

Thelon Ventures Ltd.

(THV - TSX Venture)

Recent \$1.28 million Feb/06 financing to facilitate active uranium exploration programs in Athabasca Basin and Nevada. Ongoing diamond exploration at Lac de Gras by partner PGD.V

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Jeff Howlett is a financial analyst who for several years has provided comprehensive research services to companies lacking adequate coverage. Mr. Howlett was previously affiliated with a major Canadian investment firm specializing in Mergers & Acquisitions and has received a B.Sc. in Economics from the Wharton School of the University of Pennsylvania.

Thelon is an active Canadian exploration company engaged in acquiring promising early stage, strategically located projects in areas with demonstrated high potential. Over the past several years, the company has acquired several such projects, and is committed to conducting programs to cost-effectively advance them. Thelon is now most active in the **Lac de Gras** area of Canada's NorthWest Territories (diamonds) with operator Dunsmuir Ventures (now *Peregrine Diamonds*), and also has active uranium exploration programs in Saskatchewan's prolific **Athabasca Basin** and at the **White River Uranium Project** in Nevada for (uranium).

Short term, we await with interest coming Thelon announcements regarding its forthcoming exploration plans for all three projects.

Lac De Gras, Northwest Territories (diamonds)

- Partner Dunsmuir Ventures recently merged with Peregrine Diamonds, accompanied by a \$50 million financing. Following a reinterpretation of previous exploration, Peregrine is now bulk sampling its promising DO-27 diamondiferous kimberlite.
- Expected to present 2006 exploration plan to meet 3rd year commitment of \$1.185 million (\$330,000 spent in 2005). 2006 could be important year in following up on precise targets.

Pasfield Lake, Athabasca Basin, Saskatchewan (100% uranium)

- Located in prolific Athabasca Basin, producer of ~30% of the world's primary uranium, yet considered to be underexplored (most deposits to date found in the eastern / shallow / 200-400 m depths).
- Existing data (unexplained radon / helium anomalies, uranium in lake sediments, radiometric anomalies, structural controls) fits well with exploration model for region.
- Recommendations for airborne survey have been followed and we expect announcements regarding future program to be made near term.

White River Valley Uranium Project, Nevada (80% earn in, uranium)

- Drilling by Union Carbide outlined two areas encompassing almost 500 acres with known sandstone-hosted U mineralization, open in at least two directions and believed to be amenable to in-situ leaching.
- Thelon subsequently announced that staking had expanded the land position – now covers the complete known mineralized zone and projected extensions.



Share Data (\$Cdn):

Recent Price:	\$0.15
52-week Price Range:	\$0.06 - \$0.20
Shares Outstanding (current):	41.6 million
Fully Diluted Shares (1):	55.6 million
(1) Incl. 12.55 million options / warrants @\$ 0.12 - \$0.25 + 1.5 million for future land payments.	

Capitalization (\$Cdn):

Market Capitalization:	\$6.24 million
Total Debt (9/30/05):	nil

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OUTLOOK – EXPLORATION PROGRAMS EXPECTED TO BE ANNOUNCED AT ALL THREE PROJECTS NEAR TERM.

Our short term outlook is for Thelon to announce substantial work programs over the very near term.

- Lac de Gras.** Has previous follow up of airborne targets sufficiently defined drill targets for Peregrine's work commitment through Feb/07.
- Pasfield Lake.** Looking for interpretation of completed VTEM airborne survey – are there signs of graphitic structures coincident with identified target areas that might suggest deep-seated graphite-bearing fault zones which – under established geologic models- might be related to bedrock unconformity uranium mineralization. If so, this might suggest an aggressive drilling program.
- White River Valley Uranium.** Does the review of previous drilling logs lay the foundation for an infill drilling program. Also, what is the estimate of the overall property potential. We would expect details to be provided over the near term by Thelon.

**LAC DE GRAS PROPERTIES, Northwest Territories
(22,407 hectares, 7 properties, diamond potential).**

Summary

- Extensive holdings located in the prolific Lac de Gras kimberlite field, including interests in properties that are contiguous to Peregrine Diamonds' DO-27 diamondiferous kimberlite
- Peregrine is Thelon's joint venture partner.
- There are clearly an abundance of diamondiferous kimberlites within 30 km of Thelon's property and one known kimberlite on the property itself.
- This area hosts Canada's only producing diamond mines.
- Airborne geophysical survey delineated 11 priority targets, followed up by ground geophysics to define precise targets. Announcements expected near term on 2006 program.

