

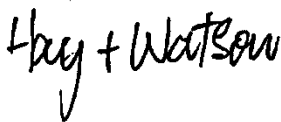
AUDITORS' REPORT

**To the Shareholders of
Peregrine Diamonds Ltd.**

We have audited the consolidated balance sheets of Peregrine Diamonds Ltd. as at September 30, 2009 and 2008 and the consolidated statements of operations, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2009 and 2008 and the results of its operations and its cash flows for the years then in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Vancouver, British Columbia
December 9, 2009

PEREGRINE DIAMONDS LTD.
Consolidated Balance Sheets
As at September 30, 2009 and 2008

	2009	2008
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 759,268	\$ 2,068,996
Accounts receivable	3,384,547	414,066
Prepaid expenses	720,122	682,346
	4,863,937	3,165,408
INVESTMENTS (Note 6)	4,060	25,200
MINERAL PROPERTIES (Note 7)	2,655,024	2,688,603
OTHER CAPITAL ASSETS (Note 9)	293,465	346,020
DEPOSITS ON PROPERTY AND EQUIPMENT	116,255	151,758
	\$ 7,932,741	\$ 6,376,989
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 3,172,325	\$ 1,559,444
SHAREHOLDERS' EQUITY		
Share capital (Note 11)	87,504,254	85,713,038
Contributed surplus	5,763,238	3,900,999
Deficit	(88,460,738)	(84,771,295)
Other comprehensive income	(46,338)	(25,198)
	4,760,416	4,817,545
	\$ 7,932,741	\$ 6,376,989

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

APPROVED BY THE BOARD:

"Gordon Keep"

Director

"Robert Boyd"

Director

PEREGRINE DIAMONDS LTD.
Consolidated Statements of Operations
Years Ended September 30, 2009 and 2008

	2009	2008
EXPENSES		
Accounting and audit fees	\$ 51,239	\$ 89,538
Consulting	67,371	147,235
Depreciation	104,762	287,993
Filing fees	79,249	65,486
Legal	312,234	113,759
Insurance	98,953	146,247
Investor relations	50,233	56,791
Office and administration	374,983	261,840
Salaries and benefits	1,030,711	814,729
Travel	51,093	70,711
Stock-based compensation	1,304,117	327,047
Exploration (Schedule)	2,487,227	10,485,387
	<u>6,012,171</u>	<u>12,866,763</u>
OTHER (INCOME)/EXPENSES		
Interest income	(23,028)	(120,560)
Mineral property write-downs	33,579	126,808
Foreign exchange	2,187	(3,210)
Management fees and other income	(494,365)	(4,993)
	<u>(481,627)</u>	<u>(1,955)</u>
Loss before income taxes	5,530,544	12,864,808
Future income tax recovery (Note 10)	(1,841,101)	(1,483,544)
NET LOSS	\$ 3,689,443	\$ 11,381,264
BASIC AND DILUTED LOSS PER SHARE	\$ (0.05)	\$ (0.19)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	76,566,351	59,725,277

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

PEREGRINE DIAMONDS LTD.
Consolidated Statements of Shareholders' Equity
Years Ended September 30, 2009 and 2008

	Share Capital		Contributed Surplus	Deficit	Other Comprehensive Income (Loss)	Total
	Number of Shares	Amount				
Balances, September 30, 2007	51,143,330	\$ 76,660,441	\$ 3,361,948	\$ (73,390,031)	\$ 1,992	\$ 6,634,350
Shares issued:						
Private placements, net of share issue costs of \$561,831 and related future income taxes of \$1,483,544	18,855,152	9,114,712	122,967	-	-	9,237,679
Normal course issuer bid						
share repurchases (Note 11(d))	(32,000)	(62,115)	19,205	-	-	(42,910)
Stock-based compensation	-	-	396,879	-	-	396,879
Transfer to other income	-	-	-	-	(12,620)	(12,620)
Investment fair value adjustment	-	-	-	-	(14,570)	(14,570)
Net loss	-	-	-	(11,381,264)	-	(11,381,264)
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	2,787,701	591,865	-	-	3,379,566
Warrants exercised	1,276,358	780,522	(126,664)	-	-	653,858
Options exercised	120,000	64,093	(18,794)	-	-	45,300
Future income taxes related to exploration expenditures renounced at December 31, 2008 (Note 10)	-	(1,841,101)	-	-	-	(1,841,101)
Stock-based compensation	-	-	1,415,832	-	-	1,415,832
Investment fair value adjustment	-	-	-	-	(21,140)	(21,140)
Net loss	-	-	-	(3,689,443)	-	(3,689,443)
Balances, September 30, 2009	81,401,590	\$ 87,504,254	\$ 5,763,238	\$ (88,460,738)	\$ (46,338)	\$ 4,760,416

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

PEREGRINE DIAMONDS LTD.
Consolidated Statements of Cash Flows
Years Ended September 30, 2009 and 2008

