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PEREGRINE DIAMONDS LTD.

BULK-FUEL MANAGEMENT FACILITY MONITORING PLAN: CHIDLIAK PROJECT, BAFFIN, NU,

Original Plan: 25 September 2011

LIST OF REVISIONS: ADDENDUM PAGE

Original Plan: 25 September 2011
Revision 1: N/A
Revision 2: N/A

(*NOTE 1: Revisions will be identified in the text with a superscript number at the end of the revised or added sentence, phrase or paragraph. Superscript numbers added in future will appear as* [1], [2], *etc.)*

(NOTE 2: Revisions denote changes such as programme or date changes, change of phone number, change or addition of personnel, addition of equipment or products, new or adjusted maps and new appendices.)

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BULK-FUEL MANAGEMENT FACILITY PLAN - 2012

INTRODUCTION

This Peregrine Diamonds Ltd. (Peregrine) Bulk-Fuel Management Facility Monitoring Plan (the Plan) is in respect of the initiation of bulk sampling of diamondiferous kimberlites of economic potential on the Chidliak Project, South Baffin, NU, between approximately 15 February and 31 May 2012. This activity will result in a shift in fuel use *from* predominantly *aviation fuel* (used for extensive prospecting, geophysical surveying, sampling and test drilling of targets across a large property***** in the early years of the Chidliak Project) *to* predominantly *diesel fuel* (used for evaluative drilling of selected kimberlites within a defined Focus Area and operation of equipment to support and supply that programme).

***** *See Map 1 below to review the project in a regional context.*

What is in the Plan and What is Not

The proposed fuel use for the 2012 bulk-sampling programme is approximately 2 000 drums of diesel fuel, up from the early-exploration level of approximately 250 drums a year. The Plan is centred on the management of that bulk-fuel allotment. Up to a few hundred of those drums may be used for exploration activities such as core drilling and camp operations after the bulk sample is completed, and that typical usage is outside the parameters of this bulk-fuel Plan. Similarly, the anticipated decreased level of aviation fuel (Jet-A, Jet-B) use, to approximately 250 drums, is outside the scope of bulk-fuel management. Both uses – as well as standard uses of non-bulk quantities of petrol (gasoline) and propane – are well addressed by the controls of the Chidliak/Qilaq/Cumberland Spill Contingency Plan and the Abandonment and Restoration (A&R) Plan already approved by our regulators and revised for the current amendment application.

Thus, the focus of this Plan is the management of a large volume of diesel fuel within the framework of management of all other fuels that are required for operating camps and work sites: aviation fuel, petrol (gasoline) and propane. As will be discussed in the following pages, Peregrine has chosen to address the management of its diesel bulk-fuel requirement by means of a "Designated Fuel Station" (*cf. Drawings 1a and 1b below).*

