

PEREGRINE DIAMONDS LTD.

Consolidated Balance Sheets

	June 30, 2010 (Unaudited)	September 30, 2009
ASSETS		
Current Assets		
Cash	\$ 7,944,164	\$ 759,268
Accounts receivable	2,836,418	3,384,547
Prepaid expenses and deposits	865,590	720,122
	11,646,173	4,863,937
INVESTMENTS (Note 3)	109,605	4,060
MINERAL PROPERTIES (Note 4)	2,655,024	2,655,024
OTHER CAPITAL ASSETS	318,323	293,465
PROPERTY DEPOSITS	93,354	116,255
	\$ 14,822,478	\$ 7,932,741
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 4,167,896	\$ 3,172,325
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	98,239,088	87,504,254
Contributed surplus	7,410,001	5,763,238
Deficit	(94,930,633)	(88,460,738)
Other comprehensive income	(63,874)	(46,338)
	10,654,582	4,760,416
	\$ 14,822,478	\$ 7,932,741

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

APPROVED BY THE BOARD:

"Gordon Keep"

Director

"Myron Goldstein"

Director

PEREGRINE DIAMONDS LTD.
Consolidated Statements of Operations
For the Nine Months Ended June 30, 2010 and 2009
(Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2010	2009	2010	2009
EXPENSES				
Accounting and audit fees	\$ 7,000	\$ (14,761)	\$ 21,000	\$ 239
Consulting	27,235	5,000	106,468	27,491
Depreciation	33,242	24,399	79,377	77,676
Filing fees	32,008	15,542	100,140	72,655
Legal	117,112	37,456	309,751	163,385
Insurance	29,912	25,528	91,058	78,331
Investor relations	34,080	18,190	74,767	38,193
Office and administration	106,340	87,976	340,706	281,406
Salaries and benefits	239,985	273,737	638,211	681,517
Travel	34,583	13,135	59,473	19,770
Stock-based compensation	718,326	799,131	2,221,100	957,185
Exploration (Schedule)	1,490,924	204,073	2,891,376	1,154,562
	2,870,748	1,489,407	6,933,425	3,552,410
OTHER (INCOME)/EXPENSES				
Interest income	(6,649)	(8,667)	(8,969)	(18,343)
Mineral property write-downs	-	-	-	33,579
Foreign exchange	(1,343)	1,390	(3,094)	1,853
Management fees and other income	(283,057)	(137,527)	(451,466)	(160,855)
	(291,049)	(144,804)	(463,530)	(143,766)
Loss before income taxes	2,579,698	1,344,603	6,469,895	3,408,645
Future income tax recovery (Note 8)	-	-	-	(1,841,101)
NET LOSS	\$ 2,579,698	\$ 1,344,604	\$ 6,469,895	\$ 1,567,544
BASIC AND DILUTED				
LOSS PER SHARE	\$ 0.03	\$ 0.02	\$ 0.08	\$ 0.02
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	87,227,972	81,320,232	84,699,961	74,956,913

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

PEREGRINE DIAMONDS LTD.
Consolidated Statements of Shareholders' Equity
For the Nine Months Ended June 30, 2010 and 2009
(Unaudited)

	Share Capital		Contributed Surplus	Deficit	Accumulated Other Comprehensive	Total
	Number of Shares	Amount			Income (Loss)	
Balances, September 30, 2008	69,966,482	\$ 85,713,038	\$ 3,900,999	\$ (84,771,295)	\$ (25,198)	\$ 4,817,545
Shares issued:						
Rights offering, net of issue costs of \$133,996	10,038,750	3,379,567	-	-	-	3,379,567
Warrants exercised	1,245,000	622,500	-	-	-	622,500
Options exercised	70,000	41,981	(12,181)	-	-	29,800
Future income taxes related to expenditures renounced at December 31, 2008	-	(1,841,101)	-	-	-	(1,841,101)
Stock-based compensation	-	-	1,033,858	-	-	1,033,858
Investment fair value adjustment	-	-	-	-	(21,560)	(21,560)
Net loss	-	-	-	(1,567,544)	-	(1,567,544)
Balances, June 30, 2009	81,320,232	\$ 87,915,984	\$ 4,922,676	\$ (86,338,839)	\$ (46,758)	\$ 6,453,064
Balances, September 30, 2009	81,401,590	\$ 87,504,254	\$ 5,763,238	\$ (88,460,738)	\$ (46,338)	\$ 4,760,416
Shares issued:						
Private offering, net of issue costs of \$19,610	2,000,000	5,980,390				5,980,390.33
Warrants exercised	3,921,951	4,384,483	(462,461)	-	-	3,922,022
Options exercised	459,167	369,961	(207,860)	-	-	162,101
Stock-based compensation	-	-	2,317,084	-	-	2,317,084
Investment fair value adjustment	-	-	-	-	(17,536)	(17,536)
Net loss	-	-	-	(6,469,895)	-	(6,469,895)
Balances, June 30, 2010	87,782,708	\$ 98,239,088	\$ 7,410,001	\$ (94,930,633)	\$ (63,874)	\$ 10,654,582

