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Schedule 9 - Financial Statements

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Peregrine Diamonds Ltd.

We have audited the accompanying consolidated financial statements of Peregrine Diamonds Ltd., which comprise the consolidated statements of financial position as at September 30, 2017 and 2016 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements, and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Peregrine Diamonds Ltd. as at September 30, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describe certain material uncertainties regarding the entity's ability to continue as a going concern.

Hay + Watson

Chartered Professional Accountants
Vancouver, British Columbia
December 14, 2017

PEREGRINE DIAMONDS LTD.
Consolidated Statements of Financial Position
As at September 30, 2017 and 2016
(Expressed in Canadian Dollars)

	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents	$ 6,704,439	$ 3,096,358
Accounts receivable	341,574	102,752
Prepaid expenses	215,862	393,996
	7,261,875	3,593,106
PROPERTY AND EQUIPMENT (Note 5)	4,985,337	5,157,175
DEPOSITS ON PROPERTY AND EQUIPMENT	88,975	88,975
	$ 12,336,187	$ 8,839,256
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 3,172,529	$ 977,787
Current portion of finance lease obligation (Note 8)	29,870	28,148
	3,202,399	1,005,935
FINANCE LEASE OBLIGATION (Note 8)	62,452	92,322
	3,264,851	1,098,257
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	181,298,275	171,282,340
Share option reserve	14,586,700	14,110,864
Share warrant reserve	2,798,883	2,722,264
Other reserve	19,205	19,205
Deficit	(189,631,727)	(180,393,674)
	9,071,336	7,740,999
	$ 12,336,187	$ 8,839,256

NATURE OF OPERATIONS (Note 1)
COMMITMENTS AND CONTINGENCIES (Note 17)

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

APPROVED BY THE BOARD:

Peter Meredith
Director

Richard Cohen
Director

PEREGRINE DIAMONDS LTD.

Consolidated Statements of Loss and Comprehensive Loss

For the Years Ended September 30, 2017 and 2016

(Expressed in Canadian Dollars)

	2017	2016
EXPENSES		
Accounting and audit fees	$ 104,157	$ 146,710
Consulting	5,668	19,292
Depreciation	33,640	45,309
Filing fees	77,669	77,456
Legal	85,235	127,468
Insurance	45,884	56,936
Investor relations	29,860	68,144
Office and administration	405,290	410,282
Salaries and benefits	1,150,307	1,306,161
Travel	74,393	34,488
Share-based payments	339,628	857,260
Exploration (Schedule)	6,636,228	3,775,518
	8,987,959	6,925,024
OTHER (INCOME)/EXPENSES		
Interest income	(20,644)	(56,054)
Interest expense	16,337	-
Reorganization expenses (Note 12)	-	545,993
Foreign exchange	(7,215)	6,541
	(11,522)	496,480
NET LOSS BEFORE DISCONTINUED OPERATIONS	8,976,437	7,421,504
Loss from discontinued operations (Note 15)	261,616	733,281
NET LOSS AND COMPREHENSIVE LOSS	**$ 9,238,053**	**$ 8,154,785**
BASIC AND DILUTED LOSS PER SHARE	**$ 0.03**	**$ 0.03**
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	**352,284,802**	**320,630,613**

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

PEREGRINE DIAMONDS LTD.
Consolidated Statements of Changes in Equity
For the Years Ended September 30, 2017 and 2016
(Expressed in Canadian Dollars)

	Share Capital		Share Reserves				
	Number of Shares	Amount	Share Option Reserve	Share Warrant Reserve	Other Reserve	Deficit	Total
Balances, September 30, 2015	282,663,598	$ 165,668,162	$ 13,128,762	$ 2,722,264	$ 19,205	$ (172,238,889)	$ 9,299,504
Shares issued for cash:							
Rights offering, net of share issue costs of $116,711	56,412,307	5,524,520	-	-	-	-	5,524,520
Options exercised	250,000	89,658	(39,658)	-	-	-	50,000
Share-based payments	-	-	1,021,760	-	-	-	1,021,760
Net loss	-	-	-	-	-	(8,154,785)	(8,154,785)
Balances, September 30, 2016	339,325,905	$ 171,282,340	$ 14,110,864	$ 2,722,264	$ 19,205	$ (180,393,674)	$ 7,740,999
Balances, September 30, 2016	339,325,905	$ 171,282,340	$ 14,110,864	$ 2,722,264	$ 19,205	$ (180,393,674)	$ 7,740,999
Shares issued for cash:							
Rights offering, net of share issue costs of $266,668	102,826,031	10,015,935	-	76,619	-	-	10,092,554
Share-based payments	-	-	475,836	-	-	-	475,836
Net loss	-	-	-	-	-	(9,238,053)	(9,238,053)
Balances, September 30, 2017	442,151,936	$ 181,298,275	$ 14,586,700	$ 2,798,883	$ 19,205	$ (189,631,727)	$ 9,071,336

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

PEREGRINE DIAMONDS LTD.