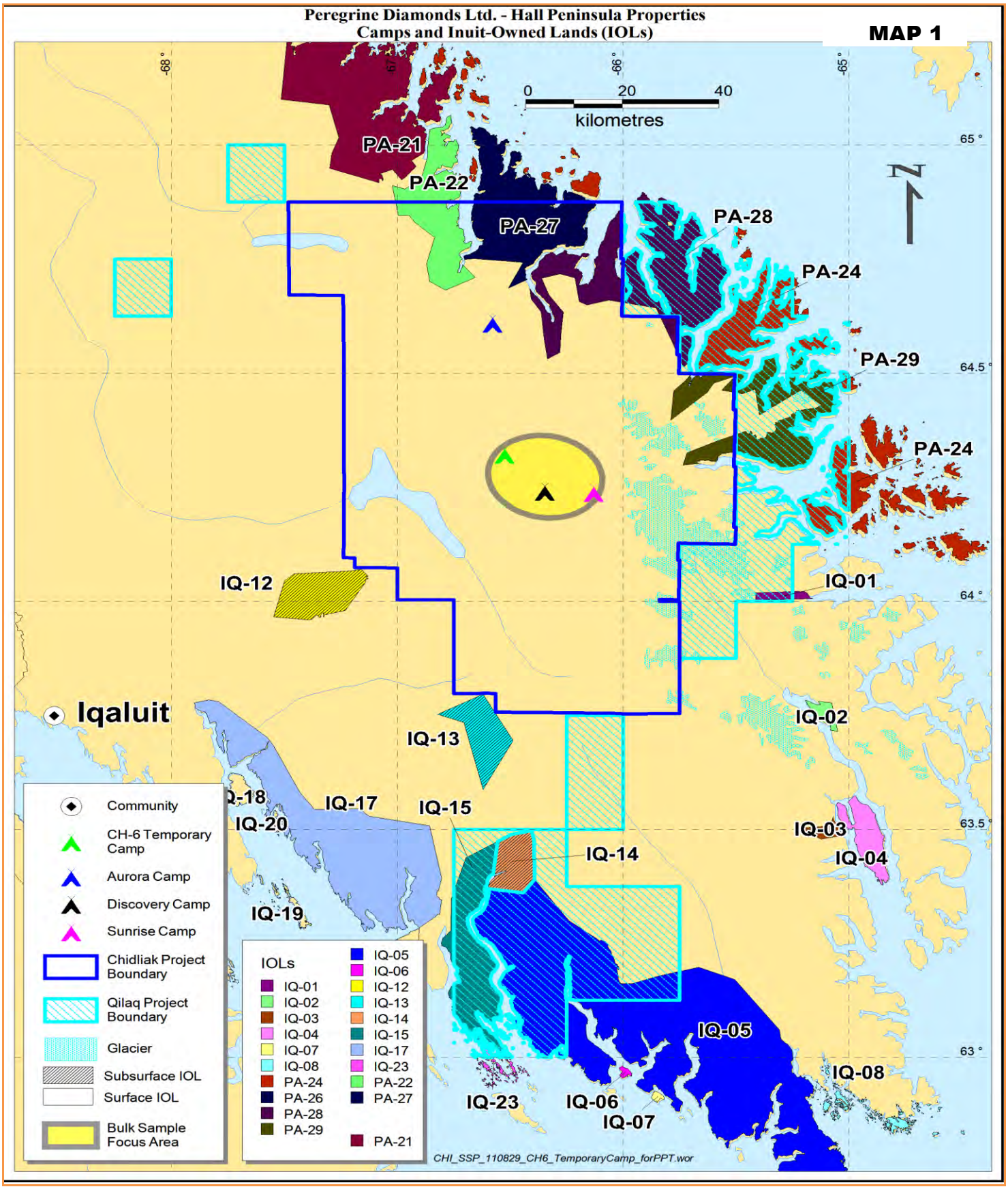
This Plan will be in effect from 01 January 2012 until 01 January 2013, and is subject to revision and extension as required.

DESIGNATED FUEL STATION

The Designated Fuel Station (the Station) will be the management, storage and traffic-control centre for fuel drums, mainly diesel drums, arriving in Discovery Camp, the logistical base for the winter bulk-sampling programme. Discovery Camp is proximal to 4 of the 5 kimberlites to be bulk-sampled – CH-7, CH-45, CH-44 and CH-31 – which are within a 3.8km area; the fifth kimberlite, CH-6, is 12km NW (*cf. Map 2 below)*.