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

PEREGRINE DIAMONDS LTD.
Consolidated Statements of Cash Flows
For the Nine Months Ended June 30, 2010 and 2009
(Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2010	2009	2010	2009
OPERATING ACTIVITIES				
Net loss	\$ (2,579,698)	\$ (1,344,604)	\$ (6,469,895)	\$ (1,567,544)
Items not affecting use of cash				
Depreciation	33,242	24,399	79,377	77,676
Stock-based compensation	768,467	863,130	2,317,084	1,033,858
Write-down of mineral property	-	-	-	33,579
Other loss	-	-	(333)	(16,430)
Future income tax recovery	-	-	-	(1,841,101)
Unrealized foreign exchange	72	(1,390)	(18)	(1,853)
	(1,777,917)	(458,464)	(4,073,785)	(2,281,814)
Changes in non-cash working capital items (Note 7)	2,398,595	(1,216,218)	1,275,175	(1,484,640)
	620,678	(1,674,682)	(2,798,610)	(3,766,454)
INVESTING ACTIVITIES				
Proceeds from sale of other capital assets	-	-	3,250	16,430
Other capital assets acquired	(76,514)	(25,290)	(107,151)	(47,702)
Refund of property deposits	(2,099)	25,000	22,901	35,503
	(78,613)	(290)	(81,000)	4,231
FINANCING ACTIVITIES				
Shares issued for cash	6,034,804	-	10,064,512	4,031,866
	6,034,804	-	10,064,512	4,031,866
INCREASE IN CASH	6,576,868	(1,674,972)	7,184,903	269,643
EFFECT OF FOREIGN EXCHANGE				
RATE CHANGES ON CASH	(43)	1,390	(7)	1,854
CASH BEGINNING OF PERIOD	1,367,338	4,014,075	759,268	2,068,996
CASH, END OF PERIOD	\$ 7,944,164	\$ 2,340,492	\$ 7,944,164	\$ 2,340,492
CASH AND CASH EQUIVALENTS ARE COMPRISED OF:				
Cash in bank			\$ 2,937,506	\$ 590,492
Short-term deposits			5,006,658	1,750,000
			\$ 7,944,164	\$ 2,340,492

SUPPLEMENTAL CASH FLOW INFORMATION (Note 7)

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

PEREGRINE DIAMONDS LTD.
Notes to the Consolidated Financial Statements
For the Nine Months Ended June 30, 2010
(Unaudited)

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). However, they do not include all the information and disclosures required by Canadian GAAP for annual financial statements. They have been prepared using the same accounting policies and methods of application as the latest annual consolidated financial statements. In the opinion of management, all adjustments of a normal recurring nature necessary for a fair presentation have been included. The results for interim periods are not necessarily indicative of results for the entire year.

The information contained in the interim financial statements should be read in conjunction with the Company’s latest audited consolidated financial statements for the year ended September 30, 2009.

1. NATURE OF OPERATIONS

Peregrine Diamonds Ltd. (“Peregrine”), (which, together with its subsidiaries, collectively referred to as the “Company”), is a Canadian mineral exploration company which is focused on the exploration, development and recovery of minerals and precious gems.

The Company’s operations during the nine months ended June 30, 2010 were directed towards the exploration of the Company’s property interests located in Nunavut, Canada. To date, the Company has not generated revenues from operations.

The Company is currently working on projects in locations which are subject to seasonal fluctuations; generally, significant activity on exploration projects located in northern Canada can only be undertaken during the summer months as this is when access to these projects and the ability to drill test prospective deposits is most feasible. Accordingly, the Company will typically incur the majority of its annual operating costs during the months of June through September.

