



**October 15, 2015**

**BY ELECTRONIC MAIL**

Mr. Robin Ikkutisluk, Licence Administrator  
Nunavut Water Board  
P.O. Box 119  
Gjoa Haven, Nunavut  
X0B 1J0

Dear Ms. Ikkutisluk:

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**RE: NANUQ NORTH PROJECT ASSIGNMENT – 2BE-NQN1521**

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Following your email of October 8, 2015 a review was completed of the original assignment application for licence 2BE-NQN1521.

The original June 25, 2015 assignment application included:

- 1) Cover Letter
- 2) Application for Assignment
- 3) Undertaking of Proposed Assignee
- 4) Affidavit of Execution
- 5) Certificate of Incorporation
- 6) Certificate of Registration of an Extra-Territorial Corporation

The \$30.00 assignment fee was paid on September 25, 2015.

Attached to this letter are the following two documents which should complete the assignment application;

- 1) Assumption and Assignment Agreement for the Nanuq North Property**
- 2) Statement of Financial Responsibility:** Please note on the Certificate of Incorporation that Peregrine Exploration Ltd. ("PEX") was incorporated on January 20, 2015. A financial statement will be prepared on or about the anniversary date. During the interim, the quarterly financial statement for Peregrine Diamonds Ltd., the parent to PEX, will be submitted.

Additional documents noted in the document checklist are not required for the following reason:

- 1) AANDC Security Letter:** There is no security for licence 2BE-NQN1521.
- 2) Updated Financial Security Assessment:** There is no security for licence 2BE-NQN1521
- 3) DIO Letter:** Peregrine does not have any water compensation agreements with any DIO.
- 4) Statement of Capacity to Implement:** This appears to be redundant and is covered effectively in the Undertaking of Proposed Assignee.



Please do not hesitate to contact me at (604) 408-8880 or by email ([dave@pdiam.com](mailto:dave@pdiam.com)) if you have any questions.

Yours truly,

**PEREGRINE DIAMONDS LTD.**

David Willis – Land Administrator

## ASSIGNMENT AND ASSUMPTION AGREEMENT – NANUQ NORTH PROPERTY

THIS AGREEMENT dated for reference March 18, 2015 is between:

**PEREGRINE DIAMONDS LTD.**, a corporation incorporated under the laws of Canada, with a registered office at Suite 201 – 1250 Homer Street, Vancouver, British Columbia V6B 1C6

(“PGD”)

AND:

**PEREGRINE EXPLORATION LTD.**, a corporation incorporated under the laws of British Columbia, with a registered office at Suite 201 – 1250 Homer Street, Vancouver, British Columbia V6B 1C6

(“PEX”)

### WHEREAS:

- A. Pursuant to that certain letter of Intent May 12, 2005, (the “**Letter Agreement**”) entered into between Dunsmuir Ventures Ltd. (“**Dunsmuir**”), Indicator Minerals Inc., now Bluestone Resources Inc. (“**Bluestone**”) and the Hunter Exploration Group (“**Hunter**”), PGD, successor in title to Dunsmuir under the Letter Agreement, holds a 42.8 percent interest in a core group of 16 claims (the “**Core Claims**”) and a 52.6 percent interest in a peripheral group of 35 claims (the “**Peripheral Claims**”) in Nunavut which are listed in Schedule A attached hereto. The Core Claims and the Peripheral Claims collectively constitute the Nanuq North property (“**Nanuq North**”). Under the Letter Agreement, Hunter is entitled to a 2% gross overriding royalty on revenues generated from the Core Claims.
- B. On March 9, 2015, Bluestone waived its right of first refusal under section 8 of the Letter Agreement.
- C. PGD wishes to assign its interests in the Letter Agreement as amended and Nanuq North, to its wholly-owned subsidiary, PEX; and

NOW THEREFORE THIS AGREEMENT WITNESSES THAT for good and valuable consideration, the receipt and sufficiency of which each party acknowledges, the parties hereto agree as follows:

- 1. PGD hereby grants, transfers, assigns and sets over unto PEX, as and from the date hereof (the “**Effective Date**”) all the rights, benefits and obligations of PGD in and to the Letter Agreement as amended including without limitation all of the rights, covenants, representations, warranties and other agreements contained in the Letter Agreement.
- 2. PEX hereby covenants and agrees with PGD that PEX will, from and after the Effective Date, assume, perform and observe all the duties, covenants, agreements, representations, warranties and other obligations of PGD under the Letter Agreement.
- 3. Each of the parties shall at all times hereafter execute and deliver, at the request of another party, all such further documents and instruments and shall do and perform all such further acts as may

be reasonably required by that other party to give full effect to the intent and meaning of this Agreement.