Consolidated Statements of Cash Flows

For the Years Ended September 30, 2017 and 2016

(Expressed in Canadian Dollars)

	2017	2016
OPERATING ACTIVITIES		
Net loss	$ (9,238,053)	$ (8,154,785)
Items not affecting use of cash		
Depreciation	187,576	191,179
Share-based payments	475,836	1,021,760
Loss on disposal of equipment	-	509
	(8,574,641)	(6,941,337)
Changes in non-cash working capital items (Note 14)	2,134,053	(1,113,627)
	(6,440,588)	(8,054,964)
INVESTING ACTIVITIES		
Mineral properties	-	(125,000)
Purchase of property and equipment	(15,738)	(50,735)
	(15,738)	(175,735)
FINANCING ACTIVITIES		
Payment of finance lease obligation	(28,148)	(2,880)
Shares issued for cash, net of share issue costs	10,092,555	5,574,520
	10,064,407	5,571,640
INCREASE IN CASH AND CASH EQUIVALENTS	3,608,081	(2,659,059)
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	3,096,358	5,755,417
CASH AND CASH EQUIVALENTS END OF YEAR	$ 6,704,439	$ 3,096,358
CASH AND CASH EQUIVALENTS ARE COMPRISED OF:		
Cash in bank	$ 1,638,619	$ 502,202
Short-term deposits	5,065,820	2,594,156
	$ 6,704,439	$ 3,096,358

SUPPLEMENTAL CASH FLOW INFORMATION (Note 14)

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

1. NATURE OF OPERATIONS

Peregrine Diamonds Ltd. ("Peregrine"), 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.

Peregrine was incorporated on November 19, 2002 under the Canada Business Corporations Act. The shares of Peregrine are listed on the Toronto Stock Exchange under the symbol PGD. Its registered office is located at 654-999 Canada Place, Vancouver, British Columbia, V6C 3E1. The Company's financial year-end is September 30th.

To date, the Company has not generated revenues from operations and is considered to be in the exploration stage. The Company's operations during the year ended September 30, 2017 were directed towards the exploration of the Company's property interests located in Canada and Botswana.

The Company has incurred significant losses since inception and as at September 30, 2017 has working capital of approximately $4.1 million and an accumulated deficit of approximately $189.6 million. These consolidated financial statements have been prepared on the basis of a going concern which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company's ability to continue as a going concern is dependent on being able to raise the necessary funding to continue operations, through public equity, debt financings, joint arrangements and other contractual arrangements, or being able to operate profitably in the future.

2. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 1 *Presentation of Financial Statements* ("IAS 1"), using accounting policies which are consistent with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(b) Basis of preparation

These consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out in Note 3.

(c) The consolidated financial statements for the year ended September 30, 2017 (including comparatives) were approved and authorized for issue by the board of directors on December 14, 2017.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

These consolidated financial statements include the accounts of Peregrine and its wholly owned subsidiaries Peregrine Exploration Ltd. (“PEX”), Peregrine Botswana BVI Ltd. (“Peregrine Botswana”) and Diamexstrat Botswana (Proprietary) Limited (“DEX”) (Note 15).

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statements of loss and comprehensive loss from the effective date of acquisition or up to the effective date of disposal, as appropriate. All intra-company transactions, balances, income and expenses are eliminated in full on consolidation.

(b) Accounting estimates and judgments

The preparation of these consolidated financial statements requires management to make estimates and judgments and to form assumptions that affect the reported amounts and other disclosures in these consolidated financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of these assumptions form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year. Critical estimates used in the Company’s preparation of these consolidated financial statements include, among others, the recoverability of accounts receivable, valuation of deferred tax assets, impairment of assets, measurement of share-based payments, measurement of the fair value of tax benefits sold and valuation of reclamation obligations.

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. Critical accounting judgments used by the Company include the expected economic lives of assets, the estimated future operating results, and the net cash flows from property and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Foreign currencies

(i) Functional currency

The reporting and functional currency of the parent entity, Peregrine Diamonds Ltd., is the Canadian dollar, the functional currency of its subsidiary, PEX, is the Canadian dollar and the functional currency of its subsidiaries, Peregrine Botswana and DEX, is the Botswana Pula.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency exchange rate at the date of the transaction. At each statement of financial position date, monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate of the functional currency as at the period ending date. Non-monetary items measured in terms of historical cost in a foreign currency are translated using exchange rates as at the initial transaction dates. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at date when the fair value was measured. All foreign currency translation gains and losses are included in the consolidated statement of loss.

