



CHIDLIAK PROJECT DESCRIPTION FOR AMENDMENT OF LAND-USE PERMIT AND WATER LICENCE: NEW TENT CAMP

Introduction

Peregrine Diamonds Ltd. (Peregrine) operates the Chidliak Project (Chidliak) on a block of 25 Prospecting Permits and 581 mineral claims on the Hall Peninsula, South Baffin Island, NU, approximately 75 km northeast of Iqaluit at the SW corner and approximately 133 km south of Pangnirtung at the northernmost point (*cf. Map 1*). Exploration programmes commenced in summer 2008, following issuance of Class A Land-Use Permit #N2008C0005 from Indian and Northern Affairs Canada (INAC) and Type B Water Licence #2BE-CHI0813 from the Nunavut Water Board (NWB), and continued in 2009 and 2010. Peregrine also holds current Land Licence #Q10L1C008 from the Qikiqtani Inuit Association (QIA) for activities on Inuit-Owned Lands within Chidliak and on the adjoining Qilaq property (*cf. Map 1*). Operation of a tent camp on Chidliak already has been screened by the Nunavut Impact Review Board (NIRB) in screening decision #08AN008 dated 28 March 2008 and 18 December 2008. Community consultation in respect of Chidliak has been ongoing since February 2008. Consultation events occurred in both Iqaluit and Pangnirtung in respect of this amendment request during the week of 13 September 2010. It was important to Peregrine that this consultation be completed prior to filing this amendment request.

Purpose of Amendment

Exploration activities at Chidliak over the past three seasons have resulted in the discovery of 50 kimberlites and the identification of many geophysical anomalies for followup. Kimberlite CH-17 was discovered by drilling an anomaly on “North Lake” (*cf. Map 2*) in spring 2010. The purpose of this amendment is thus to obtain permission for erecting a new tent camp at a suitable location proximal to “North Lake” to enable completion of drilling of CH-17 and test-drilling of other northern targets. Due to the 50km distance of this northern area from the two existing tent camps (*cf. Map 1*), it is imperative that Peregrine erect a new camp in close proximity to the northern work. The main reason for erecting a northern camp is to lower the risk to human safety from long commutes through often problematic northern weather. In addition, closer travel distance will translate into decreased fixed-wing and helicopter flights, with an increased opportunity to use skidoos for back-and-forth travel between the new Third Camp and CH-17, a distance of only 2.8km.

Like Sunrise Camp to the southeast, Third Camp is proximal to a lake (“Camp Lake”) which can accommodate landings on ice in winter or floats in summer. Where larger aircraft, such as a Buffalo DC-3, are required, “North Lake” itself is able to accommodate winter landings on an even longer ice strip.

No additional water allotment is required to accommodate Third Camp or any associated drilling requirements nearby.

Details of Amendment Component

Third Field Camp

Rationale:

The Third Camp would be sited at: 64° 36' 33" N lat. – 66° 34' 36" W long. (*cf. Map 2, Map 3*) in NTS 26B/10 on Crown Land. The site was chosen after input by an Arctic geotechnical engineer, Peregrine's archaeologist and the Chidliak operations manager. This new site is not on the “North Lake”, but joins that lake at the south. We refer to this new location as “Camp Lake”. It was selected because it offers a good location for a camp – fairly level, not too rocky and beside a lake with deep water where airplanes can land and take off with wheel-skis in winter and floats in summer (*cf. Photo 1 and Photo 2*).

Maintaining All Terms and Conditions already in Effect:

All existing terms and conditions which apply to the existing two camps will be maintained at the Third Camp, including maintenance of a 31m setback of all fuel storage or structures from the ordinary high-water mark, compliance with environmental-management and wildlife-protection measures, continuance of environmental and archaeological surveys, potable-water sampling and water-quality sampling for existing parameters in all lakes to be drilled in winter. "Camp Lake" will be added to the water-quality sampling programme.

Third Camp Profile:

Third Camp will be set up in the same fashion as the two existing camps, with tents on wood frames, dual-chamber Inciner8 incinerator (model already approved for the existing camps), waterless Pacto toilets, bear fence (if camp is to be used in summer), manufactured Arctic-rated secondary-containment berms and heli-pad area. Use of the camp is intended for the period between early March and late April 2011 (assuming construction in February 2011), a total winter-use period of between six and eight weeks. Further use of Third Camp for land-based drilling of other northern targets could occur during summer 2011, if warranted.

