



October 31, 2016

BY ELECTRONIC MAIL

Mr. Robin Ikkutisluk, Licence Administrator
Nunavut Water Board
P.O. Box 119
Gjoa Haven, Nunavut X0B 1J0
Email: robin.ikkutisluk@nwb-oen.ca

Dear Ms. Ikkutisluk:

RE: NANUQ NORTH PROJECT ASSIGNMENT – 2BE-NQN1521

Please be advised that Peregrine Exploration Ltd. wishes to re-assign the water licence 2BE-NQN1521 to Peregrine Diamonds Ltd. Please find the following documents enclosed.

- 1) Application for Assignment
- 2) Undertaking of Proposed Assignee
- 3) Affidavit of Execution
- 4) Certificate of Incorporation
- 5) Certificate of Registration of an Extra-Territorial Corporation
- 6) Statement of Financial Responsibility
- 7) Assumption and Assignment Agreement for the Nanuq North Property
- 8) A \$30.00 assignment fee will be paid by credit card.

Please note that the following documents are not required;

- 1) **AANDC Security Letter:** There is no security for licence 2BE-NQN1521.
- 2) **Updated Financial Security Assessment:** There is no security for licence 2BE-NQN-1521
- 3) **DIO Letter:** Peregrine does not have any water compensation agreements with any DIO.
- 4) **Statement of Capacity to Implement:** This is covered effectively in the Undertaking

Please do not hesitate to contact me at (604) 608-4524 or by email (dave@pdiam.com) if you have any questions.

Yours truly,

PEREGRINE EXPLORATION LTD.

David Willis – Manager, Lands & Community

SUITE 654 – 999 CANADA PLACE
VANCOUVER, BRITISH COLUMBIA
V6C 3E1



Nanuq North Project

Application for Assignment including:

1. Application for Assignment Form and Declaration of Licensee (Assignor)
2. Guide to Completing an Undertaking of Proposed Assignee
3. Undertaking of Proposed Assignee
4. Affidavit of Execution – Undertaking of Proposed Assignee

Document date: April 2013

Application Submission Date:

Month/Day/Year

P.O. BOX 119
GJOA HAVEN, NUNAVUT
XOB 1J0
TEL: (867) 360-6338
FAX: (867) 360-6369

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NUNAVUT IMALIRIYIN KATIMAYIT
NUNAVUT WATER BOARD
OFFICE DES EAUX DU NUNAVUT

DOCUMENT MANAGEMENT

Original Document Date: April 2010

DOCUMENT AMENDMENTS

	Description	Date
(1)	Updated for public distribution as separate document from NWB Guide 7	June 2010
(2)	Updated NWB logos and reformatted table to allow rows to break across page	May 2011
(3)	New NWB logo	April 2013
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
(10)		



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NUNAVUT WATER BOARD

NUNAVUT IMALIRIYIN KATIMAYIT

OFFICE DES EAUX DU NUNAVUT

APPLICATION FOR ASSIGNMENT AND DECLARATION OF LICENSEE (ASSIGNOR)

1. LICENCE NO: 2BE-NQN1521	2. WATER SOURCE: Lat: 65.2262, Long: -91.0898°
3. LICENSEE INFORMATION: Name: Peregrine Exploration Ltd. Address: Suite 654 – 999 Canada Place, Vancouver, British Columbia, V6C 3E1 Phone: 604-608-4524 Fax: 604-408-8881 e-mail: dave@pdiam.com	
4. Water use fees pertaining to this licence must be paid in full.	
5. DECLARATION OF LICENSEE: I, Greg Shenton representing Peregrine Exploration Ltd. , hereby declare that the sale or other disposition of any right, title or interest in the appurtenant undertaking will not result in any contravention of any provision of condition of water use licence number 2BE-NQN1521 or of any provision of the Nunavut Waters and Nunavut Surface Rights Tribunal Act or the applicable Regulations, and hereby request the assignment of the water use licence to: Proposed Assignee: Peregrine Diamonds Ltd. Address: Suite 654 – 999 Canada Place, Vancouver, British Columbia, V6C 3E1 Phone and email: dave@pdiam.com, (604)-608-4524, primary contact David Willis	
6. PROPOSED DATE OF ASSIGNMENT: X 45 days after date of application	

☐ Other: _____

7. APPLICATION FEE:

Application fee for assignment of water licence is \$30.00 CDN (payable to the Receiver General for Canada).

