquisitions or dispositions for which financial statements would be required under National Instrument 41-101.

### **Material Trends, Commitments, Events and Uncertainties**

Our management does not know of any trend, commitment, event or uncertainty that is reasonably expected to have a material effect on our business, financial condition or results of operations.

#### 4. Narrative Description of the Business

We are engaged in the acquisition, exploration and development of mineral resources. In the forthcoming 12 month period we intend to maintain the LDG Property with Peregrine Diamonds, commence drilling and development efforts on the Chedic Property and focus on expanding our exploration and development of mineral resources.

##### Business Objectives

Our long-term business objectives are to:

- complete the acquisition of the Chedic Property;
- increase drilling projects and development on the Chedic Property;
- continue exploration of the LDG Property with Peregrine Diamonds;
- deliver long-term, sustainable cash flow through the discovery and development of large high value and high margin mineral deposits;
- build a successful mineral exploration company through focusing on long term growth opportunities and prudent financial management; and
- evaluate the acquisition of other potential mining projects.

Our short-term business objectives for the next 12 months are to:

- complete an additional financing, the proceeds of which will be applied towards general working capital and used to advance payments for the 100% acquisition and development of the Chedic Property;
- increase drill site operations on the Chedic Property; and
- continue to evaluate and advance the joint venture with Peregrine Diamonds.

##### Total Funds Available, Breakdown of Funds and Principal Purposes for Which Funds Will be Used

As of January 15, 2017 we had approximately \$525,000 in working capital. The following table describes how the Company will spend its current working capital if it does not raise additional capital or generate revenues within 12 months:

Expense	\$
Maintenance of LDG Property	200,000
Acquisition and Drill Site Operations on Chedic Property	200,000
Legal and Audit Fees	25,000
Transfer Agent Fees	8,000
General and Administrative	92,000
<b>TOTAL</b>	<b>525,000</b>

##### The Chedic Graphite Property

On December 30, 2016, the Company entered into the Chedic Property Agreement with GeoXplor to acquire 100% of the interest in the Chedic Property. GeoXplor is engaged as the primary operator of the Chedic Property. Pursuant to the Chedic Property Agreement, GeoXplor will maintain 3% gross value royalty return of which 2% can be purchased by the Company at any time for USD\$5,000,000.

GeoXplor has spent over \$60,000 USD in qualifying expenditures on the Chedic Property during the past 36 month period. These expenditures include sampling and metallurgical work, including shallow core sample and sonic dissolution and various exploration expenditures. As of June 10, 2017, the Company has completed over \$80,000 in qualifying expenditures on the Chedic Property including but not limited to the following activities: drilling, permitting, mobilization, project preparation, supervision and equipment costs.

In order to exercise the option and acquire an undivided 100% interest in the Chedic Property, the Company has made or will make the following cash payments to GeoXplor:

Payment Amount (USD\$)	Payment Date
50,000 (paid)	December 30, 2016
75,000	December 30, 2017
100,000	December 30, 2019
100,000	December 30, 2020

In order to exercise the option and acquire an undivided 100% interest in the Property, the Company will make the following Share payments to GeoXplor:

Payment Amount (Shares)	Payment Date
1,000,000 (issued)	December 30, 2016
1,000,000	December 30, 2017
1,000,000	December 30, 2018
1,000,000	December 30, 2019
1,000,000	Upon the Company achieving a successful listing on a Canadian stock exchange

Pursuant to the Chedic Property Agreement, the Company will be required to make the following exploration expenditures:

Amount of Exploration Expenditure (USD\$)	Payment Date
100,000	December 30, 2017
200,000	December 30, 2018
300,000	December 30, 2019
500,000	December 30, 2020
minimum advanced annual royalties payments of US\$100,000	December 30, 2021 and annually thereafter

As of the date of this Listing Statement, the Company has completed over \$80,000 in exploration expenditures on the property.

Upon completion of an inferred resource calculation that confirms a minimum presence of 100,000 tons equivalent grading at no lower than 5% carbon content on the Property, the Company shall pay GeoXplor a total of US\$1,000,000 in cash or Shares or a combination thereof at the Company's election.

Upon Completion of an Economic Study on the Property, on or before December 30, 2022, the Company shall pay to GeoXplor USD\$2,000,000 in cash or Shares, or a combination thereof at GeoXplor's election.

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The Chedic Property is not subject to any other royalties, back-in-payments, agreements or encumbrances. The most significant factor which might affect access, title, or the right or ability to perform work on the property is simply its location. The project is ideally located in terms of easy access and availability of all services, but that and the location on US Forest Service managed lands means that a Plan of Operations will be required.

*Technical Report*

We filed an independent technical report prepared in accordance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects relating to the Chedic Property in Carson City, Nevada prepared by William Feyerabend, CPG and dated December 30, 2016 (the “**Chedic Technical Report**”). The Chedic Technical Report can be viewed on our profile at [www.sedar.com](http://www.sedar.com).

Below is a summary from the Chedic Technical Report.

*Property Description and Location*

The Chedic Property is located in Carson City, a consolidated municipality of 157 square miles resulting from the 1969 consolidation of Ormsby County and the Nevada capital city of Carson City. The claims generally cover a mountain valley and crest on the Carson Range immediately west of Eagle Valley where the city is situated. The VC Claims are located on lands administered by the US Forest Service. As public lands, there is free right of access and both surface and mineral rights are held by the federal government. Public records and an inquiry in the Carson City District USFS office show no impairments such as military withdrawals, wilderness areas, wilderness study areas or areas of critical environmental concern.

The Chedic Property consists of 19 unpatented mining claims totalling approximately 393 acres as follows:

CLAIM NAME	DOCUMENT NUMBER	LOCATION DATE	ASSESSMENT
VC -1	Pending	In process	Due 9/1/17
VC -2	Pending	In process	Due 9/1/17
VC -3	Pending	In process	Due 9/1/17
VC -4	Pending	In process	Due 9/1/17
VC -5	Pending	In process	Due 9/1/17
VC -6	419299	2/7/2012	2014,15,16
VC -7	419300	2/7/2012	2014,15,17
VC -8	Pending	In process	Due 9/1/17
VC -9	Pending	In process	Due 9/1/17
VC -10	Pending	In process	Due 9/1/17
VC -11	Pending	In process	Due 9/1/17
VC -12	419305	2/7/2012	2014,15,16
VC -13	419206	2/7/2012	2014,15,17
VC -14	Pending	In process	Due 9/1/17
VC -15	Pending	In process	Due 9/1/17
VC -16	Pending	In process	Due 9/1/17
VC -17	419310	2/7/2012	2014,15,16
VC -18	419311	2/7/2012	2014,15,17
VC -19	Pending	In process	Due 9/1/17

The Chedic Property claims were located and are currently maintained by GeoXplor. GeoXplor maintains a digital photography of every claim post.

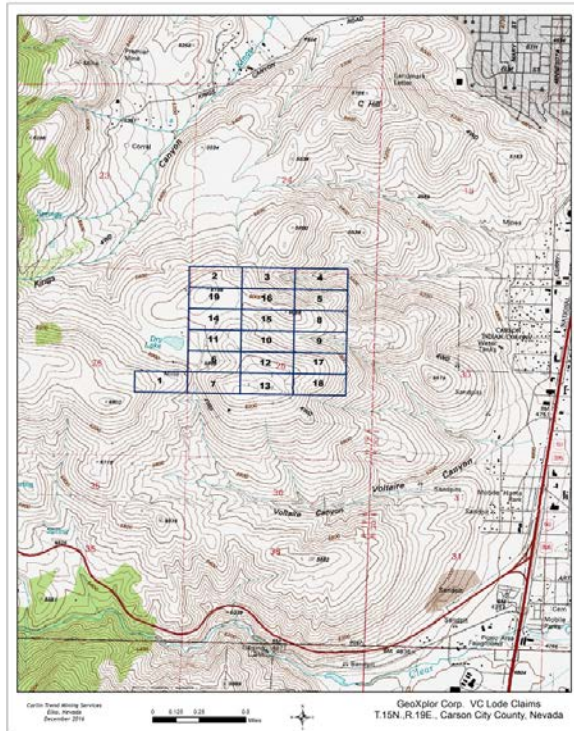


Figure 1: General Location of the Project (adapted from Eggleston et al., 2014)

*Accessibility, Climate, Local Resources, Infrastructure and Physiography*

The Chedic Property is located 3 miles from highway US 395, a major artery connecting Los Angeles, California and Reno, Nevada. The turnoff at the signal for Clearview Drive is along a rapidly growing commercial corridor thru Carson City along the highway.

The region is semiarid. Winters are cold while summers are hot. The average high temperature is 66° F, the average low temperature is 36° F, the average annual rainfall is 9.6” and the average annual snowfall is 11”. Most precipitation is during the winter months of October thru March. Exploration can be conducted year around, but is made more difficult during some winter days by snowfall or winter storms.

Carson City is the capital of Nevada and all services and a sizeable workforce are available locally. A reasonable network of graded and paved roads connects the claim area to the rest of Nevada. The nearest rail and commercial airline service are in Reno about 40 miles to the north. Carson City has an excellent airport, but without commercial airline service. There is a power line that parallels the access road. Once out of the canyons, there is abundant land physically suitable for plant site requirements. Exploration can be conducted year around, but is made



Figure 2: Location Map. State Scale

more difficult during some winter days by snowfall or winter storms.

The claims are located in the Basin and Range physiographic region which stretches from southern Oregon and Idaho to Mexico. It is characterized by extreme elevation changes between linear, north to northeasterly trending mountains and flat intermountain valleys or basins. Elevations on the Property range from about 6,000 to 6,300 feet. The canyon providing access has steep sides, but the terrain above generally is rolling.

Figure 3: Access from Carson City

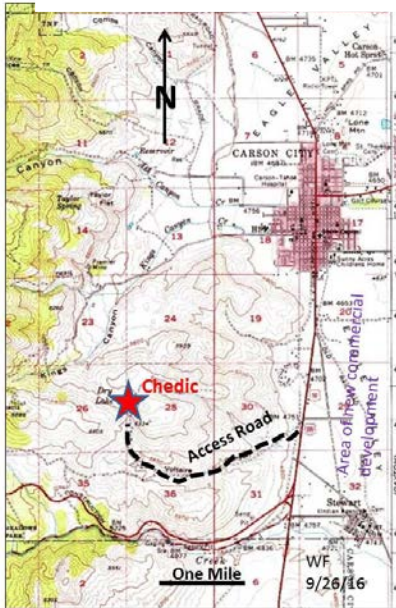
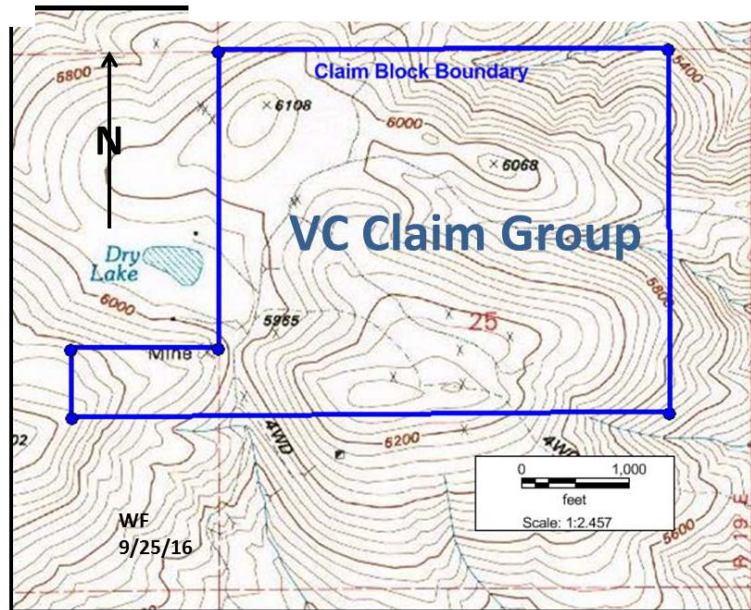


Figure 4: Claim Location Map



### History

The Chedic Property is located in the Voltaire mining district covering small prospects and mines found in the 1870s and 1880s. There are several small tungsten, silver and gold deposits related to intrusion of the Cretaceous granites. The Chedic graphite mine was opened by Walter Chedick in the early 1900s and graphite was mined from an open pit about 120 feet long, 20 feet deep and 35 feet long which is now partly sloughed in by talus. The graphite body was reportedly 10 to 35 feet wide in the pit area. The graphite is also exposed in small cuts about 200 and 600 feet east of the pit. The graphite is amorphous. Graphite is an excellent electrical conductor meaning that its electrical resistivity is much lower than volcanic, sedimentary or granitic intrusive rocks. As a result of this, electromagnetic geophysical techniques should be effective tools in graphite exploration.

There has been no other known exploration or resource or reserve estimate for the Chedic Property.

### Geological Setting and Mineralization

The claim block is staked mostly over a unit mapped by Trexler (1977) as Triassic (approximately 250 – 200 million years ago) mafic metavolcanics along the edge of a Cretaceous (approximately 145 – 65 million years ago) granodiorite intrusive, with metavolcanics defined as volcanic flows and breccias of andesitic composition intruded by small intrusive bodies of andesite porphyry to fine grained diorite. Approximately, one half mile to the west are exposures of schists and gneisses which are metamorphosed rhyodacitic/andesitic tuffs, welded tuffs and breccias.

Moore (1969) states the metamorphic rocks are Late Triassic to Early Jurassic in age based on fossils. They are fairly widespread across northwestern Nevada and represent something like an Indonesia today. The rocks have been metamorphosed, probably mostly by the later granitic intrusives, which intrude and separate those rocks into separate blocks up to tens of miles long. The larger bodies are less metamorphosed, especially the siltstones and shales which look hardly affected. Regionally the metasedimentary rocks are mostly siltstones, shales and sandstones, dolomites and gypsum. Pillow lavas showing flows in water are rare and gypsum deposits further east all suggest that deposition was mostly in basins on land or very near shore.

Deposition patterns of sediments, whether sands, silts or clays, are generally more complex when terrestrial (on land) rather than in the ocean. Things can laterally and vertically change much more rapidly over a lake, river valley or bog than they do over the broad continuity of the ocean.

The graphite appears to be carbon originally deposited as a sediment, probably within a pattern such as Figure 11. The granodiorites and related compositions are considered to be a part of the Sierra Nevada batholith intrusive rocks of Cretaceous age which forms the backbone of the Sierra Nevada Mountains. Contact metamorphism is common around the edges of the batholith throughout the Sierra Nevada and into western Nevada.

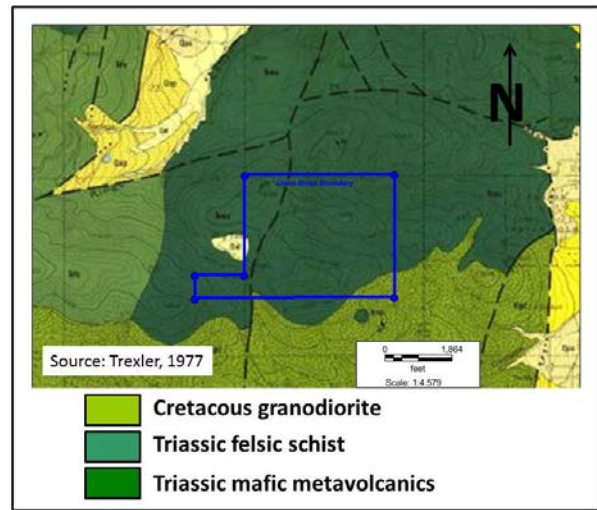


Figure 5: Geological Map

### Deposit Type

The appropriate model to apply to the Chedic Property is of carbon rich sediments which accumulated in a small basin which have been metamorphosed to graphite an intrusive rock. As such, the graphite can be expected to have a tabular geometry parallel to bedding.

### Exploration

Graphite is an excellent electrical conductor meaning that its electrical resistivity is much lower than typical volcanic, sedimentary or granitic intrusive rocks. As a result, electromagnetic geophysical techniques should be effective tools in graphite exploration.

### Drilling

There is no record of any past drilling on this claim block.

### Conclusions

The geologic observations indicate the graphite originally was deposited as plant carbon in a small land basin during a time of very low energy sedimentation. The heat and dynamic forces from later intrusives converted the carbon to graphite and rotated the entire bed to a nearly vertical, east-west orientation.

The CSAMT/MT geophysical survey supports that orientation of the graphitic horizon over about horizontal



distance of at least 550 meters. The concurrence of geology and geophysics gives confidence that drill holes can be planned from the CSAMT/MTC survey.

The Chedic Property is subject to the usual risks in exploration that projecting the sparse surface data is invalid or that the geophysical anomalies are false. However, the odds of that are small given the mutual supporting data to date. The biggest threat to the project is from the permitting process under the Forest Service near an urban area. One advantage the area does have is that it does not appear to see a lot of thru traffic. The roads and jeep trails are for local access. Still, special attention is needed to the permitting process in Nevada.

*Recommendations*

There are five drill hole locations plotted on the original Forest Service application. In accordance with the 43-101 Report conducted by geologist William Feyerabend, it is recommended that one hole be used as the first test after the five sites are closely examined to see which one can be used for a drill site with minimal disturbance. Permitting should then proceed with an application for that site.

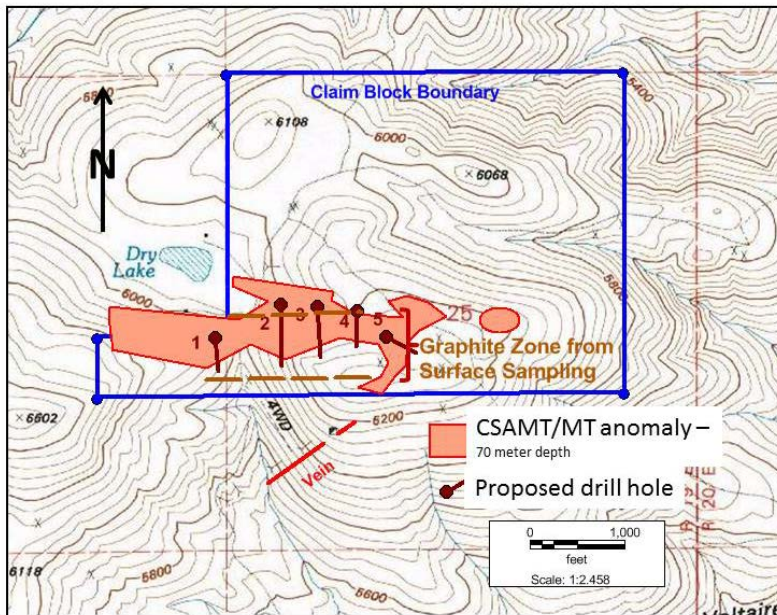


Figure 6: Proposed Drill Sites, Graphite Zone and CSAMT/MT Anomaly

The following proposed budget for the drill operation will allow for initial testing of the graphite horizon and the geophysical anomaly. Further work will depend upon results and will be under a separate budget.

Activity	Budget (USD\$)
Permitting	35,000
Drill Hole	75,000
Contingency	15,000
Total	125,000

## The LDG Property

Pursuant to the Peregrine Joint Venture, Peregrine Diamonds is the operator of all work programs pertaining to the LDG Property. Peregrine Diamonds holds two current land use permits, and a current corporate prospecting license. These permits allow Peregrine Diamonds to explore all claims and leases that it controls.

The LDG Property is located approximately 300 km north-northeast of the city of Yellowknife to the southeast of the Diavik Diamond Mine, centred at approximately 64° 20' N latitude and 109° 50' W longitude, and has an aggregate area of 4,035.01 acres (1,632.91 hectares), as follows:

### List of Claims Data

Lease #	Claim Name	Lease Area (Acres)	Lease Area (Hectares)	Tag Number	Term Commencement	Renewal Date	NTS	Registered Owners
NT-5269	OKI1	1,264	511.52	F65062	21-Oct-2014	2032	076C05	Peregrine - 65% The Company – 35%
NT-5263	OKI2	708	286.52	F65063	21-Oct-2014	2032	076C05	Peregrine - 65% The Company – 35%
NT - 5264	OKI3	2,063	834.87	F65064	21-Oct-2014	2032	076C05	Peregrine - 65% The Company – 35%

The LDG Property is in the Slave Structural Province of the Northwest Territories, which is an Archean segment of the North American Craton, and is composed primarily of granites, gneisses and supracrustal rocks (the “**Slave Province**”).