4. This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.
5. This Agreement will be governed by, and construed in accordance with, the laws of the Province of British Columbia and the federal laws of Canada applicable therein.
6. This Agreement may be executed in any number of counterparts (which may be facsimile copies), each of which shall be deemed to be an original, but all of which together shall constitute one and the same document.

TO EVIDENCE THEIR AGREEMENT each of the parties has executed this Assignment as of the date first above written.

**PEREGRINE DIAMONDS LTD.**

Per:   
\_\_\_\_\_  
Greg Shenton, CFO

**PEREGRINE EXPLORATION LTD.**

Per:   
\_\_\_\_\_  
Brooke Clements, President and CEO

## Schedule "A" - Nunuq North Property Claims

Fid.	Claim Number	Claim Name	Claim Status	Claim Acres	Claim Hectares	Recording Date	Anniversary Date	Claim Type
1	F90022	FA001	Active	1,059.00	428.56	October 8, 2004	October 8, 2018	Core Claims
2	F90023	FA002	Active	2,492.00	1,008.48	October 8, 2004	October 8, 2018	Core Claims
3	F90024	FA003	Active	2,582.50	1,045.10	October 8, 2004	November 4, 2018	Core Claims
4	F90025	FA004	Active	516.50	209.02	October 8, 2004	October 8, 2018	Core Claims
5	F90026	FA005	Active	2,273.00	919.85	October 8, 2004	November 4, 2018	Core Claims
6	F90027	FA006	Active	2,399.90	971.21	October 8, 2004	October 8, 2018	Core Claims
7	F90028	FA007	Active	1,607.70	650.61	October 8, 2004	October 8, 2018	Core Claims
8	F90029	FA008	Active	1,997.10	808.20	October 8, 2004	October 8, 2018	Core Claims
9	F90030	FA009	Active	1,870.90	757.13	October 8, 2004	November 4, 2018	Core Claims
10	F90091	FA010	Active	1,698.80	687.48	October 8, 2004	November 4, 2018	Core Claims
11	F90092	FA011	Active	1,124.90	455.23	October 8, 2004	November 4, 2018	Core Claims
12	F90093	FA012	Active	1,107.90	448.35	October 8, 2004	October 8, 2018	Core Claims
13	F90094	FA013	Active	2,174.50	879.99	October 8, 2004	October 8, 2018	Core Claims
14	F90095	FA014	Active	2,186.60	884.89	October 8, 2004	October 8, 2018	Core Claims
15	F90096	FA015	Active	2,186.60	884.89	October 8, 2004	October 8, 2018	Core Claims
16	F90097	FA016	Active	1,399.40	566.32	October 8, 2004	November 4, 2018	Periphery Claims
17	F88406	JP021	Active	1,265.42	512.10	November 4, 2004	November 4, 2018	Periphery Claims
18	F88407	JP022	Active	2,066.00	836.08	November 4, 2004	November 4, 2018	Periphery Claims
19	F88408	JP030	Active	344.76	139.52	November 4, 2004	November 4, 2018	Periphery Claims
20	F88409	JP031	Active	604.31	244.56	November 4, 2004	November 4, 2018	Periphery Claims
21	F88445	JP005	Active	710.18	287.40	November 4, 2004	November 4, 2018	Periphery Claims
22	F88450	JP010	Active	355.73	143.96	November 4, 2004	November 4, 2018	Periphery Claims
23	F88451	JP011	Active	606.88	245.60	November 4, 2004	November 4, 2018	Periphery Claims
24	F88457	JP017	Active	839.31	339.66	November 4, 2004	November 4, 2018	Periphery Claims
25	F88458	JP018	Active	1,045.91	423.27	November 4, 2004	November 4, 2018	Periphery Claims
26	F88459	JP019	Active	2,582.50	1,045.10	November 4, 2004	November 4, 2018	Periphery Claims
27	F88460	JP020	Active	2,582.50	1,045.10	November 4, 2004	November 4, 2018	Periphery Claims
28	F88463	JP023	Active	2,582.50	1,045.10	November 4, 2004	November 4, 2018	Periphery Claims
29	F88464	JP024	Active	2,582.50	1,045.10	November 4, 2004	November 4, 2018	Periphery Claims
30	F88465	JP025	Active	1,278.34	517.33	November 4, 2004	November 4, 2018	Periphery Claims
31	F88466	JP026	Active	1,497.85	606.16	November 4, 2004	November 4, 2018	Periphery Claims
32	F88467	JP027	Active	2,582.50	1,045.10	November 4, 2004	November 4, 2018	Periphery Claims
33	F88468	JP028	Active	2,582.50	1,045.10	November 4, 2004	November 4, 2018	Periphery Claims
34	F88469	JP029	Active	2,572.50	1,041.05	November 4, 2004	November 4, 2018	Periphery Claims
35	F88472	JP032	Active	1,549.50	627.06	November 4, 2004	November 4, 2018	Periphery Claims
36	F88473	JP033	Active	1,549.50	627.06	November 4, 2004	November 4, 2018	Periphery Claims
37	F88474	JP034	Active	1,549.50	627.06	November 4, 2004	November 4, 2018	Periphery Claims
38	F88475	JP035	Active	1,007.17	407.59	November 4, 2004	November 4, 2018	Periphery Claims
39	F88480	JP040	Active	2,582.50	1,045.10	November 4, 2004	November 4, 2018	Periphery Claims
40	F88481	JP041	Active	284.07	114.96	November 4, 2004	November 4, 2018	Periphery Claims
41	F88482	JP042	Active	1,149.21	465.07	November 4, 2004	November 4, 2018	Periphery Claims
42	F88483	JP043	Active	1,725.11	698.13	November 4, 2004	November 4, 2018	Periphery Claims
43	F88484	JP044	Active	2,582.50	1,045.10	November 4, 2004	November 4, 2018	Periphery Claims
44	F88487	JP047	Active	2,582.50	1,045.10	November 4, 2004	November 4, 2018	Periphery Claims
45	F88488	JP048	Active	2,281.32	923.22	November 4, 2004	November 4, 2018	Periphery Claims
46	F88489	JP049	Active	1,911.05	773.38	November 4, 2004	November 4, 2018	Periphery Claims
47	F88490	JP050	Active	2,066.00	836.08	November 4, 2004	November 4, 2018	Periphery Claims
48	F88493	JP051	Active	289.24	117.05	November 4, 2004	November 4, 2018	Periphery Claims
49	F88494	JP046	Active	387.38	156.77	November 4, 2004	November 4, 2018	Periphery Claims
50	F88495	JP045	Active	400.29	161.99	November 4, 2004	November 4, 2018	Periphery Claims
51	F88496	JP039	Active	428.69	173.48	November 4, 2004	November 4, 2018	Periphery Claims
<b>Total:</b>				81,685.02	33,056.78			