OPERATING ACTIVITIES	2009	2008
Net loss	\$ (3,689,443)	\$ (11,381,264)
Items not affecting use of cash		
Depreciation	104,762	287,993
Stock-based compensation	1,415,832	396,879
Write-down of mineral property	33,579	126,808
Other loss/(income)	(16,430)	3,932
Reclamation obligation	-	(75,825)
Future income tax recovery	(1,841,101)	(1,483,544)
Unrealized foreign exchange gains/(losses)	2,646	(72)
	(3,990,154)	(12,125,093)
Changes in non-cash working capital items (Note 13)	(1,361,732)	(2,706,943)
	(5,351,887)	(14,832,035)
INVESTING ACTIVITIES		
Proceeds from sale of investments	-	108,280
Proceeds from sale of other capital assets	16,430	13,000
Mineral properties	-	(222,283)
Other capital assets	(52,207)	(140,832)
Refund of deposits on mineral properties and equipment	35,503	589,611
	(274)	347,776
FINANCING ACTIVITIES		
Shares issued for cash	4,042,653	10,721,224
Normal course issuer bid purchases	-	(42,910)
	4,042,653	10,678,314
DECREASE IN CASH AND CASH EQUIVALENTS	(1,309,507)	(3,805,946)
EFFECT OF FOREIGN EXCHANGE		
RATE CHANGES ON CASH AND CASH EQUIVALENTS	(221)	72
CASH AND CASH EQUIVALENTS		
BEGINNING OF YEAR	2,068,996	5,874,870
CASH AND CASH EQUIVALENTS		
END OF YEAR	\$ 759,268	\$ 2,068,996
CASH AND CASH EQUIVALENTS ARE COMPRISED OF:		
Cash in bank	\$ 9,268	\$ 2,068,996
Short-term deposits	750,000	-
	\$ 759,268	\$ 2,068,996

SUPPLEMENTAL CASH FLOW INFORMATION (Note 13)

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

PEREGRINE DIAMONDS LTD.

Notes to the Consolidated Financial Statements

September 30, 2009 and 2008

1. NATURE OF OPERATIONS

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

The Company's operations during the year ended September 30, 2009 were directed towards the exploration of the Company's property interests located in Nunavut, Canada. To date, the Company has not generated significant 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. In past years, significant exploration expenditures were incurred during the winter months on a lake-based bulk sampling project which required frozen conditions to support large-diameter drilling equipment.

The Company has incurred significant losses since inception and as at September 30, 2009 has a working capital balance of \$1.7 million and an accumulated deficit of \$88.5 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 current 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.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The significant accounting policies used in these consolidated financial statements are as follows:

(a) Basis of Consolidation

These consolidated financial statements include the accounts of Peregrine and its wholly owned subsidiary, Peregrine Holdings Ltd. and the Company's proportionate share of the WO joint venture (Note 8). All significant intercompany transactions and balances have been eliminated.

(b) Accounting Estimates

Generally accepted accounting principles require management to make assumptions and estimates that affect the reported amounts and other disclosures in these financial statements. Actual results may differ from those estimates.

PEREGRINE DIAMONDS LTD.
Notes to the Consolidated Financial Statements
September 30, 2009 and 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant estimates used in the preparation of these financial statements include, among others, the recoverability of accounts receivable, future income tax assets, investments and deposits, and the expected economic lives of and the estimated future operating results and net cash flows from mineral properties and other capital assets.

(c) Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at the exchange rate in effect at the balance sheet date and non-monetary assets and liabilities at the exchange rates in effect at the time of acquisition or issue. Revenues and expenses denominated in foreign currencies have been translated at rates approximating exchange rates in effect at the time of the transactions. Exchange gains and losses are included in operations.

(d) Cash and Cash Equivalents

The Company considers all highly liquid investments that are readily convertible to cash or with an original maturity of 90 days or less to be cash and cash equivalents. These consist of cash and term deposits.

(e) Financial Instruments

Financial instruments are classified into various categories. Held to maturity investments, loans and receivables are measured at amortized cost, with amortization of premiums or discounts, losses and impairment included in current period interest income or expense. Held for trading financial assets and liabilities are measured at fair market value with all gains and losses included in operations in the period in which they arise. Available for sale financial assets are measured at fair market value with revaluation gains and losses included in other comprehensive income (see (j) below) until the asset is removed from the balance sheet, and losses due to permanent impairment are included in operations. All other financial liabilities are carried at amortized cost.

At present, the Company's most significant financial instruments are cash and cash equivalents, accounts receivable, investments and accounts payable. The Company considers its investments to be available for sale financial assets; accordingly, the carrying amounts of these investments have been adjusted to their fair market value and this adjustment has been included in other comprehensive income. Otherwise, there is no material difference in the accounting for the Company's remaining financial instruments, the carrying values of which approximate fair value due to their short-term maturities.

PEREGRINE DIAMONDS LTD.
Notes to the Consolidated Financial Statements
September 30, 2009 and 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Mineral Properties

The Company follows the method of accounting for its mineral properties whereby all direct costs related to their acquisition are capitalized by property. Exploration costs inclusive of exploration programmes required under option agreements, net of incidental revenues, are charged to operations in the period incurred, until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized.

The Company reviews the carrying values of its mineral properties whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts determined by reference to estimated future operating results and undiscounted net cash flows. An impairment loss is recognized when the carrying value of those assets is not recoverable and exceeds their fair value.

On the commencement of commercial production, net capitalized costs will be charged to operations on a unit-of-production basis, by property, using estimated proven and probable recoverable reserves as the depletion base.

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

(g) Other Capital Assets

Other capital assets are carried at cost less accumulated depreciation. These assets are depreciated using the straight-line method over the following periods:

Office equipment, furniture and fixtures	3-5 years
Plant, equipment and buildings	5-10 years

The Company reviews the carrying values of its other capital assets whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts, determined by reference to estimated future operating results and undiscounted net cash flows. An impairment loss is recognized when the carrying value of those assets exceeds their current fair values.

(h) Reclamation Obligations

Liabilities related to environmental protection and reclamation costs are recognized when the obligation is incurred and the fair value of the related costs can be reasonably estimated. This includes future site restoration and other costs as required due to environmental law or contracts. At September 30, 2009 and 2008, there were no such liabilities.

PEREGRINE DIAMONDS LTD.
Notes to the Consolidated Financial Statements
September 30, 2009 and 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Income Recognition

Interest from cash and cash equivalents and notes receivable is recorded on an accrual basis when collection is reasonably assured.