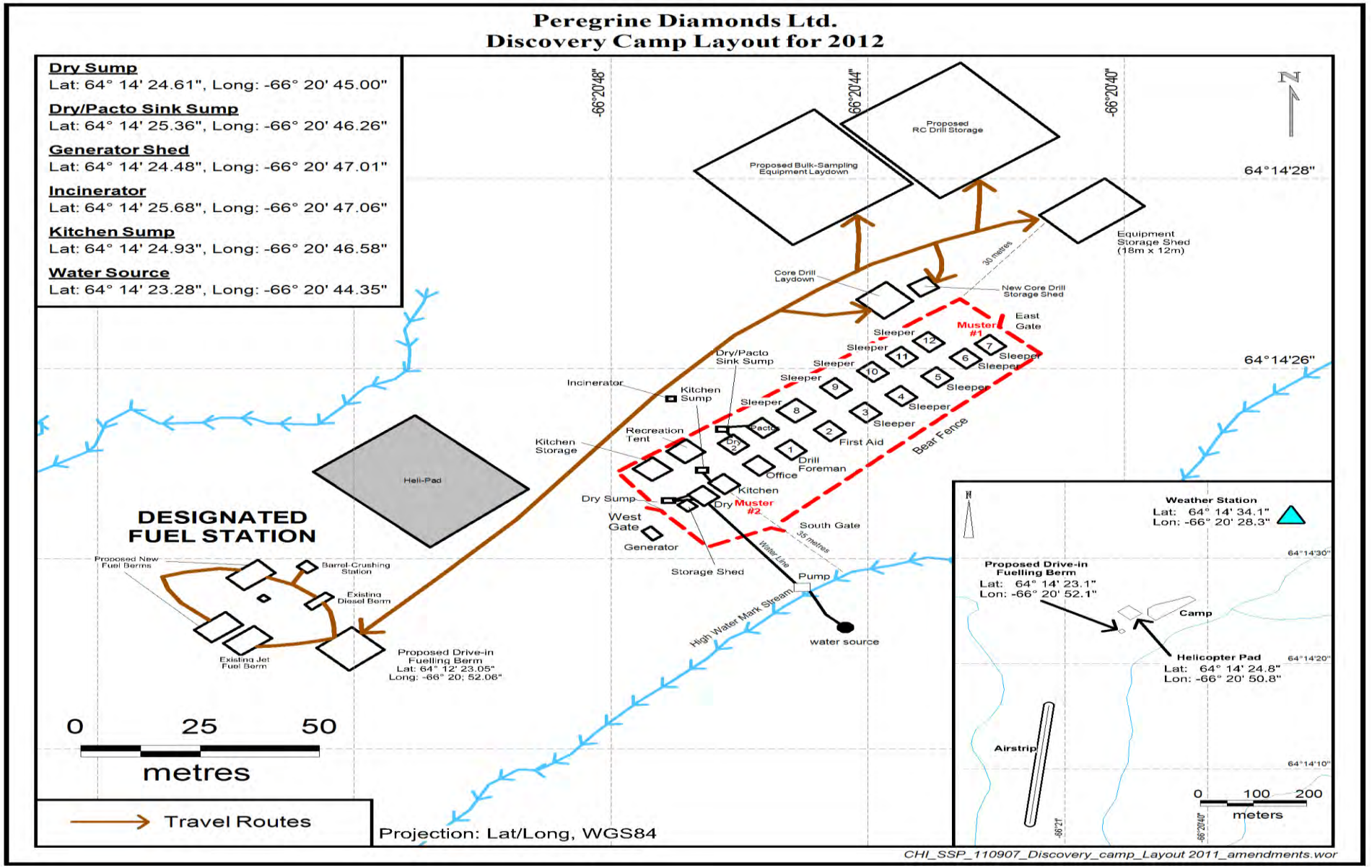
Rationale for Station

The Station is being established to ensure operational and monitoring efficiency in a predominantly-ground-based field programme. As the programme will be initiated at the height of the dark, severe Baffin winter season – CH-6 Temporary Camp will be established and the CH-6 kimberlite sampled within a brief 35-day period in February-March 2012 – there is a greater human-safety risk of transporting fuel by helicopter slinging than by overland routing on established and groomed winter trails. Conducting the programme in winter during the period of stable snow cover also lessens potential impact to archaeological sites and the local environment (the active soil layer and waterways are frozen). Although the trails and spur routes to water sources and cuttings-deposition areas have been archaeologically surveyed and judged to be of low archaeological potential, any undetected archaeological sites will be afforded optimal protection by frozen snow cover.