Acquisition

Thelon holds a 100% interest in 27 mineral claims in the Lac de Gras area. The properties are made up of 7 claim groups (D, J, K, L, Oki, Thon, & Afridi Lake) and have an **east-west extent of about 76 km**. The company also staked additional ground in 2002 when ground began to come available following the major staking rush precipitated some 10 years before by the first discovery of diamonds in the area.

The properties lie about 300 kilometers northeast of Yellowknife, NWT. Access is by air or, in winter, via the winter ice road that services the Ekati and Diavik mine sites.

The Area

When Diamet announced the discovery of diamonds and began the acquisition of large parcels of land near Lac de Gras in 1991, the largest staking rush in Canadian mining history commenced. Ultimately, two world class diamond mines went into production with more under development.

- BHP's Ekati Mine, which commenced production in 1998 at a rate of 2.5 million carats per year.
- The Rio Tinto / Aber Diavik Mine, which recently began operations (capital cost of \$1.3 billion).

Thelon, in joint venture with Dunsmuir Ventures (now merged with successor Peregrine Diamonds), holds interests in properties that are contiguous with Peregrine's diamondiferous DO-27 property. The DO-27 property was acquired in 2004 with the goal of sampling the untested main southern part of the kimberlite. This program has been highly successful

Thelon Property. The Rio Tinto Group, acting through their Canadian subsidiary Kennecott Canada Inc., secured options on considerable acreage of ground in the Lac de Gras area to the south of the ground held by BHP and allied interests whereupon the Ekati Mine was later to be developed. Kennecott's ground included much of the area currently making up Thelon's properties.

Work History

Kennecott did **extensive airborne geophysics** and **till sampling** in the area followed by **selective ground geophysics and diamond drilling**. They were successful in discovering one kimberlite occurrence, but initial drilling did not reveal the presence of diamonds.

Airborne Program. During June 21-24, 2003, a helicopter borne magnetometer and EM survey was flown over 7 blocks of ground within the claim area. This program was successful in generating **11 priority targets**. One of these represents the already known D1-02 kimberlite on claim D2. On the K1 claim, one target may be associated with a train of indicator minerals. Several targets on the K2 claim are proximate to favorable geological and / or topographical features. A program of follow up exploratory work was recommended, including:

- Conduct preliminary geological investigations to assign an order of priority to targets (i.e. study of bedrock and surficial geology, determine local ice directions, measure magnetic susceptibility of local rocks, ground magnetometry, collect till samples).
- Follow up with diamond drilling.

Kennecott did valuable work on Thelon's ground, but later dropped it to concentrate on major discoveries elsewhere. Most of the work was completed several years ago, and there have been numerous advances in diamond exploration technologies and the knowledge base since then.

- Indicators**
- Strong, well defined indicator mineral trains.
 - Untested geophysical targets.
 - Better data now, less of a staking rush mentality.
 - Positive airborne geophysical results.
 - All properties somewhat proximate (within 40 km) from either Ekati or Diavik mines, with interests in properties that are contiguous to DO-27 kimberlite.