(iii) Foreign operations

The results of foreign operations are translated to Canadian dollars at an appropriate monthly average rate of exchange during the period. The assets and liabilities of foreign operations are translated to Canadian dollars at rates of exchange in effect at the end of the period. Gains or losses arising on translation of foreign operation’s assets and liabilities to Canadian dollars at period end are recorded in other comprehensive income as a foreign currency translation adjustment. When a foreign operation is sold, the net cumulative exchange differences are recorded in the statement of loss as part of the gain or loss on sale of the foreign operation.

(d) Financial instruments

Financial instruments are classified into various categories. Held to maturity investments and 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. Financial assets and liabilities at fair value through profit or loss (“FVTPL”) are classified as FVTPL when the financial instrument is held for trading or designated as FVTPL. Financial instruments at FVTPL 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 or loss (see (m) below) until the asset is removed from the statement of financial position, and losses due to impairment are included in operations. All other financial assets and liabilities are carried at amortized cost.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company's financial instruments are cash and cash equivalents, accounts receivable, deposits on property and equipment, accounts payable and accrued liabilities, and finance lease obligation. The Company has classified its cash and cash equivalents as held for trading, accounts receivable and deposits on property and equipment as loans and receivables, and accounts payable and accrued liabilities and finance lease obligation as other financial liabilities. The carrying values of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate their fair values due to their short-term maturity. The carrying values of deposits on property and equipment and finance lease obligation approximate their fair values, as the discount rate applied approximates the market rate.
Financial instruments are initially recorded at fair value and transaction costs are added to the carrying value of financial instruments that are not subsequently measured at FVTPL.

The Company classifies and discloses fair value measurements based on a three-level hierarchy:

- Level 1 – inputs are unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – inputs for the asset or liability that are not based on observable market data.

(e) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position are comprised of cash at banks and on hand and short-term deposits which have an original maturity of three months or less or are readily convertible into a known amount of cash.

(f) Property and equipment

(i) Mineral exploration assets

Assets owned are recorded at cost less accumulated depreciation and accumulated impairment losses. All direct costs related to the acquisition of mineral properties are capitalized until the properties to which they relate are ready for their intended use, sold, abandoned, or management has determined that there is impairment. On the commencement of commercial production, net capitalized costs are charged to operations on a unit-of-production basis, by property, using estimated proven and probable recoverable reserves as the depletion base.

Although the Company has taken steps to verify titles to the properties in which it has an interest, in accordance with industry standards for properties in the exploration stage, these procedures do not guarantee the Company's title. Property titles may be subject to unregistered prior agreements and noncompliance with regulatory requirements.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ii) Other property and equipment

Other property and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. These assets are depreciated using the straight-line method over the following periods:

Office equipment, furniture and fixtures	1-3 years
Plant, equipment and buildings	3-5 years

(g) Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its property and equipment to determine whether there is an indication that those assets have suffered impairment. If any such indication exists, the extent of the impairment charge would be determined based on the estimated recoverable amount of the asset (if any).

The recoverable amount of the asset used for this purpose is the higher of the fair value less costs to sell and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assignments of the time value of money and the risks specific to the asset.

If the recoverable amount of the asset is estimated to be less than its recorded amount, the recorded amount of the asset is reduced to its recoverable amount. An impairment charge is recognized immediately in the statement of loss and comprehensive loss, unless the asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to a maximum amount equal to the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

(h) Exploration and evaluation expenditures

Exploration and evaluation expenditures, inclusive of exploration programs 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 and a decision to commence commercial production has occurred, in which case subsequent exploration expenditures and the costs incurred to develop a property are capitalized.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when significant operating and financial decisions relating to the activity require the unanimous consent of the parties sharing control. The Company's joint arrangements consist of joint operations.

A joint operation is a joint arrangement in which the parties to the arrangement have joint control over the assets contributed to or acquired for the purposes of the joint arrangement. Joint operations do not involve the establishment of a corporation, partnership or other entity. The Company records its proportionate interest in the assets, liabilities, revenues and expenses of its joint operations.

(j) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset when it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably. At September 30, 2017, there were no provisions recorded.

(k) 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, 2017, there were no reclamation liabilities.

(l) Income recognition

Interest from cash and short term investments is recorded on an accrual basis when collection is reasonably assured.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Comprehensive income or loss

Other comprehensive income or loss is the change in net assets arising from transactions and other events and circumstances from non-owner sources. Comprehensive income comprises net income or loss and other comprehensive income or loss. Financial assets that are classified as available-for-sale, if any, will have revaluation gains and losses included in other comprehensive income or loss until the asset is removed from the statement of financial position. Gains and losses arising on translation of foreign operation's assets and liabilities to Canadian dollars at period end are also recorded in other comprehensive income or loss as a foreign currency translation adjustment.