(j) Comprehensive Income (Loss)

Comprehensive income (loss) is the change in net assets arising from transactions and other events and circumstances from non-owner sources and comprises net income (loss) and other comprehensive income (loss). Financial assets that are classified as available for sale will have revaluation gains and losses included in other comprehensive income (loss) until the asset is removed from the balance sheet, at which time the realized gains and losses will be included in operations. At present, the Company's only available for sale financial assets are its investments.

(k) Stock-based Compensation

From time to time, the Company grants options to directors, officers and employees and consultants to purchase common shares. The Company accounts for stock-based compensation using the fair-value method. Compensation costs, equal to the fair value of the options on the date of grant, are recognized in operations, with an offsetting credit to contributed surplus, for stock options granted to employees, officers and directors over the period during which the related options vest. Compensation costs are recognized in operations, with an offsetting credit to contributed surplus, for options granted to non-employees based on the fair value of the options at the date granted. Consideration paid upon exercise of stock options, along with the applicable amount of contributed surplus, is credited to share capital.

(l) Flow-through Shares

The Company has issued flow-through shares to finance some of its exploration activities. These shares were issued for cash in exchange for the Company giving up the tax benefits arising from the exploration expenditures, in accordance with tax legislation. The Company records these share issuances by crediting share capital for the full value of cash consideration received and shows the related future income tax liability as a share issue cost.

(m) Income Taxes

Future income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax values, using the enacted or substantially enacted, as applicable, income tax rates at each balance sheet date. Future income tax assets also result from unused loss carry-forwards and other deductions. The valuation of future income tax assets is reviewed on a regular basis and adjusted, if necessary, by use of a valuation allowance to reflect the estimated realizable amount.

PEREGRINE DIAMONDS LTD.
Notes to the Consolidated Financial Statements
September 30, 2009 and 2008

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Loss Per Share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and warrants, in the weighted average number of common shares outstanding during the year. For this purpose, the “treasury stock method” is used for the assumed proceeds upon the exercise of stock options and warrants that are used to purchase common shares at the average market price during the year. Common share equivalents have been excluded from the computation of diluted earnings per share for the periods presented as including them would have been anti-dilutive.

(o) Comparative Amounts

Certain prior period amounts have been restated to conform to the current year’s presentation.

3. MANAGEMENT OF CAPITAL

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern in order to pursue the development of its mineral properties. The Company considers its capital as its shareholders’ equity.

The Company manages and adjusts its capital structure when changes to the risk characteristics of the underlying assets or changes in economic conditions occur. To maintain or adjust the capital structure, the Company may attempt to issue new shares or acquire, dispose of or joint venture certain of its assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets which are revised periodically based on the results of its exploration programmes, availability of financing and industry conditions. Annual and materially updated budgets are approved by the Board of Directors.

There are no external restrictions on the management of capital.

PEREGRINE DIAMONDS LTD.

Notes to the Consolidated Financial Statements

September 30, 2009 and 2008

3. MANAGEMENT OF CAPITAL (Continued)

In order to maximize ongoing development efforts, the Company does not pay dividends. The Company's investment policy is to invest any excess cash in liquid short-term interest-bearing instruments with maturities 90 days or less. When utilized, these instruments are selected with regard to the expected timing of expenditures for continuing operations. The Company currently does not have sufficient capital resources to meet its planned operations or administrative overhead expenses through its current operating period. Also, exploration and development of the Company's mineral properties in the near and long term will depend on the Company's ability to obtain additional funding through equity or debt financing or through the joint venturing of projects. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration and development activities. The Company believes it will be able to raise capital as required in the long term, but recognizes there will be risks involved that may be beyond its control.

4. FINANCIAL INSTRUMENTS

The Company's financial instruments are exposed to certain risks, which include currency risk, credit risk, interest rate risk, liquidity risk, and market risk.

Currency Risk

Currency risk is the risk of a loss due to the fluctuation of foreign exchange rates and the effects of these fluctuations on foreign currency denominated monetary assets and liabilities. The Company currently operates only in Canada and all but a minimal amount of its monetary financial instruments are denominated in other than Canadian dollars. As such, the Company considers this risk to be minimal.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash and cash equivalents are held through large Canadian financial institutions. Accounts receivable consist mostly of refundable GST due from the federal Government of Canada, expense recoveries receivable from BHP Billiton (Note 7) and amounts receivable from related parties. Prepaid expenses and deposits are primarily mineral property permit and extension payments which will be refunded by the Government of Canada. As such, the Company considers this risk to be minimal.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate because of changes to market interest rates. The Company is exposed from time to time to interest rate risk as a result of holding fixed rate cash equivalent investments of varying maturities. The risk that the Company will realize a loss as a result of a decline in the fair value of these investments is limited as these investments are highly liquid securities with short-term maturities.

PEREGRINE DIAMONDS LTD.

Notes to the Consolidated Financial Statements

September 30, 2009 and 2008

4. FINANCIAL INSTRUMENTS (Continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Accounts payable and accrued liabilities are due within the current operating period. The Company manages liquidity risk through the management of its capital structure (Note 3).

Market risk

The Company is exposed to market risk related to the fluctuation in the market price of its investments. Although considered available for sale, the Company's investments have been acquired as a result of property transactions and, to a large extent, represent strategic investments in related mining companies and their underlying properties. These investments do not normally represent core assets of the Company nor are they considered to be material. However, the Company closely monitors the market values of these investments in order to determine the most appropriate course of action.

5. 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 developing 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 will apply to annual financial statements relating to fiscal years ending after September 30, 2009. Earlier adoption is permitted. The adoption of this amendment will enhance the quality of the disclosure of the measurement of fair value used by the Company.

PEREGRINE DIAMONDS LTD.
Notes to the Consolidated Financial Statements
September 30, 2009 and 2008

5. RECENT ACCOUNTING PRONOUNCEMENTS (continued)

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.