**PEREGRINE DIAMONDS LTD.****Condensed Consolidated Interim Statements of Financial Position****As at June 30, 2015 and September 30, 2014****(Expressed in Canadian Dollars)**

	June 30, 2015 (Unaudited)	September 30, 2014
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 10,311,915	\$ 1,203,896
Accounts receivable	375,715	208,982
Prepaid expenses	98,324	254,688
	10,785,954	1,667,566
PROPERTY AND EQUIPMENT (Note 6)	5,096,806	5,134,751
DEPOSITS ON PROPERTY AND EQUIPMENT	88,975	88,975
	\$ 15,971,735	\$ 6,891,292
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 3,024,050	\$ 4,238,227
Current portion of long-term debt (Note 9)	-	2,475,563
	3,024,050	6,713,790
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 11)	165,668,162	137,816,481
Share option reserve	12,597,177	10,358,123
Share warrant reserve	2,722,264	2,567,624
Other reserve	19,205	19,205
Deficit	(168,059,123)	(150,583,931)
	12,947,685	177,502
	\$ 15,971,735	\$ 6,891,292

**NATURE OF OPERATIONS (Note 1)****COMMITMENTS AND CONTINGENCIES (Note 16)**

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

APPROVED BY THE BOARD:

Peter Meredith

Director

Myron Goldstein

Director

**PEREGRINE DIAMONDS LTD.****Condensed Consolidated Interim Statements of Loss and Comprehensive Loss****For the Three and Nine Months Ended June 30, 2015 and 2014****(Expressed in Canadian Dollars)****(Unaudited)**

