PEREGRINE DIAMONDS LTD.
NANUQ PROJECT DESCRIPTION FOR WATER LICENCE

INTRODUCTION
Peregrine Diamonds Ltd. (Peregrine), a Canadian company with headquarters in Vancouver, acquired the Nanuq Property (the property) in the Kivalliq, NU, when it combined with the previous claimholder, Dunsmuir Ventures Ltd. (Dunsmuir), in January 2006. Dunsmuir had explored the property for diamonds for four years, and Peregrine continued that exploration in 2006. Peregrine would like to continue that activity, and by means of the accompanying Nunavut Water Board (NWB) licence application, requests permission to continue work on the property. No project activity would occur on Inuit-Owned Land.

STATUS OF PERMITS AND AUTHORISATIONS
Peregrine currently holds 206 mineral claims on the property (*cf. MAP 2) – NAN-01* through *NAN-144* and *NAN-201* through *NAN-262.* The property totals 201 015.70 ha. All claims are on Crown land.

Since the water licence originally obtained by Dunsmuir – *NWB2NAN0305* – has expired, application is being made for a new Type B water licence from the Nunavut Water Board (NWB); a term of 5 years in being requested, from 15 May 2008 to 15 May 2013. Approval will be sought for water use associated with activities proposed under the new land-use permit, which are discussed in this Project Description.

Peregrine holds two INAC Class A Land-Use Permits – *#N2003C0016,* which expires 15 June 2008, and *#N2003C0040*, which expires 15 February 2008. It is requested that the permissible activities under the current permits be re-authorised in a single new permit, i.e., operation of a base camp and diamond drilling, as well as associated ground and airborne geophysics. Activities are discussed in this project description. Provision for bulk sampling also is requested, although sampling in 2008 will be confined to a mini-bulk sample of about 200t without the use of large-diameter reverse-circulation drills. Prior to commencement of the programme in spring 2008, Peregrine also will obtain a drilling authorisation from the Workers' Compensation Board – Mine Health and Safety (WCB) and an Extended-Hours Permit from Nunavut Labour Standards.

PROPOSED ACTIVITIES AND THEIR NECESSITY
In order to determine if the claims area holds economic potential, active exploration comprised of prospecting, surficial sediment sampling, airborne and ground geophysical surveying and exploratory, delineation and evaluation drilling/sampling of numerous targets over a number of years is necessary. Without this level of care and effort, new kimberlite ore bodies, which may host diamonds, will not be discovered and potential economic resources for Nunavut and Canada will remain unproven.

The remote location of the property (*Figure 1)*, harsh weather conditions, a highly variable drilling window and short summers mean that many more field seasons are required to find, test, analyse and understand resources than would be required in southern Canada; further, the cost of carrying out a field programme in the Arctic is high, which can mean that there may be occasional years in which no programme is conducted at all. Oftentimes, a claim life of 10 years is insufficient to "source" multiple mineral indicator trains across a large claims area and conduct testwork, and thus exploration may continue on claims even after they are taken to lease.

Camp Operation – Crown Land
A seasonal tent camp currently is located immediately west of the Nanuq claimblock, on the Lorillard River (*Map 2* and *Photo 1*) in NTS 56G/03 (65° 13' 01" N lat. – 91° 04' 46" W long.). At the commencement of the proposed programme around 26 May 2008, depending on receipt of the new permit and water licence, it is planned to move the camp about 1km northwest. This new location (65° 13' 34" N lat. – 91° 05' 23" W long.) is at the northerly end of a natural-sand area used as an airstrip; the current camp is at the southerly end. The new camp will accommodate 20 persons (5 sleep tents), a kitchen, dry, office, first-aid shack, coreshack, generator shed, latrine with 2 waterless Pacto toilets and an incinerator, as well as a helicopter landing area and camp-based fuel cache.

During the programme, the existing campsite will be completely cleaned up and no materials or debris left behind. The old Dunsmuir temporary winter camp under permit *#N2003C0040* has already been cleaned up but will be re-checked during the 2008 programme.