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.

PEREGRINE DIAMONDS LTD.
Notes to the Consolidated Financial Statements
September 30, 2009 and 2008

6. INVESTMENTS

		September 30, 2009			September 30, 2008	
		Unadjusted	Adjustment	Adjusted	Equity	Fair
Equity	Interest	Carrying	to Fair	Fair	Interest	Value
		Value	Value	Value		
International Samuel						
Exploration Corp.	0.67%	\$ 25,200	\$ (21,140)	\$ 4,060	1%	\$ 25,200
		\$ 25,200	\$ (21,140)	\$ 4,060		\$ 25,200

During the year ended September 30, 2009, the Company made fair market value adjustments aggregating \$21,140 (2008 - \$14,570) on these investments, which it considers to be available for sale financial assets (Note 2(e)).

7. MINERAL PROPERTIES

		Other Baffin				
		Nanuq &	Island	Others	Others	
Total	Chidliak	Nanuq North	Properties	(Active)	(Inactive)	
Mineral Property Acquisition Costs						
Balance, September 30, 2007	\$ 2,593,128	\$ -	\$ 1,376,121	\$ 117,716	\$ 523,397	\$ 575,894
Claimstaking & option costs	222,283	-	289,999	(117,716)	50,000	-
Mineral property write-downs	(126,808)	-	-	-	(126,808)	-
Balance, September 30, 2008	\$ 2,688,603	\$ -	\$ 1,666,120	\$ -	\$ 446,589	\$ 575,894
Mineral property write-downs	(33,579)	-	-	-	(33,579)	-
Balance, September 30, 2009	\$ 2,655,024	\$ -	\$ 1,666,120	\$ -	\$ 413,010	\$ 575,894
Cumulative Exploration Expenditures Written Off to Operations						
Balance, September 30, 2007	\$ 70,110,645	\$ 944,118	\$ 4,584,496	\$ 3,157,889	\$ 8,709,380	\$ 52,714,762
Expenditures for the year	10,485,387	2,428,051	2,069,559	736,453	1,369,992	3,881,332
Balance, September 30, 2008	\$ 80,596,032	\$ 3,372,169	\$ 6,654,055	\$ 3,894,342	\$ 10,079,372	\$ 56,596,094
Expenditures for the year	2,487,227	611,296	926,986	945,139	313,109	(309,303)
Balance, September 30, 2009	\$ 83,083,259	\$ 3,983,465	\$ 7,581,041	\$ 4,839,481	\$ 10,392,481	\$ 56,286,791

PEREGRINE DIAMONDS LTD.

Notes to the Consolidated Financial Statements

September 30, 2009 and 2008

7. MINERAL PROPERTIES (Continued)

Baffin Island, Nunavut

In 2005, the Company entered into an exploration agreement with BHP Billiton (the “BHP Framework Agreement”) regarding a diamond exploration concept for southern Baffin Island, Canada. Under the terms of the BHP Framework Agreement, BHP Billiton can earn a 51 percent interest in certain properties that have been acquired by Peregrine by funding five times the exploration expenditures that have been incurred by the Company, over a period of five years, with minimum annual expenditures of \$5 million. After they have earned a 51 percent interest in a property, BHP Billiton has a one-time option to earn an additional seven percent interest in the property by sole-funding the complete costs of a bankable feasibility study. If this option is exercised, the resulting ownership interests in any property would be BHP Billiton 58 percent and Peregrine 42 percent. If BHP Billiton does not elect to exercise the second option, BHP Billiton and the Company will advance the project maintaining their respective 51 percent and 49 percent interests. If BHP Billiton elects to exercise this second option but fails to complete it as required by the agreement, the Company, under certain conditions, will have the right to complete the bankable feasibility study to earn a 58 percent interest in the property. The Company can market its share of any diamond production after the first three years of commercial production where BHP Billiton owns a 58 percent interest in the property as a result of sole-funding a bankable feasibility study. The Company has the marketing rights to its share of diamonds at the commencement of production where the Company has funded either its pro-rata share or the full costs of completing the feasibility study. (see - *BHP Framework Agreement*).

Chidliak Property, Nunavut

The Chidliak Property consists of 581 mineral claims and 25 prospecting permits covering 983,833 hectares located on the Hall Peninsula of Baffin Island, approximately 150 kilometres northeast of the town of Iqaluit. The 25 permits were acquired by Peregrine in February 2008 and are valid for 3 years (until January 31, 2011). The 581 claims were registered in August of 2009.

Chidliak is held 100% by Peregrine and falls under the BHP Framework Agreement, whereby BHP Billiton has certain rights of acquisition. On November 24, 2008, BHP Billiton elected to exercise its right to acquire an interest in the Chidliak Property. The BHP Framework Agreement provides that BHP Billiton can acquire a 51% interest in Chidliak by funding, over a period of five years, five times the exploration expenditures that have been incurred by Peregrine, with minimum annual expenditures of \$5 million. In order to acquire a 51% interest, BHP Billiton is to incur a total of \$22.3 million in future exploration expenditures on the Chidliak Property over five years, with a minimum commitment of \$8.9 million. To September 30, 2009, BHP Billiton had incurred aggregate expenditures on the Chidliak property of \$6.9 million.

Nanuq Property, Nunavut

The Nanuq Property consists of 321 mineral claims covering 314,904 hectares, located in the Western Churchill Province. The centre of the property is 170 km north of the town of Chesterfield Inlet and 225 km east-northeast of the town of Baker Lake. The property is held 100% by Peregrine; subject to a 2% gross production royalty in favour of BHP Billiton on 47% of the area of the Property. BHP Billiton also retains all marketing rights in respect of all rough diamonds extracted from that 47% area of the Nanuq Property for a period of three years from the commencement of commercial production.

PEREGRINE DIAMONDS LTD.