The Company has incurred significant losses since inception and as at June 30, 2010 has a working capital balance of \$7.5 million and an accumulated deficit of \$94.9 million. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, assuming that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. Continued operations of the Company are dependent on the Company’s ability to raise the necessary funding through public equity or debt financings or through profitable operations in the future. If volatile equity market conditions and tightening credit markets persist for an extended period of time, this could negatively affect the Company’s ability to obtain equity financing or external debt financing. There can be no assurance that additional funding will be available to the Company or, if available, that this funding will be on acceptable terms.

PEREGRINE DIAMONDS LTD.
Notes to the Consolidated Financial Statements
For the Nine Months Ended June 30, 2010
(Unaudited)

2. RECENT ACCOUNTING PRONOUNCEMENTS

Convergence with International Financial Reporting Standards

In 2006, the Accounting Standards Board of the Canadian Institute of Chartered Accountants ("CICA") ratified a strategic plan that will result in Canadian GAAP, as used by public companies, evolving and being converged with International Financial Reporting Standards ("IFRS") over a transitional period currently expected to be completed by 2011. The International Accounting Standards Board currently has projects underway that should result in new pronouncements which will be included in the convergence process.

The Company is conducting a detailed assessment of the requirements of the transition to IFRS, with the intention of identifying the timing of the implementation of the transition, major differences in accounting policies and selecting the policies which are appropriate for the Company, identifying the appropriate disclosures in financial statements prepared under IFRS and refining an implementation plan.

Financial Instruments - Disclosures – Section 3862

In June 2009, the CICA amended Handbook Section 3862, Financial Instruments – Disclosures, which will provide the Canadian equivalent to amendments made in IFRS 7, Financial Instruments: Disclosures. The new standard applies to annual financial statements relating to fiscal years ending after September 30, 2009. The Company has adopted this standard, which will enhance the disclosure of the fair value measurements used by the Company in the annual financial statements.

Business Combinations – Section 1582

In January 2009, the CICA issued Handbook Section 1582, Business Combinations, which will provide the Canadian equivalent to IFRS 3, Business Combinations, and replace the existing Handbook Section 1581, Business Combinations. The new standard will apply prospectively to business combinations for which the acquisition date is on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year, in which case an entity would also be required to early adopt Handbook Section 1601, Consolidated Financial Statements and Handbook Section 1602, Non-controlling Interests. This new standard will apply if and when the Company enters into a business combination on or after January 1, 2011.

Consolidated Financial Statements – Section 1601

In January 2009, the CICA issued Handbook Section 1601, Consolidated Financial Statements, which establishes standards for the preparation of consolidated financial statements and will replace the existing Handbook Section 1600, Consolidated Financial Statements. The new standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year, in which case an entity would also be required to early adopt Handbook Section 1582, Business Combinations, and Handbook Section 1602, Non-Controlling Interests. This new standard will apply if and when the Company enters into a business combination on or after January 1, 2011.

PEREGRINE DIAMONDS LTD.
Notes to the Consolidated Financial Statements
For the Nine Months Ended June 30, 2010
(Unaudited)

2. RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

Non-Controlling Interests – Section 1602

In January 2009, the CICA issued Handbook Section 1602, Non-Controlling Interests, which establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Accounting Standard IAS 27, Consolidated and Separate Financial Statements. The new standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year, in which case an entity would also be required to early adopt Section 1582, Business Combinations, and Section 1601, Consolidated Financial Statements. This new standard will apply if and when the Company enters into a business combination on or after January 1, 2011.

3. INVESTMENTS

In November 2009, the Company received 1,893,551 common shares from Shear Minerals Ltd. as repayment of accounts receivable owing to the Company in the amount of \$123,081.

	June 30, 2010				September 30, 2009	
		Unadjusted	Adjustment			
	Equity	Carrying	to Fair	Fair	Equity	Fair
	Interest	Value	Value	Value	Interest	Value
International Samuel						
Exploration Corp.	0.23%	\$ 25,200	\$ (19,740)	\$ 5,460	0.67%	\$ 4,060
Shear Minerals Ltd.	1.35%	123,081	(18,936)	104,145	-	-
		\$148,281	\$ (38,676)	\$ 109,605		\$ 4,060

PEREGRINE DIAMONDS LTD.
Notes to the Consolidated Financial Statements
For the Nine Months Ended June 30, 2010
(Unaudited)