(n) Share-based payments

From time to time, the Company grants common share purchase options to directors, officers, employees and non-employees. The Company accounts for its share-based compensation plan using the fair-value method. Compensation costs, equal to the fair value of the options on the date of grant for options issued to employees and fair value of goods or services received for options issued to non-employees, are recognized in operations, with an offsetting credit to the share option reserve, over the vesting period of the related options. The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. Consideration received upon exercise of share purchase options, along with the related amount previously recorded in the share option reserve, is credited to share capital.

No expense is recognized for awards that do not ultimately vest. Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the fair value of the award as measured on the date of modification.

(o) Income taxes

The provision for income taxes consists of current and deferred tax expense and is recorded in operations. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the period, adjusted for amendments to tax payable for previous years.

Deferred tax assets and liabilities are computed using the asset and liability method on temporary differences between the carrying amounts of assets and liabilities on the statement of financial position and their corresponding tax values, using the enacted or substantially enacted, income tax rates at each statement of financial position date. Deferred tax assets also result from unused losses and other deductions carried forward. The valuation of deferred tax assets is reviewed on a regular basis and adjusted to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized by use of a valuation allowance to reflect the estimated realizable amount.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) 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 period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding share options and warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The number of additional shares is calculated by assuming that outstanding share options and warrants were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. Common share equivalents have been excluded from the computation of diluted loss per share for the periods presented as including them would have been anti-dilutive.

4. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

The following is a summary of new standards, amendments and interpretations that are effective for annual periods beginning on or after January 1, 2016:

(a) IFRS 11, Joint Arrangements ("IFRS 11") – amendments

The amendments to IFRS 11 provide guidance on the accounting for acquisition of interests in joint operations constituting a business. The amendments require all such transactions to be accounted for using the principles on business combination accounting in *IFRS 3, Business Combinations* and other IFRS standards except where those principles conflict with IFRS 11.

(b) IAS 1, Presentation of Financial Statements ("IAS 1") - amendments

The amendments to IAS 1 enhance financial statement disclosures and presentation.

(c) IAS 16, Property, Plant and Equipment ("IAS 16") – amendment

The amendment to IAS 16 provides clarification of acceptable methods of depreciation and amortization.

(d) IAS 38, Intangible Assets ("IAS 38") - amendment

The amendment to IAS 38 provides clarification of acceptable methods of depreciation and amortization.

The application of the above amendments did not have any material impact on the consolidated financial statements presented.

4. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (Continued)

The following is a summary of new standards, amendments and interpretations that have been issued but not yet adopted in these consolidated financial statements:

(a) IFRS 9, Financial Instruments ("IFRS 9")

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company is currently evaluating the impact of the adoption of the amendments on its financial statements; however, the impact, if any, is not expected to be significant.

(b) IFRS 16 Leases (IFRS 16")

IFRS 16 provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor *IAS 17 Leases*. IFRS 16 replaces *IAS 17 Leases*, *IFRIC 4 Determining Whether an Arrangement Contains a Lease*, *SIC -15 Operating Leases – Incentives,* and *SIC – 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if *IFRS 15 Revenue from Contracts with Customers* is also applied.

(c) IFRS 2 Share-based Payment ("IFRS 2") – amendments

The amendments to IFRS 2 provide clarification and guidance on the treatment of vesting and non-vesting conditions related to cash-settled share-based payment transactions, on share-based payment transactions with a net settlement feature for withholding tax obligations, and on accounting for modification of a share-based payment transaction that changes its classification from cash-settled to equity-settled. The amendments to IFRS 2 are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

The Company is currently assessing the impact that these new and amended standards will have on the financial statements.

(Expressed in Canadian Dollars)

5. PROPERTY AND EQUIPMENT

	Total	Mineral Exploration Assets	Office equipment, furniture and fixtures	Buildings, plant and equipment
Cost				
Balance, September 30, 2015	$ 6,075,156	$ 4,697,038	$ 369,443	$ 1,008,675
Additions	299,085	125,000	31,540	142,545
Dispositions/write downs	(165,630)	-	(146,688)	(18,942)
Balance, September 30, 2016	6,208,611	4,822,038	254,295	1,132,278
Additions	15,738	-	2,227	13,511
Dispositions/write downs	(49,262)	-	(49,262)	-
Balance September 30, 2017	$ 6,175,087	$ 4,822,038	$ 207,260	$ 1,145,789
Accumulated depreciation				
Balance, September 30, 2015	$ (1,025,378)	$ -	$ (300,763)	$ (724,615)
Additions	(191,179)	-	(45,309)	(145,870)
Dispositions/write downs	165,121	-	146,179	18,942
Balance, September 30, 2016	(1,051,436)	-	(199,893)	(851,543)
Additions	(187,576)	-	(33,640)	(153,936)
Dispositions/write downs	49,262	-	49,262	-
Balance, September 30, 2017	$ (1,189,750)	$ -	$ (184,271)	$ (1,005,479)
Carrying amounts				
Balance, September 30, 2015	$ 5,049,778	$ 4,697,038	$ 68,680	$ 284,060
Balance, September 30, 2016	$ 5,157,175	$ 4,822,038	$ 54,402	$ 280,735
Balance, September 30, 2017	$ 4,985,337	$ 4,822,038	$ 22,989	$ 140,310

