

## **Appendix “D”**

Certificate of Compliance of an Extra-Territorial Corporation  
Certificate of Registration of an Extra-Territorial Corporation  
June 2014 Financial Statement



CANADA

*BUSINESS CORPORATIONS ACT*  
**CERTIFICATE OF COMPLIANCE OF AN  
EXTRA-TERRITORIAL CORPORATION**

*LOI SUR LES SOCIÉTÉS ACTIONS*  
**CERTIFICAT DE CONFORMITÉ D'UNE SOCIÉTÉ  
PAR ACTIONS EXTRATERRITORIALE**

I HEREBY CERTIFY THAT

JE CERTIFIE PAR LA PRÉSENTE QUE

**PEREGRINE DIAMONDS LTD.**

a body corporate incorporated  
under the laws of

une personne morale constituée  
En vertu des lois

Canada

registered under Part XXI of the  
*Business Corporations Act of Nunavut*, has  
filed with the Registrar of Corporations, the  
required annual returns and is, with respect  
to the filing of annual returns, in good  
standing on the records of the Registrar.

enregistrée en vertu de la partie XXI de la  
*Loi sur les sociétés par actions au Nunavut*,  
a déposé auprès du registraire des sociétés  
par actions le rapport annuel exigé et  
rencontre les exigences du registraire relatives  
au dépôt des rapports annuels.

Dated 12-Nov-2013  
Fait le



Karen Haverstock

Digitally signed by Karen Haverstock  
DN: cn=Karen Haverstock, o=Department of Justice,  
ou=Legal Registries, email=khaverstock@gov.nu.ca,  
c=CA  
Date: 2013.11.12 16:55:01 -05'00'

DEPUTY / REGISTRAR OF CORPORATIONS  
REGISTRAIRE OU REGISTRAIRE ADJOINT DES SOCIÉTÉS PAR ACTIONS



No.: ET8329

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**Nunavut**  
Canada

*BUSINESS CORPORATIONS ACT*  
**CERTIFICATE OF REGISTRATION OF AN  
EXTRA-TERRITORIAL CORPORATION**

*LOI SUR LES SOCIÉTÉS ACTIONS*  
**CERTIFICAT D'ENREGISTREMENT D'UNE SOCIÉTÉ  
PAR ACTIONS EXTRATERRITORIALE**

I HEREBY CERTIFY THAT

JE CERTIFIE PAR LA PRÉSENTE QUE

**PEREGRINE DIAMONDS LTD.**

a body corporate incorporated  
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une personne morale constituée  
En vertu des lois

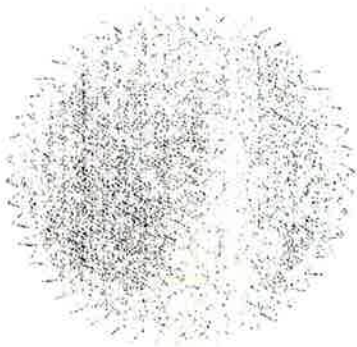
Canada

was registered under Part XXI of the  
*Business Corporations Act of Nunavut*, the  
Statement of Registration of which is  
attached.

était enregistrée en vertu de la partie XXI de  
la *Loi sur les sociétés par actions au Nunavut*,  
la déclaration d'enregistrement en faisant foi  
étant jointe.

Date of Registration  
Enregistrement fait le

31-Aug-2004



DEPUTY / REGISTRAR OF CORPORATIONS  
REGISTRAIRE OU REGISTRAIRE ADJOINT DES SOCIÉTÉS PAR ACTIONS

**PEREGRINE DIAMONDS LTD.**  
**Condensed Interim Statements of Financial Position**  
**As at June 30, 2014 and September 30, 2013**  
**(Expressed in Canadian Dollars)**