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2015	2014	2015	2014
<b>EXPENSES</b>				
Accounting and audit fees	\$ 8,800	\$ 26,669	\$ 26,400	\$ 46,819
Consulting	12,117	14,470	32,767	40,674
Depreciation	9,425	22,477	24,740	75,357
Filing fees	10,501	4,450	68,988	52,459
Legal	164,400	6,336	245,373	42,226
Insurance	16,258	16,098	48,534	48,372
Investor relations	12,790	8,612	63,326	57,162
Office and administration	117,423	113,661	353,144	375,426
Salaries and benefits	376,138	405,517	1,163,791	1,168,864
Travel	145,290	32,264	170,736	72,121
Share-based payments	2,191,167	73,463	2,049,145	304,312
Exploration (Schedule)	5,209,380	1,302,682	13,719,748	2,944,084
	8,273,689	2,026,699	17,966,692	5,227,876
<b>OTHER (INCOME)/EXPENSES</b>				
Interest income	(48,266)	(15,956)	(117,474)	(68,133)
Interest expense	-	38,851	42,437	152,803
Loss on disposal of equipment	-	-	-	21,764
Foreign exchange	301	245	1,185	1,499
	(47,965)	23,140	(73,852)	107,933
Loss before income taxes	8,225,724	2,049,839	17,892,840	5,335,809
Deferred tax recovery (Notes 10 and 11)	-	(124,974)	(417,648)	(250,600)
<b>NET LOSS AND COMPREHENSIVE LOSS</b>	<b>\$ 8,225,724</b>	<b>\$ 1,924,865</b>	<b>\$ 17,475,192</b>	<b>\$ 5,085,209</b>
<b>BASIC AND DILUTED</b>				
<b>LOSS PER SHARE</b>	<b>\$ 0.03</b>	<b>\$ 0.01</b>	<b>\$ 0.07</b>	<b>\$ 0.04</b>
<b>WEIGHTED AVERAGE NUMBER OF</b>				
<b>SHARES OUTSTANDING</b>	<b>277,490,323</b>	<b>143,843,194</b>	<b>237,981,166</b>	<b>142,468,477</b>

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

# PEREGRINE DIAMONDS LTD.

## Condensed Consolidated Interim Statements of Changes in Equity

For the Nine Months Ended June 30, 2015 and 2014

(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, 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
Balances, September 30, 2014	143,843,194	\$ 137,816,481	\$ 10,358,123	\$ 2,567,624	\$ 19,205	\$ (150,583,931)	\$ 177,502
Shares issued for cash:							
Rights offering, net of share issue costs of \$574,745	71,921,597	13,809,575	-	719,216	-	-	14,528,791
Private offering, net of share issue costs of \$153,572	10,441,189	2,039,078	-	-	-	-	2,039,078
Warrants exercised	56,457,618	12,420,676	-	(564,576)	-	-	11,856,100
Share-based payments	-	-	2,239,054	-	-	-	2,239,054
Sale of flow through tax benefits (Note 10)	-	(417,648)	-	-	-	-	(417,648)
Net loss	-	-	-	-	-	(17,475,192)	(17,475,192)
Balances, June 30, 2015	282,663,598	\$ 165,668,162	\$ 12,597,177	\$ 2,722,264	\$ 19,205	\$ (168,059,123)	\$ 12,947,685

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



**PEREGRINE DIAMONDS LTD.****Condensed Consolidated Interim Statements of Cash Flows****For the Nine Months Ended June 30, 2015 and 2014****(Expressed in Canadian Dollars)****(Unaudited)**

	2015	2014
<b>OPERATING ACTIVITIES</b>		
Net loss	\$ (17,475,192)	\$ (5,085,209)
Items not affecting use of cash		
Depreciation	131,030	121,501
Share-based payments	2,239,054	349,802
Interest expense	42,437	133,865
Loss on disposal of equipment	-	21,764
Deferred tax recovery	(417,648)	(250,600)
	(15,480,319)	(4,708,877)
Changes in non-cash working capital items (Note 14)	(1,224,546)	(120,742)
	(16,704,865)	(4,829,619)
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(111,085)	(78,565)
Disposition of property and equipment	-	4,500
	(111,085)	(74,065)
<b>FINANCING ACTIVITIES</b>		
Repayment of long-term debt	(2,500,000)	(2,500,000)
Payment of finance leases	-	(9,553)
Shares issued for cash, net of share issue costs	28,423,969	2,825,890
	25,923,969	316,337
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	9,108,019	(4,587,347)
<b>CASH AND CASH EQUIVALENTS BEGINNING OF PERIOD</b>	1,203,896	8,205,416
<b>CASH AND CASH EQUIVALENTS END OF PERIOD</b>	\$ 10,311,915	\$ 3,618,069
<b>CASH AND CASH EQUIVALENTS ARE COMPRISED OF:</b>		
Cash in bank	\$ 2,713,191	\$ 539,826
Short-term deposits	7,598,724	3,078,243
	\$ 10,311,915	\$ 3,618,069

**SUPPLEMENTAL CASH FLOW INFORMATION (Note 14)**

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

**PEREGRINE DIAMONDS LTD.**

**Selected Notes to the Condensed Consolidated Interim Financial Statements**

**June 30, 2015 and 2014**

**(Expressed in Canadian Dollars)**

**(Unaudited)**

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**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 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, 2015 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 June 30, 2015 has working capital of approximately \$7.8 million and an accumulated deficit of approximately \$168.1 million. These condensed consolidated 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 consolidated 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 consolidated 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 consolidated interim financial statements for the nine months ended June 30, 2015 (including comparatives) were approved and authorized for issue by the board of directors on August 13, 2015.