Notes to the Consolidated Financial Statements

September 30, 2009 and 2008

7. MINERAL PROPERTIES (Continued)

Qilaaq, Nunavut

The Qilaaq property consists of 86 prospecting permits totalling approximately 1,238,810 million hectares located immediately east and north of the Chidliak property. Other than a one-kilometre area around the outer perimeter of Chidliak which is subject to earn-in rights granted to BHP Billiton, Qilaaq is 100% owned by the Company.

Nanuq North Property, Nunavut

In 2005, the Company entered into an agreement with Indicator Minerals Inc. ('Indicator') and Hunter Exploration Group ('Hunter') on the Nanuq North property ("Nanuq North") which consists of 51 claims covering an area of 33,090 hectares immediately north of the Nanuq property. Under the terms of the agreement, an exploration joint venture was formed with Indicator as the operator and the Company and Indicator sharing the costs of exploration on a 50/50 basis. Hunter retains a 20% property interest carried through the completion of scoping study and a gross overriding royalty of 2% from a core group of 16 claims with an area of 13,864 hectares. Indicator and Peregrine each hold a 50% undivided interest in the remaining 19,226 hectares.

On July 9, 2009, the Company commenced arbitration proceedings against Indicator and Hunter regarding a dispute which has arisen over the Nanuq North joint venture. Indicator as operator of the Nanuq North joint venture has issued notice to the Company that it intends to proceed with a 2009 exploration programme consisting of drilling, till sampling and analytical work with a budget of \$2.34 million. Peregrine has not approved the exploration programme and is contesting Indicator's assertion that it has the right to implement the programme and require Peregrine to contribute its 50 percent share of expenditures without Peregrine's approval.

Under the arbitration, Peregrine is seeking a determination of Indicator's right to proceed unilaterally with proposed exploration programmes, the validity of Indicator's notice to Peregrine to contribute its share of the programme expenditures and an order restraining Indicator from acting on the notice and diluting Peregrine's interest in the Nanuq North joint venture. Should the Company be unsuccessful in the arbitration process, the Company's share of percentage ownership in the Nanuq North claims could be diluted. The amount of this potential dilution cannot reasonably be estimated at this time.

WO Property, Northwest Territories

The WO Property is located approximately 300 km north-northeast of the city of Yellowknife in the Northwest Territories, Canada; it comprises 14 mineral claims and 3 mineral leases covering an area of 15,107 hectares. By agreement dated April 21, 2004, the Company acquired a 38.475% interest in the WO Property from BHP Diamonds. Under the terms of a letter agreement dated December 6, 2002, as amended September 20, 2004 and June 13, 2005 (collectively, the "WO Property Agreement"), which presently governs the interests in the WO Property held by the Company and its joint venture partners, the Company has increased its interest to 71.95% through various funding initiatives and through the voluntary dilution of certain other joint venture partners. There is an overriding royalty interest of 1.8% of the sales proceeds of diamonds produced on these claims.

PEREGRINE DIAMONDS LTD.

Notes to the Consolidated Financial Statements

September 30, 2009 and 2008

7. MINERAL PROPERTIES (Continued)

The Company is currently assessing potential future development activity at the DO-27 kimberlite and no current exploration or development activities are planned. The Company's management has concluded that the development of the DO-27 project is not justifiable under current economic conditions, but believes there is a reasonable chance that DO-27 could support a mining operation in the future.

Lac de Gras East and Lac de Gras West Properties, Northwest Territories

The Lac de Gras East property consists of 81 mineral claims covering 78,153 hectares located 300 kilometres northeast of Yellowknife. The Company has earned a 65% joint venture interest in 24 of these 81 claims by making share payments to Thelon Ventures Ltd. and spending an aggregate of \$4.1 million on exploration on Lac de Gras East and West. The remaining 57 claims are wholly owned by the Company. Certain portions of the Lac de Gras East property are Royalty Properties under the BHP Framework Agreement and subject to royalties in favour of BHP Billiton (see "BHP Framework Agreement").

The Lac de Gras West property consists of 40 mineral claims covering 34,234 hectares, located 275 kilometres northeast of Yellowknife. The Company has earned a 65% joint venture interest in 22 of these 40 claims, by making share payments to Thelon Ventures Ltd. and spending an aggregate of \$4.1 million on exploration on Lac de Gras East and West. The remaining 18 claims are wholly owned by the Company.

The Company has agreed to pay a discovery bonus to a prospecting syndicate in the amount of 2,500 common shares of the Company for the first kimberlite discovery and a discovery bonus of 1,250 common shares of the Company for each subsequent kimberlite discovery up to a maximum of 50,000 common shares for the entire Lac de Gras West property and 70 of the 81 claims constituting the Lac de Gras East property. To date, no discovery bonuses have been paid. These properties are subject to a gross overriding royalty of 2% of all diamond production; 50% of this royalty can be purchased by the Company for \$1 million.

Pellatt Lake Property, Northwest Territories

The Pellatt Lake property is located 42 kilometres northeast of BHP Diamonds' EkatiTM Diamond Mine at Lac de Gras, encompassing areas around the southern part of Pellatt Lake, Windy Lake and the northern part of Hardy Lake. The property originally covered an area of 29,263 hectares and consisted of two packages of claims, the main block and the JPL and RESA claims. The main block consists of three claims that were acquired by DHK Diamonds Inc. ("DHK") from Kennecott Canada Exploration Inc. which maintains a 1% gross overriding royalty on these claims. These three claims have been taken to lease. Three other claims were staked in 2000 by DHK, with an additional seven claims staked in 2003 by Dentonia Resources ("Dentonia"). The remaining 15 claims were staked in 2004 for the Company and are 100% owned by the Company. Carrying costs in the amount of \$33,579 were written down to nil at December 31, 2008. The Pellatt Lake property is a Royalty Property under the BHP Framework Agreement and subject to royalties in favour of BHP Billiton (see "BHP Framework Agreement").