	June 30 2014 (Unaudited)	September 30, 2013
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 3,618,069	\$ 8,205,416
Accounts receivable	70,612	280,304
Prepaid expenses	628,598	606,475
	4,317,279	9,092,195
PROPERTY AND EQUIPMENT (Note 5)	4,895,780	4,964,980
DEPOSITS ON PROPERTY AND EQUIPMENT	86,000	86,000
	\$ 9,299,059	\$ 14,143,175
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 533,039	\$ 841,350
Current portion of long-term debt (Note 8)	2,447,768	2,469,512
Flow through share liability (Note 9)	164,860	-
	3,145,667	3,310,862
LONG-TERM DEBT (Note 8)	-	2,353,944
	3,145,667	5,664,806
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 10)	137,816,481	135,398,112
Share option reserve	10,319,691	9,977,828
Share warrant reserve	2,567,624	2,567,624
Other reserve	19,205	19,205
Deficit	(144,569,609)	(139,484,400)
	6,153,392	8,478,369
	\$ 9,299,059	\$ 14,143,175

**NATURE OF OPERATIONS (Note 1)**

**COMMITMENTS AND CONTINGENCIES (Note 15)**

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

APPROVED BY THE BOARD:

*Gordon Keep*

Director

*Peter Meredith*

Director

**PEREGRINE DIAMONDS LTD.****Condensed Interim Statements of Loss and Comprehensive Loss****For the Three and Nine Months Ended June 30, 2014 and 2013****(Expressed in Canadian Dollars)****(Unaudited)**

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2014	2013	2014	2013
<b>EXPENSES</b>				
Accounting and audit fees	\$ 26,669	\$ 8,100	\$ 46,819	\$ 23,700
Consulting	14,470	6,345	40,674	18,207
Depreciation	22,477	48,694	75,357	174,102
Filing fees	4,450	44,267	52,459	74,181
Legal	6,336	5,151	42,226	78,402
Insurance	16,098	16,066	48,372	49,212
Investor relations	8,612	(6,623)	57,162	49,565
Office and administration	113,661	104,349	375,426	337,662
Salaries and benefits	405,517	470,520	1,168,864	1,288,910
Travel	32,264	18,841	72,121	61,130
Share-based payments	73,463	46,600	304,312	260,997
Exploration (Schedule)	1,302,682	2,028,451	2,944,084	4,344,386
	2,026,699	2,790,762	5,227,876	6,760,455
<b>OTHER (INCOME)/EXPENSES</b>				
Interest income	(15,956)	(26,636)	(68,133)	(131,935)
Interest expense	38,851	64,163	152,803	229,769
Loss on disposal of equipment	-	2,250	21,764	2,250
Foreign exchange	245	(7,230)	1,499	(10,535)
	23,140	32,547	107,933	89,549
Loss before income taxes	2,049,839	2,823,308	5,335,809	6,850,004
Deferred tax recovery (Note 9)	(124,974)	-	(250,600)	-
<b>NET LOSS AND COMPREHENSIVE LOSS</b>	<b>\$ 1,924,865</b>	<b>\$ 2,823,308</b>	<b>\$ 5,085,209</b>	<b>\$ 6,850,004</b>
<b>BASIC AND DILUTED</b>				
<b>LOSS PER SHARE</b>	<b>\$ 0.01</b>	<b>\$ 0.02</b>	<b>\$ 0.04</b>	<b>\$ 0.05</b>
<b>WEIGHTED AVERAGE NUMBER OF</b>				
<b>SHARES OUTSTANDING</b>	<b>143,843,194</b>	<b>130,283,683</b>	<b>142,468,477</b>	<b>126,972,894</b>

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

**PEREGRINE DIAMONDS LTD.**  
**Condensed Interim Statements of Changes in Equity**  
**For the Nine Months Ended June 30, 2014 and 2013**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