**PEREGRINE DIAMONDS LTD.**  
**Selected Notes to the Condensed Consolidated Interim Financial Statements**  
**June 30, 2015 and 2014**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

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**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. and Diamexstrat Botswana (Proprietary) Limited.

The results of subsidiaries acquired or disposed of during the year 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 condensed consolidated 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 consolidated 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 consolidated 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.

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

*(c) Foreign currencies*

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

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 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 the acquisition dates.

All foreign currency translation gains and losses are included in the statement of loss.

*(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 (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.

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.

**PEREGRINE DIAMONDS LTD.**  
**Selected Notes to the Condensed Consolidated Interim Financial Statements**  
**June 30, 2015 and 2014**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

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

*(e) Cash and cash equivalents*

Cash and cash equivalents in the condensed consolidated 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.

*(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.

*(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.

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

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.

*(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.

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

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 June 30, 2015, 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 June 30, 2015, 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.

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

*(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.

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

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

*(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.

*(q) 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 are effective for annual periods beginning on or after January 1, 2014:

*(a) IAS 32, Financial Instruments: presentation ("IAS 32") - amendments*

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 application of the amendments to IAS 32 did not have any material impact on the condensed consolidated interim financial statements presented.

*(b) IAS 36, Impairment of Assets ("IAS 36") – amendments*

The amendments to IAS 36 outline the additional disclosures that will be required with regards to the recoverable amount of impaired assets. The application of the amendments to IAS 36 did not have any material impact on the condensed consolidated interim financial statements presented.

The following is a summary of new standards, amendments and interpretations that are effective for annual periods beginning on or after July 1, 2014:

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

The amendment to IFRS 2 re-defines the definition of "vesting condition." The application of the amendment to IFRS 2 did not have any material impact on the condensed consolidated interim financial statements presented.

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

The amendment to IFRS 3 provides further clarification on the accounting treatment for contingent consideration, and provides a scope exception for joint ventures. The application of the amendment to IFRS 3 did not have any material impact on the condensed consolidated interim financial statements presented.

*(c) IFRS 8, Operating Segments ("IFRS 8") - amendments*

The amendments to IFRS 8 provide further clarification on the disclosure required for the aggregation of segments and the reconciliation of segment assets. The application of the amendments to IFRS 8 did not have any material impact on the condensed consolidated interim financial statements presented.

*(d) IFRS 13, Fair Value Measurement ("IFRS 13") - amendments*

The amendment to IFRS 13 provides further details on the scope of the portfolio exception. The application of the amendment to IFRS 13 did not have any material impact on the condensed consolidated interim financial statements presented.

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

*(e) IAS 16, Property, Plant and Equipment (“IAS 16”)*

The amendment to IAS 16 deals with the proportionate restatement of accumulated depreciation on revaluation. The application of the amendment to IAS 16 did not have any material impact on the condensed consolidated interim financial statements presented.

*(f) IAS 24, Related Party Disclosures (“IAS 24”) - amendments*

The amendment to IAS 24 deals with the disclosure required for management entities. The application of the amendment to IAS 24 did not have any material impact on the condensed consolidated interim financial statements presented.

*(g) IAS 38, Intangible Assets (“IAS 38”) - amendments*

The amendment to IAS 38 deals with the proportionate restatement of accumulated depreciation on revaluation. The application of the amendment to IAS 38 did not have any material impact on the condensed consolidated interim financial statements presented.

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

*(a) IFRS 7, Financial Instruments: Disclosures (“IFRS 7”) - amendments*

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.

*(b) 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 statements; however, the impact, if any, is not expected to be significant.

*(c) 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. These amendments are effective for annual periods beginning on or after January 1, 2016.

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

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

The amendment to IAS 16 provides clarification of acceptable methods of depreciation and amortization. These amendments are effective for annual periods beginning on or after January 1, 2016.

*(e) IAS 38, Intangible Assets ("IAS 38") - amendments*

The amendment to IAS 38 provides clarification of acceptable methods of depreciation and amortization. These amendments are effective for annual periods beginning on or after January 1, 2016.

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

**5. CORPORATE REORGANIZATION AND ACQUISITION**

On January 20, 2015 the Company incorporated a wholly owned subsidiary, Peregrine Exploration Ltd. ("PEX") and on March 17 and 18, 2015 transferred its mineral property interests in Nanuq, Nanuq North, Lac de Gras and the WO project to PEX at their respective net carrying values, which totaled \$575,894. The Company also granted PEX an exclusive license to utilize its North American diamond exploration database.