Mineral Exploration Assets	Total	Chidliak	Qilaq	WO
September 30, 2015	$ 4,697,038	$ 3,995,384	$ 125,760	$ 575,894
September 30, 2016 and 2017	$ 4,822,038	$ 4,120,384	$ 125,760	$ 575,894

5. PROPERTY AND EQUIPMENT (Continued)

Mineral Exploration Assets

Nunavut

Chidliak Property

The Chidliak property is wholly owned by the Company and is located 120 kilometres from Iqaluit, the capital of Nunavut, Canada. Chidliak consists of 266 mineral claims (of which, 10 lease applications have been filed) covering an area of approximately 278,000 hectares (2,780 square kilometres).

Chidliak was previously subject to a 2% gross overriding royalty. During the year ended September 30, 2016, this royalty was purchased by the Company for $125,000 and subsequently cancelled.

Qilaq Property

The Qilaq property consists of 58 mineral claims covering approximately 42,000 hectares (420 square kilometres) on Baffin Island. Fifty-three of these claims are east of Chidliak, while the remaining claims are located approximately 75 kilometres south of Chidliak. These claims are wholly owned by the Company.

Nanuq Property

The Nanuq property (“Nanuq”) consists of 125 mineral claims covering approximately 125,000 hectares (1,250 square kilometres), located in Nunavut. 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. These claims are wholly owned by the Company.

Nanuq North Property

In 2005, the Company entered into an agreement with Bluestone Resources Inc. (“Bluestone”) and Hunter Exploration Group (“Hunter”) on the Nanuq North property which consists of 51 claims covering an area of approximately 33,000 hectares (330 square kilometres) immediately north of the Nanuq property. Under the terms of this agreement, the Company and Bluestone currently hold a 42.8% and 37.2% interest, respectively, on a core group of 16 claims with an area of 11,605 hectares. Hunter retains a 20% property interest carried through the completion of scoping study and a gross-over-riding royalty (“GOR”) of 2% on revenues generated from these 16 claims. The Company and Bluestone hold 53.8% and 46.2% interests, respectively, in the remaining 35 claims with an area of 21,451 hectares.

Lac de Gras Project - Northwest Territories

The Company holds 12 mining leases covering an area of approximately 8,500 hectares in the Lac de Gras region of the Northwest Territories, Canada, which encompasses three project areas: The WO property, property held jointly with Thelon Capital Inc. (“Thelon Joint Operation”), and property held 100% by the Company (“the Peregrine Lease”).

5. PROPERTY AND EQUIPMENT (Continued)

WO Property

The WO property, which hosts the DO-27 diamond deposit, the diamondiferous DO-18 kimberlite pipe and a number of other kimberlites, is located approximately 300 kilometres north-northeast of the city of Yellowknife in the Northwest Territories, Canada. It comprises eight mining leases covering an area of approximately 5,800 hectares (58 square kilometres). WO is held by the Company and its joint partners, the Company's current interest in this joint operation is 72.1%. The WO Property is subject to GOR's totaling 1.8%.

Lac de Gras Thelon Property

The Thelon Joint Operation consists of three mining leases covering approximately 1,600 hectares (16 square kilometres) located 300 kilometres northeast of Yellowknife. The Company owns a 70.6% joint operation interest in these leases. This property is subject to a GOR of 4% on diamonds and a net smelter royalty of 4% on all metals, of which 50% of either of these royalties can be purchased by the Company for $4.0 million.

Lac de Gras Peregrine Property

The Peregrine Lease consists of one mining lease covering approximately 1,000 hectares (10 square kilometres) located 300 kilometres northeast of Yellowknife. This lease is wholly-owned by the Company. This property is subject to (i) a GOR on diamonds of 2%, fifty percent of which can be purchased by the Company for $1.0 million and (ii) a GOR on diamonds of 1%, fifty percent of which can be purchased by the Company for $1.0 million.

Botswana Properties

In August 2017 the Company agreed to sell its wholly owned subsidiary DEX which held 12 prospective diamond prospecting licenses that cover approximately 661,000 hectares (6,610 square kilometres) in five separate project areas in Botswana. All Botswanan properties will be sold with the sale of DEX (Note 15).