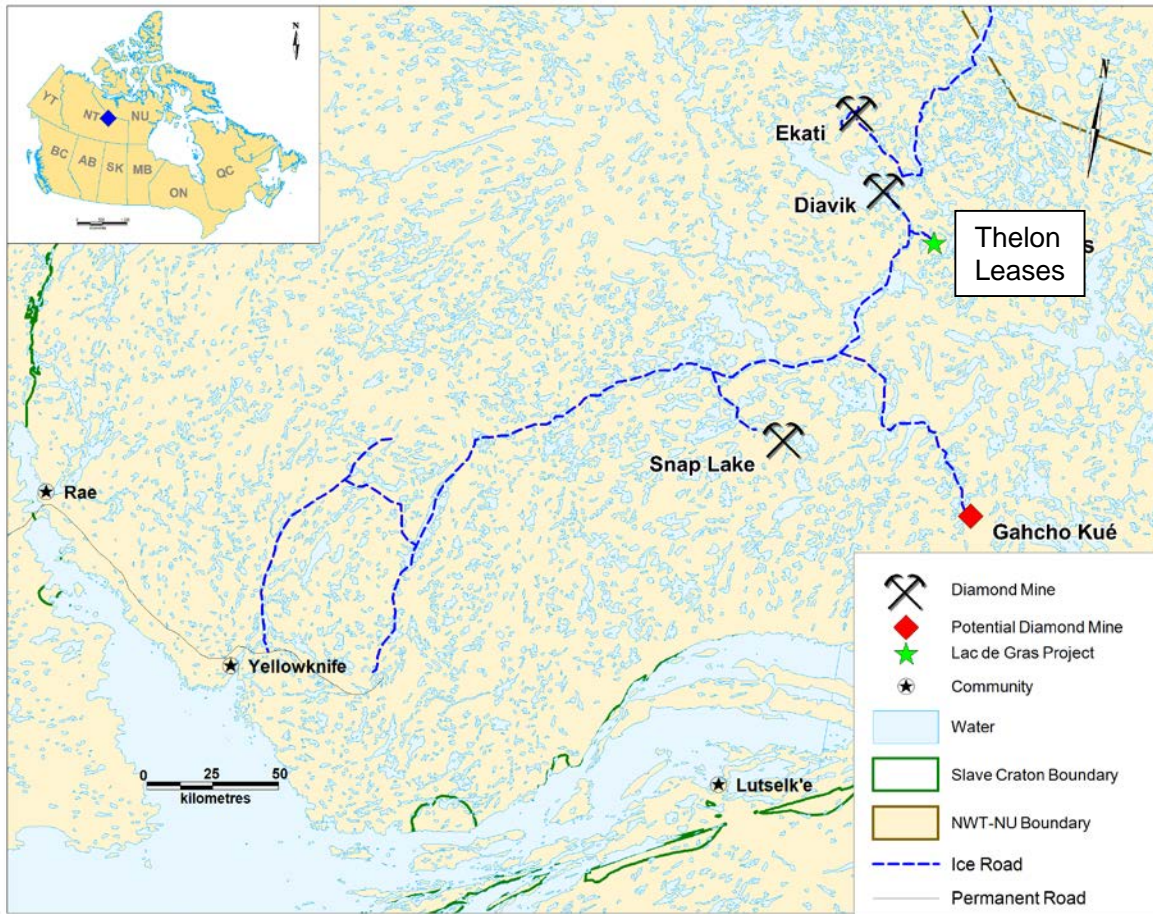


Figure 7: General Location of the Project (adapted from Eggleston et al., 2014)

### Technical Report

We filed an independent technical report prepared in accordance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects relating to the LDG Property in Northwest Territories, Canada, prepared by Ted Eggleston, Ph.D., RM SME, P. Geo. of Amec Foster Wheeler and dated January 12, 2015 (the “**Technical Report**”). The Technical Report can be viewed on our profile at [www.sedar.com](http://www.sedar.com).

Below is a summary from the Technical Report.

### Property Description and Location

The LDG Property consists of three mineral leases with an aggregate area of 1,632.91 hectares held by a joint venture between Peregrine Diamonds (70.54%) and the Company (29.46%). A 4% gross overriding royalty (GOR) on all diamonds and 4% net smelter return (NSR) royalty on all metals is payable to Mackenzie Jaims.

THC transferred the rights to the three leases and participation in the Peregrine Joint Venture to the Company under a statutory plan of arrangement. That plan of arrangement was announced in a press release by THC on December 30, 2014 and completed on January 14, 2015.

Peregrine Diamonds is the operator of all work programs pertaining to the LDG Property. Joint venture partners are required to contribute to future programs or their respective interests will be subject to dilution according to the joint venture agreement, thus the discrepancy between the registered ownership of the leases and the actual ownership. In addition to the royalty noted above, royalty payments would also be required to be made to the Government of the Northwest Territories in the event of future production. Peregrine Diamonds, as operator of the Peregrine Joint Venture, holds two current land use permits, and a current corporate prospecting license. These permits allow the Project to explore on the leases that they control.

#### *Accessibility, Climate, Local Resources, Infrastructure, and Physiography*

Access to the area is from Yellowknife, which is the main staging area for all operations in this region. Most necessary services can be obtained in Yellowknife. Access is commonly via fixed wing aircraft equipped with wheels, floats, or skis, depending on the season. From approximately mid-January to mid-April access is provided via a winter ice road which connects Yellowknife with the Diavik and Ekati Diamond Mines. This road passes within 11 km of the LDG Property. The LDG Property is located within the Canadian Arctic tundra, or barren lands. For the majority of the year, the area is covered with ice and snow. Summer begins in June, when melting commences and by October winter has returned. Temperatures range from highs of around 25°C during the brief summer months, to winter lows of -45°C which are often magnified by strong, constant winds. Daylight varies from nearly 24 hours in the summer to only a few hours per day during the winter. For the current and recommended exploration activities sufficient water and appropriate facilities appear to be present. Land use permits for the current and recommended program are in hand.

#### *History*

Mineral leases comprising the LDG Property were originally part of the WO claim block staked by representatives of DHK consortium in February of 1992 following the announcement, by BHP Billiton and DiaMet Minerals Ltd., in the fall of 1991, of the diamond discovery at Point Lake. DHK shareholders were Dentonia Resources Ltd (33%), Horseshoe Gold Ltd. (33%) and Kettle River Resources (33%). The claims were then optioned to Kennecott Canada Exploration Inc., SouthernEra Resources Ltd., and Aber Resources Inc., who exercised the option, leaving DHK with a carried interest. Kennecott Canada Exploration Inc. was operator and completed exploration work on the property discovering six Kimberlites: DO-18, DO-27, DO-29N, DO-29S, DO-32 & AD-02 (Doyle, 1994; 1995; 1996; 1997).

In 2000, BHP Billiton signed an option to earn an interest in part of the project area by flying a FalconTM gravity survey and drilling targets. Kennecott Canada Exploration Inc. agreed to exchange their 40% working interest in the property for a 9.9% interest in DHK.

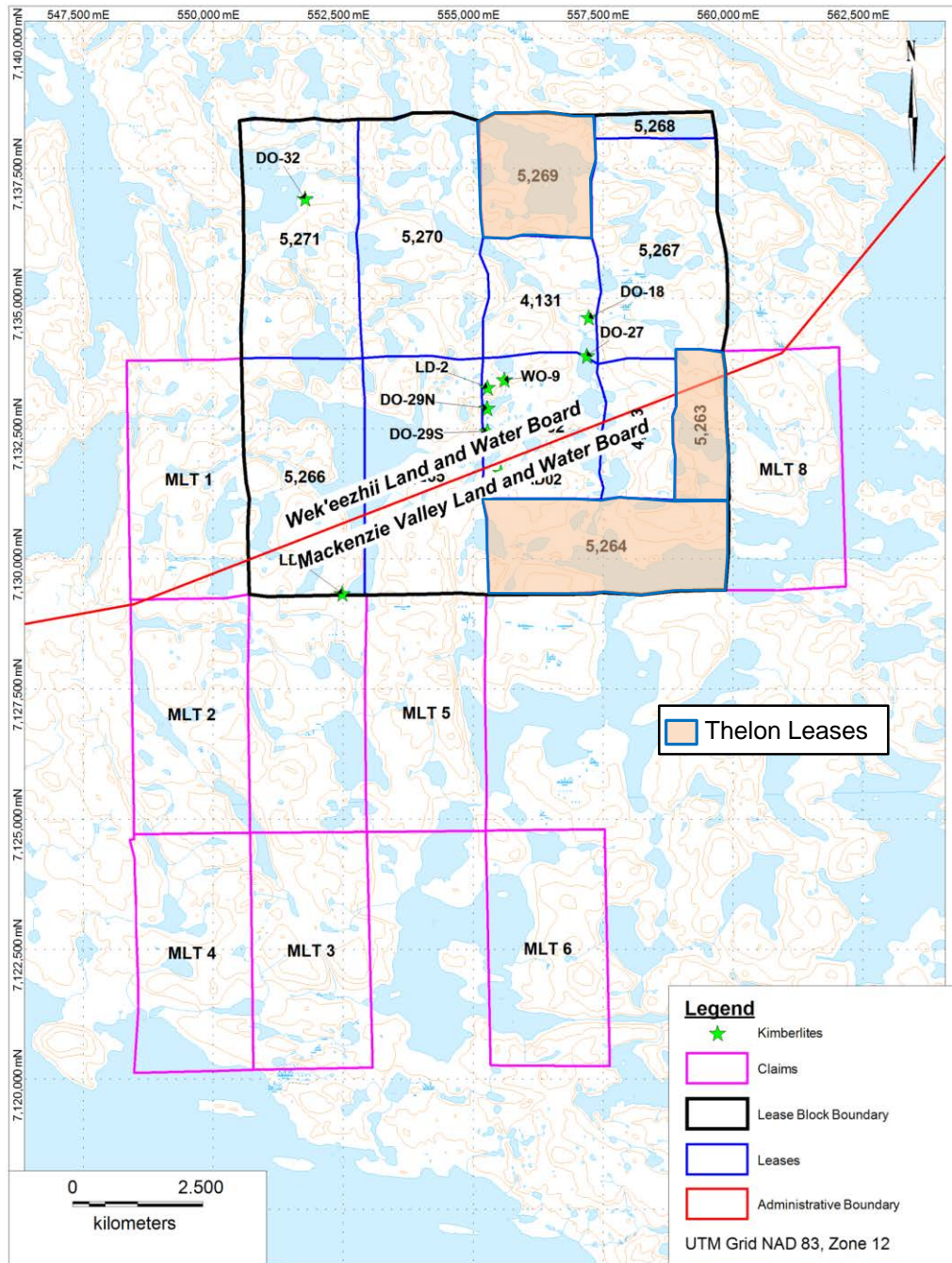


Figure 8: Surface Rights Administrative Boundaries (adapted from Eggleston et al., 2014)

**FORM 2A – LISTING STATEMENT**

Between 2000 and 2004, some of the original claims were allowed to lapse and were acquired by other operators, including THC and Dunsmuir Ventures Ltd. In 2004, Peregrine Diamonds acquired BHP Billiton's interest in the remaining claims from the original WO block (which contained the OW 19, OW 20 and TT 1 to 3 claims and SAS 1 to 3 leases). Dunsmuir Ventures Ltd. entered into options to earn 100% interest in the MLT 1 to 6 and MLT 8 claims from a private prospecting syndicate and to earn a 65% interest in the OKI 1 to 3 claims from THC. In 2006, Dunsmuir Ventures Ltd. and Peregrine Diamonds merged and those claims were reunited.

#### *Geological Setting and Mineralization*

The Project lies within the Slave Structural Province of the Northwest Territories, northern Canada, which is an Archean segment of the North American Craton. The Slave Province is subdivided isotopically into an eastern and a western domain. Kimberlites intrude granites, supracrustal rocks and, in some cases, diabase dykes (Pell, 1995, 1997) in both the eastern and western domains of the Slave Province. To date, all economic and near economic Kimberlites, including those at Ekati, Diavik, Snap Lake, Gahcho Kué, and Jericho are located in the eastern Slave Province.

Subsequent to Kimberlite emplacement, the area was covered by the Laurentide ice sheet during the Late Wisconsinan glaciation, which climaxed about 20,000 years before present (B.P.). Till is the most prominent surficial sediment type in the Slave Province. Glaciofluvial deposits, eskers, and outwash plains, are present in the Slave Province. In the Lac de Gras area, eskers are mainly west and northwest trending.

Two-mica post-deformational granite is the only major rock type on the properties. Medium- and high-grade Archean metaturbidites occur both east and west of the property.

Mineralization in the region consists of kimberlite intrusions containing diamonds.

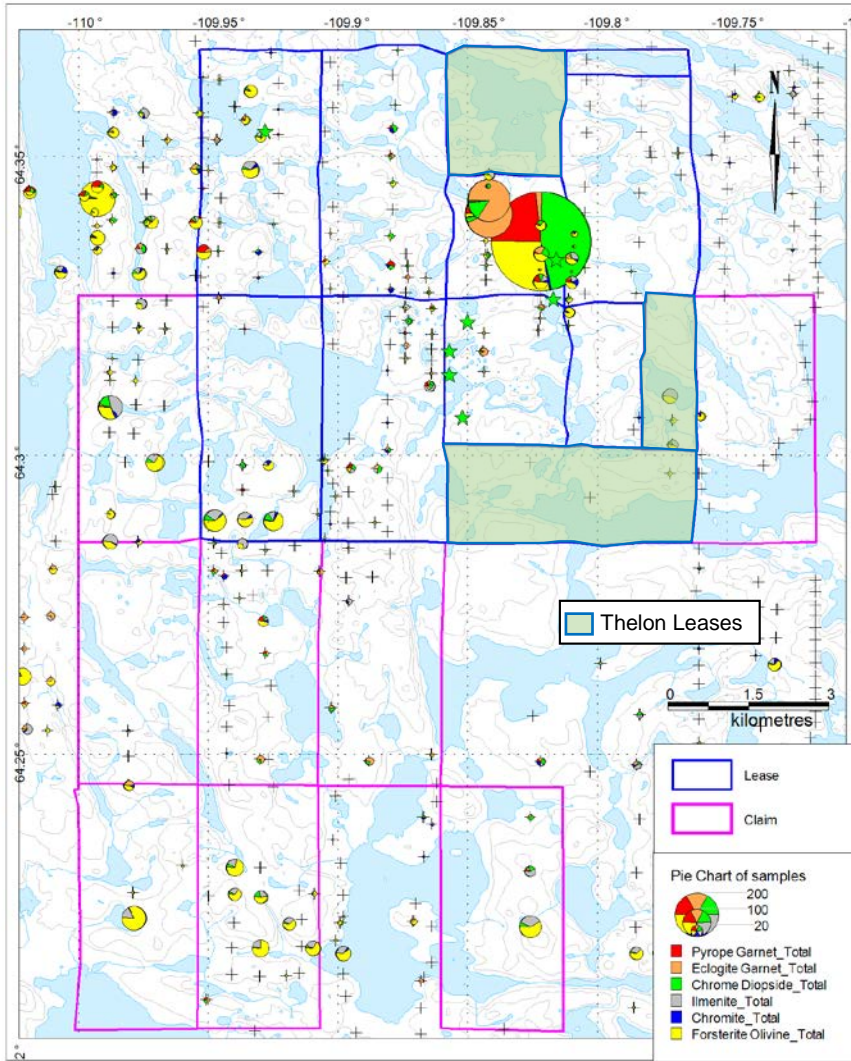


Figure 9: Pre-Peregrine Sample Locations (from Armstrong and Chatman, 2001 and Armstrong et al, 2004)

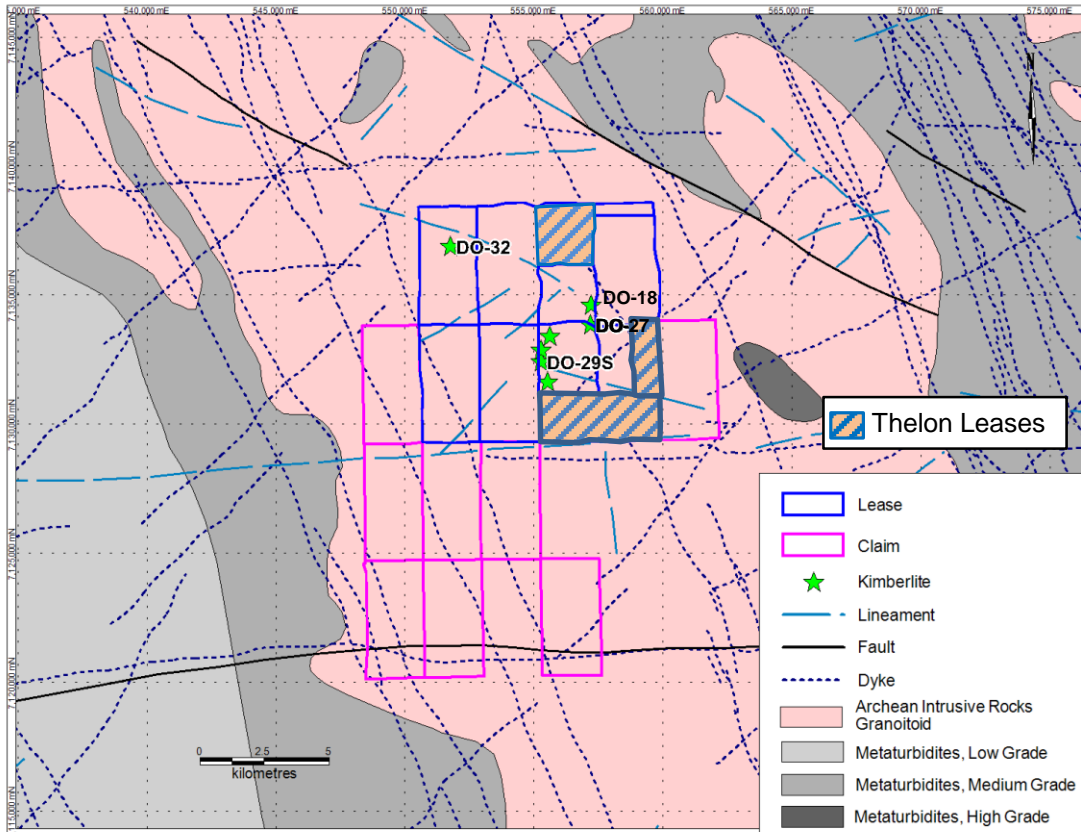


Figure 10: Geology of the LDG Project

### Deposit Type

Kimberlites found in the area are diamondiferous kimberlite pipes similar to others found in the Canadian Arctic, South Africa, and Russia.

### Exploration

Since the claims were first staked, exploration on the Project has consisted of till sampling and geophysical studies, and core drilling by Kennecott Canada Ltd, THC, Dunsmuir Ventures Ltd., and Peregrine Diamonds. Exploration on the LDG Property has been minimal with two core holes completed, about 25 till samples collected, and two airborne geophysical surveys and three ground geophysical surveys. That work was completed to industry standards at the time.

### Drilling

Two core holes were drilled in the Project area for a total of 239 m in 1993 and 1994. No Kimberlite was intersected by those holes. Amec Foster Wheeler did not review the core and was not on site when drilling was completed. Descriptions of the drill procedures suggest that procedures were consistent with industry leading practices at the time.



### Data Verification

Amec Foster Wheeler reviewed the original documents containing till sample data and core logs.

No information or data were relied upon from adjacent properties for the Technical Report, nor is any relationship with any mineralization on adjacent properties implied. All mineral leases to the north of the Project are held by Diavik Diamond Mines Inc. Other active mineral claims and leases in the immediate area are held by various operators.

The diamondiferous Kimberlite DO-27, within the Lac de Gras property held by Peregrine Diamonds, is within 1 km of the Project. DO-27 has been extensively explored. A less well explored Kimberlite, DO-18 is adjacent to DO-27. An Indicated Mineral Resource and a target for additional exploration were estimated by Amec Foster Wheeler at DO-27, in 2008.

### Conclusions

The Project is located near known diamondiferous Kimberlites. Exploration is viewed as incomplete by Amec Foster Wheeler because of the sparse till samples and lack of geophysical coverage for the entire property. Five of the approximately 25 total till samples contained Kimberlite indicator minerals suggesting that there is potential to discover additional diamondiferous Kimberlites on the LDG Property. Amec Foster Wheeler considers additional exploration on the LDG Property to be warranted.

### Recommendations

Amec Foster Wheeler recommends that the Company completes the following work program:

- Re-evaluate exploration data to identify new targets, conduct additional till sampling and geophysical surveys to identify anomalies: \$200,000;
- If warranted, drill exploration holes to test for the presence of Kimberlite pipes: \$300,000; and
- Ensure that mining leases are kept in good standing: \$5,000 per year.

## 5. Selected Consolidated Financial Information

### Annual Information

We were incorporated on November 6, 2014 and our fiscal year end is August 31.

The following table sets out certain financial information for the year ended August 31, 2016 and the period ended August 31, 2015 of the Company and its wholly-owned subsidiary, Thelon Diamond Company.

***The information provided in this section is qualified in its entirety by the financial statements attached as Schedule "A" to this Listing Statement. Reference should be made to those financial statements.***

\$	August 31, 2016 (Audited)	August 31, 2015 (Audited)
Total earnings		
Total gain on investment	220,000	-
Total expenses	125,869	159,264
Net income/(loss) and comprehensive income/(loss) for the period	94,131	(274,696)

\$	August 31, 2016 (Audited)	August 31, 2015 (Audited)
Income/(loss) per share, basic and diluted	0.01	(0.03)
Weighted average shares outstanding	12,743,666	8,912,705
Total Assets	390,502	225,468
Total Liabilities	138,166	67,263

The following table sets out certain financial information of our wholly-owned subsidiary, Thelon Diamond Company for its 2013 and 2014 year ends.

***The information provided in this section is qualified in its entirety by the financial statements attached as Schedule "C" to this Listing Statement. Reference should be made to those financial statements.***

\$	August 31, 2014 (Audited)	August 31, 2013 (Audited)
Total earnings		
Total expenses	(33,282)	(19,968)
Net income/(loss) and comprehensive income/(loss) for the period	(33,282)	(19,968)
Income/(loss) per share, basic and diluted	(0.02)	(0.01)
Weighted average shares outstanding	1,475,001	1,475,001
Total Assets	95,312	74,445
Total Liabilities	59,836	25,687

### Quarterly Information

The following table sets out certain financial information for the Company for our recently completed quarters. The information is compiled from the Company's audited financial statements as well as from the Company's unaudited quarterly statements.