8. CHECKLIST:

The following documents **must** be included with the Application for Assignment where applicable:

- ☐ Completed Application for Assignment and Executed Declaration of Licensee (Assignor).
- ☐ Executed Undertaking of Proposed Assignee and Affidavit of Execution – Undertaking of Proposed Assignee.
- ☐ Copies of all documents pertaining to the lease, sale, rental or other disposition of the property or the licence from one party to another.
- ☐ Statement of financial responsibility of the assignee.
- ☐ For licences which require the provision of security, a letter to the NWB from the Manager of Water Resources, Indian and Northern Affairs Canada (INAC).
- ☐ An updated financial security assessment.
- ☐ A letter from each Designated Inuit Organization (DIO) and existing or other water users confirming that the proposed assignment does not negatively impact any existing water compensation agreement(s).
- ☐ Statement of assignee's capacity to implement the conditions of the water licence and a schedule for the implementation of all plans, manuals and reports.
- ☐ \$30.00 CDN application fee payable to the Receiver General for Canada

9. SIGNATURE

GREG SHENTON
Name (Print)

CFO
Title (Print)


Signature

OCT. 18, 2016
Date

GUIDE TO COMPLETING AN UNDERTAKING OF PROPOSED ASSIGNEE

Individuals and corporate entities must execute and complete the Undertaking in accordance with the rules located below.

INDIVIDUAL

Please execute the Undertaking in the following manner:

- (1) Print your full legal name on the blank line beginning with (a) in the "AND WHEREAS" section;
- (2) At the end of the "IN WITNESS WHEREOF" sentence, write the day, month and year you signed this document before a witness;
- (3) On the second page, sign on the line located above the "Signature of Individual" phrase before a witness. The witness must sign on the line located to the left of your signature. You and the witness must print your names under your respective signature lines;
- (4) The witness must complete the Affidavit of Execution before either:
 - (a) a Commissioner of Oaths for Nunavut if you and your witness both live in Nunavut and both of you have signed the Undertaking in Nunavut; or
 - (b) a Notary Public for the Province or Territory in which the Affidavit was signed.
- (5) Please ensure the Commissioner or the Notary Public completes the jurat and affixes his or her commissioner or notarial seal;
- (6) Please ensure you attach a copy of the signed Undertaking to the Affidavit of Execution.

CORPORATE ENTITY

Please execute the Undertaking in the following manner:

- (1) Print the full legal name of the corporation on the blank line beginning with (b) in the "AND WHEREAS" section;
- (2) At the end of the "IN WITNESS WHEREOF" sentence, write the day, month and year you signed this document;
- (3) On the second page, sign your name on the line located next to the phrase "Per:" and then print your name and your position in the corporation under this signature line;
- (4) Affix the corporation's corporate seal where indicated.
- (5) You must attach to the Undertaking a copy of the corporation's Certificate of Incorporation.
- (6) You are required to sign the Undertaking before a witness. You are required to complete the Affidavit of Execution.

UNDERTAKING OF PROPOSED ASSIGNEE – Nanuq North Project
(section 44 of the *Nunavut Waters and Nunavut Surface Rights Tribunal Act*)

WHEREAS

The Nunavut Water Board ("NWB") issued Licence **No.2BE-NQN1521** dated **January 18, 2013** ("the Licence") to **Peregrine Exploration Ltd.** (the "Assignor"), for a term of **six (6)** years starting on **March 31, 2015** and expiring on **March 30, 2020**, subject to the terms and conditions set out in the Licence.

AND WHEREAS (the Proposed "Assignee")

(a) _____ (individual)

OR

(b) **Peregrine Diamonds Ltd.,**
(a corporate entity incorporated pursuant to the laws of **Canada**)

requests that the NWB approve the Assignment of the Licence from the Assignor to the Proposed Assignee pursuant to section 44 of the *Nunavut Waters and Nunavut Surface Rights Tribunal Act* ("Act").

NOW THEREFORE

Effective on the date that the NWB approves the assignment of the Licence, the Proposed Assignee undertakes and accepts responsibility for the performance of all of the terms and conditions of the Licence including the performance of all liabilities arising pursuant to any Licence term or condition, whether arising before or after the effective date of the assignment, **AND** undertakes to pay any security required of the Assignor when the Licence was granted.