	Share Capital		Share Reserves			Deficit	Total
	Number of Shares	Amount	Share Option Reserve	Share Warrant Reserve	Other Reserve		
Balances, September 30, 2012	105,553,639	\$ 121,838,194	\$ 9,373,397	\$ 2,537,743	\$ 19,205	\$ (130,472,279)	\$ 3,296,260
Shares issued for cash:							
Private offerings, net of share issue costs of \$74,053	30,000,000	13,425,947	-	-	-	-	13,425,947
Private offering	3,333,333	1,266,667	-	29,881	-	-	1,296,548
Issuance of shares to be issued from September 30, 2012	-	(1,296,548)	-	-	-	-	(1,296,548)
Options exercised	265,000	169,415	(60,415)	-	-	-	109,000
Share-based payments	-	-	266,261	-	-	-	266,261
Net loss	-	-	-	-	-	(6,850,004)	(6,850,004)
Balances, June 30, 2013	139,151,972	\$ 135,403,675	\$ 9,579,243	\$ 2,567,624	\$ 19,205	\$ (137,322,283)	\$ 10,247,464
Balances, September 30, 2013	139,151,972	\$ 135,398,112	\$ 9,977,828	\$ 2,567,624	\$ 19,205	\$ (139,484,400)	\$ 8,478,369
Shares issued for cash:							
Private offerings, net of share issue costs of \$206,154	4,616,222	2,794,389	-	-	-	-	2,794,389
Options exercised	75,000	39,440	(7,940)	-	-	-	31,500
Share-based payments	-	-	349,803	-	-	-	349,803
Sale of flow through tax benefits	-	(415,460)	-	-	-	-	(415,460)
Net loss	-	-	-	-	-	(5,085,209)	(5,085,209)
Balances, June 30, 2014	143,843,194	\$ 137,816,481	\$ 10,319,691	\$ 2,567,624	\$ 19,205	\$ (144,569,609)	\$ 6,153,392

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

**PEREGRINE DIAMONDS LTD.**  
**Condensed Interim Statements of Cash Flows**  
**For the Nine Months Ended June 30, 2014 and 2013**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

	2014	2013
<b>OPERATING ACTIVITIES</b>		
Net loss	\$ (5,085,209)	\$ (6,850,004)
Items not affecting use of cash		
Depreciation	121,501	294,500
Share-based payments	349,802	266,261
Interest expense	133,865	223,011
Loss on disposal of equipment	21,764	-
Deferred tax recovery	(250,600)	-
	(4,708,877)	(6,066,232)
Changes in non-cash working capital items (Note 13)	(120,742)	2,134,861
	(4,829,619)	(3,931,371)
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(78,565)	-
Disposition of property and equipment	4,500	1,211,909
	(74,065)	1,211,909
<b>FINANCING ACTIVITIES</b>		
Repayment of long-term debt	(2,500,000)	(2,500,000)
Payment of finance leases	(9,553)	(22,013)
Shares issued for cash, net of share issue costs	2,825,890	14,831,495
	316,337	12,309,482
<b>(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	(4,587,347)	9,590,020
<b>CASH AND CASH EQUIVALENTS BEGINNING OF PERIOD</b>	8,205,416	748,813
<b>CASH AND CASH EQUIVALENTS END OF PERIOD</b>	\$ 3,618,069	\$ 10,338,833
<b>CASH AND CASH EQUIVALENTS ARE COMPRISED OF:</b>		
Cash in bank	\$ 539,826	\$ 4,272,923
Short-term deposits	3,078,243	6,065,910
	\$ 3,618,069	\$ 10,338,833

**SUPPLEMENTAL CASH FLOW INFORMATION (Note 13)**

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

**PEREGRINE DIAMONDS LTD.**  
**Selected Notes to the Condensed Interim Financial Statements**  
**June 30, 2014 and 2013**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

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**1. NATURE OF OPERATIONS**

Peregrine Diamonds Ltd. (referred to as the “Company” or “Peregrine”), is a Canadian exploration stage mining company which is focused on the exploration, development and recovery of minerals and precious gems.

The Company was incorporated on November 19, 2002 under the Canada Business Corporations Act. The shares of the Company are publicly listed on the Toronto Stock Exchange under the symbol PGD. Its registered office is located at 201-1250 Homer Street, Vancouver, British Columbia, V6B 1C6. The Company’s financial year-end is September 30<sup>th</sup>.

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 nine months ended June 30, 2014 were directed towards the exploration of the Company’s property interests located in Canada.

The Company has incurred significant losses since inception and as at June 30, 2014 has a working capital balance of approximately \$1.2 million and an accumulated deficit of approximately \$144.6 million. These condensed interim 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 any other contractual arrangements, or being able to operate profitably in the future.