PEREGRINE DIAMONDS LTD.

Notes to the Consolidated Financial Statements

September 30, 2009 and 2008

7. MINERAL PROPERTIES (Continued)

By way of an amending agreement entered into in March 2007, the Company earned a 51% interest in the three DHK mineral leases and five of the Dentonia mineral claims by completing drill testing of certain defined target areas by December 31, 2008. The option was dropped on three of the DHK and two of the Dentonia claims. The current property holdings are 24,037 hectares.

TW and IM Properties, Northwest Territories

The Company acquired a 100% interest in certain mineral exploration claims with an aggregate area of approximately 206,400 hectares located in the Northwest Territories known as the TW and IM properties. Based on the results of geophysical surveys and other work undertaken in 2005 and 2006, the Company has determined that no further diamond exploration work is warranted and, with the exception of the claims discussed below, all claims will be allowed to lapse. The TW property is a Royalty Property under the BHP Framework Agreement and subject to royalties in favour of BHP Billiton (see “BHP Framework Agreement”).

In April 2006, the Company granted Viking Exploration Inc. (‘Viking’) an option to acquire a 60% interest in the Company’s right in the TW property with respect to gold exploration. Under the terms of this agreement, Viking must complete an airborne geophysical survey over the property by December 31, 2006 (which has been completed), incur aggregate exploration expenditures of \$1 million (of which \$483,888 has been spent) on the property by September 2011 and maintain all permits on the property in good standing for the duration of the agreement.

BHP Framework Agreement

On July 6, 2007, the Company entered into a new FalconTM system deployment agreement with a number of affiliated companies in the BHP Billiton Group (collectively referred to herein as “BHP Diamonds”) (the “BHP Framework Agreement”) which governed the Company’s use of the FalconTM airborne gravity gradiometer system as well as BHP Diamonds’ rights to earn into certain mineral discoveries made by that system.

In addition, the BHP Framework Agreement rationalizes the numerous joint venture, back-in, and FalconTM data usage and deployment agreements that existed between the Company and BHP Diamonds on various diamond, copper and IOCG properties located in Canada, United States, Mexico, and Peru.

PEREGRINE DIAMONDS LTD.

Notes to the Consolidated Financial Statements

September 30, 2009 and 2008

7. MINERAL PROPERTIES (Continued)

Highlights of the BHP Framework Agreement include:

- Termination of BHP Diamonds' right to back-in to the WO Property, Lac de Gras East, Nanuq, Pellatt Lake, TW, IM, and certain areas in the United States ("US Generative Properties") (as well as the Great Bear, Ica and Mexico properties owned by Peregrine Metals Ltd. – a company related to Peregrine by way of officers in common) (collectively the "Royalty Properties"). These back-in rights have been replaced with royalties in favour of BHP Diamonds as follows: 0.7% on the WO property (other than existing mineral discoveries including DO-18 and DO-27, on which no rights to acquire existed and no royalties are applicable) and certain portions of the Lac de Gras East property; 1% on the Great Bear property and the Pellat Lake property; and 2% on the Nanuq property and the TW and IM properties. Marketing rights in respect of diamond production in favour of BHP Diamonds also apply to the Royalty Properties for a period of three years from the date of commencement of commercial production. The royalties can be purchased by the Company, in whole or in part, at the completion of a feasibility study, for an independently determined fair market value.
- BHP Diamonds retains the right to acquire up to 58% of the Chidliak, Kimmirut, Flint Lake, Foxe Basin, Mirage Bay and Timmijuuq properties, and on certain other areas on Baffin Island where the Company may acquire mineral rights in the future. To exercise its acquisition rights, BHP Diamonds must first expend US\$15 million to US\$50 million per property, depending on when the earn-in commences, to earn a 51% interest. BHP Diamonds can earn an additional 7% interest by delivering a bankable feasibility study. Additional conditions exist for the creation of a 51-49% joint venture between the parties in the event BHP Diamonds does not acquire beyond 51%. In the event BHP Diamonds elects not to exercise its acquisition right at any stage, it retains a 1% royalty on properties generated by the Company and a 2% royalty on properties generated by BHP Diamonds. Under certain circumstances, BHP Diamonds can retain all marketing rights in respect of diamond production for a period of three years following the commencement of commercial production.
- During 2008, BHP Billiton negotiated the sale of its FalconTM airborne gravity gradiometer system to a third party. On November 21, 2008, Peregrine entered into an agreement with the third party whereby Peregrine will continue to have access to the FalconTM system until October 1, 2009. In December 2008, Peregrine and BHP Billiton entered into a revised BHP Framework Agreement whereby BHP Billiton retains all its existing acquisition rights on properties currently owned by Peregrine but will have no acquisition rights, royalty rights or any other rights to any property where the Company conducts a FalconTM survey in the future.

PEREGRINE DIAMONDS LTD.
Notes to the Consolidated Financial Statements
September 30, 2009 and 2008

8. INVESTMENT IN JOINT VENTURES

WO Joint Venture

The Company has a 71.95% interest in a joint venture formed to explore for diamonds at the WO project in the Northwest Territories. As the Company has a majority interest in the joint venture, it is the operator of the joint venture. Under the terms of the joint venture agreement, participants can elect to withhold funding of the joint venture resulting in the dilution of their respective interests.

For the year ended September 30, 2009, the WO joint venture incurred expenditures of \$102,000 (2008 - \$4.2 million), \$28,600 (2008 - \$1.2 million) of which were financed from cash contributions from the other joint venture participants. There are no contingent or other liabilities relating to the Company's interest in the WO joint venture which have not been recorded in the Company's accounts.