Quarter	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Quarter Ended	November 30, 2016	August 31, 2016	May 31, 2016	February 28, 2016	November 30, 2015	August 31, 2015	May 31, 2015	February 28, 2015	November 30, 2014
Net sales or total revenues	-	-	-	-	-	-	-	-	-
Net income/(loss) and comprehensive income/(loss) for the period	(147,839)	(180,708)	254,021	(58,600)	(37,782)	(58,470)	(69,265)	(146,961)	-
Income/(loss) per share, basic and diluted	(0.01)	(0.01)	0.01	(0.00)	(0.00)	(0.00)	(0.01)	(0.01)	(0.00)

### Dividends

We have not paid dividends since our incorporation. While there are no restrictions in our Articles or pursuant to any agreement or understanding that could prevent us from paying dividends or distributions, we have limited cash flow and anticipate that we will use all available cash resources to fund working capital

and grow our operations. As such, there are no plans to pay dividends in the foreseeable future. Any decision to pay dividends in cash or otherwise in the future will be made by the Board on the basis of our earnings, financial requirements and other conditions existing at the time such decision is made.

#### **Foreign GAAP**

Not applicable.

### **6. Management's Discussion and Analysis**

Management's discussion and analysis of our financial statements is included in this Listing Statement at Schedule "B".

### **7. Market for Securities**

In February 2016, our common shares were not listed on any exchange prior to the CSE.

### **8. Consolidated Capitalization**

The following table summarizes our capitalization as of the date of this Listing Statement:

<b>Designation of Security</b>	<b>Number of Shares Authorized</b>	<b>Number of Shares Issued and Outstanding</b>
Common Shares	Unlimited	21,391,166

For further details about our issued securities, see Section 10 – Prior Sales.

### **9. Options to Purchase Securities**

As of the date of this Listing Statement, we do not have any outstanding options to purchase our securities or securities of our wholly-owned subsidiary, Thelon Diamond Company.

### **10. Description of the Securities**

*Common Shares.* Our authorized capital consists of an unlimited number of common shares, of which 21,391,166 are issued and outstanding as at the date of this Listing Statement. Holders of our common shares are entitled to vote at all meetings of our common shareholders declared by our directors and, subject to the rights of holders of any shares ranking in priority to or on a parity with the common shares, to participate rateably in any distribution of our property or assets upon the liquidation, winding-up or other.

*Warrants.* We currently have 2,647,500 warrants outstanding in its authorized capital. These warrants entitle the holder to acquire one Common Share in the Company at a price of \$0.50 per Common Share for a period of one year from the date of issuance.

*Options.* There are no outstanding options to purchase our common shares but we plan to adopt a stock option plan at a later date and grant options thereunder to our directors, officers, employees and qualifying consultants.

## Modification of Terms

Subject to the BCA, our directors may, by ordinary resolution, create special rights or restrictions for and attach those special rights or restrictions to, or vary or delete any special rights or restrictions attached to, the shares of any class or series of shares, whether or not any or all of those shares have been issued, and alter our Notice of Articles and Articles accordingly.

## Other Attributes

We may, if authorized by our directors, purchase, redeem or otherwise acquire any of our issued and outstanding shares at such price and upon such terms as determined by resolutions of our directors.

## Prior Sales

We completed the Arrangement with THC, a company who is a reporting issuer in British Columbia, and Thelon Diamond Company. Pursuant to the Arrangement the corporate structure of our business was reorganized: Thelon Diamond Company became our wholly-owned subsidiary, and the former shareholders of Thelon Diamond Company exchanged all of their shareholdings therein for our common shares.

The table below sets out the prior sales of our common shares and our wholly-owned subsidiary, Thelon Diamond Company, from its date of incorporation on February 8, 2012 to the date of this Listing Statement, including the shares issued under the Arrangement:

Date of issuance	Type of security issued	Number of securities issued	Price per security (\$)	Value received (\$)	Type of transaction
February 8, 2012 <sup>(1)</sup>	Common Shares	1	1.00	1.00	Cash
February 25, 2012 <sup>(2)</sup>	Common Shares	1,475,000	0.01	14,750	Cash
September 4, 2014 <sup>(2)</sup>	Units	5,000,000	0.02	100,000	Cash
September 30, 2014 <sup>(2)</sup>	Common Shares	720,000	0.075	54,000	Cash
September 30, 2014 <sup>(2)</sup>	Common Shares	360,000	0.10 <sup>(4)</sup>	36,000	Cash
December 20, 2014 <sup>(2)</sup>	Common Shares	466,666	0.075	34,999.95	Cash
December 20, 2014 <sup>(2)</sup>	Common Shares	100,000	0.10 <sup>(4)</sup>	10,000	Cash
January 14, 2015	Common Shares	2,260,000	<sup>(5)</sup>	Arrangement Agreement	Arrangement Agreement
March 18, 2015 <sup>(2)</sup>	Common Shares	1,949,999	0.0875 <sup>(6)</sup>	154,250	Cash
May 29, 2015	Common Shares	412,000	0.075	Debt Conversion Agreements <sup>(7)</sup>	Debt Conversion Agreements
October 7, 2016	Common Shares	100,000	0.10	10,000	Warrant Exercise
October 12, 2016	Common Shares	1,400,000	0.10	140,000	Warrant Exercise
December 7, 2016	Common Shares	2,100,000	0.10	210,000	Warrant Exercise
January 20, 2017	Common Shares	650,000	0.10	65,000	Warrant Exercise

February 14, 2017	Common Shares	350,000	0.10	35,000	Warrant Exercise
February 14, 2017	Common Shares	1,000,000	-	-	Asset Acquisition Payment
March 21, 2017	Common Shares	400,000	0.10	40,000	Warrant Exercise
March 24, 2017 <sup>(8)</sup>	Units	2,547,500	0.20	509,500	Cash
April 18, 2017 <sup>(8)</sup>	Units	100,000	0.20	20,000	Cash

- (1) Issued on incorporation to initial shareholder.  
(2) Shares issued to investor(s) by private placement.  
(3) Each unit comprised of one common share and one common share purchase warrant at a price of \$0.10 per common share for a period of 3 years from the date of issuance.  
(4) Shares issued at \$0.10 are "flow-through shares", which provide a tax incentive to the investor.  
(5) Shares issued by the Company pursuant to the Arrangement Agreement.  
(6) Shares issued at \$0.875, being the average of \$0.075 and \$0.10.  
(7) Shares issued at a deemed price of \$0.075 per share pursuant to debt conversion agreements.  
(8) Each unit comprised of one common share and one common share purchase warrant at a price of \$0.50 for a period of 1 year from the date of issuance.

## 11. Escrowed Securities

We have entered into separate stock restriction agreements with the following persons:

1. Bua Capital Management Ltd. dated January 14, 2015;
2. GRW Inc. dated January 14, 2015;
3. Geoff R. Watson dated January 14, 2015;
4. Complete Communications Inc. dated January 14, 2015;
5. John Roozendaal dated January 14, 2015
6. 667981 B.C. Ltd. dated January 14, 2015; and
7. Glen MacDonald dated January 14, 2015.

All of the named parties have agreed that the term of the applicable stock restriction agreement will terminate on the earlier of: (a) the sale of all of the shares that are the subject of the stock restriction agreement; and (b) one year from the date on which our securities are listed on the CSE, and that during the term, they will not transfer or otherwise dispose of their common shares without our prior written consent, except that the following automatic timed releases from the restrictions will apply to such shares:

Date of Automatic Timed Release	Amount of Restricted Securities Released
On the date our securities are listed on the CSE (the "Listing Date")	1/10 of the Restricted Securities
6 months after the Listing Date	1/6 of the remainder of the Restricted Securities
12 months after the Listing Date	1/5 of the remainder of the Restricted Securities
18 months after the Listing Date	1/4 of the remainder of the Restricted Securities
24 months after the Listing Date	1/3 of the remainder of the Restricted Securities
30 months after the Listing Date	1/2 of the remainder of the Restricted Securities
36 months after the Listing Date	The remainder of the Restricted Securities

Provided, however, that such restrictions will not apply to a transfer of the shares:

- (a) to any of our directors, officers, employees or consultants;
- (b) to us, pursuant to a redemption initiated by us;
- (c) during the shareholder's lifetime or on the shareholder's death by will or intestacy to the shareholder's beneficiaries or a trust for the benefit of the shareholder's beneficiaries (for purposes of each stock restriction agreement, "beneficiary" means the shareholder and the immediate family of the shareholder, including any relation by blood, marriage or adoption and no remote than a first cousin); or
- (d) if the shareholder is an entity, a transfer made as a distribution solely to a member, partner, or stockholder of such shareholder,

so long as the transferee executes a joinder to the stock restriction agreement and any other agreements reasonably required us, pursuant to which such transferee(s) agree to be bound by the terms and conditions of the stock restriction agreement.

The following table sets out information on the number of common shares held by each holder that are subject to the terms of the stock restriction agreements:

Shareholder	Number of Restricted Common Shares	Percentage of Class <sup>(1)</sup> (%)
Bua Capital Management Ltd. <sup>(2)</sup>	725,723	3
GRW Inc. <sup>(3)</sup>	250,000	1
Geoff R. Watson	375,000	2
Complete Communications Inc. <sup>(3)</sup>	40,289	0.2
667981 B.C. Ltd. <sup>(4)</sup>	625,000	3
John Roozendaal	40,289	0.2
Glen MacDonald	350,000	2
<b>TOTAL</b>	<b>2,406,301</b>	<b>11.4</b>

(1) Based on 21,391,166 common shares issued and outstanding as of the date of this Listing Statement.

(2) A company controlled by Jason Walsh, the President, CEO, and a director of the Company.

(3) A company controlled by Geoff Watson, the CFO, Secretary, and a director of the Company.

(4) A company controlled by John Roozendaal, a director of the Company.

## 12. Principal Shareholders

To the knowledge of the Company's directors and officers, there are no persons who own or control, directly or indirectly, or exercise control or direction over, more than 10% of our common shares as provided in the table below.

Name	Number of Common Shares	Percentage of Class <sup>(1)</sup>
-	-	-

(1) Based on 21,391,166 common shares issued and outstanding as of the date of this Listing Statement.

## 13. Directors and Officers

### Management Experience

Our management has a broad background of experience which will be brought to bear on the activities undertaken by us. The following table sets out the names of current directors and executive officers, their effective date of appointment as our directors or executive officers, and the number of common shares in our authorized capital which each beneficially owns, directly or indirectly, or over which control or direction is exercised as of the date of this Listing Statement.

Name, Current Position and Province and Country of Residence	Position Held Since <sup>(1)</sup>	Common Shares Beneficially Owned or Controlled <sup>(2)</sup>	Number of Convertible or Exchangeable Securities Outstanding <sup>(3)</sup>	Total number of Common Shares Beneficially Owned or Controlled and Convertible or Exchangeable Securities Outstanding <sup>(4)</sup>
<b>Jason Walsh</b> <i>President, Chief Executive Officer &amp; Director</i> Vancouver, British Columbia	November 6, 2014	1,125,723 (5%)	150,000	1,275,723 (5%)
<b>Geoff Watson</b> <sup>(5)</sup> <i>Chief Financial Officer, Secretary &amp; Director</i> Vancouver, British Columbia	November 6, 2014	765,289 (4%)	-	765,289 (3%)
<b>John A. Roozendaal</b> <sup>(5)</sup> <i>Director</i> Brandon, Manitoba	November 6, 2014	765,289 (4%)	-	765,289 (3%)
<b>Glen MacDonald</b> <sup>(5)</sup> <i>Director</i> Vancouver, British Columbia	November 6, 2014	350,000 (2%)	-	350,000 (1%)

(1) Term of office expires upon holding the next annual meeting of shareholders.

(2) Percentage ownership based on 21,391,166 common shares issued and outstanding at the date of this Listing Statement.

(3) Percentage ownership based on 2,647,500 warrants outstanding at the date of this Listing Statement.

(4) Percentage ownership based on 24,038,666 securities (fully diluted) at the date of this Listing Statement.

(5) Audit Committee member.

Below is a brief description of each of our directors and executive officers, including their names, ages, positions and responsibilities, relevant educational background, principal occupations or employment during the five years preceding the date of this Listing Statement and experience in our industry.

Our directors and executive officers intend to dedicate the following percentages of their time to the affairs of the Company: Jason Walsh – 25%, Geoff Watson – 25%, Glen MacDonald – 10% and John Roozendaal – 10%.

Each member of our management is an independent contractor at present. As of the date of this Listing Statement, we have not entered into any management, consulting or employment agreements with any of our executive officers and do not intend to enter into any such agreements or pay any salaries to our executive officers over the next six months. None of the persons below has entered into a non-competition or non-disclosure agreement with the Company. See “*Potential Conflicts*”.

*Jason Walsh – President, Chief Executive Officer, and Director*

Jason Walsh, age 45, is our President, Chief Executive Officer and one of our directors. He has over 20 years of relevant business experience including 10 years as a stockbroker, which allowed him to gather invaluable experience and insight into the formation and financing of venture capital companies.

In 2003, he joined THC as President and since that time has been responsible for the financing of its projects and overseeing its day-to-day operations. Mr. Walsh has held the position of President and Secretary with the Thelon Diamond Company since its incorporation on February 8, 2012.

He also holds positions with several reporting issuers. He is the Chief Financial Officer and Secretary of Scout Exploration Inc. (OTCQB:SCXN), a position he has held from March 3, 2006 to the present; he is a Director and officer of International Ranger Corp. (OTC Pink: IRNG), a position he has held since February 2005. He previously as Secretary of Zadar Ventures Ltd. (TSXV:ZAD) from April 9, 2010 until December 2011 and Chief Financial Officer from June 22, 2010 to December 31, 2011. He was also a Director and Chief Financial Officer of Ringbolt Ventures Ltd. (TSX-Venture: RBV, Frankfurt: 3OZ, OTCQX: RNGTH) from July 2006 to Nov 2008.

In his capacity as our CEO and President, Mr. Walsh will provide direction and use his extensive network of contacts to seek potential business opportunities for the Company. His experience and contacts will also be integral in developing our business.

*Geoff Watson – Chief Financial Officer, Secretary, and Director*

Geoff Watson, age 51, has acted as our Chief Financial Officer, Secretary and one of our directors since our incorporation. He is currently a principal of Complete Communications Inc. a private company that provides services relating to accounting and financial matters. Mr. Watson has been an officer of Zadar Ventures (TSXV:ZAD) since December 2011. Mr. Watson served as an officer and a director of Eagle MT Gold Corp. (TSXV:Z, Frankfurt:E9X1, OTCQX:EMGCF) from December 2012 to March 2014 and as a director and officer of THC from October 2010 until November 2015.

Mr. Watson completed the TSX Internal control workshop in May, 2011 and the TSX Venture filing fundamentals course in June, 2011. Mr. Watson will be responsible for managing our overall operations, including accounting and compliance functions.

*John Roozendaal, Director*

John Roozendaal, age 47, has acted as a director since our incorporation. Mr. Roozendaal obtained a B.Sc. (Geology) in 1996 from Brandon University and has considerable public company experience. He currently serves as a director of Zadar Ventures Ltd. (TSX.V:ZAD) since April 2010.

Mr. Roozendaal also served as a director of Scout Exploration Inc. (OTCQB:SCXN) from December 2007 until December 2016 and the President of Scout Exploration Inc. from May 2000 until December 2016. North American Nickel (TSXV:NAN) from April 2010 until June 2016 and as President and director VMS



Ventures Inc. (TSXV:VMS) from June 2002 until April 2016. He also served as President and director of Harvest Gold Corp. from December 2005 until February 2015.

*Glen MacDonald, Director*

Glen MacDonald, age 66, has acted as one of directors since our incorporation. He has also acted as a director of THC since February 2012. Mr. Macdonald has extensive board experience with junior exploration companies, having been a founding director of several since the mid-1980's. Mr. MacDonald currently serves as a Director for several publicly-listed companies, including: Starr Peak Exploration Ltd. (TSXV:STE) since April 2016; Golden Caribou Resources Ltd. (TSXV:GCC) since February 2003 and Vinergy Resources Ltd. (CSE:VIN).

He is a self-employed Consulting Professional Geologist, a B.Sc. graduate of the University of British Columbia, a member of the Alberta Professional Engineers Geologists and Geophysicists Association since 1982, and of the British Columbia Association of Professional Engineers and Geoscientists since 1993.

As a professional geologist, Mr. MacDonald consults and manages exploration and mining development projects for major and junior mining companies. He currently holds positions as director and/or senior manager (finance and project analysis) with numerous junior mining companies. He has designed and managed exploration campaigns worldwide for both metals and gemstones, and has concentrated primarily on Canadian diamond and gemstone exploration for the past 10 years. He has served on the boards of numerous public companies with management roles in technical, project management and financing.

Mr. MacDonald will be responsible for guiding our strategy and direction. He will also assist the Board by using his knowledge of the mining industry to locate other opportunities that may complement our business.

#### **Audit Committee**

We are required to have an audit committee comprised of not less than three directors, a majority of whom are not officers, control persons or employees of the Company or an affiliate of the Company. The members of our audit committee are Geoff Watson (Chair), Glen MacDonald and John A. Roozendaal. The audit committee is responsible for overseeing our financial reporting process on behalf of the Board, including overseeing the work of the independent auditors who report directly to the audit committee.

The specific responsibilities of the audit committee, among others, include:

- (i) evaluating the performance and assessing the qualifications of the independent directors and recommending to the Board and the shareholders the appointment of our external auditor;
- (ii) determining and approving the engagement of and compensation for audit and non-audit services of our external auditor;
- (iii) reviewing our financial statements and management's discussion and analysis of financial condition and results of operations and recommending to the Board whether or not such financial statements and management's discussion and analysis of financial condition and results of operations should be approved by the Board;
- (iv) conferring with our external auditor and with management regarding the scope, adequacy and effectiveness of internal financial reporting controls;

- (v) establishing procedures for the receipt, retention and treatment of complaints received by the Company regarding its accounting controls, internal accounting controls or auditing matters and the confidential and anonymous submission by employees of concerns regarding questionable accounting and auditing matters; and
- (vi) reviewing and discussing with management and the independent auditor, as appropriate, our guidelines and policies with respect to risk assessment and risk management, including major financial risk exposure and investment and hedging policies and the steps taken by management to monitor and control our exposure to such risks.

#### *Audit Committee Charter*

Our Audit Committee Charter is available on SEDAR.

#### *Composition of Audit Committee and Independence*

NI 52-110 provides that a member of an audit committee is “independent” if the member has no direct or indirect material relationship with a company, which could, in the view of that company’s board of directors, reasonably interfere with the exercise of the member’s independent judgment. A majority of the members of our audit committee meet the definition of “independence” provided in NI 52-110.

A “venture issuer” as defined in NI 52-110 means an issuer that, at the end of its most recently completed financial year, did not have any of its securities listed or quoted on any of the Toronto Stock Exchange, a U.S. marketplace, or a marketplace outside of Canada and the United States of America other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc.

#### *Relevant Education and Experience*

NI 52-110 provides that an individual is “financially literate” if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by our financial statements. All of the members of our audit committee are financially literate.

Geoff Watson has 25 years’ experience working as a stockbroker. He also has 5 years’ experience as a director and executive officer of various companies, where he assisted in their financial management.

Glen MacDonald has gained financial literacy by serving as a director and audit committee member of a number of publicly-traded companies. He has 30 years’ experience as an officer and director of various companies.

John A. Roozendaal has gained financial literacy through more than 10 years of serving on boards of directors, as well as audit committees, of both public and private companies, during which time he has dealt with accounting and financial matters.

#### *Audit Committee Oversight*

The audit committee was appointed by the Board on December 29, 2014. The Board as a whole carried out the responsibilities of the audit committee prior to December 29, 2014. The audit committee has not yet

made any recommendations concerning the nomination or compensation of our external auditor, as such auditor was appointed by the Board.

#### *Reliance on Certain Exemptions*

Since the commencement of our most recently completed financial year, the Company has not relied on:

- (a) the exemption in section 2.4 (*De Minimis Non-audit Services*) of NI 52-110; or
- (b) an exemption from NI 52-110, in whole or in part, granted under Part 8 (*Exemptions*).

#### *Pre-Approval Policies and Procedures*

The audit committee has not adopted any specific policies and procedures for the engagement of non-audit services.

#### *External Auditor Service Fees*

We have incurred a total of \$28,000 in audit fees for the fiscal period from incorporation to the date of this Listing Statement.

### **Corporate Governance**

Corporate governance relates to the activities of the Board, the members of which are elected by and are accountable to the shareholders, and takes into account the role of the individual members of management who are appointed by the Board and who are charged with day-to-day management of the Company.

Pursuant to NI 58-101, we are required to disclose our corporate governance practices, as summarized below. The Board will monitor such practices on an ongoing basis and when necessary implement such additional practices as it deems appropriate.

NP 58-201 establishes corporate governance guidelines to be used by issuers in developing their own corporate governance practices. The Board is committed to sound corporate governance practices, which are both in the interest of its shareholders and contribute to effective and efficient decision making.

#### Board of Directors

As of the date of this Listing Statement, the Board consists of four directors: Jason Walsh, Geoff Watson, John A. Roozendaal and Glen MacDonald.

NI 58-101 suggests that the board of directors of a public company should be constituted with a majority of individuals who qualify as “independent” directors. An “independent” director is a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to materially interfere with the director’s ability to act with a view to the best interests of the company, other than interests and relationships arising from holding shares or securities in the company. In addition, where a company has a significant shareholder, NI 58-101 suggests that the board of directors should include a number of directors who do not have interests in either the company or the significant shareholder. The independent directors would exercise their responsibilities for independent oversight of management and meet independently of management whenever deemed necessary.