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION COSTS

Cumulative exploration and evaluation costs included in operations are:

		Total		Chidliak		Other Nunavut Properties		Others (a)
Balance, September 30, 2015	$	145,227,414	$	49,164,631	$	22,478,002	$	73,584,781
Expenditures for the year ended September 30, 2016		3,775,518		3,174,335		85,155		516,028
Balance, September 30, 2016	$	149,002,932	$	52,338,966	$	22,563,157	$	74,100,809
Balance, September 30, 2016	$	149,002,932	$	52,338,966	$	22,563,157	$	74,100,809
Expenditures for the year ended September 30, 2017		6,636,228		6,188,606		4,939		442,683
Balance, September 30, 2017	$	155,639,160	$	58,527,572	$	22,568,096	$	74,543,492

(a) Includes cumulative expenditures on the WO project to September 30, 2017 and 2016 of $50.8 million and $50.7 million, respectively.

7. INVESTMENT IN JOINT ARRANGEMENTS

WO Joint Operation

The Company has a 72.1% interest in a joint operation formed to explore for diamonds at the WO property in the Northwest Territories. As the Company has a majority interest in the joint operation, it is the operator of the joint operation. Under the terms of the joint operation, participants can elect to withhold funding of the joint operation resulting in the dilution of their respective interests.

For the year ended September 30, 2017, the WO joint operation incurred expenditures of $26,000 (2016 - $97,000). In addition, no cash contributions were received from other joint venture participants in respect of their proportionate share of joint venture expenditures incurred in 2017 and 2016. The WO joint operation owned no significant net assets as at September 30, 2017. There are no contingent or other liabilities relating to the Company’s interest in the WO joint operation which have not been recorded in the Company’s accounts.

8. FINANCE LEASE OBLIGATION

The Company entered into an agreement for the lease of equipment. This lease agreement transferred substantially all the risks and rewards incidental to the ownership of the equipment to the Company and the Company considered it as a purchase and finance agreement. Accordingly, at the commencement of the lease term, the Company recognized this agreement as the acquisition of an asset and liability at amounts equal to the present value of the minimum lease payments. The discount rate used in calculating the present value of the minimum lease payments was the interest rate stated in the finance lease.

	September 30,	
	2017	2016
Present value lease payments outstanding	$ 92,322	$ 120,470
Less current portion	(29,870)	(28,148)
Long-term portion	$ 62,452	$ 92,322

(Expressed in Canadian Dollars)

9. INCOME TAXES

	September 30, 2017	September 30, 2016
Deferred tax assets		
Mineral exploration assets	$ 465,799	$ 465,799
Investments	12,621	12,621
Other property and equipment	668,868	628,165
Exploration expense pools	29,604,747	27,796,632
Tax loss carry forwards	8,311,760	7,672,565
Share issue costs	151,525	154,860
Charitable donations	390	880
Total deferred tax assets	39,215,710	36,731,522
Valuation allowance	(39,215,710)	(36,731,522)
Net deferred tax assets	$ -	$ -

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

	Year Ended September 30, 2017	Year Ended September 30, 2016
Loss before income taxes	$ 9,238,053	$ 8,154,785
Combined Canadian federal and provincial statutory tax rates	26.0%	26.0%
Recovery of income taxes based on combined statutory tax rates	$ 2,401,894	$ 2,120,244
Net tax effect of items that are not taxable or deductible	(127,592)	(268,731)
Tax effect relating to items that are tax deductible	81,653	67,071
Lower effective tax rate in foreign jurisdiction	(10,465)	(28,710)
Other	139,118	(624,482)
Increase in valuation allowance	(2,484,608)	(1,265,392)
	$ -	$ -

At September 30, 2017, the Company has unrecognized non-capital losses for income tax purposes of approximately $32.1 million (2016 - $29.6 million) which may be used to offset future taxable income. $30.9 million (2016 - $28.7 million) of these losses, if not utilized, will expire during the period 2026 to 2037 and $1.2 million (2016 - $1 million) of these losses may be carried forward indefinitely. In addition to these tax losses, the Company has resource related expenditures of approximately $120.5 million (2016 - $113.5 million), net of renounced exploration expenditures, which can be used to offset future Canadian taxable income and can be carried forward indefinitely. The Company also has $2.6 million (2016 - $2.6 million) of unused tax credits which expire between 2028 and 2034.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL

(a) The Company's authorized capital consists of an unlimited number of common shares without par value. At September 30, 2017, 442,151,936 common shares were issued and outstanding.

(b) Share purchase options are granted at an exercise price equal to the estimated fair value of the Company's common shares on the date of the grant.

The Company may grant share purchase options to purchase up to 10% of its issued and outstanding common shares from time to time. Options generally vest over 12 to 36 months from the grant date and generally expire five to ten years after the grant date.