**2. BASIS OF PREPARATION**

*(a) Statement of compliance*

These condensed interim financial statements are unaudited and have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* (“IAS 34”), 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 condensed interim 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 condensed interim financial statements for the nine months ended June 30, 2014 (including comparatives) were approved and authorized for issue by the board of directors on August 12, 2014.



### **3. SIGNIFICANT ACCOUNTING POLICIES**

*(a) Accounting estimates and judgments*

The preparation of these condensed interim financial statements requires management to make estimates and judgments and to form assumptions that affect the reported amounts and other disclosures in these condensed interim 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 condensed interim 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.

*(b) Foreign currencies*

The Company's reporting and functional currency is the Canadian dollar.

Transactions in foreign currencies are initially recorded at the functional currency rate at the date of the transaction. At each statement of financial position date, monetary assets and liabilities are translated using the exchange rate as at 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 the acquisition dates.

All foreign currency transaction gains and losses are included in the condensed interim statement of loss.

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*(c) 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 (see (l) 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.

The Company's financial instruments are cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and long-term debt. The Company has classified its cash and cash equivalents as held for trading, accounts receivable as loans and receivables and accounts payable and accrued liabilities and long-term debt 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 value of long-term debt approximates its fair value, as the discount rate applied approximates the market rate.

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.

*(d) Cash and cash equivalents*

Cash and cash equivalents in the condensed interim 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 and are readily convertible into a known amount of cash.

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*(e) 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.

*(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

*(f) 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 condensed interim 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.

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

*(g) 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.

*(h) 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.

*(i) 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.

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*(j) 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 June 30, 2014, there were no reclamation liabilities.

*(k) Income recognition*

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

*(l) 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 will have revaluation gains and losses included in other comprehensive income or loss until the asset is removed from the statement of financial position.

*(m) 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.

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*(n) 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 income tax asset to be utilized by use of a valuation allowance to reflect the estimated realizable amount.

*(o) 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.

*(p) Flow through shares*

The sale of tax deductions is recognized as a flow-through share liability at the time of share issue as an amount equal to the difference between the fair value of the shares issued and the selling price. This liability is subsequently recognized as a credit to other income or deferred tax recovery when the Company has fulfilled the obligation to pass on tax deductions by incurring all eligible expenditures.

#### **4. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS**

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

*(a) IFRS 2, Share-based Payment ("IFRS 2")*

The amendment to IFRS 2 re-defines the definition of "vesting condition." This amendment is effective for annual periods beginning on or after July 1, 2014.

*(b) IFRS 3, Business Combinations ("IFRS 3")*

The amendment to IFRS 3 provides further clarification on the accounting treatment for contingent consideration, and provides a scope exception for joint ventures. This amendment is effective for annual periods beginning on or after July 1, 2014.

*(c) IFRS 7, Financial Instruments: Disclosures ("IFRS 7")*

The amendments to IFRS 7 outline the disclosures required when initially applying IFRS 9. These amendments are effective for annual periods beginning on or after January 1, 2015.

*(d) IFRS 8, Operating Segments ("IFRS 8")*

The amendments to IFRS 8 provide further clarification on the disclosure required for the aggregation of segments and the reconciliation of segment assets. These amendments are effective for annual periods beginning on or after July 1, 2014.

*(e) 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. The effective date for application of IFRS 9 was revised from annual periods beginning on or after January 1, 2015, to 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 statement; however, the impact, if any, is not expected to be significant.

*(f) IFRS 13, Fair Value Measurement ("IFRS 13")*

The amendment to IFRS 13 provides further details on the scope of the portfolio exception. This amendment is effective for annual periods beginning on or after July 1, 2014.

**4. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (Continued)**

*(g) IAS 16, Property, Plant and Equipment ("IAS 16")*

The amendment to ISA 16 deals with the proportionate restatement of accumulated depreciation on revaluation. This amendment is effective for annual periods beginning on or after July 1, 2014.

*(h) IAS 24, Related Party Disclosures ("IAS 24")*

The amendment to IAS 24 deals with the disclosure required for management entities. This amendment is effective for annual periods beginning on or after July 1, 2014.