Drill Programme and Geophysics 2008 – Crown Land

Following fixed-wing airborne geophysics and ground geophysics in spring-early summer 2008 (approximate dates of 01-21 June), a core-drilling programme (approximately 10 drillholes) will be undertaken in 2 areas near the northwest and northeast corners of the property (*Map 2)* in claims NAN-27 and NAN-30, and in NAN-68, producing HQ (6.5cm) diameter core. Depending upon results of the initial drilling, a second rig will be set up to extract a mini-bulk sample producing PQ-diameter (8.5cm) diameter core. The mini-bulk programme may produce up to 200t of core sample. A heli-portable fly rig, such as the LF-70 or Boyles BBS25, may be deployed for both drill programmes; roughly 8 weeks has been estimated for this component (approximately 22 June-11 August). A brochure on the LF-70 accompanies this application as Figure 3. Core from both the conventional and mini-bulk programmes will be flown out for analysis by Peregrine at its own facilities. It is anticipated to collect 2 000m of core from the HQ programme and 4 000m of core from the PQ programme.

In no case would there be disturbance to any watercourse. Cuttings will report to suitably-sized depressions or outcrops on land, so that any flow is away from waterbodies. Drillwater will be recycled in the drilling circuit up to about 80%.

Till-Sampling Programme 2008 – Crown Land

Following the drill programmes and the demobilisation of the drill and drill crew, a programme of surficial sediment sampling (approximately 12 August to 05 September) will be conducted, with the objective of collecting approx. 2 000 samples. This helicopter-supported programme, with 2 teams of 2 samplers each, will be focused on the newest claims, *NAN-201* through *NAN-262.*

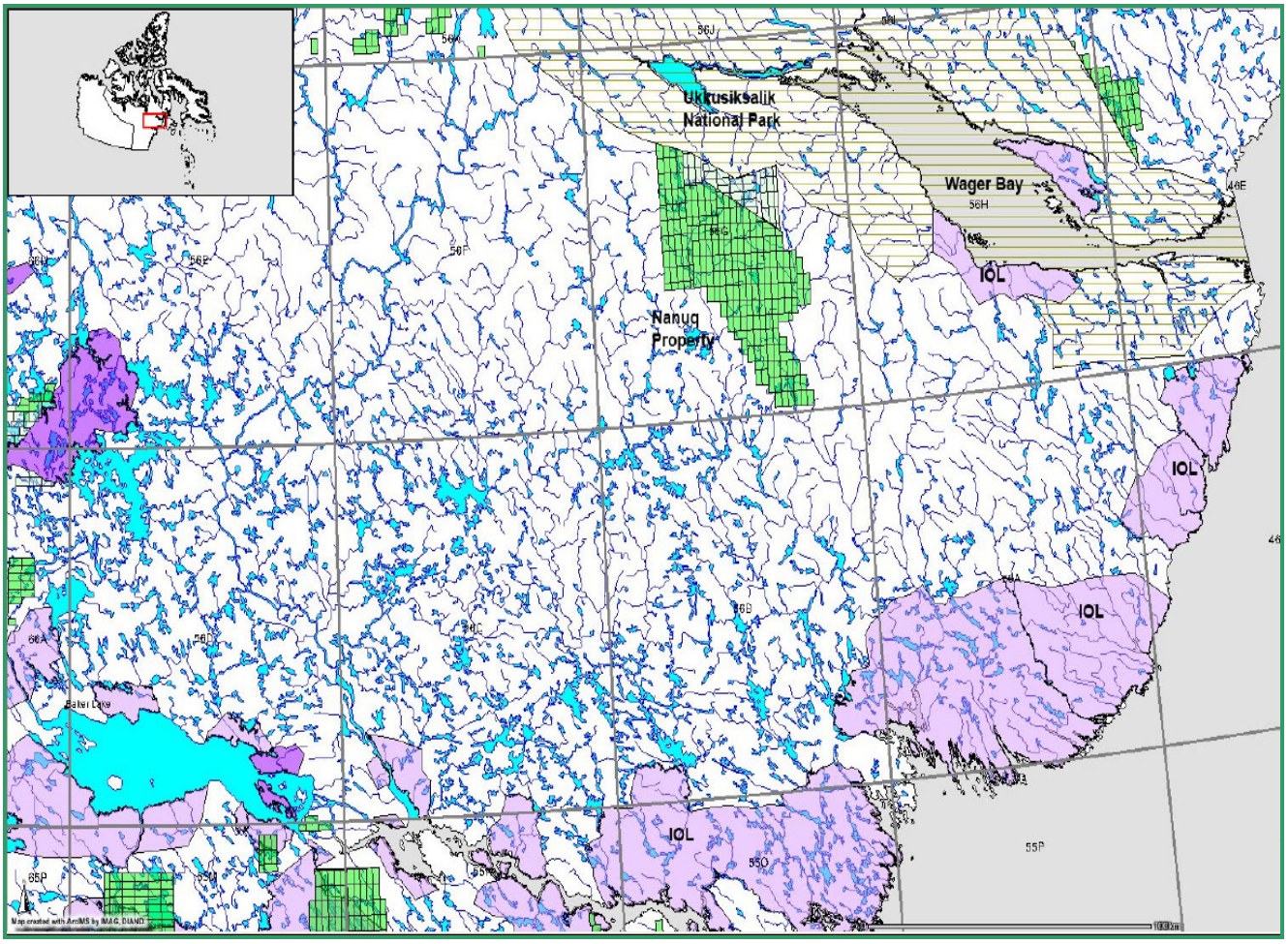
Overall, the 2008 field programme is expected to conclude around 08 September. All dates provided are guidelines only and are subject to adjustment, based on variables such as contractor availability, drill results, equipment and weather.