9. OTHER CAPITAL ASSETS

	September 30, 2009			September 30, 2008
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Office equipment, furniture and fixtures	\$ 550,235	\$ (468,385)	\$ 81,850	\$ 112,509
Plant and equipment	242,880	(116,269)	126,611	148,508
Buildings	158,443	(73,439)	85,004	85,004
	<u>\$ 951,558</u>	<u>\$ (658,093)</u>	<u>\$ 293,465</u>	<u>\$ 346,020</u>

During the year ended September 30, 2008, certain other capital assets that were utilized at the WO property were written down or their amortization was accelerated by an aggregate \$143,301 to an estimated net realizable value of \$nil as a result of the completion of the exploration phase of the WO project. These assets consisted of items which have no utility outside the confines of the WO project site.

PEREGRINE DIAMONDS LTD.
Notes to the Consolidated Financial Statements
September 30, 2009 and 2008

10. INCOME TAXES

The Company's future income tax assets and liabilities are:

	September 30,	
	2009	2008
Future income tax assets		
Mineral properties	\$ 45,760	\$ 37,030
Investments	20,561	17,364
Other capital assets	210,212	187,246
Exploration expense pools	16,252,552	16,563,537
Tax loss carry forwards	4,157,027	3,440,148
Total future income tax assets	20,686,112	20,245,325
Valuation allowance	(20,686,112)	(20,245,325)
Net future income tax assets	\$ -	\$ -
Future income tax liabilities		
Investments	\$ -	\$ -
Net future income tax liabilities	\$ -	\$ -

PEREGRINE DIAMONDS LTD.
Notes to the Consolidated Financial Statements
September 30, 2009 and 2008

10. INCOME TAXES (Continued)

A reconciliation of the provision for recovery of income taxes is as follows:

	Year Ended September 30,	
	2009	2008
Loss before income taxes	\$ 5,530,544	\$ 12,864,808
Combined Canadian federal and provincial statutory tax rates	30.0%	31.0%
Recovery of income taxes based on combined statutory tax rates	\$ 1,659,163	\$ 3,988,090
Deduct:		
Tax effect of current year's loss not recognized	(1,004,364)	(3,665,361)
Net effect of items that are not taxable or deductible	(654,799)	(322,729)
Add:		
Future income tax recovery realized on renunciation of flow-through exploration expenditures	1,841,101	1,483,544
Future income tax recovery	\$ 1,841,101	\$ 1,483,544

At September 30, 2009, the Company has unrecognized non-capital losses for income tax purposes of approximately \$14.3 million (2008 - \$11.5 million) that may be used to offset future taxable income. These losses, if not utilized, will expire during the period 2010 to 2028. In addition to these tax losses, the Company has resource related expenditures of approximately \$64.9 million (2008 - \$66.1 million), net of renounced exploration expenditures, which can be used to offset future Canadian taxable income and can be carried forward indefinitely.

PEREGRINE DIAMONDS LTD.
Notes to the Consolidated Financial Statements
September 30, 2009 and 2008

11. SHARE CAPITAL

- (a) The Company's authorized capital consists of an unlimited number of common shares without par value.
- (b) Share options are granted at an exercise price equal to the market value of the Company's common shares on the date of the grant.

All share options vest in three equal stages. For 6,722,500 of the options outstanding at September 30, 2009 the first stage is the date of the grant and the remainder is equal annual stages commencing on the first anniversary of the date of the grant. For 25,000 options, the first stage is the date of grant, and the remainder is two equal semi-annual stages on the six-month and twelve-month anniversaries of the date of the grant. For the remaining 9,202,000 options, the first stage is six months after the date of grant and the remainder is two equal semi-annual stages on the twelve-month and eighteen-month anniversaries of the date of the grant. Options are exercisable for periods of either five or ten years after the date of grant. The share options are exercisable at the prices described below.

There are a total of approximately 15.9 million common shares reserved for the grant of stock options. A summary of the status of the Company's stock options outstanding as at September 30, 2009 and 2008 and changes during the periods ended on those dates is presented below:

	September 30, 2009		September 30, 2008	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of year	9,805,500	\$ 0.60	9,586,950	\$ 1.35
Granted	7,042,000	0.73	2,935,000	0.31
Exercised	(120,000)	0.38	-	-
Forfeited	(778,000)	1.00	(2,716,450)	2.62
Outstanding at end of year	15,949,500	0.72	9,805,500	0.60
Options exercisable at end of year	7,944,159	0.57	7,067,167	0.71
Weighted average remaining contractual life	8.1 years		3.1 years	

Subsequent to September 30, 2009, 237,500 stock options were exercised at prices ranging from \$0.20 to \$0.62 per share.

PEREGRINE DIAMONDS LTD.
Notes to the Consolidated Financial Statements
September 30, 2009 and 2008

11. SHARE CAPITAL (Continued)

Expiry Date	Outstanding Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Exercisable Options
February 2, 2010	27,500	4.00	0.34	27,500
January 18, 2011	120,000	0.42	1.30	120,000
January 18, 2011	75,000	0.44	1.30	75,000
August 12, 2013	50,000	0.20	3.87	33,333
January 18, 2016	2,625,000	0.42	6.30	2,625,000
January 18, 2016	2,725,000	0.92	6.30	2,725,000
January 18, 2016	240,000	0.20	6.30	240,000
January 18, 2016	30,000	0.44	6.30	30,000
August 7, 2016	105,000	0.44	6.86	105,000
February 7, 2017	30,000	0.44	7.36	30,000
May 14, 2017	50,000	0.44	7.62	50,000
December 1, 2017	300,000	1.00	8.18	200,000
March 14, 2018	40,000	0.44	8.46	29,998
April 7, 2018	50,000	0.44	8.52	33,333
July 10, 2018	280,000	0.44	8.78	180,000
August 12, 2018	2,160,000	0.20	8.87	1,431,662
April 7, 2019	5,035,000	0.60	9.52	-
May 1, 2019	50,000	0.60	9.59	-
September 12, 2019	25,000	0.65	9.96	8,333
September 24, 2019	1,932,000	1.84	9.99	-
	15,949,500	\$ 0.72		7,944,159

The weighted average grant-date fair value of the stock options granted during 2009 and 2008 was \$0.58 and \$0.22, respectively.