*(i) IAS 32, Financial Instruments: presentation ("IAS 32")*

In December 2011, the IASB issued amendments to IAS 32. The amendments clarify that an entity currently has a legally enforceable right to set-off financial assets and liabilities if that right is (1) not contingent on a future event; and (2) enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. These amendments are effective for annual periods beginning on or after January 1, 2014 with early application permitted and are to be applied retrospectively. The Company is currently evaluating the impact of the adoption of the amendments on its financial statement; however, the impact, if any, is not expected to be significant.

*(j) IAS 38, Intangible Assets ("IAS 38")*

The amendment to IAS 38 deals with the proportionate restatement of accumulated depreciation on revaluation. This amendment is effective for annual periods beginning on or after July 1, 2014.



**PEREGRINE DIAMONDS LTD.**  
**Selected Notes to the Condensed Interim Financial Statements**  
**June 30, 2014 and 2013**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

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**5. PROPERTY AND EQUIPMENT**

	Total	Mineral Exploration Assets	Office equipment, furniture and fixtures	Buildings, plant and equipment
<b>Cost</b>				
Balance, September 30, 2012	\$ 6,658,300	\$ 5,257,693	\$ 777,766	\$ 622,841
Additions	3,793	-	3,793	-
Dispositions/write downs	(31,383)	-	(24,883)	(6,500)
Balance, June 30, 2013	\$ 6,630,710	\$ 5,257,693	\$ 756,676	\$ 616,341
Balance, September 30, 2013	\$ 6,070,015	\$ 4,697,038	\$ 756,636	\$ 616,341
Additions	78,565	-	55,483	23,082
Dispositions/write downs	(61,174)	-	(61,174)	-
Balance, June 30, 2014	\$ 6,087,406	\$ 4,697,038	\$ 750,945	\$ 639,423
<b>Accumulated depreciation</b>				
Balance, September 30, 2012	\$ (782,236)	\$ -	\$ (519,219)	\$ (263,017)
Additions	(294,500)	-	(147,400)	(147,100)
Dispositions/write downs	19,134	-	15,884	3,250
Balance, June 30, 2013	\$ (1,057,602)	\$ -	\$ (650,735)	\$ (406,867)
Balance, September 30, 2013	\$ (1,105,035)	\$ -	\$ (659,942)	\$ (445,093)
Additions	(121,501)	-	(48,274)	(73,227)
Dispositions/write downs	34,910	-	34,910	-
Balance, June 30, 2014	\$ (1,191,626)	\$ -	\$ (673,306)	\$ (518,320)
<b>Carrying amounts</b>				
Balance, June 30, 2013	\$ 5,573,108	\$ 5,257,693	\$ 105,941	\$ 209,474
Balance, September 30, 2013	\$ 4,964,980	\$ 4,697,038	\$ 96,694	\$ 171,248
Balance, June 30, 2014	\$ 4,895,780	\$ 4,697,038	\$ 77,639	\$ 121,103

**PEREGRINE DIAMONDS LTD.**  
**Selected Notes to the Condensed Interim Financial Statements**  
**June 30, 2014 and 2013**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

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**6. EXPLORATION AND EVALUATION COSTS**

Cumulative exploration and evaluation costs included in operations are:

	<b>Total</b>	<b>Chidliak</b>	<b>Nanuq &amp; Nanuq North</b>	<b>Other Baffin Island Properties</b>	<b>Others (a)</b>
Balance, September 30, 2012	\$ 115,978,746	\$ 21,546,924	\$ 13,252,159	\$ 9,082,273	\$ 72,097,390
Expenditures for the nine months ended June 30, 2013	4,344,386	4,063,673	36,152	25,347	219,214
Balance, June 30, 2013	\$ 120,323,132	\$ 25,610,597	\$ 13,288,311	\$ 9,107,620	\$ 72,316,604
Balance, September 30, 2013	\$ 120,800,131	\$ 25,988,145	\$ 13,288,440	\$ 9,110,181	\$ 72,413,365
Expenditures for the nine months ended June 30, 2014	2,944,084	2,520,729	16,446	5,747	401,162
Balance, June 30, 2014	\$ 123,744,215	\$ 28,508,874	\$ 13,304,886	\$ 9,115,928	\$ 72,814,527

(a) Includes cumulative expenditures on the WO project to June 30, 2014 of \$50.7 million (2013 - \$50.7 million.)