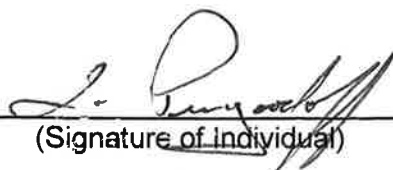
IN WITNESS WHEREOF the Proposed Assignee executed this Undertaking on

Oct. 18, 20 16.

SIGNED, SEALED AND DELIVERED
in the presence of:


Signature of Witness

David Willis
Print name of Witness .)

)
)
) 
) (Signature of Individual)

) TOM PEREGOOFF
(Print name of Individual)

On behalf of

PEREGRINE DIAMONDS Ltd.
(Corporation Name)

Per: PRESIDENT & CEO
Position
(corporate seal)

I, David Willis (name of witness), of the city/town/village of LANGLEY in the province or territory of BRITISH COLUMBIA.

1. THAT I know Tom PEREGOODOFF

2. **THAT** on or about the 18th day of OCTOBER 2016, (month and year), I was personally present and did see the Undertaking annexed as Exhibit "A", executed by Tom PEREGONOFF (individual who signed Undertaking) by signing the second page of the Undertaking.

SWORN BEFORE ME at the city/town/village)
of Vancouver in the province or)
territory of British Columbia)
this 19th day of October, 20 16)

)
)
)

)
)
)
)

[Signature]

BERNARD G. POZNANSKI
19th FLOOR
885 WEST GEORGIA STREET
VANCOUVER, B.C. V6C 3H4
Barrister & Solicitor

) David Willis
) (name of witness)