Drill Programme 2009 – Crown Land

In addition to further test-drilling of new targets, a larger bulk-sampling programme may be conducted in 2009 at the location of the 2008 mini-bulk sampling, if warranted. Since an evaluation programme would indicate a kimberlite occurrence which would need to be sampled to begin to gather information on diamond grade and stone distribution, Peregrine might consider a large-diameter drilling programme. Such a programme could be conducted with either a production rig alone to do both casing and sample recovery or with both an LDDH casing rig and production rig. Drilling methodology similar to that used at other diamond properties would be employed, i.e., reverse-circulation drilling with water or air-assist. The large-diameter holes (LDDH) would be located near previous vertical core holes; however, the number of holes, exact locations and drillhole lengths cannot be determined at this time. It is hoped that allowance for a possible LDDH programme will be incorporated within the new permit and licence; an amendment would be sought in advance, should this LDDH drilling be contemplated.

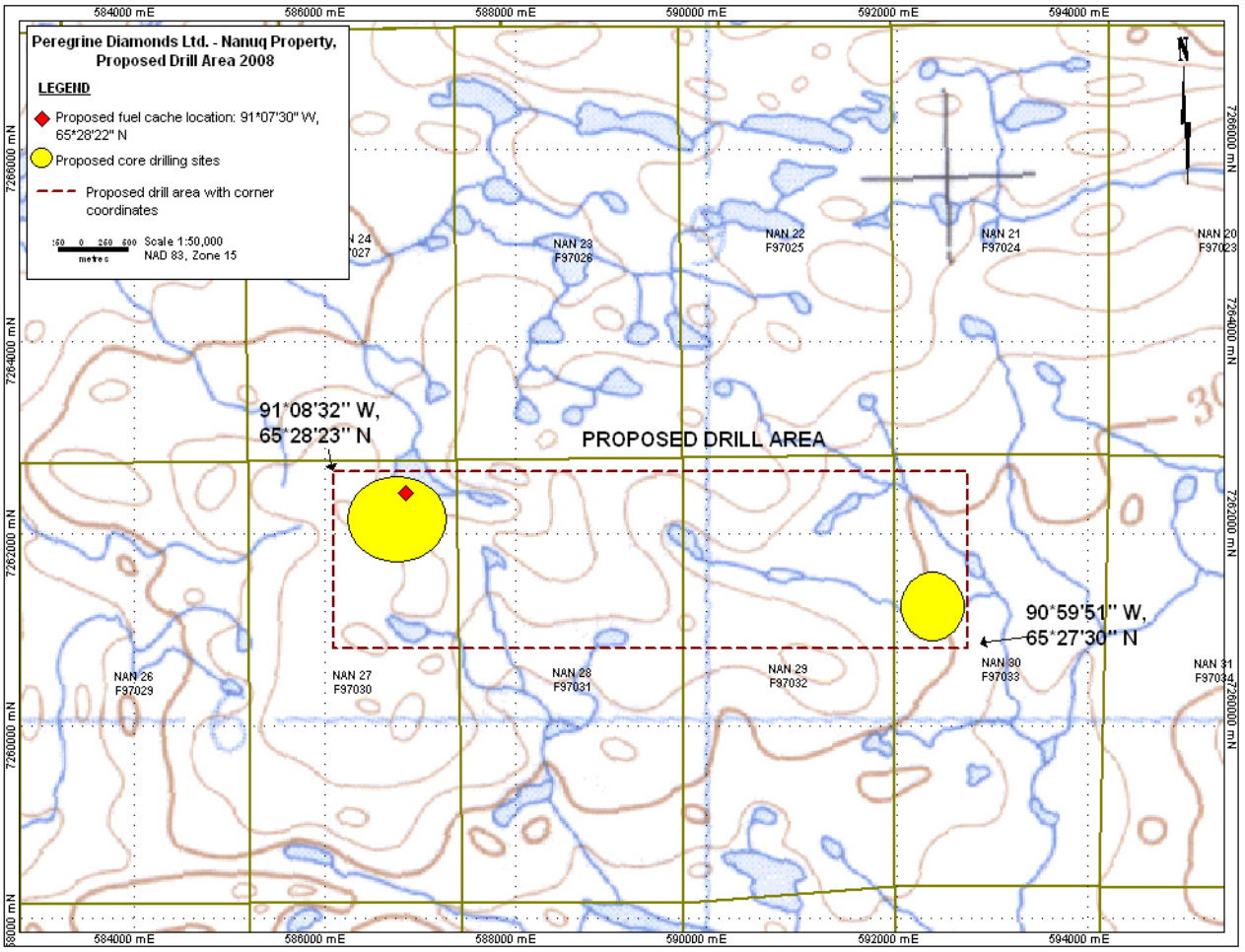
It should be noted that plans beyond 2008 are necessarily highly speculative and subject to change, depending on results and year-to-year budgets; whilst a programme may prove successful, there is also the possibility that a programme may prove unsuccessful, which is a disincentive to further work. INAC, the NWB, other regulators and Kivalliq residents shall be kept fully apprised as plans evolve.

Figure 1



Regional map of the Kivalliq, as presented on Indian and Northern Affairs' website SID Viewer. The Nanuq property, coloured green on this map, is S of Brown Lake and SW of Wager Bay. Figure 1 also depicts Ukkusiksalik National Park (at the property's northern boundary) and regional IOLs. The property is located entirely on Crown land, approximately 250km NE of Baker Lake. (Other claimblocks shown belong to other proponents).