Example of proposed Third Camp footprint (similar to that of Discovery Camp in its first year):

- 5 sleeper tents (5m x 5m, or 16' x 16');
- 1 medic tent/first-aid shack (same dimensions);
- 1 dry tent (same dimensions);
- 1 Pacto tent, 2-3 toilets (same dimensions);
- 1 kitchen tent (5m x 10m, or 16' x 32');
- 1 office tent (5m x 5m, or 16' x 16');
- 1 generator shed (3m x 3m, or 10' x 10');
- 1 storage shed (same dimensions);
- 1 recreation tent, if warranted (5m x 5m, or 16' x 16')
- 1 incinerator
- 2 fuel berms (one each for Jet-B and diesel, plus potentially a third smaller berm for petrol);
- 1 heli-pad.
- 1 electrified bear fence around perimeter (if use in summer is planned)

Potential footprint: 0.2ha-0.3ha

Advantages of Chosen Site:

- **Safe** access for drillers and staff travelling by helicopter. (Weather in the north – including fog and winds – makes travel challenging from elsewhere on the property.)
- **No** known **archaeological** sites nearby. (Survey conducted in August 2010).
- **Few wildlife** observed during 2010 wildlife surveys or exploration. (Example: a single caribou was observed 6km south of Third Camp site during July caribou survey; one set of caribou tracks was observed 7km east of Third Camp site during same survey.
- New camp will bring new opportunities for **employment**.
- Location can easily accommodate a **20-person camp**, including environmental management of facilities such as fuel berms and greywater sumps.
- **Good lake for landing aircraft:** Deep water only 10m from shore.
- Where a longer winter airstrip is required, "**North Lake**" immediately north offers a longer **potential ice runway** for large aircraft, such as the Buffalo DC-3. (Similar scenario to Sunrise Camp lake).

Potential Activities to be Undertaken in 2011

Potential activities to occur out of Third Camp are those already screened and approved under the existing land-use permit and water licence, *i.e.*, drilling from ice, drilling land-based targets, ground geophysical surveying, prospecting and surficial sediment sampling (if warranted). A proposed drill plan is not yet available, but will be supplied to regulators, once a 2011 list of proposed drill targets has been finalised.