**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 nine months ended June 30, 2014, the WO joint operation incurred expenditures of \$20,000 (2013 - \$32,360), of which \$Nil (2013 - \$133,070) was financed from cash contributions from other joint operation participants. The WO joint operation owned no significant net assets as at June 30, 2014. 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.

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**8. LONG-TERM DEBT**

- (a) The Company entered an agreement to purchase BHP Billiton's 51% interest in the Chidliak project on December 20, 2011. Terms of this purchase include the payment of \$9.0 million as follows: \$1.5 million was paid in February 2012, \$2.5 million was paid in each of January 2013 and 2014, and \$2.5 million is due on January 31, 2015. This obligation is secured by the Company's interest in the Chidliak property. As all amounts payable under the agreement are interest free, long-term debt equal to the present value of these payment obligations was calculated using a discount rate of 5.5% and has been recognized in these condensed interim financial statements as follows:

	June 30, 2014	September 30, 2013
Present value purchase obligation outstanding	\$ 2,426,326	\$ 4,792,461
Less current portion	(2,426,326)	(2,456,517)
Long-term portion	\$ -	\$ 2,335,944

- (b) The Company entered into agreements for the lease of business machines. These lease agreements transfer substantially all the risks and rewards incidental to the ownership of the business machines to the Company and the Company considers them as finance leases. Accordingly, at the commencement of the lease term, the Company recognized these finance leases as the acquisition of assets and liabilities 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 implicit in the lease.

	June 30, 2014	September 30, 2013
Present value of lease payments outstanding	\$ 21,442	\$ 30,995
Less current portion	(21,442)	(12,995)
Long-term portion	\$ -	\$ 18,000

- (c) Total long-term debt:

	June 30, 2014	September 30, 2013
Present value of purchase obligation and lease	\$ 2,447,768	\$ 4,823,456
Less current portion	(2,447,768)	(2,469,512)
Long-term portion	\$ -	\$ 2,353,944

**PEREGRINE DIAMONDS LTD.**  
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**9. FLOW-THROUGH SHARE LIABILITY**

In December 2013, the Company completed a non-brokered private placement of 4,616,222 common shares at a price of \$0.65 per share for proceeds of \$3.0 million. The common shares issued were sold on a "flow-through" basis pursuant to the Income Tax Act (Canada). The difference of \$415,460 between the fair value of the shares issued and the cash proceeds received is estimated to be the fair value of tax deductions sold and has been recorded in these condensed interim financial statements as a flow through share liability. To June 30, 2014 \$1.8 million of these funds had been spent on allowable exploration activities resulting in the reduction of the flow through share liability to \$164,860 and a deferred tax recovery of \$250,600

**10. SHARE CAPITAL**

- (a) The Company's authorized capital consists of an unlimited number of common shares without par value. At June 30, 2014, 143,843,194 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 25,790,394 common shares from time to time. Options generally vest over 12 to 18 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 June 30, 2014 and September 30, 2013 and changes during the periods ended on those dates are presented below:

	Nine Months Ended June 30, 2014		Year Ended September 30, 2013	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of period	20,678,500	\$ 0.67	17,181,835	\$ 0.72
Granted	195,000	0.65	4,410,000	0.50
Exercised	(75,000)	0.42	(265,000)	0.41
Forfeited /Expired	(130,000)	1.17	(648,335)	0.95
Outstanding at end of period	20,668,500	0.67	20,678,500	0.67
Options exercisable at end of period	18,317,250	\$ 0.69	16,545,990	\$ 0.69
Weighted average remaining contractual life	4.4 years		5.1 years	

**PEREGRINE DIAMONDS LTD.**  
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**10. SHARE CAPITAL (Continued)**

As at June 30, 2014, the following share purchase options were outstanding:

Weighted Average Exercise Price Range	Outstanding Options	Weighted Average Remaining Contractual Life (Years)	Exercisable Options
\$0.20 to \$0.25	1,663,500	3.9	1,663,500
\$0.26 to \$0.50	7,125,000	4.2	4,920,000
\$0.51 to \$0.75	5,090,000	4.6	4,943,750
\$0.76 to \$1.00	5,760,000	4.5	5,760,000
\$1.01 to \$1.84	1,030,000	5.3	1,030,000
\$0.67	20,668,500	4.4	18,317,250

For share options exercised, the weighted average share price at the date of exercise was \$0.52 (fiscal year 2013 - \$0.43) per share.