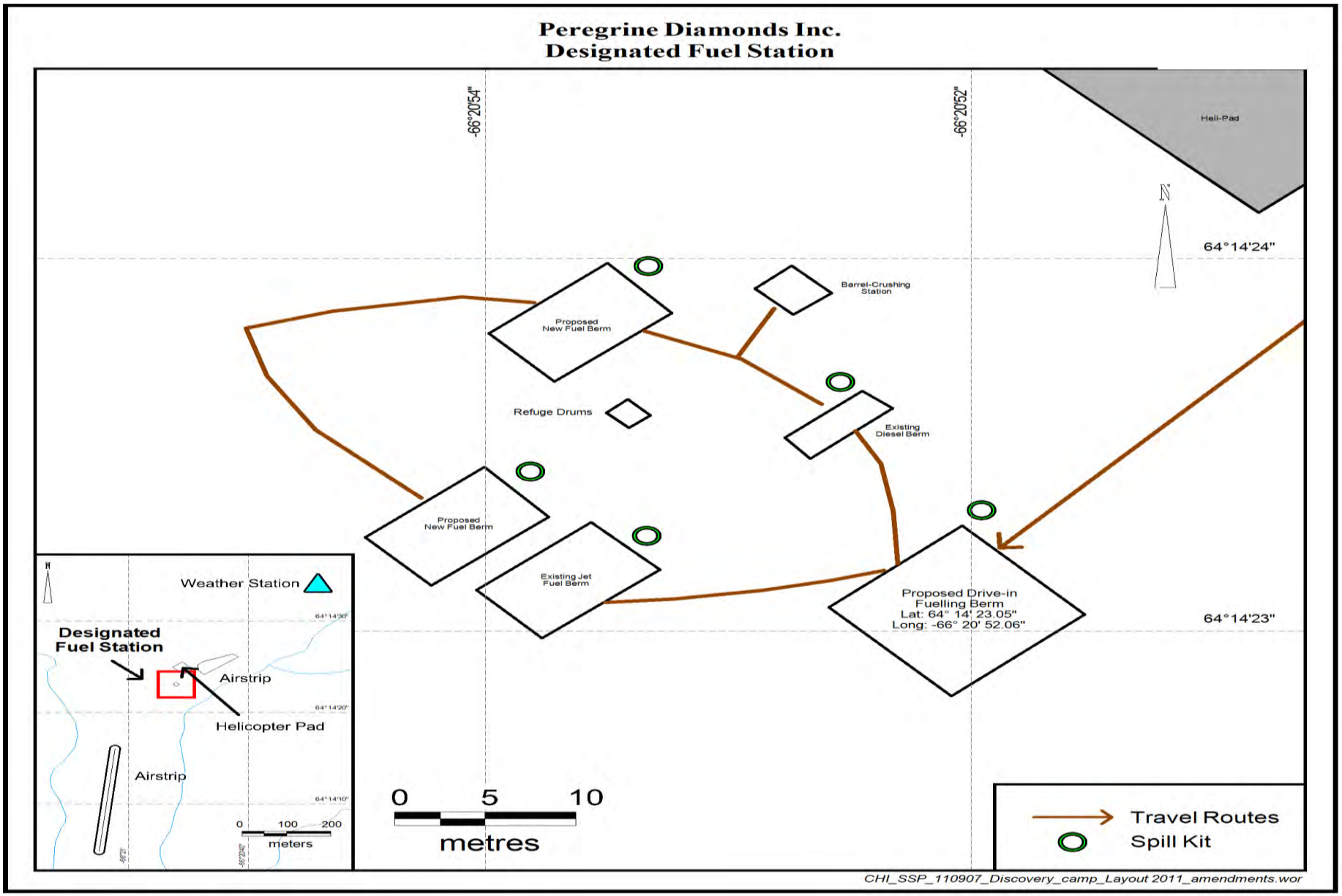
Exploration of the 858,886.92-ha Chidliak Property now shifts focus to the "Focus Area" (circle above).