**Now Working
With with
Peregrine
Diamonds**

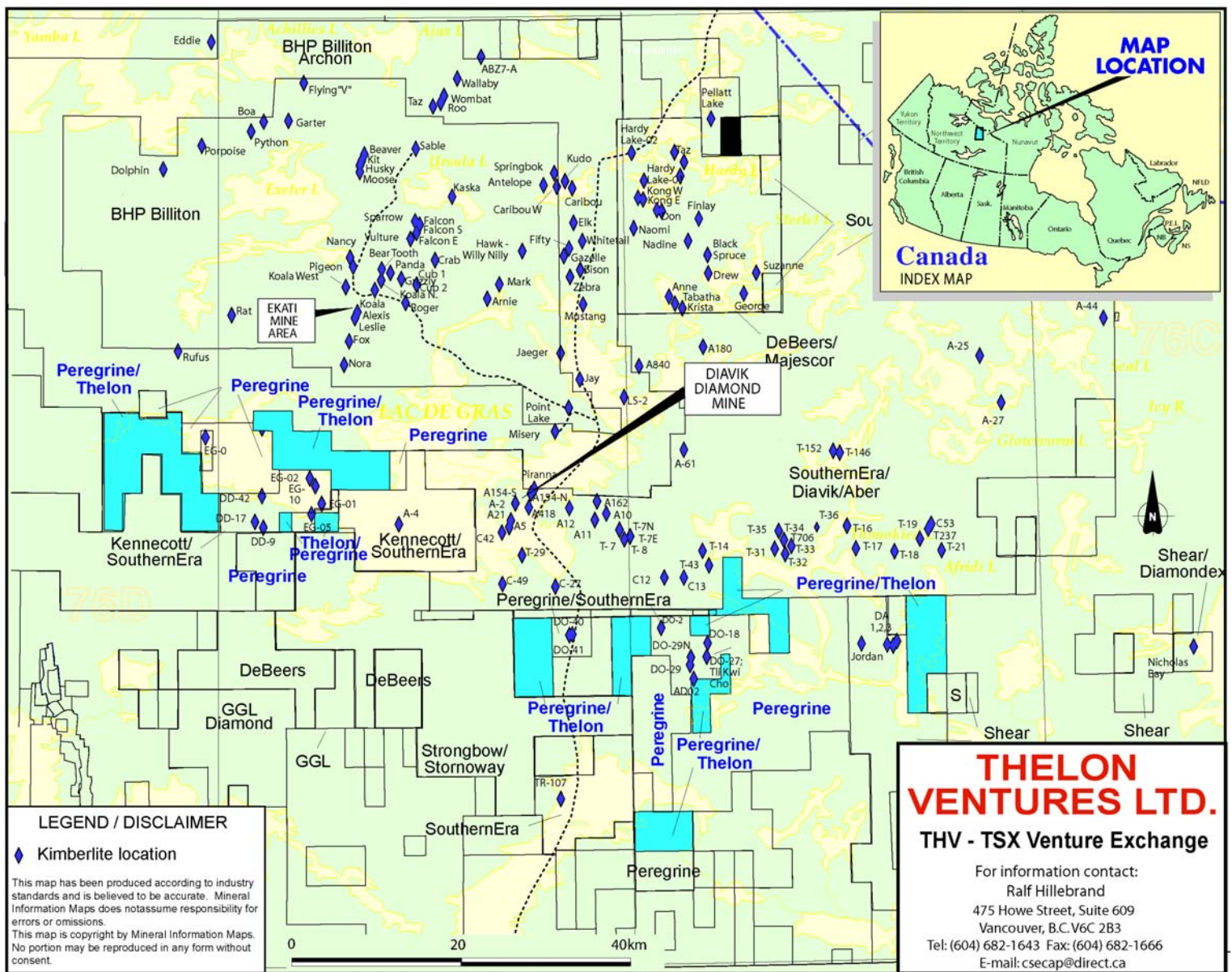
Following this airborne survey, Thelon signed a binding letter of intent with Dunsmuir Ventures Ltd. (“Dunsmuir”), whereby Dunsmuir can earn up to a **65%** interest in all of the Company’s Lac de Gras mineral properties by issuing 300,000 treasury shares (150,000 received) in stages and spending \$4.1 million (\$245,000 reimbursed to the Company) in a combination of exploration and underlying land payments over five years.

Dunsmuir advised Thelon that they had met their first year exploration spending commitment, and had a crew on the ground following up on geophysical targets from earlier airborne magnetic and electromagnetic surveys. Dunsmuir also completed an airborne survey on the projects eastern portion.

In mid-2005 Dunsmuir announced plans to merge with Peregrine Diamonds Ltd., a private company which holds a majority interest in the DO27 kimberlite property. This merger recently completed in January, 2006.

**Future
Program**

In January, 2006, Thelon announced that total expenditures to date by Peregrine totaled \$1.185 million, including \$330,000 that could be applied against the third year commitment of \$1 million. **We expect a program to be announced shortly that would include drilling targets delineated by the extensive airborne and ground exploration to date.**



**PASFIELD LAKE,
Athabasca Basin, Saskatchewan, CANADA
(100%, 120,000 hectares, uranium potential).**

Summary

- The primary target model is unconformity-type uranium deposits as typified by the prolific McArthur River and Cigar Lake deposits in the Athabasca Basin.
- Known geophysical targets on the properties.
- There are a number of highly positive signs that conform to established models for uranium deposits in the Athabasca region.
- We are looking forward to news expected near term on implications of airborne survey.