Consultation Activities

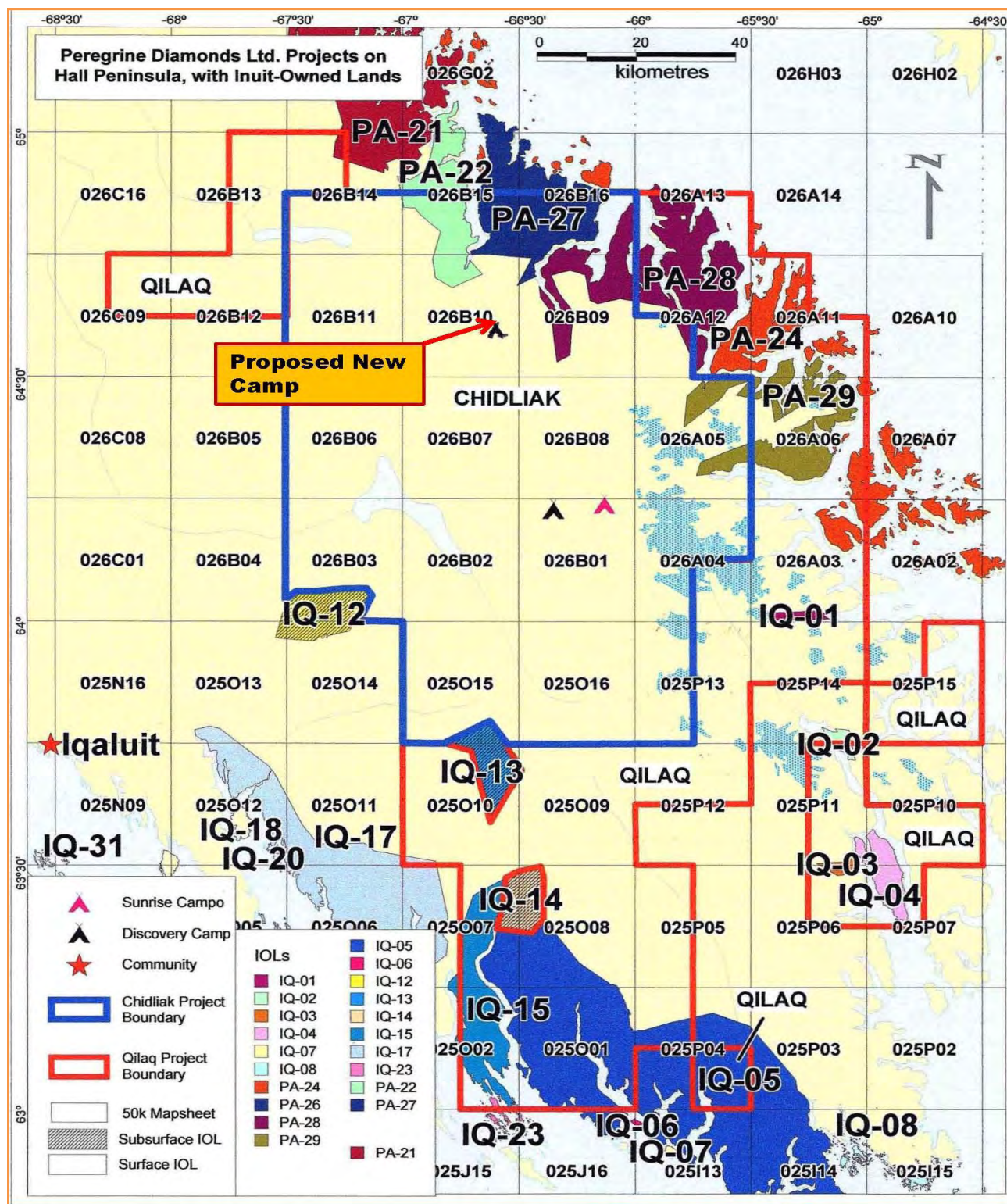
As noted on Page 1, consultation in respect of this amendment occurred in Iqaluit and Pangnirtung during the week of 13 September 2010. Meetings were held with the Amarok Hunters & Trappers Association (HTA) in Iqaluit and the Pangnirtung HTA in Pangnirtung. As requested by the Hamlet of Pangnirtung (the Hamlet), a radio call-in question-and-answer session was held in lieu of a public meeting; an open house also was held in Pangnirtung. Prior notice of the proposed Third Camp and its location was provided to the Hamlet in early August 2010, as soon as the site was selected. Given the location of the Third Camp – 12km west of southern Ptarmigan Fjord (*Qasigijjat*), Peregrine stressed its commitment to maintaining helicopter and camp wildlife logs, practising avoidance of groups of caribou should such be encountered, maintaining height restrictions where flight-crew safety or survey parameters so allow, and continuance of environmental caribou surveys; all surveys include an environmental assistant from Iqaluit or Pangnirtung. A Pangnirtung traditional-knowledge study, licensed by the Nunavut Research Institute, was commissioned by Peregrine in May 2010; the report is currently in preparation. The Hamlet is supervising the study, and it is hoped that the report – based on the knowledge of elders and the approximately 10 families that hunt and camp around *Qasigijjat* – will inform Peregrine's understanding and use of the Third Camp and "North Lake " area. Peregrine will return to Iqaluit and Pangnirtung in November 2010 with table-sized topographic maps, so that land-users may identify their use sites and camps for purposes of avoidance and timing. Peregrine also would intend to continue updating the QIA on its activities during its November visit to Iqaluit.

Environmental Baseline and Amendment of Spill Plan and A&R Plan

As noted on Page 2, environmental and archaeological baseline surveys will continue in 2011. Final reports of 2010 field surveys will be available in late autumn and will be provided to regulators and local groups at that time.