The fair value of each option granted was estimated on the date of grant using the Black-Scholes option pricing model, recognizing forfeitures as they occur, using the following weighted average assumptions:

	September 30,	
	2009	2008
Risk free interest rate	1.60%	3.18%
Expected volatility	98.01%	105.44%
Expected years of option life	3 years	5 years
Expected dividends	\$Nil	\$Nil

PEREGRINE DIAMONDS LTD.
Notes to the Consolidated Financial Statements
September 30, 2009 and 2008

11. SHARE CAPITAL (Continued)

During 2009, under the fair-value method, \$1,415,832 (2008 - \$396,879) in stock-based compensation expense was recorded in the consolidated statements of operations for options granted to employees, of which \$111,715 (2008 - \$69,832) was allocated to exploration costs for options granted to employees directly involved in exploration activities.

Also during 2009, the expiry date of 8,715,000 existing options was extended by five years on options with issue dates ranging from July 28, 2003 to August 12, 2008. This option term modification resulted in total stock-based compensation of \$403,756, of which \$356,380 was recorded in the current period in accordance with the vesting patterns of the underlying options.

(c) Outstanding Warrants

<u>Warrants</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
4,988,014	\$1.00/\$1.50	February 19, 2011
4,988,014		

Exercise price per warrant increases from \$1.00 to \$1.50 on February 19, 2010.

Subsequent to September 30, 2009, 1,218,731 warrants were exercised at \$1.00 per share.

(d) Normal Course Issuer Bid

On January 31, 2007, the Company announced its intention to make a normal course issuer bid under which it would purchase up to 4,170,000 common shares of the Company. The normal course issuer bid commenced on February 5, 2007 and ended on January 31, 2008. All purchases were effected through the facilities of the TSX and the price that the Company paid was the market price of the shares at the time of acquisition.

From February 5, 2007 to September 30, 2007, the Company purchased an aggregate of 1,690,900 shares at market prices averaging \$1.99 per share for a total cost of \$3,366,541. From October 1, 2007 to September 30, 2008, a further 32,000 shares were purchased at market prices averaging \$1.34 per share for a total cost of \$42,910. All shares purchased by the Company have been cancelled.

PEREGRINE DIAMONDS LTD.
Notes to the Consolidated Financial Statements
September 30, 2009 and 2008

12. OTHER RELATED PARTY TRANSACTIONS

The Company incurred the following expenses with companies related by way of officers in common and with a company with whom a director is associated. These costs are measured at exchange amounts agreed upon by the parties.

	September 30,	
	2009	2008
Legal	\$ 138,495	\$ 105,935
Exploration	37,370	6,146
Share issue costs	112,740	430,134
	<u>\$ 288,606</u>	<u>\$ 542,215</u>

As at September 30, 2009, accounts receivable included \$31,033 (2008 - \$142,293) and accounts payable included \$8,936 (2008 - \$33,235) 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 \$31,033 (2008 - \$142,293) is due from Peregrine Metals Ltd. and relates to shared office costs and salaries. This amount was received after September 30, 2009.

13. CASH FLOW INFORMATION

(a) Net change in non-cash working capital items:

	Year Ended September 30,	
	2009	2008
Accounts receivable	\$ (2,934,411)	\$ 1,779,189
Prepaid expenses	(37,776)	1,296,011
Accounts payable and accrued liabilities	1,610,455	(5,782,143)
	<u>\$ (1,361,732)</u>	<u>\$ (2,706,943)</u>

(b) Other information:

	Year Ended September 30,	
	2009	2008
Interest received	\$ 23,028	\$ 120,560
Interest paid	-	16

PEREGRINE DIAMONDS LTD.
Notes to the Consolidated Financial Statements
September 30, 2009 and 2008

14. SEGMENT DISCLOSURES

The Company operates in one industry segment (Note 1). Mineral properties and other capital assets are located in Canada and all exploration expenditures have been incurred in Canada.

15. COMMITMENTS AND CONTINGENCIES

The Company has entered into operating lease agreements for the rental of premises and equipment. The minimum future annual rental payments under the leases are as follows:

Years Ending September 30,	
2010	\$ 211,166
2011	214,436
	<u>\$ 425,602</u>

PEREGRINE DIAMONDS LTD.
Consolidated Schedule of Exploration Expenditures
Years Ended September 30, 2009 and 2008

	2009	2008
Salaries	\$ 433,657	\$ 1,169,247
Stock-based compensation	111,715	69,832
Fuels	183,337	308,849
Personal protective gear	-	1,906
Maps, photos, reproductions	2,242	16,938
Sampling	358,821	930,200
Drilling	(25,727)	2,152,800
Assaying	386,382	562,638
Camp costs	283,418	1,436,929
Rental, lease and charter	994,413	2,477,154
Environmental	1,634	32,299
Fees and licenses	2,098	110,711
Geological consultants	31,928	107,491
Geophysical consultants	-	1,250,521
Engineering consultants	18,173	178,355
Consulting - other	114,826	396,799
Legal	-	1,844
Site and administration	9,331	2,483
Travel	104,158	476,202
Repairs and maintenance	18,261	29,427
Community liason	23,959	30,004
Communications	10,547	130,284
Reimbursed expenditures	(575,947)	(1,387,526)
	\$ 2,487,227	\$ 10,485,387