A summary of the status of the Company's share purchase options outstanding as at September 30, 2017 and 2016 and changes during the periods ended on those dates are presented below:

	Year Ended September 30, 2017		Year Ended September 30, 2016	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of period	30,248,500	$ 0.29	25,238,500	$ 0.32
Granted	5,025,000	0.13	7,490,000	0.23
Exercised	-	-	(250,000)	0.20
Forfeited /Expired	(1,745,000)	0.30	(2,230,000)	0.42
Outstanding at end of period	33,528,500	0.26	30,248,500	0.29
Options exercisable at end of period	26,084,750	$ 0.29	21,486,000	$ 0.30
Weighted average remaining contractual life	3.2 years		3.7 years	

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (Continued)

As at September 30, 2017, the following share purchase options were outstanding:

Weighted Average Exercise Price	Outstanding Options	Weighted Average Remaining Contractual Life (Years)	Exercisable Options
$0.12	4,700,000	5.0	1,175,000
$0.20	1,158,500	0.9	1,158,500
$0.21	350,000	2.4	350,000
$0.23	7,720,000	3.8	3,801,250
$0.30	14,610,000	2.5	14,610,000
$0.35	3,840,000	2.5	3,840,000
$0.38	1,000,000	5.0	1,000,000
$0.65	150,000	1.4	150,000
$0.26	33,528,500	3.2	26,084,750

The weighted average grant-date fair value of the share purchase options granted during the years ended September 30, 2017 and 2016 was estimated at $0.07 and $0.13, respectively, using the Black-Scholes option pricing model and the following assumptions:

	Year Ended September 30, 2017	2016
Risk free interest rate	1.19%	0.54%
Expected volatility	81%	93%
Expected years of option life	3.0	3.0
Expected dividends	$Nil	$Nil
Share price	$ 0.13	$0.22
Exercise price	$ 0.13	$0.23

The effects of early exercise were incorporated in the estimate of the expected life of the share purchase options. Expected volatility was determined based on historic volatility of the Company's share price over a period ending on the grant date of the instrument and commensurate with the instrument's expected life. Other features of options granted did not affect the calculation of grant date fair value.

Subsequent to September 30, 2017, a total of 215,000 share purchase options with exercise prices ranging from $0.23 to $0.35 were cancelled.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (Continued)

(c) Outstanding Warrants

Issue Date	Warrants	Exercise Price	Expiry Date
August 17, 2017	2,000,000	$0.20	August 16, 2019

The fair value of the warrants issued on August 17, 2017 was estimated at $0.04 using the Black-Scholes option pricing model and the following assumptions: annualized volatility of 80.7%, risk free interest rate of 0.75%, expected warrant term of 2 years and an expected dividend rate of Nil.

11. RELATED PARTY TRANSACTIONS

Remuneration of directors and key management personnel was as follows:

	Year Ended September 30, 2017	Year Ended September 30, 2016
Salaries	$ 941,904	$ 1,176,068
Short-term employee benefits	57,907	49,947
Reorganization expenses (Note 12)	-	337,000
Share-based payments	350,078	899,207
	$ 1,349,889	$ 2,462,222

Short-term employee benefits include the cost of health and life insurance plans.

In June 2017, the Company entered into an agreement whereby the Company's Executive Chair agreed to lend the Company up to $1.0 million. This loan was unsecured and accrued interest at a rate of 12% per annum, compounded yearly and not in advance. The loan was repayable on or before the earlier of September 30, 2017 and two business days after the date on which the Company completed any equity financing by way of issuance of shares. A total of $900,000 was advanced under this loan facility during June and July, 2017. This amount, plus accrued interest of $9,929, was repaid by the Company in August 2017.

12. REORGANIZATION EXPENSES

Reorganization expenses of $545,993 incurred during the year ended September 30, 2016 consist of payment obligations in respect of the termination of employment contracts ($507,331) and costs associated with the relocation of the Company's corporate office ($38,662).

(Expressed in Canadian Dollars)

13. MULTI-EMPLOYER PENSION PLAN (CPP)

The Company contributes to the Canada Pension Plan, a national multi-employer, contribution based pension plan in Canada on behalf of its employees. During the year ended September 30, 2017, the Company made contributions totaling $32,422 (2016 - $41,386).

14. CASH FLOW INFORMATION

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

	Year Ended September 30, 2017	2016
Accounts receivable	$ (238,822)	$ (451)
Prepaid expenses	178,134	(213,827)
Accounts payable and accrued liabilities	2,194,741	(899,349)
	$ 2,134,053	$ (1,113,627)

(b) Supplementary information regarding other non-cash transactions:

	Year Ended September 30, 2017	2016
Transfer from share option reserve to share capital on exercise of share purchase options	$ -	$ (39,658)
Purchase of property and equipment under finance lease	-	(123,350)
Transfer from share capital for fair value of warrants issued on rights offering	(76,619)	-

(c) Other information:

	Year Ended September 30, 2017	2016
Interest received	$ 20,644	$ 56,054
Interest paid	$ (16,337)	$ -

(Expressed in Canadian Dollars)

15. DISCONTINUED OPERATIONS

During the year ended September 30, 2017, the Company agreed to sell DEX in exchange for a 1% gross-over-riding royalty on revenue from the sale of production from any mineral properties held or acquired by DEX in areas identified as targets by DEX in the sale agreement. Closing of this agreement is contingent upon the receipt of approval from Botswana regulators for the transfer of ownership of certain mineral exploration licenses held by DEX.