The weighted average grant-date fair value of the share purchase options granted during the nine months ended June 30, 2014 and the year ended September 30, 2013 was estimated at \$0.24 and \$0.17, respectively, using the Black-Scholes option pricing model and the following assumptions:

	Nine Months Ended June 30, 2014	Year Ended September 30, 2013
Risk free interest rate	1.00%	1.25%
Expected volatility	89%	73%
Expected years of option life	3.0	3.0
Expected dividends	\$Nil	\$Nil
Share price	\$0.49	\$0.40
Exercise price	\$0.65	\$0.50

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 instruments expected life. Other features of options granted did not affect the calculation of grant date fair value.

**PEREGRINE DIAMONDS LTD.**  
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**10. SHARE CAPITAL (Continued)**

*(c) Outstanding Warrants*

<u>Issue Date</u>	<u>Warrants</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
October 11, 2012	1,666,666	\$2.00	October 11, 2014

The fair value of the warrants issued on October 11, 2012 was estimated at \$0.02 using the Black-Scholes option pricing model and the following assumptions: annualized volatility of 71.8%, risk free interest rate of 1.1%, expected warrant term of 2 years and an expected dividend rate of \$Nil.

During the nine months ended June 30, 2014, 3,578,331 warrants issued on December 6, 2011 with an exercise price of \$2.00, expired.

**11. RELATED PARTY TRANSACTIONS**

Remuneration of directors and key management personnel was as follows:

	<u>Three Months Ended June 30,</u>		<u>Nine Months Ended June 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Salaries	\$ 272,783	\$ 250,551	\$ 794,742	\$ 757,487
Short-term employee benefits	8,026	4,268	20,335	23,991
Share-based payments	70,922	45,583	297,877	268,769
	<u>\$ 351,731</u>	<u>\$ 300,401</u>	<u>\$ 1,112,954</u>	<u>\$ 1,050,247</u>

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

**12. 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 nine months ended June 30, 2014, the Company made contributions totaling \$38,460 (2013 - \$41,186).

**PEREGRINE DIAMONDS LTD.**  
**Selected Notes to the Condensed Interim Financial Statements**  
**June 30, 2014 and 2013**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

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**13. CASH FLOW INFORMATION**

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

	Nine Months Ended June 30,	
	2014	2013
Accounts receivable	\$ 209,692	\$ 2,932,000
Prepaid expenses	(22,123)	270,123
Accounts payable and accrued liabilities	(308,311)	(1,067,262)
	<u>\$ (120,742)</u>	<u>\$ 2,134,861</u>

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

	Nine Months Ended June 30,	
	2014	2013
Transfer from share option reserve to share capital on exercise of stock options and warrants	\$ (7,940)	\$ (60,415)
Transfer from share capital for fair value of warrants issued on private placement	-	29,881

(c) Other information:

	Nine Months Ended June 30,	
	2014	2013
Interest received	\$ 68,133	\$ 131,935
Interest paid	\$ 3,347	\$ 6,907

**14. SEGMENT DISCLOSURES**

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

(b) At June 30, 2014, the Company's mineral exploration assets, recorded at \$4,697,038 (September 30, 2013- \$4,697,038), were located solely in Canada.

(c) At June 30, 2014, the Company's other capital assets, recorded at \$198,742 (September 30, 2013 - \$267,942), were located solely in Canada.

**PEREGRINE DIAMONDS LTD.**  
**Selected Notes to the Condensed Interim Financial Statements**  
**June 30, 2014 and 2013**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

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**15. COMMITMENTS AND CONTINGENCIES**

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

Years Ending September 30,		
2014	\$	38,023
2015	\$	165,825
2016	\$	105,473

**16. 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 condensed interim financial statement date there are no external restrictions on the Company's capital.