At this time two of our directors, John A. Roozendaal and Glen MacDonald, are considered to be “independent” within the meaning of NI 58-101. Jason Walsh, by reason of him holding the offices of President and Chief Executive Officer, and Geoff Watson, by reason of him holding the office of Chief Financial Officer, are both considered to be “non-independent”.

## Directorships

The following directors of the Company also serve as directors of other reporting issuers:

Name of Director	Other Reporting Issuer	Name of Exchange or Market
Jason Walsh	Scout Exploration Inc.	OTCQB
	THC BioMed Intl. Ltd.	CSE
	International Ranger Corp.	OTC Pink
John A. Roozendaal	Zadar Ventures Ltd.	TSXV
Glen MacDonald	Vinergy Resources Ltd.	CSE
	Golden Caribou Resources Ltd.	TSXV
	Westminster Resources Ltd.	TSXV
	Shoshoni Gold Ltd.	TSXV
	Starr Peak Explorations Ltd.	TSXV
	Pistol Bay Mining Inc.	TSXV
	Blind Creek Resources Inc.	TSXV
	Firebird Resources Inc.	TSXV
	Leenlife Pharma International Inc.	CSE
	Savoy Ventures Ltd.	NEX

## Orientation and Continuing Education

Each new director is briefed about the nature of our business, our corporate strategy and current issues within the Company. New directors will be encouraged to review our public disclosure records as filed on SEDAR at [www.sedar.com](http://www.sedar.com). Directors are also provided with access to management to better understand our operations, and to our legal counsel to discuss their legal obligations as directors.

## Ethical Business Conduct

The Board is considering implementing a written code of ethical conduct for its directors, officers and future employees.

The Board is also required to comply with the conflict of interest provisions of the BCA and relevant securities regulation in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or officer has a material interest. Any interested director is required to declare the nature and extent of his interest and is not entitled to vote on any matter that is the subject of the conflict of interest. See “*Potential Conflicts*” and “*Risk Factors*”.

## Nomination of Directors

Our management is in contact with individuals involved in the exploration sector. From these sources, management has made a number of contacts and in the event that we require any new directors, such individuals will be brought to the attention of the Board. We will conduct reference and background checks on suitable candidates. New nominees generally must have a track record in business management, areas

of strategic interest to the Company, the ability to devote the time required to carry out the obligations and responsibilities of a director and a willingness to serve in that capacity.

### **Compensation**

The Board has the sole responsibility for determining the compensation of our directors. As of the date of this Listing Statement, directors and executive officers have not been compensated for their services.

Given our size, limited operating history and lack of revenues, the Board does not plan to form a compensation committee to monitor and review the salary and benefits of our directors and executive officers at the present time. The Board will carry out these functions until such time as it deems the formation of a compensation committee is warranted.

### **Other Board Committees**

Other than as disclosed herein, there are no committees of the Board as of the date of this Listing Statement.

### **Assessments**

Neither the Company nor the Board of Directors has developed a formal review system to assess the performance of the directors or the Board as a whole. The contributions of individual directors are monitored by other members of the Board on an informal basis through observation.

### **Penalties, Sanctions and Bankruptcy**

Other than as disclosed below, no director or officer or, to our knowledge, shareholder holding sufficient securities to affect materially our control, nor a personal holding company of any such persons, has within the past 10 years before the date of this Listing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold their assets.

- Geoff Watson filed for bankruptcy on May 12, 2009 and was discharged on February 13, 2010.

Other than as disclosed below, during the past 10 years, none of our directors, officers, insiders, or promoters, or a shareholder holding a sufficient number of our securities to materially affect control of us, was a director, officer, insider, or promoter of any other issuer that, while that person was acting in that capacity, was the subject of a cease trade order or similar order or an order that denied that issuer access to any exemptions under applicable securities legislation for a period of more than 30 consecutive days, or became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

- Jason Walsh is a director and officer of International Ranger Corp., which was cease traded by the BCSC on July 6, 2006 in respect of some corporate disclosure concerns. That cease trade order was revoked on July 18, 2007. A second cease trade order was issued in 2009 and also revoked. A third cease trade order was issued in August 2009 and is still active in B.C.
- Jason Walsh is a director and officer of Scout Exploration, Inc., which was cease traded by the BCSC on July 6, 2006 for a failure to file financial statements. That cease trade order was revoked. A second B.C. cease trade order was issued in 2009 and also revoked. A third B.C. cease trade

order was issued in August 2009 and is still active.

- Jason Walsh was cease traded pursuant to an order issued by the BCSC on October 23, 2012. The order stated that Mr. Walsh made changes in his beneficial ownership of securities of the company between February 2, 2010 and September 15, 2012 and these changes were not filed in the required insider reports within the prescribed time. The matter has been cleared up and all insider information has been filed. No disciplinary action was ever taken. This order was revoked on October 8, 2014.
- John A. Roozendaal is a director and officer of Scout Exploration, Inc., which was cease traded by the BCSC on July 6, 2006 for a failure to file financial statements. That cease trade order was revoked. A second B.C. cease trade order was issued in 2009 and also revoked. A third B.C. cease trade order was issued in August 2009 and is still active.
- Glen Macdonald was a director of Dunes Exploration Ltd. (formerly Dynamic Resources Corp.). On May 1, 2009, a management cease trade order was issued against the securities of Dunes Exploration Ltd. held by Mr. Glen Macdonald for failure to file financial statements. The financial statements were subsequently filed, and the management cease trade order expired as of July 10, 2009.
- Glen Macdonald was a director of Maxim Resources Inc. which was cease traded on May 4, 2009 for failure to file financial statements. The financial statements were subsequently filed, and the cease trade order expired as of August 4, 2009.
- Glen Macdonald was a director of Wind River Resources Ltd. and on May 1, 2009, Mr. Macdonald was subject to a management cease trade order issued by the Alberta Securities Commission as a result of the failure of the Wind to make required filings. The order expired on July 10, 2009.
- Glen Macdonald was a director and CFO of Shoshoni Gold Inc. on July 6, 2015 when a cease trade order was issued against the company for failure to file financial statements. The cease trade order was revoked on October 9, 2015.
- Glen Macdonald was a director of Cameo Resources Corp. when it became subject to a cease trade order on September 10, 2013 for failure to file financial statements. The cease trade order was revoked on October 7, 2013.

No director or officer or, to the our knowledge, shareholder holding sufficient securities to affect materially our control, has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

### **Potential Conflicts**

Our directors are required by law to act honestly and in good faith with a view to our best interests and to disclose any interests which they may have in any of our projects or opportunities. If a conflict of interest arises at a meeting of the Board, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not we will participate in any project or opportunity, that director will primarily consider the degree of risk to which we may be exposed and our financial position at that time.

To the best of our knowledge, there are no known existing or potential conflicts of interest among us and our promoters, directors, officers or other members of management as a result of their outside business interests except that certain of the directors, officers, promoters and other members of management serve as directors, officers, promoters and members of management of other public companies, and therefore it is possible that a conflict may arise between their duties as a director, officer, promoter or member of management of such other companies.

## 14. Capitalization

The following tables provide information about our capitalization as of the date of this Listing Statement:

Description of security	Number authorized to be issued	Number outstanding as at the date of this Listing Statement
Common Shares	No maximum	21,391,166

Issued Capital	Number of Securities (non-diluted)	Number of Securities (fully-diluted)	% (non-diluted)	% (fully diluted)
<u>Public Float</u>				
Total Outstanding (A)	21,391,166	24,038,666	100	100
Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B)	6,073,633	6,323,633	28	26
Total Public Float (A-B)	15,317,533	17,715,033	72	74
<u>Freely Tradable Float</u>				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	2,406,301	2,406,301	11	10
Total Tradable Float (A-C)	18,962,865	21,532,365	89	90

*Public Securityholders (Beneficial)*

**Class of Security**

<b><u>Size of Holdings</u></b>	<b><u>Number of Holders</u></b>	<b><u>Total number of securities</u></b>
1 – 99 securities		
100 – 499 securities		
500 – 999 securities		
1,000 – 1,999 securities		
2,000 – 2,999 securities		
3,000 – 3,999 securities		
4,000 – 4,999 securities		
5,000 or more securities		
<b>Total</b>	<b>Unable to Confirm</b>	<b>2,188,295</b>

*Public Securityholders (Registered)*

**Class of Security**

<b><u>Size of Holdings</u></b>	<b><u>Number of Holders</u></b>	<b><u>Total number of securities</u></b>
1 – 99 securities	21	262
100 – 499 securities	7	1,431
500 – 999 securities	5	3,318
1,000 – 1,999 securities	2	2,618
2,000 – 2,999 securities	1	2,215
3,000 – 3,999 securities	0	0
4,000 – 4,999 securities	1	4,028
5,000 or more securities	75	19,188,999
<b>Total</b>	<b>112</b>	<b>19,202,871</b>



*Non-Public Securityholders (Registered)*

**Class of Security**

<b><u>Size of Holdings</u></b>	<b><u>Number of Holders</u></b>	<b><u>Total number of securities</u></b>
1 – 99 securities		
100 – 499 securities		
500 – 999 securities		
1,000 – 1,999 securities		
2,000 – 2,999 securities		
3,000 – 3,999 securities		
4,000 – 4,999 securities		
5,000 or more securities	7	2,406,301
<b>Total</b>	<b>7</b>	<b>2,406,301</b>

**Proposed Share Issuances**

We recognize that we need to raise more capital and plan to do so with further private placements of our common shares. However, we want to ensure that further share issuances pursuant to private placement occur in stages, so as to minimize dilution to the value of the shares held by our existing shareholders. Our goal is that each of the proposed private placement financings will take place at a higher price per share than the one preceding.

**Convertible Securities**

We have a total of 2,647,500 warrants issued and outstanding as of the date of this Listing Statement.

**15. Executive Compensation**

**Compensation Discussion and Analysis**

We are in the exploration stage and we have an informal compensation program and strategy. Our management team is committed to developing the operations of the Company and will establish a formal compensation program once we begin generating sufficient revenues to sustain operations.

The Board is responsible for determining, by way of discussions at board meetings, the compensation to be paid to our executive officers. We do not have a formal compensation program with set benchmarks; however, the performance of each executive is considered along with our ability to pay compensation and our results of operation for the period.

## Elements of Executive Compensation

Any salary paid to an executive officer will be dependent upon our finances as well as the performance of the executive officer.

## Summary Compensation Table

The table below sets out information regarding compensation paid to or awarded to the executive officers for the fiscal period from the incorporation of our wholly-owned subsidiary, Thelon Diamond Company to the date of this Listing Statement.

Name and Principal Position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual incentive plans	Long-term incentive plans			
Jason Walsh President and Chief Executive Officer	2016	-	-	-	-	-	-	\$76,700 <sup>(1)</sup>	-
	2015	-	-	-	-	-	-	\$52,000 <sup>(2)</sup>	-
	2014	-	-	-	-	-	-	\$44,800 <sup>(3)</sup>	-
Geoff Watson Chief Financial Officer	2016	-	-	-	-	-	-	\$18,000 <sup>(4)</sup>	-
	2015	-	-	-	-	-	-	\$12,000 <sup>(5)</sup>	-
	2014	-	-	-	-	-	-	-	-

(1) Represents administrative fees, consulting fees and an incurred interest expense paid to a company controlled by Jason Walsh.

(2) Represents administrative fees and consulting fees paid to a company controlled by Jason Walsh.

(3) Represents administrative fees and consulting fees paid to a company controlled by Jason Walsh.

(4) Represents accounting fees of \$18,000 to a company controlled by Geoff Watson.

(5) Represents accounting fees of \$12,000 to a company controlled by Geoff Watson.

## Employment Agreements of Named Executive Officers

We have not entered into any management, consulting or employment agreements with our executive officers, and nor do we intend to enter into any such agreements over the next six months.

## Stock Option Plan

We have not yet adopted a stock option plan but we may adopt a stock option plan at a later date.

## Pension Plan Benefits

We do not currently provide any pension plan benefits to our executive officers, directors, or employees.

## Employment Agreements and Termination and Change of Control Benefits

We have not entered into any employment agreements with our directors, officers or any other parties. There are no compensatory plans or arrangements with respect to our named executive officers resulting from the resignation, retirement or any other termination of employment of the officer or from a change of the officers' responsibilities following a change of control of the Company. We have not granted any termination or change of control benefits. In case of termination of our executive officers, common law and statutory law applies.

## Director Compensation

No compensation was paid to our directors in their capacity as directors of the Company, in their capacity as members of a committee of the Board or as consultants or experts, during the Company's most recently completed financial year. We do not plan to compensate our directors in the foreseeable future.

The following are all amounts of compensation provided to our directors who were not named above:

Name	Fees earned since appointment	Share-based awards (\$)	Option-based awards (\$)	Non-Equity Incentive Plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Glen MacDonald Director	-	-	-	-	-	-	-
John A. Roozendaal Director	-	-	-	-	-	-	-

There are no other arrangements from those disclosed above under which directors were compensated by us to the date of this Listing Statement.

## 16. Indebtedness of Directors and Executive Officers

No director or executive officer, or any associate or affiliate of any such director or senior officer, is or has been indebted to us since our date of incorporation. No director or executive officer, or associate or affiliate of any such director or senior officer, is or has been indebted to us since the beginning of the last completed financial year.

## 17. Risk Factors

An investment in our common shares should be considered highly speculative due to the nature of our business and the present stage of development. An investment in our common shares should only be made by knowledgeable and sophisticated investors who are willing to risk and can afford the loss of their entire investment. Potential investors should consult with their professional advisors to assess an investment in our Company. In evaluating our Company and its business, investors should carefully consider, in addition to other information contained in this Listing Statement, the risk factors below. These risk factors are not a

definitive list of all risk factors associated with an investment in the Company or in connection with its operations.

### **High Risk, Speculative Nature of Investment**

An investment in our common shares carries a high degree of risk and should be considered as a speculative investment by purchasers. We have no history of earnings, limited cash reserves, a limited operating history, has not paid dividends, and is unlikely to pay dividends in the immediate or near future. Operations are not sufficiently established such that we can mitigate the risks associated with our planned activities.

### **Liquidity Concerns and Future Financing Requirements**

We are in the exploration phase and we have not generated any revenue. We will likely operate at a loss until our business becomes established and may require additional financing in order to fund future operations and expansion plans. Our ability to secure any required financing to sustain its operations will depend in part upon prevailing capital market conditions, as well as our business success. There can be no assurance that we will be successful in our effort to secure any additional financing or additional financing on terms satisfactory to us. If additional financing is raised by issuing common shares from treasury, control of the Company may change and shareholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, we may be required to scale back our business plan or cease operating.

### **No Prospect of Dividends**

We do not anticipate that any dividends will be paid on our common shares in the foreseeable future. As such, investors may not realize a return on their investment.

### **Increased Costs of Being a Publicly Traded Company**

As a company with publicly-traded securities, we will incur significant legal, accounting and filing fees not presently incurred. Securities legislation and the rules and policies of the CSE require listed companies to, among other things, adopt corporate governance and related practices, and to continuously prepare and disclose material information, all of which will significantly increase the Company's legal and financial compliance costs. See "Audit Committee and Corporate Governance" and "Use of Proceeds".

### **Uninsurable Risks**

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and we may decide not to take out insurance against such risks as a result of high premiums or for other reasons. If such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and cause insolvency and/or a decline in the value of our securities.

### **No Assurance of Title to Properties**

Although we have sought and received representations in connection with both the Head Agreement and the Chedic Agreement regarding title to the Properties and have conducted our own investigation of legal title to the Properties, the Properties may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. We are satisfied, however, that evidence of

titles to the Properties are adequate and acceptable by prevailing industry standards with respect to the current stage of exploration on the Properties.

### **Challenges by First Nations**

In 2005, the Supreme Court of Canada determined that there is a duty on the government to consult with and, where appropriate, accommodate where government decisions have the potential to adversely affect treaty rights of First Nations. The Court found that third parties are not responsible for consultation or accommodation of aboriginal interests and that this responsibility lies with government. If the Federal Government fails to consult with First Nations before issuing any permits, licenses, mineral claims, mineral leases, mineral licenses or surface rights (collectively, "permits"), there may be valid challenges to any such permits which could affect the development of the LDG Property. Although the LDG Property is on federal Crown land, First Nations issues may impact the Project.

### **Competition**

The mineral exploitation industry is intensely competitive in all its phases. We intend to compete with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral properties, claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees. In addition, there is no assurance that even if commercial quantities of minerals are discovered, a ready market will exist for their sale. Factors beyond our control may affect the marketability of any minerals discovered. These factors include market fluctuations, the proximity and capacity of natural resource markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result us not receiving an adequate return on invested capital or losing its invested capital.

### **Environmental Regulations**

Our operations may be subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for noncompliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. We intend to fully comply with all environmental regulations.

### **Infrastructure**

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important requirements, which affect capital and operating costs. Unusual or infrequent weather, phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect our future operations.

## **Fluctuating Price**

Our revenues, if any, are expected to be in large part derived from the mining and sale of precious and non-precious metals. The price of those commodities has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond our control including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, consumption patterns, speculative activities and increased production due to new mine developments and improved mining and production methods. The effect of these factors on the price of base and precious metals and therefore the economic viability of any of our projects cannot be accurately predicted.

## **Reliance on Key Personnel**

Our performance is substantially dependent on the performance and efforts of our Board and of our executive officers. The loss of the services of any of our Board of Directors could have a material adverse effect on its business, results of operations and financial condition. We do not carry any key man insurance.

## **Markets for Securities**

There can be no assurance that an active trading market in our Shares will be established and sustained. The market price for our Shares could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of our peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the securities of the Company. The stock market has from time to time experienced extreme price and volume fluctuations, particularly in the mining sector, which have often been unrelated to the operating performance of particular companies.

## **Lack of Operating History and Early Stage of Development**

The Company is an early stage company. There can be no assurance that the Company will be able to implement its business plans relating to operations of the Properties in the timeframes estimated by management.

An investment in the Company is subject to certain risks related to the nature of its business and the early stage of development. There are numerous factors which may affect the success of the Company's business which are beyond our control including local, national and international economic and political conditions. Our business involves a high degree of risk which a combination of experience, knowledge and careful evaluation may not overcome.

## **Exploration and Development**

Although a significant amount of historical drilling has been done on the Properties, as documented in the Technical Reports, the Company has not completed any new drilling. The LDG Property is without any known body of commercial mineralization. Development of the LDG Property depends on satisfactory exploration or development results. Mineral exploration and development involves a high degree of risk and few properties which are explored are ultimately developed into producing mines. The profitability of our operations will be in part directly related to the cost and success of its exploration programs, if any, which may be affected by a number of factors beyond our control.

Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which we have a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of diamond, precious and non-precious metals, any of which could result in work stoppages, damage to the either of the Properties, and possible environmental damage. Hazards such as unusual or unexpected

formations and other conditions such as formation pressures, fires, power outages, labour disruptions, flooding, explorations, cave ins, landslides and the inability to obtain suitable adequate machinery, equipment or labour are involved in mineral exploration, development and operation. The Company may become subject to liability for pollution, cave ins or hazards against which it cannot insure or against which it may elect not to insure. The payment of such liabilities may have a material, adverse effect on our financial position.

Estimates of mineral resources and any potential determination as to whether a mineral deposit will be commercially viable can also be affected by such factors as: deposit size, grade, unusual or unexpected geological formations and metallurgy; proximity to infrastructure; metal prices which are highly cyclical; environmental factors; unforeseen technical difficulties; work interruptions; and government regulations, including regulations relating to permitting, prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted.

We will continue to rely upon consultants and others for exploration and development expertise. Substantial expenditures are required to determine if mineralization reserves exist through drilling, to develop processes to extract the precious and non-precious metals from the mineralization and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis or at all. The economics of developing mineral properties are affected by many factors including the cost of operations, variations in the grade of mineralization mined, fluctuations in markets, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. The remoteness and restrictions on access to the Properties in which we have or may have an interest will have an adverse effect on profitability in that infrastructure costs will be higher.

The Company plans to focus on developing the Properties for production by applying for and obtaining the necessary permits, completing trenching, modeling and metallurgy work, preparing a preliminary economic assessment (PEA), including initial surface and underground mine engineering, environmental sampling and bulk sampling.

The long term profitability of the Company's operations will be in part directly related to the cost and success of its exploration and mine development program, which may be affected by a number of factors. Substantial expenditures are required to establish reserves through drilling, to develop processes to extract the resources and, in the case of new properties, to develop the extraction and processing facilities and infrastructure at any site chosen for extraction. Although substantial benefits may be derived from the discovery of a major deposit, no assurance can be given that any such deposit will be commercially viable or that the funds required for development can be obtained on a timely basis.

### **Compliance with Applicable Laws and Regulations**

The Company's operations, including development activities and commencement of production on its properties, require permits from various, federal, provincial or territorial and local governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters.

Such operations and exploration activities are also subject to substantial regulation and may require that the Company obtain permits from various governmental agencies. There can be no assurance, however, that all permits that the Company may require for its operations and exploration activities will be granted

on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any mining project which the Company may choose to undertake.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

To our knowledge, we are operating in compliance with all applicable rules and regulations.

### **Operating Hazards and Risks**

Exploration for natural resources involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of resources, any of which could result in work stoppages, damage to persons or property and possible environmental damage. Although the Company has or will obtain liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable against, or the Company may not elect to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that could have a material adverse effect upon its financial condition.