Acquisition & Background

In March, 2005, Thelon entered into an option agreement to acquire a 100% interest (subject to a 3% net smelter royalty) in three strategically located uranium exploration permits. Consideration of \$100,000 cash and 1,000,000 shares has been paid.

The permits are located approximately 368 km north of La Ronge, Saskatchewan and completely surround Pasfield Lake and Moss Creek area to the north. Centered on Pasfield Lake is the Ward Creek Project area, where a base camp was established in 1979 for fieldwork. A short airstrip was constructed on land approximately 6.5 km west of the original base camp and facilitated year-round access. Access into the area is by aircraft from La Ronge or Wollaston Lake Lodge (the lodge being about 370 km north of La Ronge by road and 97 km east of Pasfield Lake). The area is characterized by flat to gently rolling glacial topography with maximum relief of approximately 150 m. Elevations range from 350-500 m.

Transportation within the Permit areas is principally by means of ski or float-equipped airplane or helicopter. Local transportation in the vicinity of the base camp is by snowmobile in winter; boat in summer; and four-wheel drive truck.

Athabasca Basin – Underexplored for Deposits at Depth

The Athabasca Basin produces ~30% of the world's primary uranium and is generally accepted as the world's premier exploration district for world-class uranium deposits. The **unconformity**-types of uranium deposits represent some of the most valuable mineral deposits of any commodity type in the world. The best example, McArthur River at ~550 meters vertical depth in the eastern Athabasca Basin of Saskatchewan, contains some 540 Mlbs U₃O₈ at an average grade of ~17% U₃O₈ and is the largest, high-grade uranium deposit in the world (Cigar Lake at ~18% U₃O₈, 450 m depth, 50 km to the northeast is no 2). Grades within McArthur River reportedly range up to 70% U₃O₈; composite grades of 30% U₃O₈ over several meters are "common". McArthur River ore has an in-situ value of US\$ 8100 per tonne, at current prices.

However, **most of the Basin is considered to be greatly under-explored**, particularly in areas where Athabasca sedimentary cover exceeds 750 meters (most of the Basin). Most of the significant deposits to date have been located in the eastern shallow (200-400m depth) part of the Basin.

Mineralization in the district is of the unconformity uranium deposit type, which occurs at or near the sub-Athabasca unconformity. The unconformity in the Athabasca is marked by a major paleo-regolith. Basement rocks comprise older, highly deformed Proterozoic and Archean metamorphic rocks with mainly younger, undeformed Proterozoic continental sandstones filling the basin. Deposits comprise pitchblende pods, disseminations and veins in hematite-clay-chlorite alteration zones and breccia and are associated with chemically reactive basement rocks such as graphitic units, and with hematitic redox reaction fronts and permeable sites along reverse faults. Types include cigar-shaped deposits with Ni-As-Co-Cu assemblages straddling the unconformity along faults in graphitic gneiss (Collins Bay zones, West Bear, Sue A); basement hosted veins and replacements associated with faults that may extend to depths of >400 m below the unconformity (Eagle Point, Sue C, Raven-Horseshoe) and basement-hosted deposits in brecciated calc-silicate units in the hangingwall of faults (Rabbit Lake).

