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.

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.

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)

(Expressed in Canadian Dollars)

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.

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.

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 arises 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 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.

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;

- 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.