### **No History of Profitable Operations**

From the date of incorporation, the Company and its wholly-owned subsidiary have had no history of positive income from operations. Furthermore, because the Company is still in the exploration phase it is expected that the Company will generate net losses for the foreseeable future. There is no guarantee that the Company will ever be able to generate a positive net income.

### **Global Financial and Economic Conditions**

Current global financial and economic conditions, while improving, remain volatile. Many industries, including the mineral resource industry, are impacted by these market conditions. Some of the key impacts of the current financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets, and a lack of market liquidity. Such factors may impact our ability to obtain financing in the future on favourable terms or obtain any financing at all. Additionally, global economic conditions may cause a long term decrease in asset values. If such global volatility, market turmoil and the global recession continue, our operations and financial condition could be adversely impacted.

## **18. Promoter Consideration**

We do not have any promoters nor an investor relations representative and have not had such persons or activities for more than two years preceding the date of this Listing Statement. Our directors and officers handle all queries from shareholders and potential shareholders.



## 19. Legal Proceedings

There are no legal proceedings outstanding, threatened or pending as of the date of this Listing Statement by or against us or to which we are a party or our business or any of our assets is the subject of, nor to the knowledge of our directors and officers are any such legal proceedings contemplated which could become material to a purchaser of our securities.

### Regulatory Actions

There have not been any penalties or sanctions imposed against the Company by a court relating to provincial or territorial securities legislation or by a securities regulatory authority, nor have there been any other penalties or sanctions imposed by a court or regulatory body against the Company, and the Company has not entered into any settlement agreements before a court relating to provincial or territorial securities legislation or with a securities regulatory authority.

## 20. Interest of Management and Others in Material Transactions

Other than as disclosed below, no director, executive officer or principal shareholder of us, or an associate or affiliate of a director, executive officer or principal shareholder of us, has any material interest, direct or indirect, in any transactions which has occurred since our incorporation, or in any proposed transaction that has materially affected or will materially affect us.

## 21. Auditors, Transfer Agents and Registrars

### Auditor

Our auditor is Wolrige Mahon LLP of Suite 900 – 400 Burrard Street, Vancouver, BC V6C 3B7.

### Transfer Agent and Registrar

Our registrar and transfer agent is Computershare Investor Services Inc. of 3<sup>rd</sup> Floor – 510 Burrard Street, Vancouver, British Columbia V6C 3B7.

## 22. Material Contracts

The material contracts of the Company, excluding those made in the ordinary course of its business, are as follows:

Name of Contract	Parties	Date	Nature of Contract and Consideration
Assignment of interest in mineral claims	The Company and THC	January 30, 2015	THC assigned to the Company its interest in the mineral leases on the LDG Property
Promissory Note	The Company and THC	February 28, 2015	The Company loaned \$89,125 to THC
Assignment of	The Company and	December 30, 2016	Bua assigned to the Company its

Name of Contract	Parties	Date	Nature of Contract and Consideration
interest in Chedic Property	THC		interest in the mineral leases on the Chedic Graphite Property
Chedic Property Agreement	The Company and GeoXplor	December 30, 2016	The Company, as optionee, obtained an option to acquire a 100% undivided right, title and interest in certain mineral leases over the Chedic Property.

**23. Interest of Experts**

Other than as disclosed below, there is no direct or indirect interest in our exploration or of a Related Person received or to be received by a person or company whose profession or business gives authority to a statement made by the person or company and who is named as having prepared or certified a part of this Listing Statement or prepared or certified a report or valuation described or included in this Listing Statement:

**24. Other Material Facts**

There are no material facts other than as disclosed therein.

**25. Financial Statements**

The following financial statements are attached as schedules to this Listing Statement:

- “A” Audited Financial Statements of Thelon Diamonds Ltd. for the year ended August 31, 2016 and the year ended August 31, 2015
- “B” MD&A of Thelon Diamonds Ltd. for the year ended August 31, 2016
- “C” Audited Financial Statements of Thelon Diamonds Ltd. for the year ended August 31, 2015
- “D” Audited Financial Statements of Thelon Diamond Company Limited for the years ended August 31, 2014, 2013 and 2012.
- “E” Unaudited consolidated interim financial statements of Thelon Diamonds Ltd. for the period ended November 30, 2016
- “F” MD&A of Thelon Diamonds Ltd. for the period ended November 30, 2016

**SCHEDULE "A"**

**AUDITED FINANCIAL STATEMENTS OF THELON DIAMONDS LTD.  
FOR THE YEAR ENDED AUGUST 31, 2016 AND THE YEAR ENDED AUGUST 31, 2015**

*[Inserted as the following pages.]*

**THELON DIAMONDS LTD.**  
(An Exploration Stage Company)

**CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)

For the year ended August 31, 2016 and period ended August 31, 2015

THELON DIAMONDS LTD.  
CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in Canadian Dollars)  
For the year ended August 31, 2016 and period ended August 31, 2015

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## **Independent Auditor's Report**

### **To the Shareholders of Thelon Diamonds Ltd.**

We have audited the accompanying consolidated financial statements of Thelon Diamonds Ltd. and its subsidiary, which comprise the consolidated statement of financial position as at August 31, 2016 and 2015 and the consolidated statement of comprehensive loss, statement of changes in equity, and statement of cash flows for the year ended August 31, 2016 and the period from incorporation on November 6, 2014 to August 31, 2015 and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Thelon Diamonds Ltd. and its subsidiary as at August 31, 2016 and 2015 and their performance and their cash flows for the year ended August 31, 2016 and the period from incorporation on November 6, 2014 to August 31, 2015 in accordance with International Financial Reporting Standards.

### **Emphasis of matter**

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt about the ability of Thelon Diamonds Ltd. and its subsidiary to continue as a going concern.

*"Wolrige Mahon LLP"*

CHARTERED PROFESSIONAL ACCOUNTANTS

December 22, 2016  
Vancouver, British Columbia

THELON DIAMONDS LTD.  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
(Expressed in Canadian Dollars)

	August 31, 2016	August 31, 2015
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 11,923	\$ 26,217
GST recoverable	1,785	4,695
Loans to related parties (Note 4)	37,305	111,209
Other Loans	5,000	-
Investments (Note 5)	230,000	-
	286,013	142,121
<b>Non-Current</b>		
Exploration and evaluation assets (Note 6)	104,489	83,347
<b>Total Assets</b>	<b>\$ 390,502</b>	<b>\$ 225,468</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 8)	\$ 102,798	\$ 47,763
<b>Non-Current</b>		
Loans from related parties (Note 4)	15,868	-
Other liability (note 7)	19,500	19,500
	35,368	19,500
	138,166	67,263
<b>EQUITY</b>		
Share capital (Note 7)	432,901	432,901
Deficit	(180,565)	(274,696)
	252,336	158,205
<b>Total Liabilities and Equity</b>	<b>\$ 390,502</b>	<b>\$ 225,468</b>

Nature and continuance of operations (Note 1)

Approved and authorized for issue by the Directors on December 22, 2016:

*"Jason Walsh"*

Director

*"Geoff Watson"*

Director

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

THELON DIAMONDS LTD.  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME AND LOSS  
(Expressed in Canadian Dollars)

For the	Year ended August 31, 2016	Period ended August 31, 2015
<b>EXPENSES</b>		
Administration fees (Note 8)	\$ 42,500	\$ 27,000
Advertising and promotion	-	1,390
Consulting fees (Note 8)	30,700	53,012
General and administrative (Note 8)	9,352	12,349
Professional fees (Note 8)	35,234	65,513
Travel and meal and entertainment	8,083	-
	125,869	159,264
Unrealized gain on investment (Note 5)	(220,000)	-
Cost of plan of arrangement (Note 3)	-	115,432
<b>Net and comprehensive income / (loss)</b>	<b>\$ 94,131</b>	<b>\$ (274,696)</b>
<b>Income / (Loss) per share – basic and diluted</b>	<b>\$ 0.01</b>	<b>\$ (0.03)</b>
<b>Weighted average number of shares outstanding – basic and diluted</b>	<b>12,743,666</b>	<b>8,912,705</b>

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



THELON DIAMONDS LTD.  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
(Expressed in Canadian Dollars)

	Number of Shares	Amount	Deficit	Total
Balance, November 6, 2014	-	\$ -	\$ -	-
Shares issued pursuant to plan of arrangement (Note 3)	8,121,667	195,751	-	195,751
Share issued for acquisition (Note 3)	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 (note 7b))	-	(8,000)	-	(8,000)
Cancellation of shares	(10,000)	(1)	-	(1)
Net loss for the period	-	-	(274,696)	(274,696)
Balance August 31, 2015	12,743,666	432,901	(274,696)	158,205
Net income for the year	-	-	94,131	94,131
Balance August 31, 2016	12,743,666	\$ 432,901	\$ (180,565)	\$ 252,336

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

THELON DIAMONDS LTD.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Expressed in Canadian Dollars)

	For the year ended August 31, 2016	For the period ended August 31, 2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income / (Loss) for the period	\$ 94,131	\$ (274,696)
Cost of plan of arrangement (Note 3)	-	115,432
Unrealized gain on investment	(220,000)	-
Accrued interest (Note 4)	3,500	-
Changes in operating assets and liabilities:		
Accounts payable and accrued liabilities	55,035	(24,469)
GST recoverable	2,910	(579)
Cash used in operating activities	(64,424)	(184,312)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loans from related parties	12,368	-
Shares issued	-	140,150
Cash provided by financing activities	12,368	140,150
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash acquired with plan of arrangement	-	115,810
Exploration and evaluation assets	(21,142)	(23,347)
Acquisition of investment	(10,000)	-
Loans to related parties	73,904	(22,084)
Other loans	(5,000)	-
Cash provided by (used in) investing activities	37,762	70,379
Change in cash	(14,294)	26,217
Cash, beginning	26,217	-
Cash, ending	\$ 11,923	\$ 26,217
Supplemental disclosures		
Interest paid	\$ -	\$ -
Income tax paid	\$ -	\$ -

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

THELON DIAMONDS LTD.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2016 and THE PERIOD ENDED AUGUST 31, 2015  
(Expressed in Canadian Dollars)

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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 908 - 510 Burrard 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 year ended August 31, 2016, the Company has not generated revenues, net income was \$94,131 (2015: net loss was \$274,696) and, as at August 31, 2016, it had working capital of \$183,215. 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

*(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 consolidated 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 that management has made and other sources of estimation uncertainty 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;
- ii. The recoverable amount of exploration and evaluation assets.

*Critical accounting judgments*

In the preparation of these consolidated financial statements, management has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. The judgments which may have an effect on the amounts recognized in the consolidated financial statements include the following:

- i. The determination of categories of financial assets and financial liabilities;
- ii. The assessment of going concern;
- iii. The assessment of impairment indicators for the exploration and evaluation assets.

(d) *Exploration and evaluation assets*

Pre-exploration costs or property investigation costs are expensed in the period in which they are incurred. Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation are capitalized by property. Costs not directly attributable to exploration and evaluation activities, including general and administrative overhead costs, are expensed in the period in which they occur.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditures, in excess of estimated recoveries, are written off to income or loss.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction". Exploration and evaluation assets are tested for impairment before the assets are transferred to development properties.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) *Exploration and evaluation assets (continued)*

Ownership in mineral properties involves certain inherent risks due to the difficulties of determining and obtaining clear title to claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristics of many mineral properties. The Company has investigated ownership of its mineral properties and, to the best of its knowledge, ownership of its interests are in good standing.

Exploration and evaluation assets are classified as intangible assets.

When the Company's exploration and development activities are conducted jointly with others, the consolidated financial statements include only the Company's proportionate interests in these arrangements.

(e) *Joint arrangements*

A joint arrangement is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when significant operating and financial decisions relating to the activity require the unanimous consent of the parties sharing control. The Company's joint arrangements consist of joint operations.

A joint operation is a joint arrangement in which the parties to the arrangement have joint control over the assets contributed to or acquired for the purposes of the joint arrangement. Joint operations do not involve the establishment of a corporation, partnership or other entity. The Company records its proportionate interest in the assets, liabilities, revenues and expenses of its joint operations.

(f) *Financial instruments*

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) *Financial assets and liabilities at fair value through profit or loss:* A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Instruments classified under this category, including embedded derivatives, are recorded at fair value through profit or loss and accordingly are recorded on the statement of financial position at fair value. Unrealized gains and losses are recorded in profit or loss. Realized gains or losses are recorded in profit or loss in the period in which the Company disposes of the instrument. The Company has classified its investment as a financial asset at fair value through profit or loss.

(ii) *Available-for-sale assets:* Available-for-sale assets are non-derivatives that are either designated in this category or not classified in any of the other categories. The Company does not hold any available-for-sale assets.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) *Financial instruments (continued)*

(iii) *Held-to-Maturity investments:* Held-to-maturity investments are non-derivatives that are designated in this category where the Company has the intention and the ability to hold the investment to maturity. Held-to-maturity investments are initially measured at fair value including transaction costs, and subsequently carried at amortized cost using the effective interest method less a provision for impairment. The effective interest rate method is a method for calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The Company does not hold any held-to-maturity assets.

(iv) *Loans and receivables:* Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment. The Company has classified cash and loans as loans and receivables.

(v) *Financial liabilities at amortized cost:* Financial instruments held by the Company and classified in this category include accounts payable and accrued liabilities and loans from related parties. Accounts payable and accrued liabilities are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, accounts payable and accrued liabilities and loans to related parties are measured at amortized cost using the effective interest method.

*Impairment on Financial Assets*

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, there is objective evidence of impairment as a result of one or more events that has occurred subsequent to the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

(g) *Flow-through Shares*

The Company will from time to time, issue flow-through common shares to finance its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into: i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability; and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The Company indemnifies the subscribers of flow-through shares against certain tax related amounts that become due related to their flow-through subscriptions (Note 7).

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

*(h) Stock-based Compensation*

The Company accounts for stock options granted to directors, officers, employees and non-employees at grant date fair value. The fair value of stock options granted to non-employees is measured based on the fair value of the goods and services received, unless that fair value cannot be estimated reliably, in which case the fair value is determined with reference to the fair value of the instruments granted, and is re-measured at the earlier of each financial reporting or vesting date, and any adjustment is charged or credited to operations upon re-measurement. The fair value of the options awarded at the date of the grant is determined using the Black-Scholes option pricing model and stock-based compensation is accrued and charged to operations using the graded method, with an offsetting credit to contributed surplus, over the vesting periods.

The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

If and when the stock options are exercised, the applicable amounts of contributed surplus are transferred to share capital. Charges for options that are forfeited before vesting are reversed from Contributed Surplus.

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

*(i) Income/(Loss) per Share*

Basic income/(loss) per share is calculated by dividing the income/(loss) for the period by the weighted average number of shares outstanding. The Company uses the treasury stock method of calculating fully diluted loss per share amounts, whereby any proceeds from the exercise of stock options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period. The assumed conversion of outstanding warrants has an anti-dilutive impact for the reported periods thus fully diluted loss per share is the same as basic loss per share.

*(j) Income Taxes*

Income tax comprises current and deferred tax. Income tax is recognized in the statement of loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred income tax assets and liabilities are presented as non-current.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) *Share issue costs*

Share issue costs that are directly attributable to issuing new shares are deducted from equity.

Costs that relate to the stock market listing, or are otherwise not incremental and directly attributable to issuing new shares, are recorded as an expense in profit or loss.

Costs that relate to both share issuance and listing are allocated based on the proportion of new shares issued to the total number of shares listed.

When units are issued, which include shares and warrants, the warrants are valued using the residual value method where proceeds are allocated to the common shares up to their fair value as determined by the current quoted trading price on the announcement date, and the balance, if any, to the reserve for the warrants.

(l) *Recent Accounting Pronouncements*

The following pronouncements and amendments are effective for annual periods beginning on or after January 1, 2018 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.

*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, 2018 and earlier application is permitted.



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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.

	August 31, 2015
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

4. LOANS TO AND FROM RELATED PARTIES

*Loans to related parties*

	August 31, 2016	August 31, 2015
THC BioMed Int'l Ltd.	\$ 17,294	\$ 97,209
Zadar Ventures Ltd.	14,000	14,000
Bua Group	6,011	-
Total	\$ 37,305	\$ 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. Bua Group is a group of private companies controlled by a Director of the Company. The loans to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

*Loans from related parties*

On October 27, 2015, the Company entered into a loan agreement with a private company controlled by a Director of the Company. The principal loan amount was \$25,000 and bears interest at 25% per year. The Company repaid \$8,200 during the year and the loan was further offset by \$4,432 of previous amounts loaned to the private company. The Company recorded accrued interest of \$3,500 on the loan for the year. The loan is repayable on or before October 31, 2017.

As at August 31, 2016, the Company had an outstanding loan payable balance of \$15,868 (2015: \$Nil).

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5. INVESTMENTS

On December 22, 2015, the Company acquired 1,000,000 units in Zadar Ventures Ltd. for \$0.01 per unit ("Zadar"), for total consideration of \$10,000. Each unit consists of one common share in Zadar and one common share purchase warrant exercisable for a period of 3 years at \$0.05 per share.

The fair value of the share portion of the unit is determined using the stock price of Zadar as at August 31, 2016. The fair value of the warrant portion of the unit is determined by deducting the exercise price of the Zadar warrants as at August 31, 2016 from the Zadar stock price.

As at the August 31, 2016 the investment in Zadar was determined to have a fair value of \$230,000, of which \$140,000 was allocated to the shares and \$90,000 was allocated to the warrants. The Company recorded an unrealized gain on investment of \$220,000 during the year.

6. EXPLORATION AND EVALUATION ASSETS

During the prior 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 Gross Overriding Royalty 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.

In addition to the royalty noted above, royalty payments would also be required to be made to the Government of the Northwest Territories in the event of future production.

	August 31, 2016	August 31, 2015
Acquisition costs	\$ 60,000	\$ 60,000
Deferred exploration:		
Maintenance fees	1,881	-
Geological services	23,810	-
Technical report	18,798	23,347
	44,489	23,347
Total Exploration and Evaluation assets	\$ 104,489	\$ 83,347

7. 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.

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7. SHARE CAPITAL AND RESERVES (continued)

b) Issued (continued)

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. The flow-through liability associated with this issuance, representing the premium of the flow-through share price in excess of the trading price, was \$19,500.

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

During the period ended August 31, 2015, 1,048,667 common shares, for proceeds of \$78,650, issued in the private placements above, offset amounts otherwise payable to the participants.

There were no share capital transactions during the year ended August 31, 2016.

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 August 31, 2016, 5,000,000 (2015: 5,000,000) warrants are outstanding.

8. RELATED PARTY BALANCES AND TRANSACTIONS

Key management includes directors, executive officers and officers of the Company. The Company paid or accrued fees to companies controlled by key management as follows:

	For the year ended August 31, 2016	For the period ended August 31, 2015
Administration fees	\$ 42,500	\$ 27,000
Accounting fees	18,000	12,000
Consulting fees	30,700	25,000
Interest expense (Note 4)	3,500	-
	<u>\$ 94,700</u>	<u>\$ 64,000</u>

As at August 31, 2016, accounts payable and accrued liabilities included \$61,078 (2015: \$15,263) owed to companies controlled by directors of the Company. The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

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.

9. 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.

## 10. FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist of cash, loans to related parties, other loans, investments, accounts payable and accrued liabilities, and loans from related parties. 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.

Financial instruments measured at fair value are classified into one of the three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The Company has classified its investments at Level 1.

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, loans to related parties and other loans, 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 of \$183,215. 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 is exposed to price risk in relation to its investment held as at August 31, 2016.

Price risk is the risk that changes in market prices including commodity or equity prices will have an effect on the fair value or future cash flows associated with financial instruments. The equity price risk associated with the Company's current investment primarily relates to the change in the market prices of the investment in Zadar common shares and warrants. As at August 31, 2016, the Company owns 1,000,000 common shares and warrants. Each common share is valued at \$0.14 and each warrant is valued at \$0.09. A 10% change in the market price of Zadar would have an impact of \$28,000 on the Company's investments. Management believes there is price risk related to this investment.

While the Company will seek to maximize the proceeds it receives from the sale of its Zadar Shares on the TSX Venture Exchange, there is no assurance as to the timing of disposition or the amount that will be realized.

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11. INCOME TAXES

Income tax recovery varies from the amount that would be computed from applying the combined federal and provincial income tax rates to income/(loss) before taxes as follows:

	For the year ended August 31, 2016	For the period ended August 31, 2015
Income (loss) before taxes	\$ 94,131	\$ (274,696)
Statutory Canadian corporate tax rate	26%	25%
Anticipated tax expense (recovery)	24,500	(68,700)
Difference resulting from:		
Items not deductible (included in income) for tax purposes and other	(47,600)	28,900
Change in unrecognized deferred tax assets	23,100	39,800
Deferred income taxes (recovery)	\$ -	\$ -

The significant components of the Company's deferred tax assets and liabilities are as follows:

	August 31, 2016	August 31, 2015
Investments	\$ (28,600)	\$ -
Share issue costs	3,500	-
Non capital loss carry forward	112,200	64,000
Net deferred tax assets	87,100	64,000
Unrecognized deferred tax assets	(87,100)	(64,000)
Net deferred tax asset	\$ -	\$ -

The Company and its subsidiary have available non-capital losses for Canadian income tax purposes of \$431,600 which may be carried forward to reduce taxable income in future years. If not utilized, the non-capital losses will expire as follows:

Year of expiry	Amount
2036	\$ 130,600
2035	204,200
2034	33,300
2033	19,700
2032	43,800
	\$ 431,600

As at August 31, 2016, the Company and its subsidiary also have \$104,000 of tax pools related to its exploration and evaluation assets which can be used to reduce future taxable income and which can be carried forward indefinitely.