Schedule "A" - Nanuq North Project Claims

Fid.	Claim Name	Claim Number	NTS Map Sheet 1	NTS Map Sheet 2	Claim Acres	Claim Hectares	Recording Date	Aniversary Date	Filing Fee	
1	FA001	F90022	056G1		1,059.00	428.56	8-Oct-2004	8-Oct-2018	\$2.00	
2	FA002	F90023	056G1		2,492.00	1,008.48	8-Oct-2004	8-Oct-2018	\$2.00	
3	FA003	F90024	056G1		2,582.50	1,045.10	8-Oct-2004	4-Nov-2018	\$2.00	
4	FA004	F90025	056G1		516.50	209.02	8-Oct-2004	8-Oct-2018	\$2.00	
5	FA005	F90026	056G1		2,273.00	919.85	8-Oct-2004	4-Nov-2018	\$2.00	
6	FA006	F90027	056G1		2,399.90	971.21	8-Oct-2004	8-Oct-2018	\$2.00	
7	FA007	F90028	056G1		1,607.70	650.61	8-Oct-2004	8-Oct-2018	\$2.00	
8	FA008	F90029	056G1		1,997.10	808.20	8-Oct-2004	8-Oct-2018	\$2.00	
9	FA009	F90030	056G1	056G1	1,870.90	757.13	8-Oct-2004	4-Nov-2018	\$2.00	
10	FA010	F90091	056G1	056G1	1,698.80	687.48	8-Oct-2004	4-Nov-2018	\$2.00	
11	FA011	F90092	056G1	056G1	1,124.90	455.23	8-Oct-2004	4-Nov-2018	\$2.00	
12	FA012	F90093	056G1		1,107.90	448.35	8-Oct-2004	8-Oct-2018	\$2.00	
13	FA013	F90094	056G1		2,174.50	879.99	8-Oct-2004	8-Oct-2018	\$2.00	
14	FA014	F90095	056G1		2,186.60	884.89	8-Oct-2004	8-Oct-2018	\$2.00	
15	FA015	F90096	056G1		2,186.60	884.89	8-Oct-2004	8-Oct-2018	\$2.00	
16	FA016	F90097	056G1		1,399.40	566.32	8-Oct-2004	4-Nov-2018	\$2.00	
17	JP021	F88406	056G1		1,265.42	512.10	4-Nov-2004	4-Nov-2018	\$2.00	
18	JP022	F88407	056G1		2,066.00	836.08	4-Nov-2004	4-Nov-2018	\$2.00	
19	JP030	F88408	056G0	056G1	344.76	139.52	4-Nov-2004	4-Nov-2018	\$2.00	
20	JP031	F88409	056G0	056G1	604.31	244.56	4-Nov-2004	4-Nov-2018	\$2.00	
21	JP005	F88445	056G1		710.18	287.40	4-Nov-2004	4-Nov-2018	\$2.00	
22	JP010	F88450	056G1		355.73	143.96	4-Nov-2004	4-Nov-2018	\$2.00	
23	JP011	F88451	056G1		606.88	245.60	4-Nov-2004	4-Nov-2018	\$2.00	
24	JP017	F88457	056G1		839.31	339.66	4-Nov-2004	4-Nov-2018	\$2.00	
25	JP018	F88458	056G1		1,045.91	423.27	4-Nov-2004	4-Nov-2018	\$2.00	
26	JP019	F88459	056G1		2,582.50	1,045.10	4-Nov-2004	4-Nov-2018	\$2.00	
27	JP020	F88460	056G1		2,582.50	1,045.10	4-Nov-2004	4-Nov-2018	\$2.00	
28	JP023	F88463	056G1		2,582.50	1,045.10	4-Nov-2004	4-Nov-2018	\$2.00	
29	JP024	F88464	056G1		2,582.50	1,045.10	4-Nov-2004	4-Nov-2018	\$2.00	
30	JP025	F88465	056G1		1,278.34	517.33	4-Nov-2004	4-Nov-2018	\$2.00	
31	JP026	F88466	056G1		1,497.85	606.16	4-Nov-2004	4-Nov-2018	\$2.00	
32	JP027	F88467	056G1		2,582.50	1,045.10	4-Nov-2004	4-Nov-2018	\$2.00	
33	JP028	F88468	056G1		2,582.50	1,045.10	4-Nov-2004	4-Nov-2018	\$2.00	
34	JP029	F88469	056G1		2,572.50	1,041.05	4-Nov-2004	4-Nov-2018	\$2.00	
35	JP032	F88472	056G1		1,549.50	627.06	4-Nov-2004	4-Nov-2018	\$2.00	
36	JP033	F88473	056G1		1,549.50	627.06	4-Nov-2004	4-Nov-2018	\$2.00	
37	JP034	F88474	056G1		1,549.50	627.06	4-Nov-2004	4-Nov-2018	\$2.00	
38	JP035	F88475	056G1		1,007.17	407.59	4-Nov-2004	4-Nov-2018	\$2.00	
39	JP040	F88480	056G1		2,582.50	1,045.10	4-Nov-2004	4-Nov-2018	\$2.00	
40	JP041	F88481	056G1		284.07	114.96	4-Nov-2004	4-Nov-2018	\$2.00	
41	JP042	F88482	056G1		1,149.21	465.07	4-Nov-2004	4-Nov-2018	\$2.00	
42	JP043	F88483	056G1		1,725.11	698.13	4-Nov-2004	4-Nov-2018	\$2.00	
43	JP044	F88484	056G1		2,582.50	1,045.10	4-Nov-2004	4-Nov-2018	\$2.00	
44	JP047	F88487	056G1		2,582.50	1,045.10	4-Nov-2004	4-Nov-2018	\$2.00	
45	JP048	F88488	056G1		2,281.32	923.22	4-Nov-2004	4-Nov-2018	\$2.00	
46	JP049	F88489	056G1		1,911.05	773.38	4-Nov-2004	4-Nov-2018	\$2.00	
47	JP050	F88490	056G1		2,066.00	836.08	4-Nov-2004	4-Nov-2018	\$2.00	
48	JP051	F88493	056G1		289.24	117.05	4-Nov-2004	4-Nov-2018	\$2.00	
49	JP046	F88494	056G1		387.38	156.77	4-Nov-2004	4-Nov-2018	\$2.00	
50	JP045	F88495	056G1		400.29	161.99	4-Nov-2004	4-Nov-2018	\$2.00	
51	JP039	F88496	056G1		428.69	173.48	4-Nov-2004	4-Nov-2018	\$2.00	
					81,685.02	33,056.78				\$102.00



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
under the laws of

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



Nunavut

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 26-Oct-2016
Fait le



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

PEREGRINE DIAMONDS LTD.**Condensed Consolidated Interim Statements of Financial Position****As at December 31, 2015 and September 30, 2015****(Expressed in Canadian Dollars)**