On June 25, 2015 the Company acquired all of the common shares of Diamexstrat Botswana (Proprietary) Limited ("DES Botswana") in exchange for a 1% gross over-riding royalty on revenue from the sale of production from any mineral properties acquired by the Company in the target areas identified by DES Botswana during Phase I of its work program. DES Botswana holds eight prospecting licenses covering 5,746 square kilometres in Botswana and did not have any business operations aside from the acquisition of prospecting licenses. As DES Botswana does not meet the definition of a business, this acquisition was recorded as an asset acquisition, instead of a business combination. The consideration provided is contingent on future revenues, the outcome of which is unquantifiable and uncertain, and therefore no accrual is recorded for this contingent consideration and the prospecting licenses are assigned a nominal value. To date, the Company has incurred \$496,000 in exploration expenditures related to its mineral property interests in Botswana.

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**6. PROPERTY AND EQUIPMENT**

	Total	Mineral Exploration Assets	Office equipment, furniture and fixtures	Buildings, plant and equipment
<b>Cost</b>				
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
Balance, September 30, 2014	\$ 6,309,674	\$ 4,697,038	\$ 696,226	\$ 916,410
Adjustment	36,134	-	-	36,134
Additions	111,085	-	54,953	56,132
Dispositions/write downs	(357,785)	-	(357,785)	-
Balance, June 30, 2015	\$ 6,099,108	\$ 4,697,038	\$ 393,394	\$ 1,008,676
<b>Accumulated depreciation</b>				
Balance, September 30, 2013	\$ (1,105,036)	\$ -	\$ (659,943)	\$ (445,093)
Additions	(121,501)	-	(48,274)	(73,227)
Dispositions/write downs	34,911	-	34,911	-
Balance, June 30, 2014	\$ (1,191,626)	\$ -	\$ (673,306)	\$ (518,320)
Balance, September 30, 2014	\$ (1,174,923)	\$ -	\$ (637,212)	\$ (537,711)
Adjustment	(36,134)	-	-	(36,134)
Additions	(131,030)	-	(20,697)	(110,333)
Dispositions/write downs	339,785	-	339,785	-
Balance, June 30, 2015	\$ (1,002,302)	\$ -	\$ (318,124)	\$ (684,178)
<b>Carrying amounts</b>				
Balance, June 30, 2014	\$ 4,895,780	\$ 4,697,038	\$ 77,639	\$ 121,103
Balance, September 30, 2014	\$ 5,134,751	\$ 4,697,038	\$ 59,014	\$ 378,699
Balance, June 30, 2015	\$ 5,096,806	\$ 4,697,038	\$ 75,270	\$ 324,498
<b>Mineral Exploration Assets</b>	Total	Chidliak	Qilaq	WO
March 31, 2014, September 30, 2014 and June 30, 2015	\$ 4,697,038	\$ 3,995,384	\$ 125,760	\$ 575,894

Adjustment of the cost and accumulated depreciation of buildings, plant and equipment relates to the recognition of equipment that was previously not capitalized. As the equipment is fully depreciated, there is no impact to the net carrying amount for buildings, plant and equipment.

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**7. EXPLORATION AND EVALUATION COSTS**

Cumulative exploration and evaluation costs included in operations are:

	<b>Total</b>	<b>Chidliak</b>	<b>Botswana</b>	<b>Other Nunavut Properties</b>	<b>Others (a)</b>
Balance, September 30, 2013	\$ 120,800,131	\$ 25,988,145	\$ -	\$ 22,398,621	\$ 72,413,365
Expenditures for the nine months ended June 30, 2014	2,944,084	2,520,729	162,473	22,193	238,689
Balance, June 30, 2014	\$ 123,744,215	\$ 28,508,874	\$ 162,473	\$ 22,420,814	\$ 72,652,054
Balance, September 30, 2014	\$ 129,205,326	\$ 33,670,028	\$ 289,981	\$ 22,448,043	\$ 72,797,274
Expenditures for the nine months ended June 30, 2015	13,719,748	12,925,566	206,158	21,096	566,927
Balance, June 30, 2015	\$ 142,925,074	\$ 46,595,594	\$ 496,139	\$ 22,469,139	\$ 73,364,201

(a) Includes cumulative expenditures on the WO project to June 30, 2015 of \$50.7 million (2014 - \$50.7 million).

**8. 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, 2015, the WO joint operation incurred expenditures of \$37,014 (2014 - \$20,000), in addition, cash contributions of \$Nil (2014 - \$Nil) were received from other joint venture participants in respect of their proportionate share of joint venture expenditures incurred in 2015 and 2014. The WO joint operation owned no significant net assets as at June 30, 2015. 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.