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12. SUBSEQUENT EVENT

Subsequent to August 31, 2016, the Company issued an additional 3,600,000 common shares pursuant to the exercise of warrants.

**SCHEDULE "B"**

**MD&A OF THELON DIAMONDS LTD.  
FOR THE YEAR ENDED AUGUST 31, 2016**

*[Inserted as the following pages.]*

# **THELON DIAMONDS LTD.**

**(An Exploration Stage Company)**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**(Expressed in Canadian Dollars)**

**For the year ended August 31, 2016**



## **INTRODUCTION**

Information presented in the Management's Discussion and Analysis ("MD&A") of Financial Condition and Results of Operations of Thelon Diamonds Ltd. (the "Company" or "Thelon") is for the year ended August 31, 2016. The information contained in this MD&A should be read in conjunction with the Company's latest audited consolidated financial statements for the year ended August 31, 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

This MD&A is prepared as of December 20, 2016. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise stated. Additional information is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **CAUTION REGARDING FORWARD LOOKING STATEMENTS**

This MD&A contains certain statements that constitute forward-looking statements. When used in this document the words "anticipate", "believe", "estimate", "expect", "plan", "future", "intend", "may", "will", "should", "predicts", "potential", "continue", and similar expressions, as they relate to Thelon Diamonds Ltd. or its management, are intended to identify forward-looking statements. Such statements reflect current views of management with respect to future events and are subject to certain known and unknown risks, uncertainties, and assumptions. These statements should not be relied upon. Many factors could cause the actual results, performance, or achievements to be materially different from future results, performance, or achievements that may be expressed or implied by such forward looking statements. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward looking statements prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, or expected. Thelon Diamonds Ltd. does not intend, and does not assume, any obligation to update these forward looking statements, except as required by securities regulation.

## **DESCRIPTION OF THE BUSINESS**

Thelon Diamonds Ltd. 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 principal business activity has been the acquisition and exploration of mineral properties. The Company holds interests in certain mineral properties and on the basis of information available to date may not have economically viable reserves. The underlying value of the mineral interests and related deferred exploration expenditures is dependent upon the existence and economic recovery of such reserves in the future, confirmation of the Company's interest in the underlying mineral claims, and the ability to raise long-term financing.

On December 31, 2014, the statutory plan of arrangement (the "Arrangement") entered into on December 18, 2014, among THC BioMed Int'l Ltd. (formerly Thelon Capital Ltd.) ("THC"), the then parent company of the Company; Thelon Diamond Company Limited ("THD"), 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

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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 THD became a wholly owned subsidiary of the Company.

Pursuant to the Arrangement, the following principal steps were completed:

On December 18, 2014 the Company's then parent company THC, a public company, entered into a Plan of Arrangement with 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.

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 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, THD, which was incorporated on February 8, 2012.

The Company's corporate office is located at Suite 908 – 510 Burrard Street, Vancouver B.C. V6C 3A8.

The Company is an exploration stage resource company in the province of British Columbia. The diverse backgrounds and experience of the Company's management will facilitate the ongoing corporate and exploration growth. The Management team will continue to evolve as the Company grows as a mineral exploration company.

#### ***Lac de Gras, Northwest Territories***

The Lac de Gras properties are located approximately 300 km north-northeast of the city of Yellowknife in the Northwest Territories, Canada to the southeast of the Diavik diamond mine.

The Project consists of three mineral leases with an aggregate area of 1,632.91 ha held by a joint venture (JV) between Thelon Diamonds Ltd. (29.46%) and Peregrine Diamonds Ltd. (Peregrine; 70.54%) Subject to a royalty of 4% gross overriding royalty (GOR) on all diamonds and 4% net smelter return (NSR) royalty on all metals, of which 50% of either of these royalties can be purchased for \$4,000,000.

THC transferred the rights to the three leases and participation in the Peregrine JV to Thelon Diamonds Ltd. under a statutory plan of arrangement. That transfer was announced in a press release on December 30, 2014 and completed on January 14, 2015. A report has been prepared by Amec Foster Wheeler in support of a stock exchange listing in Canada for Thelon Diamonds Ltd.

Peregrine is the operator of all work programs pertaining to the Project. Joint venture partners are required to contribute to future programs or their respective interests will be subject to dilution according to the joint venture agreement, thus the discrepancy between the registered ownership of the leases and the actual ownership.

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In addition to the royalty noted above, royalty payments would also be required to be made to the Government of the Northwest Territories in the event of future production.

**SELECTED ANNUAL INFORMATION**

Year/Period Ended August 31	2016	2015
Revenues	\$ -	\$ -
Net Income / (Loss) for the Year	\$ 94,131	\$ (274,696)
Income /(Loss) per share (basic and diluted)	\$ 0.01	\$ (0.03)
Total assets	\$ 390,502	\$ 225,468
Total long term liabilities	\$ 35,368	\$ 19,500
Dividends declared	\$ -	\$ -

**RESULTS OF OPERATIONS**

During the year ended August 31, 2016, the Company incurred net income of \$94,131. As compared to a net loss of \$274,696 for the year ended August 31, 2015

The resulting gain for the year ended August 31, 2016 is due to the unrealized gain on investment in Zadar Ventures Ltd. ("Zadar") of \$220,000.

**SUMMARY OF QUARTERLY RESULTS**

Quarter ended	Revenue	Net gain (loss)	Net gain (loss) per share
31-Aug-16	-	(180,708)	(\$0.01)
31-May-16	-	254,021	\$0.02
29-Feb-16	-	58,600	\$0.00
30-Nov-15	-	(37,782)	(\$0.00)
31-Aug-15	-	(58,470)	(\$0.01)
31-May-15	-	(69,265)	(\$0.01)
28-Feb-15	-	(146,961)	(\$0.02)
30-Nov-15	-	-	-

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## **LIQUIDITY**

As at August 31, 2016, the Company has working capital of \$183,215, including an unrealized gain on marketable securities.

While the Company will seek to maximize the proceeds it receives from the sale of its Zadar shares on the TSX Venture Exchange, there is no assurance as to the timing of disposition or the amount that will be realized. Funds realized from the sale of the Zadar Shares will be used by the Company for working capital and general corporate purposes.

Since the Company does not expect to generate any revenues in the near future, it will continue to rely primarily upon the sale of common shares to raise capital. There can be no assurance that financing will be available to the Company on acceptable terms when required, or at all.

At present, there are no known demands, commitments, events or uncertainties that would adversely affect the trends and expected fluctuations in the Company's liquidity. The Company does not believe that its current financial resources will be adequate to meet its business objectives and projected working capital and other cash requirements for at least 12 months. The Company may have to evaluate additional means of financing, including additional debt or equity financings. See "Risk Factors".

## **PROPOSED TRANSACTIONS**

There are no proposed assets or business acquisitions or dispositions, other than those in the ordinary course of business, before the board of directors for consideration.

## **COMMON SHARES OUTSTANDING**

As of August 31, 2016, a total of 12,743,666 common shares were issued and outstanding.

Subsequent to August 31, 2016, the Company issued an additional 3,600,000 common shares from the exercise of warrants, resulting in an aggregate of 16,343,666 common shares as of the date of this report.

## **WARRANTS OUTSTANDING**

On December 18, 2014, pursuant to the transaction in note 3 to the consolidated financial statements, 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. As of August 31, 2016, 5,000,000 warrants were outstanding.

Subsequent to August 31, 2016, 3,600,000 warrants were exercised, resulting in an aggregate of 1,400,000 warrants as of the date of this report.

## **OPTIONS OUTSTANDING**

As of August 31, 2016, and the date of this report, the Company had no options outstanding.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.

## **TRANSACTIONS WITH RELATED PARTIES**

The Company:

- incurred administration fees of \$42,500 (2015 - \$27,000) and consulting fees of \$30,700 (2015 - \$25,000) to a company controlled by a director and President of the Company;
- incurred accounting fees of \$18,000 (2015 – \$12,000) to a company controlled by a director and Chief Financial Officer of the Company.
- incurred interest expense of \$3,500 (2015 – \$Nil) on a promissory note entered into with a company controlled by a director and President of the Company.

As at August 31, 2016, accounts payable and accrued liabilities included \$61,078 (2015 – \$15,263) owed to companies controlled by directors of the Company.

As at August 31, 2016, loans to related parties totalled \$37,305 (2015 – \$111,209). The loans to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

As at August 31, 2016, loans from related parties totalled \$15,868 (2015: \$Nil). The loan bears interest at 25% per year and is repayable on or before October 31, 2017.

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.

## **CONFLICTS OF INTEREST**

The Company's directors and officers may serve as directors or officers, or may be associated with other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding on terms with respect to the transaction. If a conflict of interest arises, the Company will follow the provisions of the Business Corporations Act (BC) ("Corporations Act") dealing with conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith, and in the best interest of the Company.

## **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

### *Fair value of financial instruments*

The carrying values of cash, loans to related parties, other loans, investments, accounts payable and accrued liabilities, and loans from related parties, approximate their carrying values due to the immediate or short-term nature of these instruments, unless otherwise noted.

#### *Fair value hierarchy*

IFRS 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company has classified its investment at Level 1.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

#### *Credit Risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist primarily of cash. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada. The Company's financial assets are subject to material financial risk in that the loans to related parties and other loans are unsecured, non-interest bearing and have no fixed terms of repayment.

#### *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 assets. The Company has working capital of \$183,215. 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 is exposed to price risk in relation to its investment held at August 31, 2016.

Price risk is the risk that changes in market prices including commodity or equity prices will have an effect on the fair value or future cash flows associated with financial instruments. The equity price risk associated with the Company's current investment primarily relates to the change in the market prices of the investments in Zadar common shares and warrants. As at August 31, 2016, the Company owns 1,000,000 common shares and warrants each common share is valued at \$0.14 and each warrant is valued at \$0.09. Management believes there is price risk related to this investment.

*Interest rate risk*

Interest rate risk consists of two components: to the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, and to the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities.

Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity.

*Foreign currency risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currency.

The Company is currently not exposed to any foreign currency risk.

*Capital risk management*

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through a suitable debt and equity balance appropriate for an entity of the Company's size and status. The Company's overall strategy remains unchanged from last year.

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital and deficit. The availability of new capital will depend on many factors including a positive mineral exploration environment, positive stock market conditions, the Company's track record, and the experience of management. The Company is not subject to any external covenants on its capital.

**CHANGES IN ACCOUNTING POLICIES**

The following new accounting standards have not yet been adopted by the Company:

**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.

#### 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, 2018 and earlier application is permitted. The Standard is not expected to have an impact on the Company in its present form.

#### **OTHER RISKS AND UNCERTAINTIES**

The Company is an exploration stage company with respect to its mineral interests. Based on the information available to date, the Company has not yet determined whether its mineral interests contain economically recoverable reserves. The recoverability of the amounts shown for mineral interests is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their development, and upon future profitable production. In conducting its business, the Company is subject to a number of other risks and uncertainties that could have a material adverse effect on the Company's business prospects or financial condition that could result in a delay or indefinite postponement in the development of the Company's mineral interests.

##### *Risks associated with exploration stage companies*

Exploring for mineral resources involves a variety of operational, financial, and regulatory risks that are typical in the natural resource industry. The Company has not commenced commercial operations and has no proven history of performance, earnings, or success. There is no guarantee that the Company will ever be able to achieve profitable results or successfully execute its business plan. The Company's Common Shares must be considered speculative primarily due to the nature of the Company's business and early stage of development.

The Company has no revenue or income from operations. The Company has limited capital resources and has to rely upon the sale of equity and/or debt securities for cash required for exploration and development purposes, for acquisitions, and to fund the administration of the Company. Since the Company does not expect to generate any revenues from operations in the near future, it must continue to rely upon the sales of its equity or debt securities or joint venture agreements to raise capital. There can be no assurance that financing, whether equity or debt, will be available to the Company in the amount required by the Company at any particular time or for any period, and that such financing can be obtained on terms satisfactory to the Company.



#### *Property title*

Although the Company believes it has exercised commercially reasonable due diligence with respect to determining title to properties it owns, controls, or has the right to acquire by option, there is no guarantee that title to such properties will not be challenged or impugned. The Company's mineral interests may be subject to prior unrecorded agreements or transfers or native land claims, and title may be affected by undetected defects. There may be valid challenges to the title of the Company's mineral interests which, if successful, could impair development and operations. This situation may be exacerbated due to the large number of title transfers historically involved with some properties.

#### *Licenses and permits*

The Company will require licenses and permits from various governmental authorities regarding the Company's mineral interests. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development, and mining operations for its mineral interests. Failure to obtain and maintain such licenses and permits may adversely affect the Company's business as the Company would be unable to legally conduct its intended exploration and development work which may result in its losing its interest in the subject property.

#### *Operating hazards and risks*

Fires, power outages, labour disputes, flooding, explosions, cave-ins, landslides, and the inability to obtain suitable or adequate machinery, equipment, or labour are some of the risks involved in exploration programs. Unknowns with respect to geological structures and other conditions are involved. Existing and future environmental laws may cause additional expense and delays in the activities of the Company, and may render the Company's properties uneconomic. The Company has no liability insurance and the Company may become subject to liability for pollution, cave-ins, or hazards against which it cannot insure, or against which it may elect not to insure. The payment of such liabilities may have a material, adverse effect of the Company's financial position.

#### *Competition*

The mining industry is intensely competitive and the Company must compete in all aspects of its operations with a substantial number of other corporations which have greater technical and financial resources. The Company may be unable to acquire additional attractive mining properties on terms it considers acceptable.

#### *Profitability of operations*

The Company does not have profitable operations at this time and it should be anticipated that it will operate at a loss until such time as production is achieved from its properties, if production is in fact ever achieved. Investors also cannot expect to receive any dividends on their investment in the foreseeable future.

*Market risks*

Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect the marketability of any mineral products discovered. Mineral prices have fluctuated widely in recent years. The marketability and price of minerals which may be produced or acquired by the Company will be affected by numerous factors beyond the control of the Company. These factors include extensive government regulation relating to price, taxes, royalties, allowable production land tenure, the import and export of minerals, and many other aspects of the mining business. Declines in mineral prices may have a negative effect of the Company.

*Future financings*

If the Company's exploration programs are successful, additional funds will be required for further exploration and development to place a property into commercial production. The Company's available sources of funds are: existing cash; the further sale of equity capital; and the offering by the Company of an interest in its properties to be earned by another party or parties carrying out further exploration or development thereof. There is no assurance such sources will continue to be available on favourable terms or at all. If available, future equity financings may result in dilution to current shareholders.

*Going concern*

The Company's financial statements have been prepared on a going concern basis 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 continuing operations of the Company are dependent upon its ability to obtain the necessary financing to meet its on-going commitments and further its mineral exploration programs.

**ADDITIONAL INFORMATION**

Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

**SCHEDULE “C”**

**AUDITED FINANCIAL STATEMENTS FOR THELON DIAMONDS LTD.  
FOR THE YEAR ENDED AUGUST 31, 2015**

*[Inserted as the following pages.]*

**THELON DIAMONDS LTD.**  
(An Exploration Stage Company)

**CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)

For the period ended August 31, 2015

THELON DIAMONDS LTD.  
CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in Canadian Dollars)  
For the period ended August 31, 2015

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## **Independent Auditor's Report**

### **To the Shareholders of Thelon Diamonds Ltd.**

We have audited the accompanying consolidated financial statements of Thelon Diamonds Ltd. and its subsidiary, which comprise the consolidated statement of financial position as at August 31, 2015 and the consolidated statement of comprehensive loss, statement of changes in equity, and statement of cash flows for the period from incorporation on November 6, 2014 to August 31, 2015 and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Thelon Diamonds Ltd. and its subsidiary as at August 31, 2015 and their performance and their cash flows for the period from incorporation on November 6, 2014 to August 31, 2015 in accordance with International Financial Reporting Standards.

### **Emphasis of matter**

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt about the ability of Thelon Diamonds Ltd. and its subsidiary to continue as a going concern.

*"Wolrige Mahon LLP"*

CHARTERED PROFESSIONAL ACCOUNTANTS

December 29, 2015  
Vancouver, British Columbia

THELON DIAMONDS LTD.  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(Expressed in Canadian Dollars)

August 31, 2015

ASSETS

Current

Cash	\$ 26,217
GST/ HST recoverable	4,695
Loans to related parties (note 4)	111,209
Prepaid expenses and deposits	-

142,121

Non-Current

Exploration and evaluation assets (Note 5)	83,347
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Total Assets \$ 225,468

LIABILITIES

Current

Accounts payable and accrued liabilities (Note 7)	\$ 47,763
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Other liability (note 6) 19,500

67,263

EQUITY

Share capital (Note 6)	432,901
Deficit	(274,696)

158,205

Total Liabilities and Equity \$ 225,468

Nature and continuance of operations (Note 1)

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

*"Jason Walsh"*

Director

*"Geoff Watson"*

Director

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

THELON DIAMONDS LTD.  
CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS  
(Expressed in Canadian Dollars)

For the	Period ended August 31, 2015
<b>EXPENSES</b>	
Administration fees (Note 7)	\$ 27,000
Advertising and promotion	1,390
Consulting fees	53,012
General and administrative	12,349
Professional fees	65,513
	<b>159,264</b>
Cost of plan of arrangement (Note 3)	115,432
<b>Net and comprehensive loss</b>	<b>\$ 274,696</b>
Loss per share – basic and diluted	\$ 0.03
Weighted average number of shares outstanding – basic and diluted	8,912,705

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



THELON DIAMONDS LTD.  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
(Expressed in Canadian Dollars)

	Number of Shares	Amount	Deficit	Total
Balance, November 6, 2014	-	\$ -	\$ -	-
Shares issued pursuant to plan of arrangement (note 3)	8,121,667	195,751	-	195,751
Share issued for acquisition (note 3)	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 (note 6b))	-	(8,000)	-	(8,000)
Cancellation of shares	(10,000)	(1)	-	(1)
Net loss for the period	-	-	(274,696)	(274,696)
Balance August 31, 2015	12,743,666	\$ 432,901	\$ (274,696)	\$ 158,205

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

THELON DIAMONDS LTD.  
CONSOLIDATED STATEMENT OF CASH FLOWS  
(Expressed in Canadian Dollars)

Period ended August 31,	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Loss for the period	\$ (274,696)
Cost of plan of arrangement	115,432
Changes in operating assets and liabilities:	
Accounts payable and accrued liabilities	(24,469)
Amounts receivable	(579)
Prepaid expenses and deposits	-
<b>Cash used in operating activities</b>	<b>(184,312)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Shares issued	140,150
Share subscriptions received in advance	-
<b>Cash provided by financing activities</b>	<b>140,150</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Cash acquired with plan of arrangement	115,810
Exploration and evaluation assets	(23,347)
Advances to related parties	(22,084)
<b>Cash provided by (used in) investing activities</b>	<b>70,379</b>
<b>Change in cash</b>	<b>26,217</b>
Cash, beginning	-
<b>Cash, ending</b>	<b>\$ 26,217</b>
<b>Supplemental disclosures (note 3)</b>	
Interest paid	\$ -
Income tax paid	\$ -

The accompanying notes are an integral part of these 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 August 31, 2015 the Company incurred a net loss of \$274,696 and at August 31, 2015 had working capital of \$94,358. 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

*(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.

(d) *Critical accounting judgments*

The determination of categories of financial assets and financial liabilities, and assessment of going concern have been identified as areas which involve significant judgment made by management.

(e) *Exploration and evaluation assets*

Pre-exploration costs or property investigation costs are expensed in the period in which they are incurred. Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation are capitalized by property. Costs not directly attributable to exploration and evaluation activities, including general and administrative overhead costs, are expensed in the period in which they occur.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditures, in excess of estimated recoveries, are written off to income or loss.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction". Exploration and evaluation assets are tested for impairment before the assets are transferred to development properties.

Ownership in mineral properties involves certain inherent risks due to the difficulties of determining and obtaining clear title to claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristics of many mineral properties. The Company has investigated ownership of its mineral properties and, to the best of its knowledge, ownership of its interests are in good standing.

Exploration and evaluation assets are classified as intangible assets.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) *Financial instruments*

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) *Financial assets and liabilities at fair value through profit or loss:* A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Instruments classified under this category, including embedded derivatives, are recorded at fair value through profit or loss and accordingly are recorded on the statement of financial position at fair value. Unrealized gains and losses are recorded as part of other gains (losses) in earnings. Realized gains or losses are recorded in profit or loss in the period in which the Company disposes the instrument. The Company has no assets classified in this category.

(ii) *Available-for-sale assets:* Available-for-sale assets are non-derivatives that are either designated in this category or not classified in any of the other categories. The Company does not hold any available-for-sale assets.

(iii) *Held-to-Maturity investments:* Held-to-maturity investments are non-derivatives that are designated in this category where the Company has the intention and the ability to hold the investment to maturity. Held-to-maturity investments are initially measured at fair value including transaction costs, and subsequently carried at amortized cost using the effective interest method less a provision for impairment. The Company does not hold any held-to-maturity assets.

(iv) *Loans and receivables:* Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment. The Company has classified cash and loans to related parties as loans and receivables.

(v) *Financial liabilities at amortized cost:* Financial instruments held by the Company and classified in this category include accounts payable and accrued liabilities. Accounts payable and accrued liabilities are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, accounts payable and accrued liabilities are measured at amortized cost using the effective interest method.