	December 31, 2015 (Unaudited)	September 30, 2015
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,634,325	\$ 5,755,417
Accounts receivable	65,911	102,301
Prepaid expenses	276,877	180,169
	2,977,113	6,037,887
PROPERTY AND EQUIPMENT (Note 5)	5,030,152	5,049,778
DEPOSITS ON PROPERTY AND EQUIPMENT	88,975	88,975
	\$ 8,096,240	\$ 11,176,640
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 1,275,456	\$ 1,877,136
	1,275,456	1,877,136
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	165,668,162	165,668,162
Share option reserve	13,371,415	13,128,762
Share warrant reserve	2,722,264	2,722,264
Other reserve	19,205	19,205
Deficit	(174,960,262)	(172,238,889)
	6,820,784	9,299,504
	\$ 8,096,240	\$ 11,176,640

NATURE OF OPERATIONS (Note 1)**COMMITMENTS AND CONTINGENCIES (Note 13)**

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 Months Ended December 31, 2015 and 2014****(Expressed in Canadian Dollars)****(Unaudited)**

	2015	2014
EXPENSES		
Accounting and audit fees	\$ 20,890	\$ 8,800
Consulting	15,231	20,530
Depreciation	10,728	7,181
Filing fees	28,192	34,101
Legal	67,870	21,644
Insurance	16,898	16,197
Investor relations	26,604	26,619
Office and administration	108,898	122,579
Salaries and benefits	337,450	382,384
Travel	7,466	5,497
Share-based payments	216,200	29,333
Exploration (Schedule)	1,541,190	1,760,893
	<u>2,397,617</u>	<u>2,435,758</u>
OTHER (INCOME)/EXPENSES		
Interest income	(11,364)	(33,802)
Interest expense	-	31,639
Reorganization expenses (Note 9)	337,000	-
Foreign exchange	(1,880)	1,609
	<u>323,756</u>	<u>(554)</u>
NET LOSS AND COMPREHENSIVE LOSS	\$ 2,721,373	\$ 2,435,204
BASIC AND DILUTED		
LOSS PER SHARE	\$ 0.01	\$ 0.01
WEIGHTED AVERAGE NUMBER OF		
SHARES OUTSTANDING	282,663,598	209,383,073

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 Three Months Ended December 31, 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, 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 \$140,168	10,441,189	2,052,482	-	-	-	-	2,052,482
Warrants exercised	7,500	1,650	-	(75)	-	-	1,575
Share-based payments	-	-	36,032	-	-	-	36,032
Sale of flow through tax benefits	-	(417,648)	-	-	-	-	(417,648)
Net loss	-	-	-	-	-	(2,435,204)	(2,435,204)
Balances, December 31, 2014	226,213,480	\$ 153,262,540	\$ 10,394,156	\$ 3,286,765	\$ 19,205	\$ (153,019,134)	\$ 13,943,531
Balances, September 30, 2015	282,663,598	\$ 165,668,162	\$ 13,128,762	\$ 2,722,264	\$ 19,205	\$ (172,238,889)	\$ 9,299,504
Share-based payments	-	-	242,653	-	-	-	242,653
Net loss	-	-	-	-	-	(2,721,373)	(2,721,373)
Balances, December 31, 2015	282,663,598	\$ 165,668,162	\$ 13,371,415	\$ 2,722,264	\$ 19,205	\$ (174,960,262)	\$ 6,820,784

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 Three Months Ended December 31, 2015 and 2014****(Expressed in Canadian Dollars)****(Unaudited)**

	2015	2014
OPERATING ACTIVITIES		
Net loss	\$ (2,721,373)	\$ (2,435,204)
Items not affecting use of cash		
Depreciation	51,166	29,001
Share-based payments	242,654	36,032
Interest expense	-	31,639
	(2,427,553)	(2,338,532)
Changes in non-cash working capital items (Note 11)	(661,999)	(2,670,103)
	(3,089,552)	(5,008,635)
INVESTING ACTIVITIES		
Purchase of property and equipment	(31,540)	(55,790)
	(31,540)	(55,790)
FINANCING ACTIVITIES		
Shares issued for cash, net of share issue costs	-	16,582,848
	-	16,582,848
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(3,121,092)	11,518,423
CASH AND CASH EQUIVALENTS BEGINNING OF PERIOD	5,755,417	1,203,896
CASH AND CASH EQUIVALENTS END OF PERIOD	\$ 2,634,325	\$ 12,722,319
CASH AND CASH EQUIVALENTS ARE COMPRISED OF:		
Cash in bank	\$ 569,106	\$ 688,518
Short-term deposits	2,065,219	12,033,801
	\$ 2,634,325	\$ 12,722,319