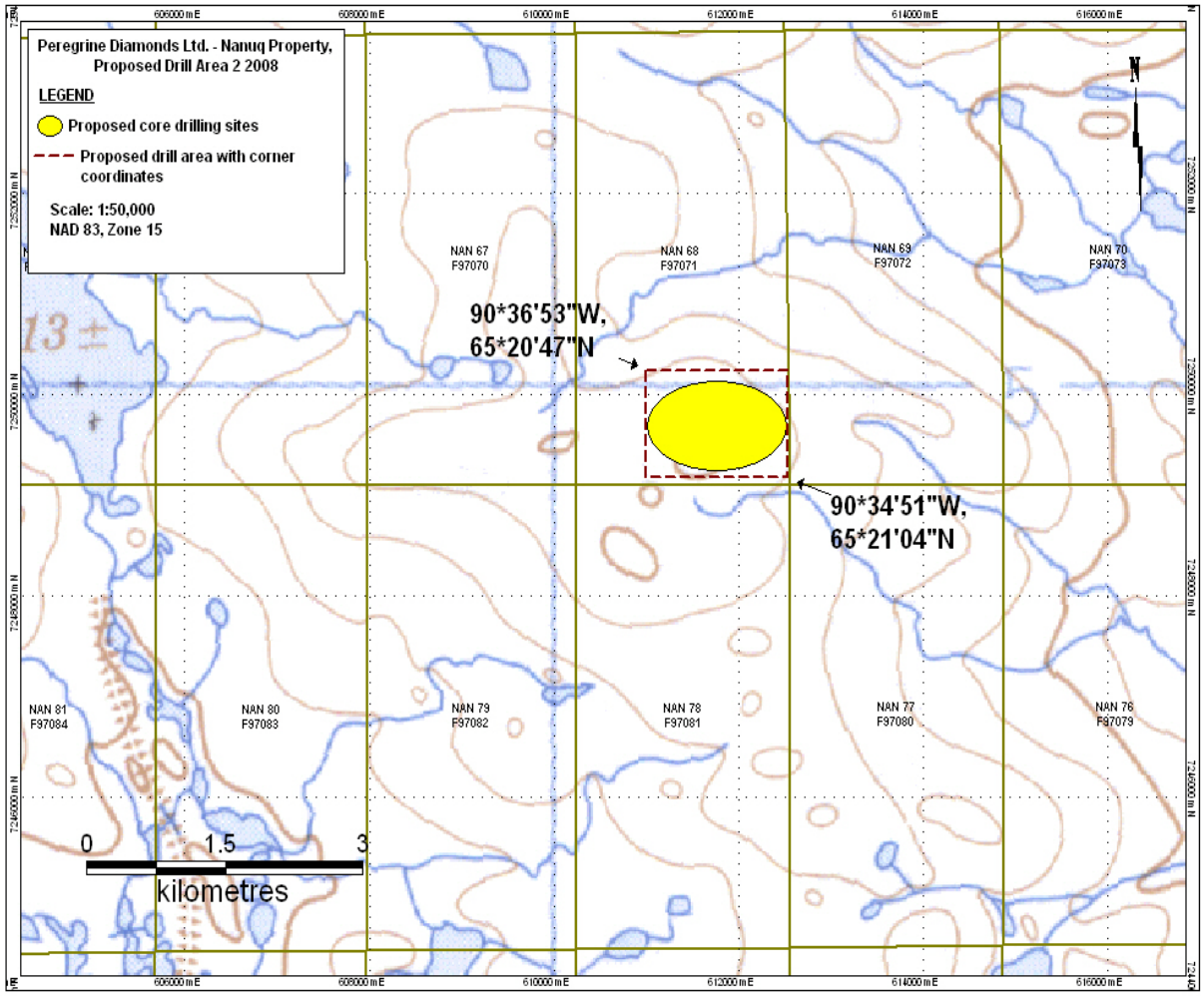
Figure 2a



Proposed drill area 1 for the Nanuq Property for 2008 is shown above, with lat./long. co-ordinates indicated for the "corners" of the exploration area. The temporary fuel cache appears as a diamond shape in the westernmost of the two drill areas. The proposed drilling, scheduled to occur in NAN-27 and NAN-30 in NTS 56G/06, will consist in conventional core drilling (approx. 3 drill holes at each location), as well as a slightly larger-diameter core programme to extract a mini-bulk sample of up to 200t (approx. 4 000m total for the whole programme). All drilling is proposed to be land-based.