	Year Ended September 30, 2017	Year Ended September 30, 2016
EXPENSES		
Consulting	$ -	$ 297
Filing fees	-	30
Exploration	261,616	732,954
Net loss from discontinued operations	$ 261,616	$ 733,281
Basic and diluted loss per share	**$** -	**$** -

Cash flows (used in) from the discontinued operations are as follows:

	Year Ended September 30, 2017	Year Ended September 30, 2016
Net cash (used in) from operating activities	$ (43,712)	$ 49,640
Net cash (outflow) inflow for the year	$ (43,712)	$ 49,640

16. SEGMENT DISCLOSURES

(a) The Company operates in one industry segment (Note 1).

(b) At September 30, 2017, the Company's mineral exploration assets, recorded at $4,822,038 (2016- $4,822,038), were located solely in Canada.

(c) At September 30, 2017, the Company's other capital assets, recorded at $163,299 (2016 - $335,137), were located solely in Canada.

(d) For the year ended September 30, 2017, the Company incurred $6,636,228 (2016 - $3,775,518) in exploration expenditures on its mineral property assets in Canada.

(Expressed in Canadian Dollars)

17. COMMITMENTS AND CONTINGENCIES

The Company has applied for 10 mining leases at the Chidliak property and holds 12 mining leases at the Lac de Gras project. The minimum future annual payments under the leases are as follows:

Years Ending September 30,		
2018	$	47,215
2019	$	47,215
2020	$	47,215
2021	$	47,215
2022	$	47,215

In accordance with the terms of a contract for drilling services, the Company is required to demobilize drilling equipment from the Chidliak property in Nunavut to Montreal, PQ. Estimated costs for this demobilization range between $2.0 million and $3.0 million and these costs could potentially be incurred as early as 2018.

The minimum future annual payment under the Company's equipment finance lease is as follows:

Years Ending September 30,		
2018	$	29,870
2019	$	31,696
2020	$	30,756

18. MANAGEMENT OF CAPITAL

The Company's objectives 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 whenever 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 jointly operate 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 programs, availability of financing and industry conditions. Annual and any materially updated budgets are approved by the Board of Directors. As of the consolidated financial statement date there are no external restrictions on the Company's capital.

18. MANAGEMENT OF CAPITAL (Continued)

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest any excess cash in liquid short-term interest-bearing instruments with maturities in 90 days or less. When utilized, these instruments are selected with regard to the expected timing of expenditures from continuing operations. As the Company does not have sufficient financial resources to undertake all of its currently planned exploration programs, further 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 operation 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.

19. FINANCIAL INSTRUMENTS

(a) Fair value information

The Company classifies and discloses its fair value measurements based on a three-level hierarchy as described in Note 3(d).

(b) Financial instrument risk exposure

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

<u>Credit risk</u>

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 at large Canadian financial institutions. Accounts receivable consist mostly of refundable taxes due from the Government of Canada. Deposits are primarily mineral property permits which will be refunded by the Government of Canada. As such, the Company considers this risk to be minimal. The carrying amount of financial assets represents the maximum credit exposure.

<u>Liquidity risk</u>

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 18).

19. FINANCIAL INSTRUMENTS (Continued)

Market risk

(a) *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 when it renews its fixed rate cash equivalent investments. The sensitivity of the Company's loss before tax to a reasonably possible change in interest rates upon renewal, based on review of historical and economic forecaster's expectations, is expected to be minimal. 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.

(b) *Other market price 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.

PEREGRINE DIAMONDS LTD.

Schedule of Exploration Expenditures
For the Years Ended September 30, 2017 and 2016
(Expressed in Canadian Dollars)

	2017	2016
Salaries	$ 950,050	$ 753,310
Share-based payments	136,207	164,500
Fuels	215,571	55,113
Sampling	1,088	2,760
Drilling	1,999,535	311,625
Sample processing	34,700	791,610
Camp costs	608,816	145,202
Rental, lease and charter	1,872,808	659,681
Environmental	81,018	66,786
Fees and licenses	33,684	27,384
Consulting	127,339	7,632
Geological consultants	7,383	40,831
Engineering consultants	99,030	463,575
Logistics consulting	45,838	7,493
Administration	96,554	40,593
Travel	157,798	98,434
Repairs & maintenance	14,873	-
Depreciation	153,936	145,870
Expense recoveries	-	(6,881)
	$ 6,636,228	$ 3,775,518