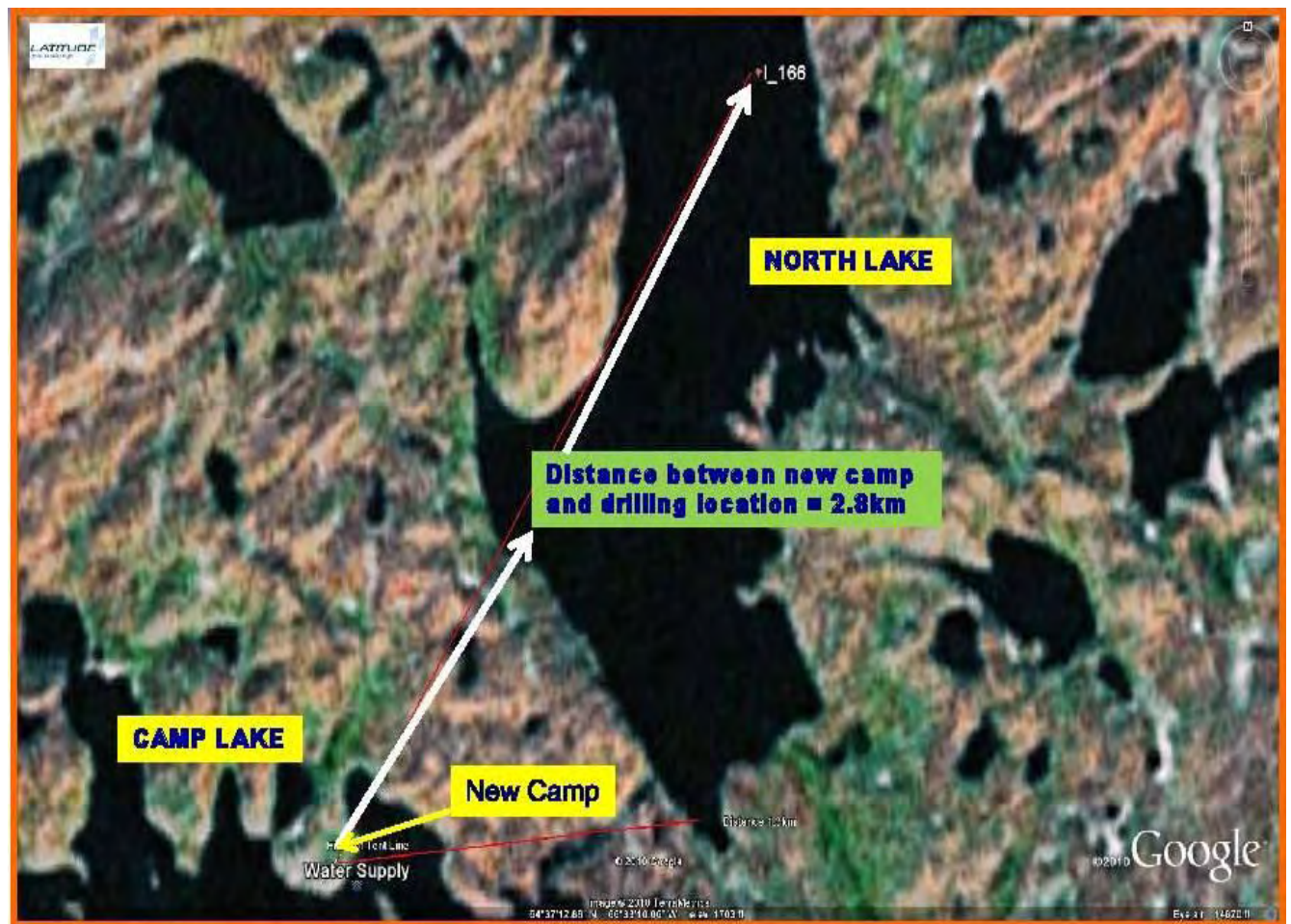
The comprehensive Peregrine Spill Contingency Plan and Abandonment & Restoration (A&R) Plan have been updated for this amendment and also accompany the submissions as stand-alone documents.