DRAWING 1a



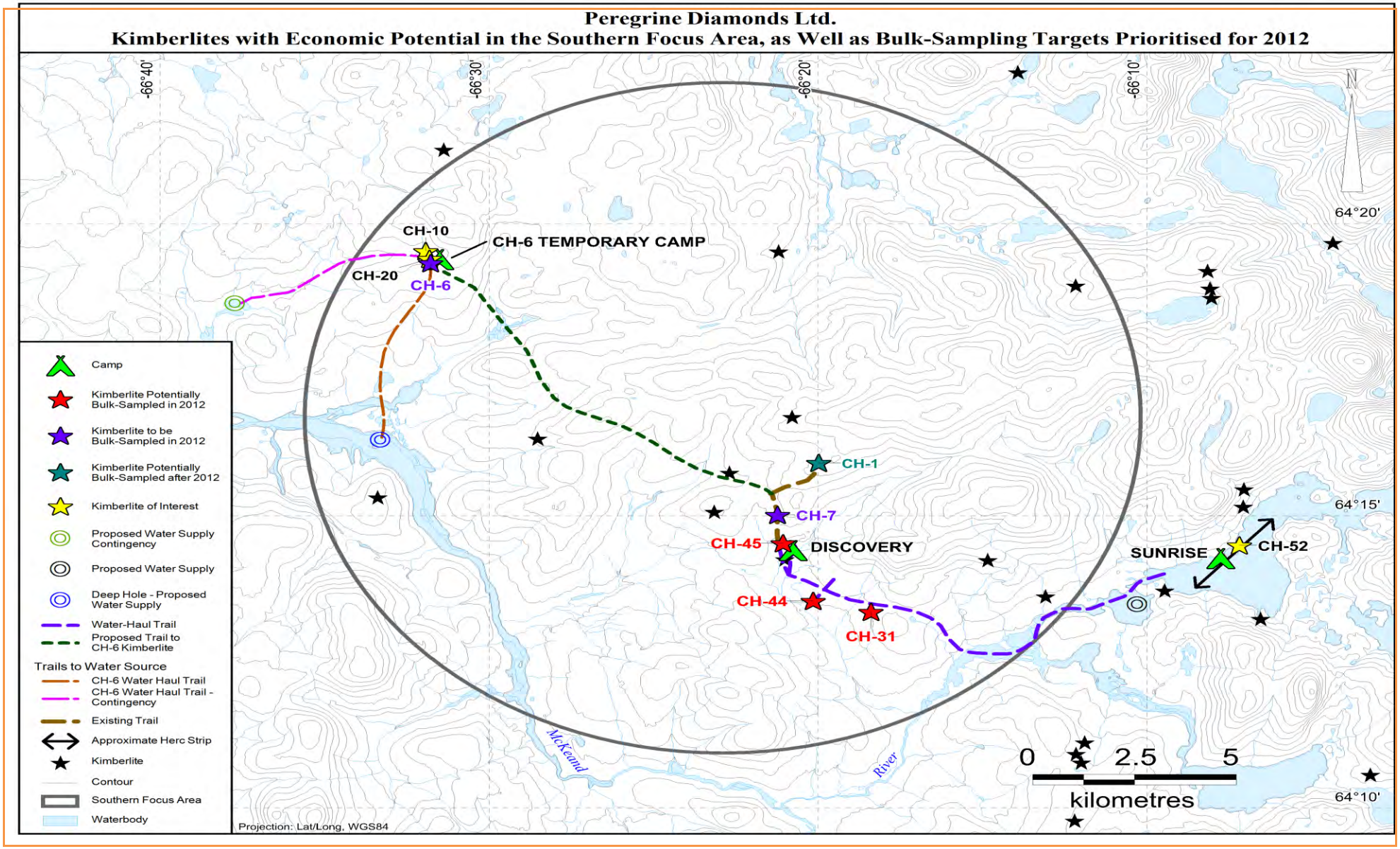
The new Designated Fuel Station based at Discovery Camp will cover an area approx. 50m long x 38m wide and will serve as the controlled fuel-transfer and refuelling hub for all equipment for the winter 2012 bulk-sampling programme.