*Impairment on Financial Assets*

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, there is objective evidence of impairment as a result of one or more events that has occurred subsequent to the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) *Flow-through Shares*

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into: i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability; and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The Company indemnifies the subscribers of flow-through shares against certain tax related amounts that become due related to their flow-through subscriptions (Note 6).

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

(h) *Stock-based Compensation*

The Company accounts for stock options granted to directors, officers, employees and non-employees at grant date fair value. The fair value of stock options granted to non-employees is measured based on the fair value of the goods and services received, unless that fair value cannot be estimated reliably, in which case the fair value is determined with reference to the fair value of the instruments granted, and is re-measured at the earlier of each financial reporting or vesting date, and any adjustment is charged or credited to operations upon re-measurement. The fair value of the options awarded at the date of the grant is determined using the Black-Scholes option pricing model and stock-based compensation is accrued and charged to operations using the graded method, with an offsetting credit to contributed surplus, over the vesting periods.

The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

If and when the stock options are exercised, the applicable amounts of contributed surplus are transferred to share capital. Charges for options that are forfeited before vesting are reversed from Contributed Surplus.

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

(i) *Loss per Share*

Basic loss per share is calculated by dividing the loss for the period by the weighted average number of shares outstanding. The Company uses the treasury stock method of calculating fully diluted loss per share amounts, whereby any proceeds from the exercise of stock options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period. The assumed conversion of outstanding common share options and warrants has an anti-dilutive impact for the reported periods thus fully diluted loss per share is the same as basic loss per share.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) *Income Taxes*

Income tax comprises current and deferred tax. Income tax is recognized in the statement of loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred income tax assets and liabilities are presented as non-current.

(k) *Share issue costs*

Share issue costs that are directly attributable to issuing new shares are deducted from equity.

Costs that relate to the stock market listing, or are otherwise not incremental and directly attributable to issuing new shares, are recorded as an expense in the statement of comprehensive loss.

Costs that relate to both share issuance and listing are allocated based on the proportion of new shares issued to the total number of shares listed.

When units are issued, which include shares and warrants, the warrants are valued using the residual value method.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

*(k) Recent Accounting Pronouncements*

The following pronouncements and amendments are effective for annual periods beginning on or after January 1, 2015 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.

*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.



THELON DIAMONDS LTD.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AUGUST 31, 2015  
(Expressed in Canadian Dollars)

3. TRANSACTION WITH THELON CAPITAL LTD. (continued)

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.

	August 31, 2015
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

4. LOANS TO RELATED PARTIES

	August 31, 2015
THC BioMed Int'l Ltd.	\$ 97,209
Zadar Ventures Ltd.	14,000
Total	\$ 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.

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.

	August 31, 2015
Acquisition costs	\$ 60,000
Deferred exploration	23,347
	\$ 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 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 August 31, 2015 5,000,000 warrants are outstanding.

7. RELATED PARTY BALANCES AND TRANSACTIONS

The Company:

- incurred administration fees of \$27,000 and consulting fees of \$25,000 from a company controlled by a director and President of the Company;
- incurred accounting fees of \$12,000 from a company controlled by a director and Chief Financial Officer of the Company.

As at August 31, 2015, accounts payable and accrued liabilities included \$15,263 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, loans to 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 of \$109,858. 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 CONSOLIDATED FINANCIAL STATEMENTS  
AUGUST 31, 2015  
(Expressed in Canadian Dollars)

9. INCOME TAXES

Income tax recovery varies from the amount that would be computed from applying the combined federal and provincial income tax rates to loss before taxes as follows:

For the period ended August 31,	2015
Loss before taxes	\$ (274,696)
Statutory Canadian corporate tax rate	25%
Anticipated tax recovery	(68,700)
Difference resulting from:	
Items not deductible for tax purposes and other	28,900
Share issue costs	-
Unrecognized deferred tax assets	39,800
Deferred income taxes (recovery)	\$ -

The significant components of the Company's deferred tax assets and liabilities are as follows:

	August 31, 2015
Non capital loss carry forward	\$ 64,000
Unrecognized deferred tax assets	(64,000)
Net deferred tax asset	\$ -

The Company and its subsidiary have available non-capital losses for Canadian income tax purposes which may be carried forward to reduce taxable income in future years. If not utilized, the non-capital losses will expire beginning December 31, 2032.

10. SUBSEQUENT EVENTS

On December 3, the Company received \$95,242 from THC BioMed Int'l Ltd., formerly Thelon Capital, as settlement of debt to the Company.

**SCHEDULE “D”**

**AUDITED FINANCIAL STATEMENTS OF THELON DIAMOND COMPANY LIMITED  
FOR THE YEARS ENDED AUGUST 21, 2014, 2013 AND 2012**

*[Inserted as the following pages.]*

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

**ANNUAL FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)

**For the years ended August 31, 2014, 2013 and 2012**

**THELON DIAMOND COMPANY LIMITED**  
**FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
For the years ended August 31, 2014, 2013 and 2012

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**Independent Auditor's Report**

**To the Shareholders of  
Thelon Diamond Company Limited**

We have audited the accompanying financial statements of Thelon Diamond Company Limited, which comprise the statements of financial position as at August 31, 2014, 2013 and 2012 and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Thelon Diamond Company Limited as at August 31, 2014, 2013 and 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

**Emphasis of matter**

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describe the material uncertainty that may cast significant doubt about the ability of Thelon Diamond Company Limited to continue as a going concern.

*WOLRIGE MAHON LLP*

**Chartered Accountants  
Vancouver, British Columbia  
January 21, 2014**



**THELON DIAMOND COMPANY LIMITED**  
**STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars)

	August 31, 2014	August 31, 2013	August 31, 2012
<b>ASSETS</b>			
<b>Current</b>			
Cash	\$ 20,037	\$ 85	\$ 19,203
GST/ HST recoverable	1,150	-	-
	21,187	85	19,203
<b>Non-Current</b>			
Loan to Thelon Capital Ltd. (Note 3)	74,125	74,360	61,000
<b>Total Assets</b>	<b>\$ 95,312</b>	<b>\$ 74,445</b>	<b>\$ 80,203</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities (Note 5)	\$ 59,836	\$ 25,687	\$ 11,747
<b>EQUITY</b>			
Share capital (Note 4)	14,751	14,751	14,751
Subscriptions received in advance	117,500	97,500	97,500
Deficit	(96,775)	(63,493)	(43,795)
	35,476	48,758	68,456
<b>Total Liabilities and Equity</b>	<b>\$ 95,312</b>	<b>\$ 74,445</b>	<b>\$ 80,203</b>

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

**Approved and authorized for issue by the Directors on January 12, 2015:**

*"Jason Walsh"*

Director

*"Geoff Watson"*

Director

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

**THELON DIAMOND COMPANY LIMITED**  
**STATEMENTS OF COMPREHENSIVE LOSS**  
(Expressed in Canadian Dollars)

	Year ended August 31, 2014	Year ended August 31, 2013
<b>EXPENSES</b>		
Administration fees (Note 5)	\$ 7,000	\$ 19,488
Consulting fees (Note 5)	16,000	-
General and administrative	282	210
Professional fees	10,000	-
	33,282	19,698
<b>Net and comprehensive loss for the year</b>	<b>\$ (33,282)</b>	<b>\$ (19,698)</b>
<b>Loss per share – basic and diluted</b>	<b>\$ (0.02)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of shares outstanding – basic and diluted</b>	<b>1,475,001</b>	<b>1,475,001</b>

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

**THELON DIAMOND COMPANY LIMITED**  
**STATEMENTS OF CHANGES IN EQUITY**  
(Expressed in Canadian Dollars)

	Number of Shares	Amount	Subscriptions received in advance	Deficit	Total
Balance, February 8, 2012	1	\$ 1	\$ -	\$ -	1
<b>Shares issued:</b>					
<b>Private placement</b>					
Cash, \$0.01 per share	1,475,000	14,750	-	-	14,750
Subscriptions received in advance	-	-	97,500	-	97,500
Net loss for the period	-	-	-	(43,795)	(43,795)
Balance, August 31, 2012	1,475,001	14,751	97,500	(43,795)	68,456
Net loss for the year	-	-	-	(19,698)	(19,698)
Balance, August 31, 2013	1,475,001	14,751	97,500	(63,493)	48,758
Subscriptions received in advance	-	-	20,000	-	20,000
Net loss for the year	-	-	-	(33,282)	(33,282)
Balance, August 31, 2014	1,475,001	\$ 14,751	\$ 117,500	\$ (96,775)	\$ 35,476

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

**THELON DIAMOND COMPANY LIMITED**  
**STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars)

	Year ended August 31, 2014	Year ended August 31, 2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the year	\$ (33,282)	\$ (19,698)
Changes in operating assets and liabilities:		
Accounts payable and accrued liabilities	34,149	13,940
Amounts receivable	(1,150)	-
<b>Cash used in operating activities</b>	<b>(283)</b>	<b>(5,758)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Share subscriptions received in advance	20,000	-
<b>Cash provided by financing activities</b>	<b>20,000</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Loan advanced (repaid)	235	(13,360)
<b>Cash provided by (used in) investing activities</b>	<b>235</b>	<b>(13,360)</b>
<b>Change in cash during the year</b>	<b>19,952</b>	<b>(19,118)</b>
<b>Cash, beginning of year</b>	<b>85</b>	<b>19,203</b>
<b>Cash ( bank overdraft), end of year</b>	<b>\$ 20,037</b>	<b>\$ 85</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 FINANCIAL STATEMENTS**  
**AUGUST 31, 2014**  
(Expressed in Canadian Dollars)

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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 year ended August 31, 2014 the Company incurred a net loss of \$33,282 and at August 31, 2014 had a working capital deficiency of \$38,649. 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*

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

*(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) *Financial Instruments*

Non-derivative financial assets:

The Company classifies its non-derivative financial assets as fair value through profit or loss, available-for-sale financial assets, held-to-maturity or loans and receivables.

*Financial assets at fair value through profit or loss ("FVTPL")*

Financial assets are designated as at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

The Company does not have any assets classified as FVTPL.

*Available-for-sale financial assets*

Available-for-sale ("AFS") financial assets are non-derivatives that are either designated as AFS or are not classified as (i) loans and receivables, (ii) held-to-maturity investments or (iii) financial assets as at FVTPL. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS monetary items, are recognized in other comprehensive income or loss. When an investment is derecognized, the cumulative gain or loss in the investment revaluation reserve is transferred to profit or loss.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The change in fair value attributable to translation differences that result from the amortized cost of the monetary asset is recognized in profit or loss. The change in fair value of AFS equity investments is recognized in other comprehensive income or loss.

The Company does not have any assets classified as AFS financial assets.

*Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

The Company has classified cash and due from Thelon Capital Ltd. as loans and receivables.

*Held-to-maturity investments*

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at amortized cost using the effective interest method, less any impairment losses. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized through profit or loss.

The Company does not have any assets classified as held-to-maturity.

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*(c) Financial Instruments (continued)*

Impairment of financial assets:

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to profit or loss in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as AFS, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss*

This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized through profit or loss.

*Other financial liabilities*

These liabilities are initially recognized at fair value less directly attributable costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

*(d) Exploration and Evaluation Expenditures*

Pre-exploration Costs

Pre-exploration costs are expensed in the period in which they are incurred.

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures ("E&E") are recognized and capitalized, in addition to acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) *Exploration and Evaluation Expenditures (continued)*

Exploration and Evaluation Expenditures

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'. Exploration and evaluation assets are tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Mineral exploration and evaluation expenditures are classified as intangible assets.

(e) *Impairment*

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount is the higher of fair value less costs to sell and value in use.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.



**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*(e) Impairment (continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

*(f) Share Capital*

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants, options and flow-through shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

*(g) Flow-through Shares*

The Company may, from time to time, issue flow-through common shares to finance a portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) share capital, equal to the market value of the shares, ii) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as other liabilities, and iii) if applicable, reserve for warrants, equal to the remaining proceeds received. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's period is disclosed separately.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*(h) Valuation of Equity Units Issued in Private Placements*

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in private placements is determined to be the more easily measurable component and are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as warrant reserve. If the warrants are exercised, the related amount is reclassified as share capital. If the warrants expire unexercised, the related amount remains in warrant reserve.

*(i) Income Taxes*

Income tax on the profit or loss for the period presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or loss or directly in equity, in which case it is recognized in other comprehensive income or loss or equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for unused tax loss carry-forwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*(j) Loss per Share*

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

*(k) 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.

(b) IAS 32 – Financial Instruments: Presentation amendment provides clarification on the application of offsetting rules. The amendments are effective for annual periods beginning on or after January 1, 2014.

**THELON DIAMOND COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2014**  
(Expressed in Canadian Dollars)

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**3. LOAN TO THELON CAPITAL LTD.**

The Company has advanced \$74,125 (2013 -\$74,360; 2012 - \$61,000) 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, with one vote per share

b) Issued

(i) During fiscal 2012 1 common share was issued at \$1.00, and 1,475,000 common shares were issued at \$0.01 per share, for cash of \$14,751 to the founders of the Company.

**5. RELATED PARTY BALANCES AND TRANSACTIONS**

The Company:

- paid administration fees of \$7,000 (2013 - \$19,488) to a company controlled by a director and president of the Company.
- paid consulting fees of \$16,000 (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 \$49,836 (2013 - \$25,687; 2012 - \$11,747) 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.

**THELON DIAMOND COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2014**  
(Expressed in Canadian Dollars)

**6. INCOME TAXES**

The reconciliation of income tax provision computed at statutory rates to the reported income tax provision is as follows:

	<b>August 31, 2014</b>	<b>August 31, 2013</b>
Canadian tax rate	26.00%	25.00%
Income tax benefit computed at statutory rates	\$ (8,650)	\$ (4,900)
Unrecognized deferred tax assets	8,650	4,900
	\$ -	

The significant components of the Company's unrecorded deferred income tax assets (liabilities) are as follows:

	<b>August 31, 2014</b>	<b>August 31, 2013</b>
Deferred income tax assets (liabilities)		
Non-capital losses	\$ 24,550	\$ 15,900
Unrecognized deferred tax assets	(24,550)	(15,900)
	\$ -	\$ -

As at August 31, 2014, the Company had estimated non-capital losses for Canadian tax purposes of \$96,800. These losses may be carried forward to reduce taxable income derived in future years. A summary of non-capital losses and their year of expiry are as follows:

Year of expiry	Non-Capital Loss
2032	\$ 43,800
2033	19,700
2034	33,300
	\$ 96,800

**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 deficit of \$38,650. Management is assessing various options to raise funds including the issuance of shares subsequent to year end (note 9).

*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. 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.

**9. SUBSEQUENT EVENTS**

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.

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.

**SCHEDULE “E”**

**UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF THELON DIAMONDS LTD.  
FOR THE PERIOD ENDED NOVEMBER 30, 2016**

*[Inserted as the following pages.]*

**FORM 2A – LISTING STATEMENT**

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**THELON DIAMONDS LTD.**  
(An Exploration Stage Company)

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

**For the three months ended November 30, 2016**



THELON DIAMONDS LTD.  
INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in Canadian Dollars)  
(Unaudited – prepared by management)  
For the three months ended November 30, 2016

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Interim Consolidated Statement of Financial Position	3
Interim Consolidated Statement of Comprehensive Loss	4
Interim Consolidated Statement of Changes in Equity	5
Interim Consolidated Statement of Cash Flows	6
Notes to the Interim Consolidated Financial Statements	7 - 13

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

	November 30, 2016	August 31, 2016
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 290,307	\$ 11,923
GST recoverable	2,416	1,785
Loans to related parties (Note 3)	37,305	37,305
Other loans	5,000	5,000
Investments (Note 4)	110,000	230,000
	<u>445,028</u>	<u>286,013</u>
<b>Non-Current</b>		
Exploration and evaluation assets (Note 5)	104,489	104,489
	<u>104,489</u>	<u>104,489</u>
<b>Total Assets</b>	<b>\$ 549,517</b>	<b>\$ 390,502</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 7)	\$ 114,652	\$ 102,798
<b>Non-Current</b>		
Loans from related parties (Note 3)	15,868	15,868
Other liability	19,500	19,500
	<u>35,368</u>	<u>35,368</u>
	<u>150,020</u>	<u>138,166</u>
<b>EQUITY</b>		
Share capital (Note 6)	582,901	432,901
Subscriptions received in advance (Note 6)	145,000	-
Deficit	(328,404)	(180,565)
	<u>399,497</u>	<u>252,336</u>
<b>Total Liabilities and Equity</b>	<b>\$ 549,517</b>	<b>\$ 390,502</b>

Nature and continuance of operations (Note 1)

Approved and authorized for issue by the Directors on January 30, 2017:

*"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 period ended November 30,	2016	2015
<b>EXPENSES</b>		
Administration fees (Note 7)	\$ 10,500	\$ 10,500
Consulting fees (Note 7)	7,500	7,500
General and administrative (Note 7)	2,081	3,777
Professional fees (Note 7)	10,377	16,005
	30,458	37,782
Forgiveness of accounts payable	(2,619)	-
Unrealized loss on investment (Note 4)	120,000	-
<b>Net and comprehensive loss</b>	<b>\$ (147,839)</b>	<b>\$ (37,782)</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>13,572,237</b>	<b>12,743,666</b>

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	Share Capital	Subscriptions received in advance	Deficit	Total
Balance August 31, 2015	12,743,666	\$ 432,901	\$ -	\$ (274,696)	\$ 158,205
Net loss for the period	-	-	-	(37,782)	(37,782)
Balance, November 30, 2015	12,743,666	432,901	-	(312,478)	120,423
Net income for the period	-	-	-	131,913	131,913
Balance August 31, 2016	12,743,666	432,901	-	(180,565)	252,336
Warrants exercised	1,500,000	150,000	-	-	150,000
Subscriptions received in advance	-	-	145,000	-	145,000
Net loss for the period	-	-	-	(147,839)	(147,839)
Balance, November 30, 2016	14,243,666	\$ 582,901	\$ 145,000	\$ (328,404)	\$ 399,497

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 November 30,	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (147,839)	\$ (37,782)
Items not involving cash:		
Unrealized loss on investment	120,000	-
Forgiveness of accounts payable	(2,319)	-
Changes in operating assets and liabilities:		
Accounts payable and accrued liabilities	14,173	34,712
Amounts receivable	(631)	1,806
Cash used in operating activities	(16,616)	(1,264)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loans from related parties	-	12,368
Subscriptions received in advance	145,000	-
Shares issued	150,000	-
Cash provided by financing activities	295,000	12,368
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Exploration and evaluation assets	-	(23,803)
Loans to related parties	-	(2,000)
Cash provided by (used in) investing activities	-	(25,803)
Change in cash	278,384	(14,699)
Cash, beginning	11,923	26,217
Cash, ending	\$ 290,307	\$ 11,518
<b>Supplemental disclosures</b>		
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 908 - 510 Burrard Street, Vancouver B.C.

These interim consolidated 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 November 30, 2016 the Company incurred a net loss of \$150,458 and at November 30, 2016 had working capital of \$330,376. 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 interim consolidated 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 consolidated financial statements for the year ended August 31, 2016.

(b) *Basis of Preparation*

These interim consolidated 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 interim consolidated financial statements.

The interim 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 interim consolidated 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 interim consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These interim consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the interim consolidated 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 and recognition of the deferred income tax asset; and
- ii. The recoverable amount of exploration and evaluation assets.

*Critical accounting judgments*

In the preparation of these interim consolidated financial statements, management has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. The judgments which may have an effect on the amounts recognized in the interim consolidated financial statements include the following:

- i. The determination of categories of financial assets and financial liabilities;
- ii. The assessment of going concern;
- iii. The assessment of impairment indicators for the exploration and evaluation assets.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) *Recent Accounting Pronouncements*

The following pronouncements and amendments are effective for annual periods beginning on or after January 1, 2018 unless otherwise stated. Adopting these standards is expected to have minimal or no impact on the interim consolidated 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.

*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, 2018 and earlier application is permitted.

3. LOANS TO AND FROM RELATED PARTIES

<i>Loans to related parties</i>	November 30, 2016	August 31, 2016
THC BioMed Int’l Ltd.	\$ 17,294	\$ 17,294
Zadar Ventures Ltd.	14,000	14,000
Bua Group	6,011	6,011
<b>Total</b>	<b>\$ 37,305</b>	<b>\$ 37,305</b>

THC BioMed Int’l Ltd. and Zadar Ventures Ltd. are public companies with Directors in common with the Company. Bua Group is a group of private companies controlled by a Director of the Company. The loans to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.



THELON DIAMONDS LTD.  
 NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
 NOVEMBER 30, 2016  
 (Expressed in Canadian Dollars)

3. LOANS TO AND FROM RELATED PARTIES (continued)

*Loans from related parties*

On October 27, 2015, the Company entered into a loan agreement with a private company controlled by a Director of the Company. The principal loan amount was \$25,000 and bears interest at 25% per year. The Company repaid \$8,200 during the year ended August 31, 2016 and the loan was further offset by \$4,432 of previous amounts loaned to the private company. The Company recorded accrued interest of \$ Nil (2015: \$Nil) on the loan for the period ended November 31, 2016. The loan is repayable on or before October 31, 2017.

As at November 30, 2016, the Company had an outstanding loan payable balance of \$15,868 (August 31, 2016: \$15,868).