Datum is NAD 83, Zone 15N

Figure 2b



Proposed drill area 2 for the Nanuq Property for 2008 is shown above, with lat./long. co-ordinates indicated for the "corners" of the exploration area. The proposed drilling, scheduled to occur in NAN-68, will consist in conventional core drilling (approx. 4 drillholes), as well as a slightly larger-diameter core programme to extract a mini-bulk sample of up to 200t (approx. 4 000m total for the whole programme). All drilling is proposed to be land-based.

Datum is NAD 83, Zone 15N

DURATION OF PROJECT

As the Nanuq Project remains active, the maximum length of time for a permit is requested – that being two years – from 15 February 2008 (the expiry date of permit *#N2003C0040)* to 14 February 2010, with the option for a one-year extension.

METHOD OF TRANSPORTATION

The 2 core drills, tooling, other equipment (such as drill shacks and pump shacks, generators, compressors, pumps, Poly-Drill filtration mud tank), fuel drums, core boxes and personnel will be moved from site to site by helicopter. Helicopter-service providers currently under consideration are Mustang Helicopters of Red Deer, AB, and Matrix Helicopter Solutions Inc. of Yellowknife.

A helicopter (e.g., an A-Star or Hughes 500D with pilot and engineer would be based at the camp to support the 2008 programme throughout and be available for emergency transport, if required. Fixed-wing service will be required to mobilise, supply, resupply and demobilise the camp and to transport core samples. It is expected that these services will be provided by Ookpik Aviation of Baker Lake, Kenn Borek Air Ltd. of Rankin Inlet and First Air of Yellowknife,/Kanata, ON as required/available. All traffic will be to/from the natural-sand airstrip which runs between the old camp to the SE and the proposed new campsite to the NW. The airstrip co-ordinates are: 65° 13’ 16” N lat. – 91° 05’ 00” W long. Supply flights will occur approx. two times per week from Baker Lake or Rankin Inlet, with no flights over the park to the north.

Around camp, transportation will be by snowmobile when winter conditions occur, with komatiks used for loading/offloading and transferring fuel to tent drums – not for overland travel away from camp.

Due to the remote location, there are no viable alternatives to the aforementioned modes of transportation.

CAMP AND STRUCTURES

The existing camp (*Photo 1)* is to be moved approx. 1km to the northerly end of the existing airstrip. The camp will be slightly increased in size to accommodate up to 20 persons and is located immediately west of the claimblock on the Lorillard River. The new camp will have the same 30m setback from shore. At the start of the 2008 programme, the existing camp will be moved in its entirety to the new location. The old site will be cleaned up and no materials or equipment left behind. The camp consists of an office, kitchen, dry (for washing and laundry), coreshack, generator shed, first-aid shack, outhouse (with 2 Pacto waterless toilets) and 5 sleep tents. It is expected that 2 generators will be brought to site, one to serve as a spare during oil changes and other maintenance. Potable water would be drawn from the river through a screened waterline to prevent entrainment of fish, and water circulated via flexible-hose piping (heated with coil heating, if required) linking the kitchen and dry, with greywater from the kitchen and sinks/showers outfalling to a hand-dug sump pit. Only biodegradable phosphate-free soaps will be used. Pacto bags from the latrine and kitchen waste will be incinerated daily to limit animal attraction to the camp. There will be no structures erected away from camp. At the 2 drill areas, the infrastructure would consist only of the heli-portable drill shack and pump shack.