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. The Company does not have sufficient financial resources to undertake all of its currently planned exploration programmes, 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.



## **17. 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(c).

*(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.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash and cash equivalents are held at large Canadian financial institutions. Accounts receivable consist mostly of refundable taxes due from the Government of Canada. Deposits are primarily mineral property permit 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.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Accounts payable and accrued liabilities and the current portion of long term-debt are due within the current operating period. The Company manages liquidity risk through the management of its capital structure (Note 16).

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.

**18. EVENTS AFTER THE REPORTING PERIOD**

On August 8, 2014, the Company filed a preliminary short form prospectus in support of a proposed financing through a rights offering of units (“Units”) to its shareholders. The offering is open to all shareholders in all of the provinces and territories of Canada other than Quebec. Under the proposed financing, the Company’s shareholders, as of a record date to be announced, will receive one right for each common share of the Company (“Common Share”) held. Each Unit will be comprised of one Common Share and one common share purchase warrant (“Warrant”). Each Warrant will be exercisable for one Common Share for a period of six months following the closing of the rights offering. The number of rights that will be required to purchase one Unit, the price of the Units and the exercise price of the Warrants, as well as the record date for the rights offering and the expiry date of the rights, will be determined at the time of the filing of the final short form prospectus. Application is being made to the Toronto Stock Exchange for the listing of the rights and the Warrants until their respective expiry dates.

Mr. Eric Friedland (Peregrine’s Chairman and CEO), Newstar Securities SRL (a company wholly owned by Mr. Robert Friedland), and Goodman Merchant Capital Inc. (managed by Mr. Ned Goodman) (collectively, the “Standby Purchasers”) have agreed to enter into a standby purchase agreement (“the Standby Agreement”) with the Company pursuant to which the Standby Purchasers will severally agree to purchase all Units they are entitled to under their basic subscription privilege and all Units that are not otherwise subscribed for under the rights offering on the terms to be contained in the Standby Agreement. For the standby commitment, the Company will agree to pay the Standby Purchasers a fee equal to 3% of the gross proceeds of the rights offering, excluding proceeds from the Standby Purchasers’ exercise of their basic subscription privilege under the rights offering.

**PEREGRINE DIAMONDS LTD.**  
**Schedule of Exploration Expenditures**  
**For the Three Months Ended June 30, 2014 and 2013**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

	<b>2014</b>	<b>2013</b>
Salaries	\$ 290,394	\$ 287,639
Share-based payments	15,821	2,496
Fuels	21,492	170,264
Sampling	477	-
Drilling	304,069	-
Assaying	21,653	-
Camp costs	84,132	812,746
Rental, lease and charter	160,352	616,583
Environmental	9,911	-
Fees and licenses	1,442	26,162
Consulting	(31,320)	52,228
Geological consultants	156,106	19,280
Geophysical consultants	65,207	6,820
Engineering consultants	70,488	-
Site administration	38,448	45,166
Travel	87,482	93,624
Community relations	-	547
Depreciation	6,528	27,966
Recovery from joint venture partners	-	(133,070)
	<b>\$ 1,302,682</b>	<b>\$ 2,028,451</b>

**PEREGRINE DIAMONDS LTD.**  
**Schedule of Exploration Expenditures**  
**For the Nine Months Ended June 30, 2014 and 2013**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

	<b>2014</b>	2013
Salaries	\$ 658,547	\$ 662,301
Share-based payments	45,490	5,264
Fuels	42,231	235,926
Sampling	572	27,184
Drilling	329,069	(1,772)
Assaying	523,242	26,192
Camp costs	184,396	1,623,790
Rental, lease and charter	387,078	1,201,108
Environmental	11,864	11,536
Fees and licenses	6,312	33,671
Consulting	34,453	136,336
Geological consultants	252,175	71,543
Geophysical consultants	124,688	28,002
Engineering consultants	70,488	-
Site administration	70,550	126,841
Travel	156,785	164,723
Community relations	-	4,413
Depreciation	46,144	120,398
Expense recoveries	-	(133,070)
	<b>\$ 2,944,084</b>	<b>\$ 4,344,386</b>