4. MINERAL PROPERTIES

	Total	Chidliak	Nanuq & Nanuq North	Other Baffin Island Properties	Other Properties
Mineral Property Acquisition Costs					
Balance, September 30, 2009	\$ 2,655,024	\$ -	\$ 1,666,120	\$ -	\$ 988,904
Nine Months Ended					
June 30, 2010	-	-	-	-	-
Balance, June 30, 2010	<u>\$ 2,655,024</u>	<u>\$ -</u>	<u>\$ 1,666,120</u>	<u>\$ -</u>	<u>\$ 988,904</u>
Cumulative Exploration Expenditures Expensed in Operations					
Balance, September 30, 2009	\$ 83,083,259	\$ 3,983,465	\$ 7,581,041	\$ 4,839,481	\$ 66,679,272
Nine Months Ended					
June 30, 2010	2,825,585	-	1,879,382	476,974	469,229
Balance, June 30, 2010	<u>\$ 85,908,844</u>	<u>\$ 3,983,465</u>	<u>\$ 9,460,423</u>	<u>\$ 5,316,455</u>	<u>\$ 67,148,501</u>

PEREGRINE DIAMONDS LTD.
Notes to the Consolidated Financial Statements
For the Nine Months Ended June 30, 2010
(Unaudited)

5. SHARE CAPITAL

- (a) Share options are granted at an exercise price equal to the estimated fair value, calculated by reference to the trading price of the Company's shares on the Toronto Stock Exchange, on the date of the grant.

There are a total of 17,032,000 common shares reserved for the grant of stock options. A summary of the status of the Company's stock options outstanding as at June 30, 2010 and September 30, 2009 and changes during the periods ended on those dates is presented below:

	Nine Months Ended June 30, 2010		Year Ended September 30, 2009	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of period	15,949,500	\$ 0.72	9,805,500	\$ 0.60
Granted	185,000	1.91	7,042,000	0.73
Exercised	(459,167)	0.35	(120,000)	0.38
Forfeited	(27,500)	4.00	(778,000)	1.00
Outstanding at end of period	15,647,833	0.74	15,949,500	0.72
Options exercisable at end of period	12,328,719	0.63	7,944,159	0.57
Weighted average remaining contractual life	7.4 years		8.1 years	

The fair value of options granted during the nine months ended June 30, 2010 was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: annualized volatility of 1.22%, risk free interest rate of 2.65%, expected option term of 3 years and an expected dividend rate of Nil.

PEREGRINE DIAMONDS LTD.
Notes to the Consolidated Financial Statements
For the Nine Months Ended June 30, 2010
(Unaudited)

(b) *Outstanding Stock Options*

Expiry Date	Outstanding Options	Exercise Price	Remaining Contractual Life (Years)	Exercisable Options
November 30, 2010	30,000	\$ 2.04	0.4	-
November 30, 2010	15,000	2.18	0.4	-
January 18, 2011	120,000	0.42	0.6	120,000
January 18, 2011	65,000	0.44	0.6	65,000
January 18, 2016	2,625,000	0.42	5.6	2,625,000
January 18, 2016	2,725,000	0.92	5.6	2,725,000
January 18, 2016	240,000	0.20	5.6	240,000
August 7, 2016	30,000	0.44	6.1	30,000
February 7, 2017	30,000	0.44	6.6	30,000
May 14, 2017	50,000	0.44	6.9	50,000
December 1, 2017	300,000	1.00	7.4	200,000
March 14, 2018	40,000	0.44	7.7	40,000
April 7, 2018	50,000	0.44	7.8	50,000
July 10, 2018	255,000	0.44	8.0	155,000
August 12, 2018	1,982,500	0.20	8.1	1,982,500
April 7, 2019	4,943,333	0.60	8.8	3,297,223
May 1, 2019	50,000	0.60	8.8	33,333
September 12, 2019	25,000	0.65	9.2	8,333
September 24, 2019	1,932,000	1.84	9.2	643,997
December 21, 2019	100,000	1.78	9.5	33,333
April 1, 2020	40,000	2.04	9.8	-
	15,647,833	\$ 0.74	7.4	12,328,719

During the three months ended June 30, 2010, 141,667 options with exercise prices ranging from \$0.20 to \$0.60 and expiry dates ranging from August 12, 2013 to April 7, 2019 were exercised.

PEREGRINE DIAMONDS LTD.
Notes to the Consolidated Financial Statements
For the Nine Months Ended June 30, 2010
(Unaudited)

5. SHARE CAPITAL (Continued)

(c) Outstanding Warrants

<u>Warrants</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
1,066,063	\$1.50	February 19, 2011

The exercise price of the outstanding warrants increased from \$1.00 to \$1.50 on February 19, 2010.