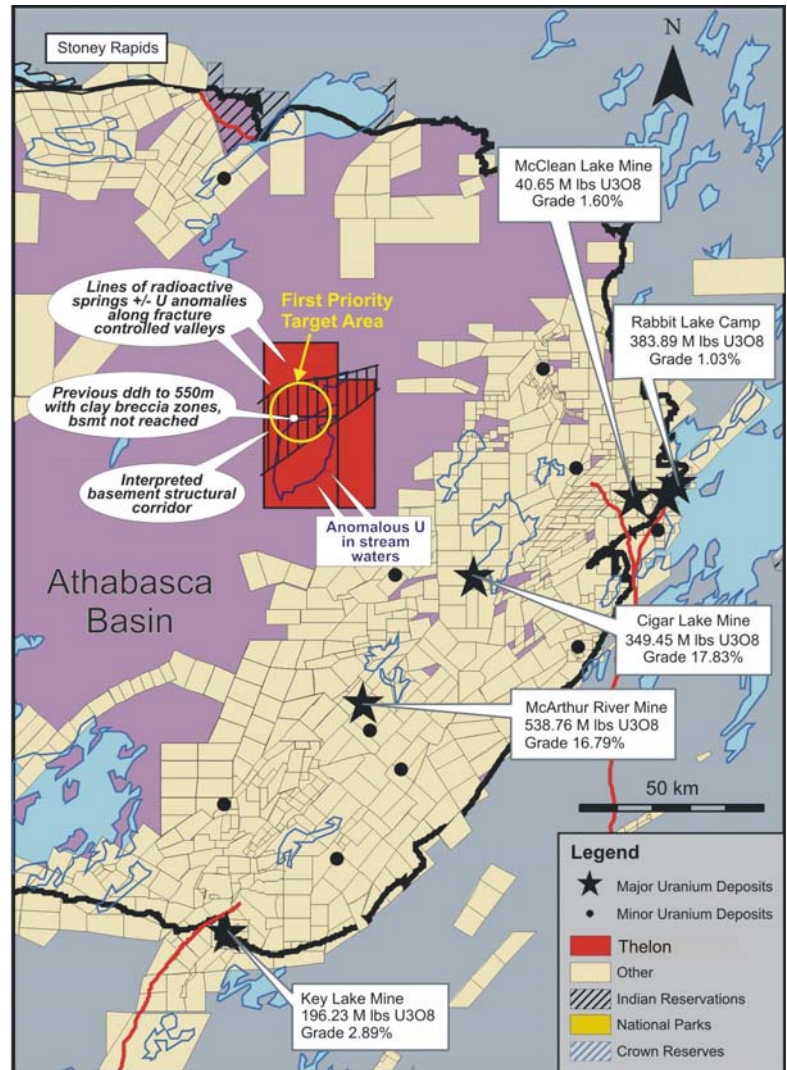
Saskatchewan government geologists are adamant, however, that favorable rocks underlie the entire Basin and it is only a matter of time, with new technology, before more discoveries are made elsewhere.

"Simple" Exploration Model

In simplest terms, these deposits appear to have formed where uranium-rich, oxidized ground waters came into contact with structurally favorable, chemically reducing environments, most notably faulted and brecciated graphitic sediments at or near the sub-basin unconformity.

Key Elements of The Exploration Model

1. Both airborne and ground electromagnetic surveying has proved very useful in **locating graphitic conductors**, which can be drill tested for associated uranium mineralization.
2. Geochemically, detection of **clay alteration material** along major fault structures may point to uranium deposits at depth at the unconformity.
3. Of particular significance to the present undertaking, the inert gases **radon and helium** may be present in anomalous quantities in various geochemical media including springs and groundwater above uranium deposits (radon 222 is one step in the radioactive decay of U238 and helium is derived from the breakdown of certain uranium minerals).
4. Uranium mineralization in the Athabasca basin is considered to be controlled by the **boundary faults of localized basement highs**, which control the flow of fluids and uranium remobilization and deposition within the Athabasca sediments. As such, the edges of these basement highs, as potentially elucidated by depth-to-basement estimates, is crucial to the assessment of exploration target areas.



Data on Pasfield Lake

In view of these considerations, there are several positive indications for uranium at Pasfield Lake.

- The permits were acquired on the basis of **strongly anomalous radon and helium anomalies** in spring and creek waters to the northwest of Pasfield Lake, detected in the late 1970's.
- Anomalous **uranium in lake sediments** (values to 26 ppm), are also present in the general area.
- **Intense airborne radiometric anomalies** detected to the northwest of Pasfield Lake in 1978 were determined by surface examinations to be **related to very strong radon gas emissions** along an ~8 km length of a spring-fed creek in which the moss along the creek banks was seriously radioactive ("Moss Creek").
- Recent (2003) SRTM DEM (Shuttle Radar Topography Mission Digital Elevation Model) data, points to **a major northeast-trending structural zone**, between the Snowbird Tectonic Zone to the west and the Cable Bay Shear Zone to the east, that abuts the northwest corner of Pasfield Lake. This passes directly through the priority target area.
- There are **highly anomalous helium values** associated with three of the radioactive springs on Moss Creek (the He value from one of the radioactive springs was the highest ever encountered by the geochemical analytical company to that time and was an order of magnitude higher than even what they would consider to be "highly anomalous").
- Results of the Depth-to-Basement estimates are extremely useful when correlated with the previous exploration in the area. **A basement high is interpreted immediately under and coincident with the central 75% of Pasfield Lake**, and fits well with the historical interpretations of a gneissic dome centred under the lake.