DRAWING 1b



The new Designated Fuel Station will be served by an established trail route for ease of accessing the drive-in transfer berm.

MAP 2



Discovery Camp will serve as the fuel centre for accessing the 5 potentially-sampled kimberlites and the ice airstrip at Sunrise, mainly by means of a 23km-long extension of the existing winter trail network.

Plan for Station Operation

Fuel Delivery

Fuel will be delivered by regular in-shipments of 205L drums, as has occurred to date in the Chidliak exploration programmes. Although the overall volume of diesel fuel is greater for the 2012 programme than in previous years, the overall process of rotating drums in and out will not be appreciably different than in past years: The *main difference* in initial drum delivery is that First Air's Hercules L382 aircraft will be utilised to bring in the first 100 drums of the programme during the first approximately 14 days of the programme when the drill, water and fuel tanks and other equipment are being mobilised to site via the Sunrise Camp airstrip. In past seasons, this first mobilisation of fuel was via DC-3 aircraft.

The main "work-horse" equipment of the programme – the Sno-Cat, Challenger and Morooka with picker crane and deck – will be driven to site from Iqaluit during or prior to this period. This equipment will build the winter-access trails which will allow opening of Discovery Camp and establishment of the Designated Fuel Station. Immediately following establishment of the Station, the heavy equipment will transport the RC drill to its first kimberlite location, CH-6, and deliver a startup supply of fuel for the new CH-6 Temporary Camp. The existing land-based airstrip at Discovery Camp will then be groomed for winter landings of the DC-3 and Twin Otter, thus allowing not only in-shipment of further supplies but also out-shipment of empty drums, principally diesel drums. To facilitate out-shipment and drum management, a new DD-30 drum crusher already at Discovery Camp (*cf. crusher Standard Operating Procedure at the end of this Plan*) will be put into service to crush the empty drums for ease of removal.

Fuel Transfer

The *main difference* in fuel transfer is that simple transfer of fuel by pumping directly from drums will in most instances of diesel use be replaced by the more efficient transfer of fuel from drums to two 15 000L double-walled enviro-tanks (*cf. photo in enviro-tank Standard Operating Procedure at the end of this Plan*). This transfer will occur in a transfer berm at the Station (*cf. Drawings 1a and 1b)* and will consist of two processes: (1) transfer of fuel within the lined, drive-in manufactured transfer berm by pumping from drums to the enviro-tanks, and (2) refuelling of mobile equipment which is driven into and out of the same berm. Where instances of simple fuel transfer from a container directly to equipment occurs in the field – either diesel, petrol (gasoline) or aviation fuel to aircraft and helicopters – this transfer will in all cases occur with the container placed inside a drum-sized mini-berm, with all hose connections wrapped and underlying ground protected with absorbent matting and/or drip pans, as already occurs in all conventional exploration fuel transfer.

Fuel Storage and Management

Existing large-berm fuel storage at Discovery Camp will be consolidated at the Station (*cf. Drawings 1a and 1b)*. Two new fuel berms will be added beside the existing berms already placed at that location, and all berms will be in close, driveable proximity to the transfer berm. Three additional full-sized spill kits will be added to the two kits already present in this area, and additional absorbent matting, socks and booms will be on hand and within reach. The Inspection Log process already in effect for existing fuel-storage berms will be increased from daily to once-per shift inspections.