During the three months ended June 30, 2010, 142 warrants were exercised at \$1.50 per share.

6. RELATED PARTY TRANSACTIONS

Transactions with related parties not otherwise separately disclosed in the financial statements. These costs are measured at exchange amounts agreed upon by the parties.

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Legal	\$ 30,155	\$ 36,311	\$ 100,801	\$ 134,874
Share issue costs	19,610	-	19,610	98,461
	<u>\$ 49,765</u>	<u>\$ 36,311</u>	<u>\$ 120,411</u>	<u>\$ 233,335</u>

As at June 30, 2010, accounts receivable included \$438,491 (2009 – \$23,290) and accounts payable included \$24,516 (2009 – \$16,243) which are due from/to companies related by way of a director or officers in common or with a company with whom an officer is associated. These amounts are unsecured and non-interest bearing. The accounts receivable amount of \$438,491 (2009 - \$23,290) is due from Peregrine Metals Ltd. and relates to shared office costs and salaries, this amount has been paid subsequent to June 30, 2010.

PEREGRINE DIAMONDS LTD.
Notes to the Consolidated Financial Statements
For the Nine Months Ended June 30, 2010
(Unaudited)

7. CASH FLOW INFORMATION

Net change in non-cash working capital items:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2010	2009	2010	2009
Accounts receivable	\$ (1,040,433)	\$ (1,647,255)	\$ 425,048	\$ (1,767,887)
Refundable deposits	-	-	-	(364,142)
Prepaid expenses	277,238	(108,552)	(145,468)	444,026
Accounts payable and accrued liabilities	3,161,790	539,590	995,595	203,364
	<u>\$ 2,398,595</u>	<u>\$ (1,216,218)</u>	<u>\$ 1,275,175</u>	<u>\$ (1,484,640)</u>

8. FUTURE INCOME TAX RECOVERY

The issuance of flow through shares in March and September, 2008 resulted in the recording of an estimated future income tax liability of \$1.8 million. Renunciation of the expenses associated with these flow through shares in December 2008 resulted in a recovery of the future income tax liability, resulting in future income tax recoveries recorded in the three month period ended December 31, 2008 in the amount of \$1.8 million.

PEREGRINE DIAMONDS LTD.**Consolidated Schedule of Exploration Expenditures
For the Nine Months Ended June 30, 2010 and 2009
(Unaudited)**

	2010	2009
	<hr/>	<hr/>
Salaries	\$ 315,704	\$ 340,932
Stock-based compensation	95,984	76,673
Fuels	38,425	111,574
Personal protective gear	3,139	-
Maps, photos, reproductions	2,495	2,000
Sampling	8,926	353,021
Drilling	268,412	-
Assaying	987,953	158,122
Camp costs	184,649	116,069
Rental, lease and charter	616,702	79,724
Environmental	3,475	-
Fees and licenses	68,135	5,698
Community relations	30,527	19,605
Geological consultants	16,325	-
Geophysical consultants	26,716	-
Engineering consultants	52	18,173
Consulting - other	84,576	66,543
Site and administration	467	10,065
Travel	106,011	75,342
Repairs and maintenance	562	17,831
Computer related services	14,750	-
Communications	17,389	-
Reimbursed expenditures	-	(296,811)
	<hr/>	<hr/>
	\$ 2,891,376	\$ 1,154,562

PEREGRINE DIAMONDS LTD.**Consolidated Schedule of Exploration Expenditures
For the Three Months Ended June 30, 2010 and 2009
(Unaudited)**

	2010	2009
	<hr/>	<hr/>
Salaries	\$ 89,029	\$ 73,974
Stock-based compensation	50,140	63,998
Fuels	38,425	-
Personal protective gear	3,139	-
Sampling	6,654	-
Drilling	268,412	-
Assaying	212,995	-
Camp costs	138,133	20,998
Rental, lease and charter	569,320	15,524
Environmental	3,002	-
Fees and licenses	843	5,698
Community relations	8,863	5,234
Geophysical consultants	7,428	-
Consulting - other	26,900	9,988
Site and administration	-	6,791
Travel	44,301	9,874
Computer related services	12,485	-
Communications	10,852	-
Reimbursed expenditures	-	(8,006)
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	\$ 1,490,924	\$ 204,073