Overall, the presence of unexplained Helium and Radon gas anomalies combined with the interpreted basement bedrock highs and property-scale structural controls, creates a scenario prospective for potentially successful uranium exploration, within the depth-range of modern airborne and ground time-domain electromagnetic survey technologies.

- More coherent basement highs lie to the north, west and east of the Pasfield Lake "dome". Of particular interest is the basement high which lies immediately to the northeast of the **Moss Creek** target area, which is **dominated by radon and helium gas anomalies**. The source area for the creek is coincident with the western flank of this basement high, creating a priority target area.
- Another area of immediate interest is the east flank of the Pasfield Lake dome and the west flank of the basement high lying immediately to the east. These **structures are coincident with the local positive uranium anomaly** on the southeast shore of Pasfield Lake.

*Recommended
Airborne
Program
Completed*

It was recommended that the Pasfield Lake property should be surveyed using a state-of-the-art time domain electromagnetic system to possibly **identify deep-seated graphite-bearing fault zones which may be related to bedrock unconformity uranium mineralization, typical of deposits in the Athabasca Basin** (i.e. faulted and brecciated graphitic sediments at or near the sub-basin unconformity where the rich Athabasca Basin deposits appear to have formed).

This was completed recently in February, 2006 and was being reviewed at the time of writing.

*Future
Program*

Should this program be successful in identifying such granitic structures in already identified target areas, we would expect an aggressive program to be initiated by Thelon.

WHITE RIVER VALLEY URANIUM PROPERTY, Nevada (80% earn in, 2500 acres, uranium).

Summary

- Recently acquired. Previous drilling by Union Carbide outlined two areas encompassing almost 500 acres with sandstone hosted uranium mineralization.
- Data from the vendor shows encouraging signs: ① drill intersections giving radiometric grades of 0.04% U3O8 over 30 feet, ② mineralization believed to be amenable to "in situ leaching".
- All original detailed drill logs are accessible and being reviewed.

*Acquisition
& Summary of
Previous
Work*

In May, 2005, Thelon announced that it had entered into an agreement with Energy Metals Corporation Ltd. (EMC.V) to earn up to an 80% interest in the project. Thelon can earn an undivided 51% interest and become operator by making cash payments (US \$20,000), issuing 1.25 million shares, and expending US \$1.0 million in exploration expenditures. Thelon can earn an additional 29% (80% interest) by funding through bankable feasibility within 30 months of the initial earn in.

The project is located in Nye County, Nevada, approximately 55 miles southwest of Ely. A work program conducted by Union Carbide (including drilling) was successful in several respects:

- It outlined two areas encompassing almost 500 acres with known sandstone hosted uranium mineralization.
- The mineralization, which lies at depths of 900 to 1100 feet, is believed to be amenable to the "In Situ Leach" process (ISL).
- Drilling intersected radiometric grades of 0.04% U3O8 over 30 feet and grade thickness (GT) values in excess of 1.2 were encountered (GT= % U3O8 x feet) within the mineralized areas.
- Mineralization appears to be open in at least two directions.

The company has the original detailed logs of all the previous drilling on the project.

*Current &
Future Work*

In 2005, Thelon began a review of the more than **90** down hole logs to establish in-fill drill targets and provide an estimate of the overall property potential.

In September, 2005, the company announced that it had expanded its land position by staking to cover the complete known mineralized zone and projected extensions (from 1000 to 2500 acres).

BRIEF NOTE ON URANIUM

It is not difficult to be bullish on uranium. Although forecast consumption growth is expected to increase at about 1% pa, the supply side is expected to have difficulty keeping up with demand.

- For the past 15 years, **only half the global uranium demand for nuclear power generation has been met from mine production**. The balance has come from inventories and depleted weapons grade material – Uranium inventories are almost exhausted.
- Mine production has not been increased and mine expansions are significantly lagging behind demand.
- Demand side is growing - 35 nuclear power reactors are in the planning stages, another 35+ being proposed (South Korea - 8 under construction, Japan - 3 under construction, 12 planned, China - 4 under construction, 6 planned, 20 more proposed, India - 9 under construction, 24 proposed).

In short, whereas metals in the current commodity cycle have risen in large measure based on China's voracious appetite, the rise in uranium is based on many years of structural supply deficit. We expect a continued long term interest in uranium exploration companies. There is no shortage of research on uranium.

CONCLUSIONS

We see Thelon as a company that has increasingly diversified its property holdings and we look forward to the coming announcements for work programs at its three active projects.

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