**PEREGRINE DIAMONDS LTD.****Selected Notes to the Condensed Consolidated Interim Financial Statements****June 30, 2015 and 2014****(Expressed in Canadian Dollars)****(Unaudited)****9. 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 included the payment of \$9.0 million as follows: \$1.5 million in February 2012 and \$2.5 million in each of January 2013, 2014, and 2015. This obligation was secured by the Company's interest in the Chidliak property. As all amounts payable under the agreement were 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 consolidated interim financial statements as follows:

	June 30, 2015	September 30, 2014
Present value purchase obligation outstanding	\$ -	\$ 2,457,563
Less current portion	-	(2,457,563)
Long-term portion	\$ -	\$ -

- (b) The Company entered into agreements for the lease of business machines. These lease agreements transferred substantially all the risks and rewards incidental to the ownership of the business machines to the Company and the Company considered 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, 2015	September 30, 2014
Present value of lease payments outstanding	\$ -	\$ 18,000
Less current portion	-	(18,000)
Long-term portion	\$ -	\$ -

- (c) Total long-term debt:

	June 30, 2015	September 30, 2014
Present value of purchase obligation and lease	\$ -	\$ 2,475,563
Less current portion	-	(2,475,563)
Long-term portion	\$ -	\$ -

**PEREGRINE DIAMONDS LTD.****Selected Notes to the Condensed Consolidated Interim Financial Statements****June 30, 2015 and 2014****(Expressed in Canadian Dollars)****(Unaudited)****10. FLOW-THROUGH SHARE LIABILITY**

In December 2014, the Company completed a non-brokered private placement of 10,441,189 common shares at a price of \$0.21 per share for proceeds of \$2.2 million. The common shares issued were sold on a "flow-through" basis pursuant to the Income Tax Act (Canada). The difference of \$417,648 between the fair value of the shares issued and the cash proceeds received is estimated to be the fair value of tax deductions sold. This amount has been recognized as a deferred tax recovery in these condensed consolidated interim financial statements as the Company has fulfilled the obligation to pass on tax deductions by incurring all eligible expenditures

**11. SHARE CAPITAL**

- (a) The Company's authorized capital consists of an unlimited number of common shares without par value. At June 30, 2015, 282,663,598 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, 2015 and September 30, 2014 and changes during the periods ended on those dates are presented below:

	Number of Shares	Average Exercise Price	Number of Shares	Average Exercise Price
Outstanding at beginning of period	20,668,500	\$ 0.67	20,678,500	\$ 0.67
Granted	20,185,000	0.31	195,000	0.65
Exercised	-	-	(75,000)	0.42
Forfeited /Expired	(15,615,000)	0.75	(130,000)	1.17
Outstanding at end of period	25,238,500	0.32	20,668,500	0.67
Options exercisable at end of period	15,357,250	\$ 0.32	19,457,250	\$ 0.68
Weighted average remaining contractual life	4.5 years		4.1 years	

**PEREGRINE DIAMONDS LTD.****Selected Notes to the Condensed Consolidated Interim Financial Statements****June 30, 2015 and 2014****(Expressed in Canadian Dollars)****(Unaudited)****11. SHARE CAPITAL (Continued)**

As at June 30, 2015, the following share purchase options were outstanding:

Weighted Average Exercise Price Range	Outstanding Options	Weighted Average Remaining Contractual Life (Years)	Exercisable Options
\$0.20	1,663,500	3.0	1,663,500
\$0.21 to \$0.30	16,700,000	4.8	10,036,250
\$0.31 to \$0.40	5,250,000	5.3	2,070,000
\$0.41 to \$0.50	1,100,000	0.6	1,100,000
\$0.51 to \$1.00	525,000	1.5	487,500
\$0.32	25,238,500	4.5	15,357,250

The weighted average share price at the date of exercise of the share purchase options exercised during the year ended September 30, 2014 was \$0.52 per share.

The weighted average grant-date fair value of the share purchase options granted during the nine months ended June 30, 2015 and the year ended September 30, 2014 was estimated at \$0.18 and \$0.24, respectively, using the Black-Scholes option pricing model and the following assumptions:

	Nine Months Ended June 30, 2015	Year Ended September 30, 2014
Risk free interest rate	0.49%	1.00%
Expected volatility	90%	89%
Expected years of option life	3.0	3.0
Expected dividends	\$Nil	\$Nil
Share price	\$0.31	\$0.49
Exercise price	\$0.31	\$0.65

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.