FUEL STORAGE

All fuel-handling, whether for camp, till sampling or drilling, will be governed by the current Peregrine Spill Contingency Plan and Emergency Response Plan *(accompanying this application as Appendix 7a and 7b, respectively, and as stand-alone Plans).*

A fuel storage area (diesel and Jet-B drums, segregated from each other) will be located beside the camp, sited the required distance from shore. A helicopter landing area will be designated; Jet-B drums will be positioned there, with empties separated from full drums and removed on backhauls. A separate storage area will be created for diesel drums, with empties removed on backhauls. Cylinders of propane (45kg size) will be stored by the kitchen and dry in an upright and secure position; empty cylinders will be removed on backhauls. There also will be a temporary fuel cache at the proposed worksite, positioned at 65° 28' 23" N lat. – 91° 08' 32" W long.

Approximately 500 drums of diesel (heating fuel and fuel for generators, pumps and drills) will be required for the 2008 programme. Empty drums will be rotated out regularly on backhauls. It is estimated that 8 drums of petrol (unleaded gasoline) will be required for snowmobiles (early part of the programme only). Aviation-fuel use is estimated at 300 barrels. All fuels will be flown in. Oils required for the generators, pumps and snow machines (typically 1- and 2-L size) will be stored in the generator shed; tubs of oils and other lubricants required by the drill crew will be stored at drill-side. Compressed gases for welding will be chained and properly maintained at drill-side.

A spill-kit drum (set of pads, socks and/or pillows, disposal bags, gloves, goggles, Spagh-Zorb or peat moss, depending on kit manufacturer) will be present in camp, at the fuel/heli-pad area and at each drill, for an anticipated total of 4 kits. Copies of the Nunavut Spill Report Form (Appendix 3) are available at the camp and worksites. Additional absorbent pads and drip pails or pans will be present where fuel is transferred and under stationary equipment. Fuel transfer will be by means of hand wobble, electric or diesel fuel pump. Wooden cribs will support fuel drums at tents and shacks (or metal prefab cribs), with absorbent padding and catch pails placed directly under drum valves; pails, fuel-line hoses, connections and valves will be checked daily, and the pails shovelled free of snow, if required.

POTABLE WATER, GREYWATER AND WASTES

Potable water will be pumped to a holding tank in the dry, supplied by poly-line inserted into the river offshore; suction line will be suitably screened to prevent entrainment of fish. Greywater line is to be coil-heated, as required, and will outfall from the kitchen sink and lavatory basin and showers to a hand-dug or natural-depression sump (typical dimensions are 1m X 1m X 1.5m); sump contents will be treated with Javex, if required, to control odours which could attract wildlife in warmer weather. The sump will be covered in snow periods to prevent its being filled with snow. Kitchen waste will be incinerated at least daily. Where practical, cardboard boxes and packing will be recycled and office paper reused. No Styrofoam cups or dinnerware will be used. No food scraps or other refuse will be left at the worksite; what is packed in for a shift will be packed out.

An outhouse will be constructed with 2 Pacto toilets. Bagged wastes will be incinerated daily, along with other combustibles, in a fuel-fired incinerator positioned at the edge of the camp compound. Non-combustible garbage, including metal waste and other bulky scrap, aerosol cans and batteries, will be flown out for recycling or disposal at the Baker Lake or Rankin Inlet landfill. Waste oil/filters/oily rags and waste fuel will be stored in marked, discrete drums and flown out for proper disposal via a contractor.

POTENTIAL IMPACTS OF CAMP

Potential impacts of the Nanuq exploration camp locally, regionally and to the hamlets of Baker Lake (250km away) and Chesterfield Inlet (120km away) are predicted to be minimal, given Peregrine's commitment to regulatory requirements and its Environmental Policy, as well as the remote location.

The camp will amount to only a few hectares (4 ha are being applied for), and the period of activity during any one year will be limited to approx. four or five months in total. Although any human habitation, whether an outfitter's camp or an exploration camp, could possibly result in inadvertent localised fuel spills, or untidy conditions which could in turn result in animal attraction and subsequent damage to property or injury to persons, it must be noted that such occurrences can be successfully controlled by constant vigilance of camp systems and practices. As per best practice, and guided by the Peregrine Environmental/Sustainability Policy (*cf. Appendix 1),* all camp occupants are trained in environmental awareness, proper fuel handling, and in spill and fire response, as well as in safety responsibilities and reporting. Weekly meetings also are held in camp.