4. INVESTMENTS

On December 22, 2015, the Company acquired 1,000,000 units in Zadar Ventures Ltd. for \$0.01 per unit ("Zadar"), for total consideration of \$10,000. Each unit consists of one common share in Zadar and one common share purchase warrant exercisable for a period of 3 years at \$0.05 per share.

The fair value of the share portion of the unit is determined using the stock price of Zadar as at the date of the statement of financial position. The fair value of the warrant portion of the unit is determined by deducting the exercise price of the Zadar warrants as at the date of the statement of financial position from the Zadar stock price.

As at November 30, 2016 the investment in Zadar was determined to have a fair value of \$110,000 (August 31, 2016 - \$230,000), of which \$80,000 was allocated to the shares (August 31, 2016 - \$140,000) and \$30,000 was allocated to the warrants (August 31, 2016 - \$90,000). The Company recorded an unrealized loss on investment of \$120,000 during the period (2015 - \$Nil).

5. EXPLORATION AND EVALUATION ASSETS

During the year ended August 31, 2016, 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.

In addition to the royalty noted above, royalty payments would also be required to be made to the Government of the Northwest Territories in the event of future production.

	November 30, 2016	August 31, 2016
Acquisition costs	\$ 60,000	\$ 60,000
Deferred exploration		
Maintenance fees	1,881	1,881
Geological services	23,810	23,810
Technical report	18,798	18,798
	44,489	44,489
	\$ 104,489	\$ 104,489

6. SHARE CAPITAL AND RESERVES

a) Authorized

An unlimited number of Common shares, without par value

b) Issued

During the period ended November 30, 2016, 1,500,000 common shares were issued pursuant to the exercise of warrants at \$0.10 per warrant, for gross proceeds of \$150,000.

During the period ended November 30, 2016, \$145,000 of subscriptions were received in advance for shares issued subsequent to the period end.

There were no share capital transactions during the period ended November 30, 2015.

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 November 30, 2016 3,500,000 warrants are outstanding (August 31, 2016 – 5,000,000).

7. RELATED PARTY BALANCES AND TRANSACTIONS

The Company:

- incurred administration fees of \$10,500 (2015 - \$10,500) and consulting fees of \$7,500 (2015 - \$7,500) from a company controlled by a director and President of the Company;
- incurred accounting fees of \$4,500 (2015 - \$6,000) from a company controlled by a director and Chief Financial Officer of the Company.

As at November 30, 2016, accounts payable and accrued liabilities included \$73,678 (2015 - \$36,963), 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, loans to related parties, other loans, investments, accounts payable and accrued liabilities, and loans from related parties. 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.

Financial instruments measured at fair value are classified into one of the three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The Company has classified its investments at Level 1.

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 and other loans, 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 of \$330,376. 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 is exposed to price risk in relation to its investment held as at November 30, 2016.

Price risk is the risk that changes in market prices including commodity or equity prices will have an effect on the fair value or future cash flows associated with financial instruments. The equity price risk associated with the Company's current investment primarily relates to the change in the market prices of the investment in Zadar common shares and warrants. As at November 30, 2016, the Company owns 1,000,000 common shares and warrants. Each common share is valued at \$0.08 and each warrant is valued at \$0.03. A 10% change in the market price of Zadar would have an impact of \$16,000 on the Company's investments. Management believes there is price risk related to this investment.

While the Company will seek to maximize the proceeds it receives from the sale of its Zadar Shares on the TSX Venture Exchange, there is no assurance as to the timing of disposition or the amount that will be realized.

10. SUBSEQUENT EVENTS

Subsequent to November 30, 2016, the Company issued 2,750,000 common shares pursuant to the exercise of warrants at \$0.10 per warrant.

On December 30, 2016, the Company signed an option agreement (the "Agreement") to acquire 100% interest in certain mining claims located in Nevada (the "Property").

The Company will make the following cash and share payments, pursuant to the terms of the Agreement:

- pay US\$25,000 upon execution of the Standstill Agreement (paid);
- issue 1,000,000 common shares upon listing on an exchange and 1,000,000 common shares on each of the next 4 anniversary dates;
- pay US \$50,000 upon execution of the Agreement;
- pay US\$75,000 on or before the first anniversary of the Agreement;
- pay US\$75,000 on or before the second anniversary of the Agreement;
- pay US\$100,000 on or before the third anniversary of the Agreement; and
- pay US\$150,000 on or before the fourth anniversary of the Agreement.

The Company will also incur the following expenditures on the Property, pursuant to the terms of the Agreement:

- expend a minimum of US\$100,000 on the Property by the first anniversary of the Agreement;
- expend a further US\$200,000 on the Property by the second anniversary of the Agreement;
- expend a further US\$300,000 on the Property by the third anniversary of the Agreement; and
- expend a further US\$500,000 on the Property by the fourth anniversary of the Agreement.

Upon the completion of an inferred resource calculation that confirms the presence on the Property of a minimum of 100,000 tons equivalent to be completed on or before the fourth anniversary of the Agreement, the Company shall pay US\$1,000,000 in cash or in common shares.

Upon completion of a positive preliminary economic assessment on the Property to be completed on or before the sixth anniversary of the Agreement, the Company US\$2,000,000 in cash or common shares.

The Property is subject to a 3% royalty which the Company has the option to reduce to 2% at any time in consideration for US\$5,000,000.

The Company is also required to make minimum annual advance royalty payments commencing on the fifth anniversary date of the Agreement of US\$100,000.

**SCHEDULE “F”**

**MD&A OF THELON DIAMONDS LTD.  
FOR THE PERIOD ENDED NOVEMBER 30, 2016**

*[Inserted as the following pages.]*

**FORM 2A – LISTING STATEMENT**

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# **THELON DIAMONDS LTD.**

**(An Exploration Stage Company)**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**(Expressed in Canadian Dollars)**

**For the Period ended November 30, 2016**

## **INTRODUCTION**

Information presented in the Management's Discussion and Analysis ("MD&A") of Financial Condition and Results of Operations of Thelon Diamonds Ltd. (the "Company" or "Thelon") is for the three months ended November 30, 2016. The information contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the unaudited interim consolidated financial statements for the three months ended November 30, 2016, and the audited financial statements for the year ended August 31, 2016, which are prepared in accordance with International Financial Reporting Standards ("IFRS").

This MD&A is prepared as of January 30, 2016. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise stated. Additional information is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **CAUTION REGARDING FORWARD LOOKING STATEMENTS**

This MD&A contains certain statements that constitute forward-looking statements. When used in this document the words "anticipate", "believe", "estimate", "expect", "plan", "future", "intend", "may", "will", "should", "predicts", "potential", "continue", and similar expressions, as they relate to Thelon Diamonds Ltd. or its management, are intended to identify forward-looking statements. Such statements reflect current views of management with respect to future events and are subject to certain known and unknown risks, uncertainties, and assumptions. These statements should not be relied upon. Many factors could cause the actual results, performance, or achievements to be materially different from future results, performance, or achievements that may be expressed or implied by such forward looking statements. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward looking statements prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, or expected. Thelon Diamonds Ltd. does not intend, and does not assume, any obligation to update these forward looking statements, except as required by securities regulation.

## **DESCRIPTION OF THE BUSINESS**

Thelon Diamonds Ltd. 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 principal business activity has been the acquisition and exploration of mineral properties. The Company holds interests in certain mineral properties and on the basis of information available to date may not have economically viable reserves. The underlying value of the mineral interests and related deferred exploration expenditures is dependent upon the existence and economic recovery of such reserves in the future, confirmation of the Company's interest in the underlying mineral claims, and the ability to raise long-term financing.

The Company's corporate office is located at Suite 908 – 510 Burrard Street, Vancouver B.C. V6C 3A8.

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The Company is an exploration stage resource company in the province of British Columbia. The diverse backgrounds and experience of the Company's management will facilitate the ongoing corporate and exploration growth. The Management team will continue to evolve as the Company grows as a mineral exploration company.

***Lac de Gras, Northwest Territories***

The Lac de Gras properties are located approximately 300 km north-northeast of the city of Yellowknife in the Northwest Territories, Canada to the southeast of the Diavik diamond mine.

The Project consists of three mineral leases with an aggregate area of 1,632.91 ha held by a joint venture (JV) between Thelon Diamonds Ltd. (29.46%) and Peregrine Diamonds Ltd. (Peregrine; 70.54%) Subject to a royalty of 4% gross overriding royalty (GOR) on all diamonds and 4% net smelter return (NSR) royalty on all metals, of which 50% of either of these royalties can be purchased for \$4,000,000.

THC BioMed Int'l Ltd., formerly THC Capital Ltd. transferred the rights to the three leases and participation in the Peregrine JV to Thelon Diamonds Ltd. under a statutory plan of arrangement. That transfer was announced in a press release on December 30, 2014 and completed on January 14, 2015. A report has been prepared by Amec Foster Wheeler in support of a stock exchange listing in Canada for Thelon Diamonds Ltd.

Peregrine is the operator of all work programs pertaining to the Project. Joint venture partners are required to contribute to future programs or their respective interests will be subject to dilution according to the joint venture agreement, thus the discrepancy between the registered ownership of the leases and the actual ownership.

In addition to the royalty noted above, royalty payments would also be required to be made to the Government of the Northwest Territories in the event of future production.

**RESULTS OF OPERATIONS**

The Company's net loss for the three months ended November 30, 2015 was \$147,839.

The resulting loss for the 3 months ended November 30, 2016 is due in part to the unrealized loss on investment in Zadar Ventures Ltd. ("Zadar") of \$120,000, (2015 -\$Nil) determined on a fair value of \$110,000 (November 30, 2016 - \$230,000)



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**SUMMARY OF QUARTERLY RESULTS**

Quarter ended	Revenue	Net gain (loss)	Net gain (loss) per share
30-Nov-16	-	(147,839)	(\$0.01)
31-Aug-16	-	(180,708)	(\$0.01)
31-May-16	-	254,021	\$0.02
29-Feb-16	-	58,600	\$0.00
30-Nov-15	-	(37,782)	(\$0.00)
31-Aug-15	-	(58,470)	(\$0.01)
31-May-15	-	(69,265)	(\$0.01)
28-Feb-15	-	(146,961)	(\$0.02)

**LIQUIDITY**

As at November 30, 2016, the Company has working capital of \$330,376, including \$150,000 received from the exercise of 1,500,000 Warrants at \$0.10 per Warrant, and \$145,000 of subscriptions received in advance during the period.

Since the Company does not expect to generate any revenues in the near future, it will continue to rely primarily upon the sale of common shares to raise capital. There can be no assurance that financing will be available to the Company on acceptable terms when required, or at all.

At present, there are no known demands, commitments, events or uncertainties that would adversely affect the trends and expected fluctuations in the Company's liquidity. The Company does not believe that its current financial resources will be adequate to meet its business objectives and projected working capital and other cash requirements for at least 12 months. The Company may have to evaluate additional means of financing, including additional debt or equity financings. See "Risk Factors".

**PROPOSED TRANSACTIONS**

As at November 30, 2016, there were no proposed assets or business acquisitions or dispositions, other than those in the ordinary course of business, before the board of directors for consideration.

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### **COMMON SHARES OUTSTANDING**

As of November 30, 2016, a total of 14,243,666 common shares were issued and outstanding.

Subsequent to November 30, 2016, the Company issued an additional 2,750,000 common shares from the exercise of warrants, resulting in an aggregate of 16,993,666 common shares as of the date of this report.

### **WARRANTS OUTSTANDING**

On December 18, 2014, 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.

As of November 30, 2016, 3,500,000 warrants were outstanding.

Subsequent to November 30, 2016, 2,750,000 warrants were exercised, resulting in an aggregate of 750,000 warrants outstanding as of the date of this report.

### **OPTIONS OUTSTANDING**

As of November 30, 2016, and the date of this report, the Company had no options outstanding.

### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.

### **TRANSACTIONS WITH RELATED PARTIES**

The Company:

- incurred administration fees of \$10,500 (2015 - \$10,500) and consulting fees of \$7,500 (2015 - \$7,500) to a company controlled by a director and President of the Company;
- incurred accounting fees of \$4,500 (2015 - \$6,000) to a company controlled by a director and Chief Financial Officer of the Company.

As at November 30, 2016, accounts payable and accrued liabilities included \$73,678 (2015 - \$36,963) owed to companies controlled by directors of the Company.

As at November 30, 2016, loans to related parties totalled \$37,305 (August 31, 2016 - \$37,305). The loans to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

As at November 30, 2016, loans from related parties totalled \$15,868 (August 31, 2016: \$Nil). The loan bears interest at 25% per year and is repayable on or before October 31, 2017.

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.

## **CONFLICTS OF INTEREST**

The Company's directors and officers may serve as directors or officers, or may be associated with other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding on terms with respect to the transaction. If a conflict of interest arises, the Company will follow the provisions of the Business Corporations Act (BC) ("Corporations Act") dealing with conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith, and in the best interest of the Company.

## **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

### *Fair value of financial instruments*

The carrying values of cash, loans to related parties, other loans, investments, accounts payable and accrued liabilities, and loans from related parties, approximate their carrying values due to the immediate or short-term nature of these instruments, unless otherwise noted.

### *Fair value hierarchy*

Financial instruments measured at fair value are classified into one of the three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company has classified its investment at Level 1.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

### *Credit Risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist primarily of cash. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada. The Company's financial assets are subject to material financial risk in that the loans to related parties and other loans are unsecured, non-interest bearing and have no fixed terms of repayment.

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*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 assets. The Company has working capital of \$330,376. 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 is exposed to price risk in relation to its investment held at November 30, 2016.

Price risk is the risk that changes in market prices including commodity or equity prices will have an effect on the fair value or future cash flows associated with financial instruments. The equity price risk associated with the Company's current investment primarily relates to the change in the market prices of the investments in Zadar common shares and warrants. As at November 30, 2016, the Company owns 1,000,000 common shares and warrants each common share is valued at \$0.08 and each warrant is valued at \$0.03. Management believes there is price risk related to this investment.

While the Company will seek to maximize the proceeds it receives from the sale of its Zadar shares on the TSX Venture Exchange, there is no assurance as to the timing of disposition or the amount that will be realized. Funds realized from the sale of the Zadar Shares will be used by the Company for working capital and general corporate purposes.

*Capital risk management*

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through a suitable debt and equity balance appropriate for an entity of the Company's size and status. The Company's overall strategy remains unchanged from last year.

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital and deficit. The availability of new capital will depend on many factors including a positive mineral exploration environment, positive stock market conditions, the Company's track record, and the experience of management. The Company is not subject to any external covenants on its capital.

## **CHANGES IN ACCOUNTING POLICIES**

The following new accounting standards have not yet been adopted by the Company:

**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.

#### 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, 2018 and earlier application is permitted. The Standard is not expected to have an impact on the Company in its present form.

#### **OTHER RISKS AND UNCERTAINTIES**

The Company is an exploration stage company with respect to its mineral interests. Based on the information available to date, the Company has not yet determined whether its mineral interests contain economically recoverable reserves. The recoverability of the amounts shown for mineral interests is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their development, and upon future profitable production. In conducting its business, the Company is subject to a number of other risks and uncertainties that could have a material adverse effect on the Company's business prospects or financial condition that could result in a delay or indefinite postponement in the development of the Company's mineral interests.

##### *Risks associated with exploration stage companies*

Exploring for mineral resources involves a variety of operational, financial, and regulatory risks that are typical in the natural resource industry. The Company has not commenced commercial operations and has no proven history of performance, earnings, or success. There is no guarantee that the Company will ever be able to achieve profitable results or successfully execute its business plan. The Company's Common Shares must be considered speculative primarily due to the nature of the Company's business and early stage of development.

The Company has no revenue or income from operations. The Company has limited capital resources and has to rely upon the sale of equity and/or debt securities for cash required for exploration and development purposes, for acquisitions, and to fund the administration of the Company. Since the Company does not expect to generate any revenues from operations in the near future, it must continue to rely upon the sales of its equity or debt securities or joint venture

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agreements to raise capital. There can be no assurance that financing, whether equity or debt, will be available to the Company in the amount required by the Company at any particular time or for any period, and that such financing can be obtained on terms satisfactory to the Company.

*Property title*

Although the Company believes it has exercised commercially reasonable due diligence with respect to determining title to properties it owns, controls, or has the right to acquire by option, there is no guarantee that title to such properties will not be challenged or impugned. The Company's mineral interests may be subject to prior unrecorded agreements or transfers or native land claims, and title may be affected by undetected defects. There may be valid challenges to the title of the Company's mineral interests which, if successful, could impair development and operations. This situation may be exacerbated due to the large number of title transfers historically involved with some properties.

*Licenses and permits*

The Company will require licenses and permits from various governmental authorities regarding the Company's mineral interests. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development, and mining operations for its mineral interests. Failure to obtain and maintain such licenses and permits may adversely affect the Company's business as the Company would be unable to legally conduct its intended exploration and development work which may result in its losing its interest in the subject property.

*Operating hazards and risks*

Fires, power outages, labour disputes, flooding, explosions, cave-ins, landslides, and the inability to obtain suitable or adequate machinery, equipment, or labour are some of the risks involved in exploration programs. Unknowns with respect to geological structures and other conditions are involved. Existing and future environmental laws may cause additional expense and delays in the activities of the Company, and may render the Company's properties uneconomic. The Company has no liability insurance and the Company may become subject to liability for pollution, cave-ins, or hazards against which it cannot insure, or against which it may elect not to insure. The payment of such liabilities may have a material, adverse effect of the Company's financial position.

*Competition*

The mining industry is intensely competitive and the Company must compete in all aspects of its operations with a substantial number of other corporations which have greater technical and financial resources. The Company may be unable to acquire additional attractive mining properties on terms it considers acceptable.

*Profitability of operations*

The Company does not have profitable operations at this time and it should be anticipated that it will operate at a loss until such time as production is achieved from its properties, if production

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is in fact ever achieved. Investors also cannot expect to receive any dividends on their investment in the foreseeable future.

*Market risks*

Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect the marketability of any mineral products discovered. Mineral prices have fluctuated widely in recent years. The marketability and price of minerals which may be produced or acquired by the Company will be affected by numerous factors beyond the control of the Company. These factors include extensive government regulation relating to price, taxes, royalties, allowable production land tenure, the import and export of minerals, and many other aspects of the mining business. Declines in mineral prices may have a negative effect of the Company.

*Future financings*

If the Company's exploration programs are successful, additional funds will be required for further exploration and development to place a property into commercial production. The Company's available sources of funds are: existing cash; the further sale of equity capital; and the offering by the Company of an interest in its properties to be earned by another party or parties carrying out further exploration or development thereof. There is no assurance such sources will continue to be available on favourable terms or at all. If available, future equity financings may result in dilution to current shareholders.

*Going concern*

The Company's financial statements have been prepared on a going concern basis 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 continuing operations of the Company are dependent upon its ability to obtain the necessary financing to meet its on-going commitments and further its mineral exploration programs.

**SUBSEQUENT EVENTS**

- a) Subsequent to November 30, 2016, the Company issued 2,750,000 common shares pursuant to the exercise of warrants at \$0.10 per warrant.
- b) On December 30, 2016, the Company signed an option agreement (the "Agreement") to acquire 100% interest in certain mining claims located in Nevada (the "Property").

The Company will make the following cash and share payments, pursuant to the terms of the Agreement:

- pay US\$25,000 upon execution of the Standstill Agreement (paid);
- issue 1,000,000 common shares upon listing on an exchange and 1,000,000 common shares on each of the next 4 anniversary dates;
- pay US \$50,000 upon execution of the Agreement; (paid)
- pay US\$75,000 on or before the first anniversary of the Agreement;
- pay US\$75,000 on or before the second anniversary of the Agreement;

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- pay US\$100,000 on or before the third anniversary of the Agreement; and
- pay US\$150,000 on or before the fourth anniversary of the Agreement.

The Company will also incur the following expenditures on the Property, pursuant to the terms of the Agreement:

- expend a minimum of US\$100,000 on the Property by the first anniversary of the Agreement;
- expend a further US\$200,000 on the Property by the second anniversary of the Agreement;
- expend a further US\$300,000 on the Property by the third anniversary of the Agreement; and
- expend a further US\$500,000 on the Property by the fourth anniversary of the Agreement.

Upon the completion of an inferred resource calculation that confirms the presence on the Property of a minimum of 100,000 tons equivalent to be completed on or before the fourth anniversary of the Agreement, the Company shall pay US\$1,000,000 in cash or in common shares.

Upon completion of a positive preliminary economic assessment on the Property to be completed on or before the sixth anniversary of the Agreement, the Company US\$2,000,000 in cash or common shares.

The Property is subject to a 3% royalty which the Company has the option to reduce to 2% at any time in consideration for US\$5,000,000.

The Company is also required to make minimum annual advance royalty payments commencing on the fifth anniversary date of the Agreement of US\$100,000.

#### **ADDITIONAL INFORMATION**

Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com).



## CERTIFICATE OF THE COMPANY

Pursuant to a resolution duly passed by its Board of Directors, Global Li-Ion Graphite Corp. hereby applies for the listing of the above mentioned securities on the CSE. The foregoing contains full, true and plain disclosure of all material information relating to Global Li-Ion Graphite Corp. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Vancouver, British Columbia, this 12th day of July, 2017.

*"Jason Walsh"*

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JASON WALSH

Chief Executive Officer, President & Director

*"Geoff Watson"*

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GEOFF WATSON

Chief Financial Officer & Director

*"Glen MacDonald"*

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GLEN MACDONALD

Director

*"John A. Roozendaal"*

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JOHN A. ROOZENDAAL

Director