Management also will extend to the entire Station area as part of the Plan, as follows: (1) once-per-shift inspection via the Inspection Log process of the overall Station components; (2) once-per-shift inspection via the Inspection Log process of the transfer berm; (3) once-daily inspection of any waste-storage areas inside of the transfer berm or outside of it, and (4) once-daily inspection of the drum-crushing station.

Station Personnel

The *main difference* between allocation of personnel for past exploration and the 2012 programme is that operation and control of the Station will be the responsibility of a dedicated and experienced Fuel Specialist and Fuel Specialist Assistant (*cf. discussion of Fuel Specialist and Fuel Specialist Assistant in the Standard Operating Procedures at the end of this Plan*). These personnel and their cross-shifts will report to the Project Supervisor, who is turn reports to the Project Manager.

Station Personnel and the Precautionary Principle

An important component in the successful functioning of the Station is that Peregrine has engaged a Nunavut Tunngavik Incorporated registered Arctic logistical and heavy-equipment contractor to acquire and train a suitable Fuel Specialist and Fuel Specialist Assistant; the 2012 contractor for this role is Nuna Logistics. The precautionary principle has led Peregrine to the conclusion that hiring or contracting dedicated Station staff, familiar with operation of similar Stations on other Northern projects and trained in site procedures, is the best guarantee of proper functioning of the Plan and the smooth operation of fuel transfer and refuelling.

Providing Station control to a dedicated two-person team, and their equally-trained cross-shifts, will compliment Peregrine's pre-existing dedication to training and re-training of all site staff. Training, as noted by Peregrine in past Chidliak applications, is not simply confined to one-shot orientation training, but is reinforced with refresher training whenever personnel return to site after a break, as well as regular health, safety and environment meetings at which key site-performance areas ranging from cold-weather safety to proper drum storage to recycling are discussed amongst programme personnel and issues of mutual concern discussed and resolved. Other targeted training, such as firearms operation and first-aid, also is provided when sufficient camp numbers warrant. Once each season, a spill-response-exercise is conducted for all site personnel, as well as periodic safety-emergency training.

WINTER TRAILS: FUEL MANAGEMENT AND RESPONSE

There will be no bulk-fuel stations along the winter trails that will serve the 2012 programme. As per current practice in driving the previously-existing 3.8kms of winter trail between CH-1, CH-7 and Discovery Camp, any vehicles travelling the route will be equipped with valid communication (two-way radios within short range and sat-phones for longer range) as well as vehicle-sized spill kits and related supplies such as absorbent padding which can be secured around hoses with wire to prevent drips and leaks, and placed under equipment when stopped on a trail. Mobile heavy equipment also will carry at least one mini-berm, where a deck or suitable container is available, or, at a minimum, sufficient absorbent padding and garbage bags for use during jerry-can transfer of petrol to ice augers and pumps required for profiling and water extraction for trail grooming. Refuelling of heavy equipment will be carried out only at the Designated Fuel Station. Refuelling of small equipment such as skidoos will occur at designated petrol stations, such as at CH-6 Temporary Camp and Sunrise Camp.

SUNRISE ICE STRIP: FUEL MANAGEMENT AND RESPONSE

There will be no bulk-fuel transfer from an aircraft bladder to an enviro-tank at Sunrise Camp. Drums simply will be offloaded as per current exploration practice and moved off the lake ice strip as soon as they are offloaded by deployment of the dedicated CAT 930 loader (*cf. separate "Additional Equipment" appendix to this application*) or by skidoo with komatik to the designated fuel berms on land at Sunrise Camp.

STANDARD OPERATING PROCEDURES

A set of three Standard Operating Procedures (SOPs) which are built upon this Plan and intended to support it are found on the following pages. This Plan is complementary to the existing Spill Contingency Plan and informed by its commitment to prevention of spills and preparedness in the event a spill should occur.

SOPs in support of the "Bulk-Sampling Monitoring Plan" are attached to that separate but complementary Plan.