All camps not in use are properly closed, and areas where use is completed are reclaimed *(also cf. Abandonment and Restoration Plan, Appendix 6).* In compliance with the principles of prevention and continuous improvement, regular in-house inspections are conducted to augment the daily checks performed by the camp attendant during his/her rounds.

A site visit also may be organised for representatives of the closest communities, if communities so request.

Should the project advance toward evaluation in 2009, collection of environmental baseline data will commence. Initial studies would include such components as water quality (vicinity of a deposit) and wildlife survey, as well as an archaeological survey.

The health and well being of wildlife is of great concern to Peregrine in all its operations. If numbers of caribou or, less likely, muskox, should enter an area where work is proceeding, all optional work will cease until the herd has moved on; in a camp context, this would mean foregoing optional operation of equipment, such as takeoff of helicopters. Wildlife will not be approached or disturbed by persons on foot or via equipment. A Wildlife Sighting Form *(Appendix 5)* routinely used at Peregrine camps will be employed. Although the project area offers a low incidence of esker habitat, Peregrine is aware of the general importance of glaciofluvial and glaciolacustrine landforms to wolves, foxes and prey mammals, such as sik-siks, and limits habitat disruption wherever possible. Ferry flights between drillsites or till-sampling sites and camp will be flown at 300m altitude or higher

Although the Nanuq Property is located about 30km inland, Peregrine is nevertheless obtaining polar-bear habitat data from Nunavut Wildlife in Igloolik, which will be used in programme planning. Peregrine also has requested similar data in respect of bird species from the Canadian Wildlife Service in Iqaluit. Peregrine also has consulted the digital caribou-movements mapping provided on-line by the Beverly and Qamanirjuak Caribou Management Board.

It is understood that archaeological and heritage resources also may be impacted by camp activities. To that end, camp personnel and contractors will be required to follow an Archaeological Protocol (*Appendix 4).* Peregrine is making a request to the Archaeology division of the Department of Culture, Language, Elders and Youth in order to obtain co-ordinates of any known sites in the claimblock area, for purposes of avoidance. (Any site information obtained would be kept confidential and not shared with the public). There are no known deposits of carving stone.

SPILL CONTINGENCY PLAN

The accompanying Peregrine Spill Contingency Plan is informed by Peregrine's commitment to avoiding spills where possible, prompt action when spills occur and utmost concern for the environment, human health and safety. The Peregrine Environmental/Sustainability Policy (*Appendix 1)* is available to field staff and contractors digitally and in hard copy for reference and for training purposes. The Spill Contingency Plan (*Appendix 7a)* and complementary Emergency Response Plan (*Appendix 7b)* also accompany this submission as stand-alone plans.

BENEFITS TO INUIT

In all its projects, Peregrine hires locally to the extent possible. As the Nanuq Project still is at the exploration stage, there are fewer opportunities for non-technical employment than with a more advanced project; however, opportunities for service provision do exist each work season, and such opportunities (e.g., hotel accommodation, aviation services, expediting, logistics) result in direct dollars to communities. Currently, it is planned that 2 or more Kivalliq residents will be hired as camp staff for the 2008 programme. Various Kivalliq services have been used in past programmes, and such use is expected to continue in 2008 and beyond, expanding *as* and if the programme expands.

Peregrine also plans to continue community visits initiated by Dunsmuir in 2004. Baker Lake and Chesterfield Inlet – visited by Dunsmuir in March 2004 – will be visited by Peregrine as soon as possible, likely in 2007, on a date that is convenient to community residents. If and when the project expands, opportunities for direct employment, service provision and other benefits also will expand. Whatever the project outcome, Peregrine looks forward to a co-operative and mutually beneficial relationship with the citizens of the Kivalliq.

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