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**12. RELATED PARTY TRANSACTIONS**

Remuneration of directors and key management personnel was as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2015	2014	2015	2014
Salaries	\$ 321,894	\$ 272,783	\$ 911,120	\$ 794,742
Short-term employee benefits	11,325	8,026	32,443	20,335
Share-based payments	2,176,806	70,922	2,053,777	297,877
	<u>\$ 2,510,025</u>	<u>\$ 351,731</u>	<u>\$ 2,997,340</u>	<u>\$ 1,112,954</u>

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

**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 nine months ended June 30, 2015, the Company made contributions totaling \$63,836 (2014 - \$38,460).

**14. CASH FLOW INFORMATION**

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

	Nine Months Ended June 30,	
	2015	2014
Accounts receivable	\$ (166,734)	\$ 209,692
Prepaid expenses	156,364	(22,123)
Accounts payable and accrued liabilities	(1,214,176)	(308,311)
	<u>\$ (1,224,546)</u>	<u>\$ (120,742)</u>

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

	Nine Months Ended June 30,	
	2015	2014
Transfer from share option reserve to share capital on exercise of share purchase options	\$ -	\$ (7,940)
Transfer from share warrant reserve to share capital on exercise of warrants	(564,576)	-
Transfer from share capital for fair value of warrants issued on rights offering	719,216	-

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**14. CASH FLOW INFORMATION (Continued)**

(c) Other information:

	Nine Months Ended June 30,	
	2015	2014
Interest received	\$ 117,474	\$ 68,133
Interest paid	\$ 8,597	\$ 3,347

**15. SEGMENT DISCLOSURES**

- (a) The Company operates in one industry segment (Note 1).
- (b) At June 30, 2015, the Company's mineral exploration assets, recorded at \$4,697,038 (September 30, 2014- \$4,697,038), were located solely in Canada and prospecting licenses, recorded at nominal value (September 30, 2014 - \$nil), were located in Botswana.
- (c) At June 30, 2015, the Company's other capital assets, recorded at \$399,768 (September 30, 2014 - \$437,713), were located solely in Canada.
- (d) For the three and nine month periods ended June 30, 2015, the Company incurred \$5,150,663 (2014 - \$1,140,209) and \$13,514,039 (2014 - \$2,781,611), respectively, in exploration expenditures on its mineral property assets in Canada and \$59,167 (2014 - \$162,473) and \$206,158 (2014 - \$162,473), respectively, on its mineral property assets in Botswana.

**16. COMMITMENTS AND CONTINGENCIES**

The Company has entered into operating lease agreements for the rental of premises, finance leases for business machines and 12 mining leases in the Northwest Territories, Canada. The minimum future annual payments under the leases are as follows:

Years Ending September 30,	
2015	\$ 71,488
2016	\$ 162,501
2017	\$ 57,028

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**17. 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 consolidated 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.

## **18. 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.

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 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.

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 17).

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 Three Months Ended June 30, 2015 and 2014****(Expressed in Canadian Dollars)****(Unaudited)**

	<b>2015</b>	<b>2014</b>
Salaries	\$ 602,784	\$ 290,394
Share-based payments	163,953	15,821
Fuels	202,112	21,492
Drilling	1,278,505	304,069
Assaying	40,677	21,653
Camp costs	1,387,494	84,132
Rental, lease and charter	1,228,789	160,352
Environmental	23,129	9,911
Consulting	(289,115)	(31,320)
Geological consultants	98,392	156,106
Geophysical consultants	93,888	65,207
Engineering consultants	58,265	70,488
Site administration	88,834	40,366
Travel	190,395	87,482
Repairs & maintenance	1,109	-
Depreciation	40,169	6,528
	<b>\$ 5,209,380</b>	<b>\$ 1,302,682</b>

**PEREGRINE DIAMONDS LTD.**  
**Schedule of Exploration Expenditures**  
**For the Nine Months Ended June 30, 2015 and 2014**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

	<b>2015</b>	2014
Salaries	\$ 1,458,361	\$ 658,547
Share-based payments	189,910	45,490
Fuels	514,267	42,231
Drilling	2,513,103	329,069
Assaying	358,578	523,242
Camp costs	2,986,021	184,968
Rental, lease and charter	4,219,695	387,078
Environmental	115,257	11,864
Fees and licenses	19,380	6,312
Consulting	167,462	34,453
Geological consultants	206,451	252,175
Geophysical consultants	106,138	124,688
Engineering consultants	69,480	70,488
Logistics consulting	65,918	-
Site administration	180,629	70,550
Travel	442,809	156,785
Depreciation	106,290	46,144
	<b>\$ 13,719,748</b>	<b>\$ 2,944,084</b>