MAP 1



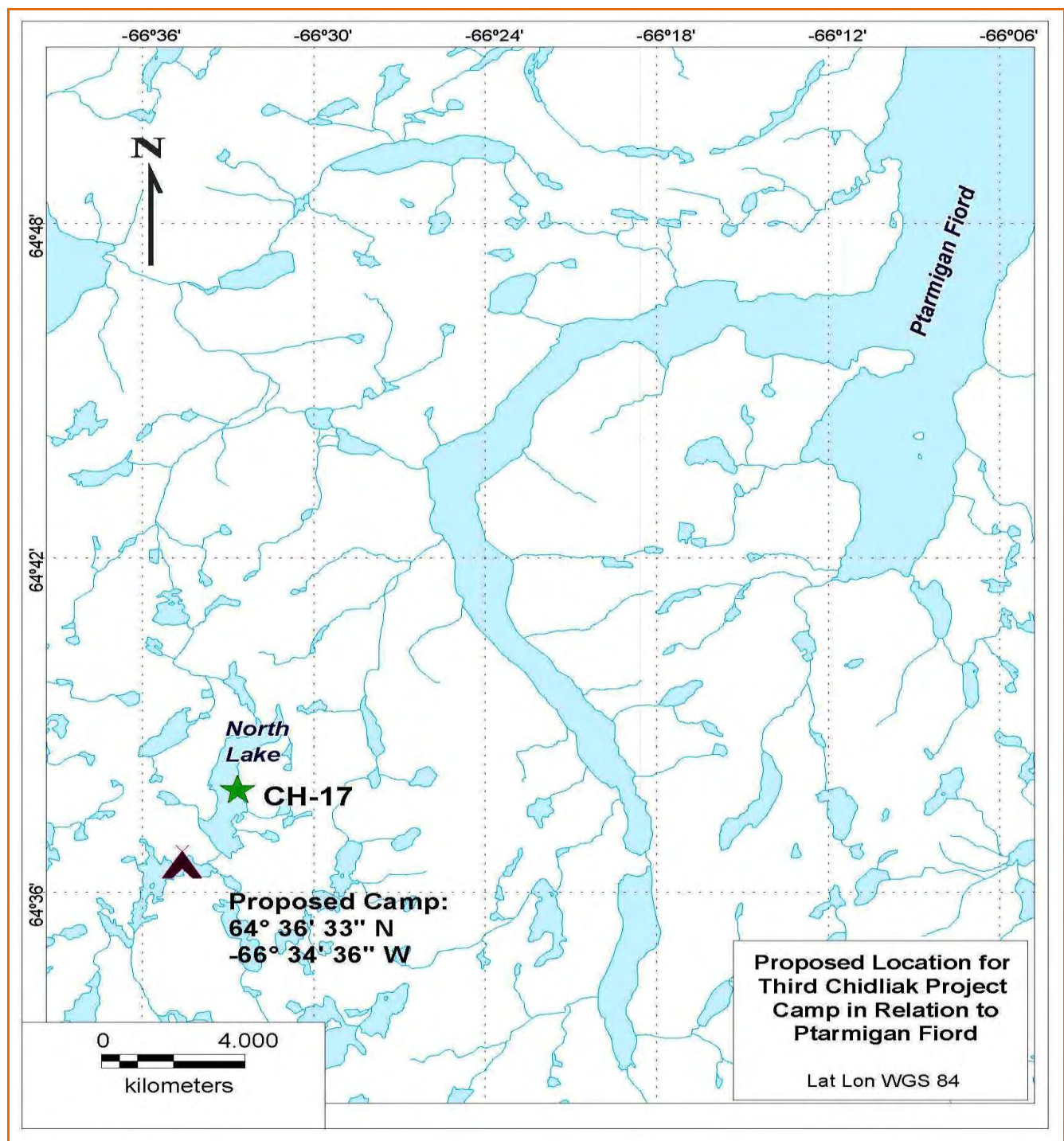
Proposed New Camp (approx. location) is shown in relation to the existing camps and the boundaries of the Chidliak and Qilaq properties, Hall Peninsula.

MAP 2



Proposed New Camp is shown in relation to “North Lake”. WHITE arrow above terminates at the location of CH-17, a definite drill target just 2.8km from the camp.

MAP 3



Proposed New Camp in relation to south Ptarmigan Fjord. (Peregrine has adopted various mitigations for this location, including plans to incorporate Pangnirtung land-user sites into its database for purposes of avoidance and timing of its activities. Consultation in respect of this Third Camp commenced as soon as the site was selected.)

PHOTO 1



Proposed New Camp location is in the relatively flat, boulder-free area from the helicopter inland (top centre of photo).

PHOTO 2



Lakeshore of “Camp Lake”.