SUPPLEMENTAL CASH FLOW INFORMATION (Note 11)

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

PEREGRINE DIAMONDS LTD.
Notes to the Condensed Consolidated Interim Financial Statements
December 31, 2015 and 2014
(Expressed in Canadian Dollars)
(Unaudited)

1. NATURE OF OPERATIONS

Peregrine Diamonds Ltd. ("Peregrine"), together with its subsidiaries, (collectively referred to as the "Company"), is a Canadian exploration stage mining company which is focused on the exploration, development and recovery of minerals and precious gems.

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

To date, the Company has not generated revenues from operations and is considered to be in the exploration stage. The Company's operations during the three months ended December 31, 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 December 31, 2015 has working capital of approximately \$1.7 million and an accumulated deficit of approximately \$175.0 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 ("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 using accounting policies and methods of computation consistent with those applied in the Company's September 30, 2015 consolidated annual financial statements, except for those accounting policies which have changed as a result of the adoption of new and revised standards and interpretations as described in Note 4. These condensed consolidated interim financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended September 30, 2015.

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2. BASIS OF PREPARATION (Continued)

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 three months ended December 31, 2015 (including comparatives) were approved and authorized for issue by the board of directors on February 11, 2016.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) *Basis of consolidation*

These condensed consolidated interim 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 period are included in the condensed consolidated interim 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

(c) Foreign currencies

(i) Functional currency

The reporting and functional currency of the parent entity, Peregrine Diamonds Ltd., is the Canadian dollar, the functional currency of its subsidiary, Peregrine Explorations Ltd., is the Canadian dollar, and the functional currency of its subsidiary, Diamexstrat Botswana (Proprietary) Limited is the Botswana Pula.

(ii) Transactions and balances

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

(iii) Foreign operations

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

(d) Financial instruments

Financial instruments are classified into various categories. Held to maturity investments and loans and receivables are measured at amortized cost, with amortization of premiums or discounts, losses and impairment included in current period interest income or expense. Financial assets and liabilities at fair value through profit or loss ("FVTPL") are classified as FVTPL when the financial instrument is held for trading or designated as FVTPL. Financial instruments at FVTPL are measured at fair market value with all gains and losses

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

(e) Cash and cash equivalents

Cash and cash equivalents in the 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 December 31, 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 December 31, 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Comprehensive income or loss

Other comprehensive income or loss is the change in net assets arising from transactions and other events and circumstances from non-owner sources. Comprehensive income comprises net income or loss and other comprehensive income or loss. Financial assets that are classified as available-for-sale 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.

(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 substantively enacted, income tax rates at each statement of financial position date. Deferred tax assets also result from unused losses and other deductions carried forward. The valuation of deferred tax assets is reviewed on a regular basis and adjusted to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized by use of a valuation allowance to reflect the estimated realizable amount.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Loss per share

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

(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, 2015:

(a) IFRS 7, Financial Instruments: Disclosures ("IFRS 7") - amendments

The amendments to IFRS 7 outline the disclosures required when initially applying IFRS 9. The application of the amendment to IFRS 7 did not have any material impact on the consolidated 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 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.

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4. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (Continued)

(b) 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.

(c) IAS 1, Presentation of Financial Statements ("IAS 1") – amendments

The amendments in IAS 1 enhance financial statement disclosures and presentation. These amendments are effective for annual periods beginning on or after January 1, 2016.

(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.

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5. PROPERTY AND EQUIPMENT

	Total	Mineral Exploration Assets	Office equipment, furniture and fixtures	Buildings, plant and equipment
Cost				
Balance, September 30, 2014	\$ 6,309,674	\$ 4,697,038	\$ 696,226	\$ 916,410
Additions	55,790	-	14,659	41,131
Dispositions/write downs	(51,600)	-	(51,600)	-
Balance, December 31, 2014	\$ 6,313,864	\$ 4,697,038	\$ 659,285	\$ 957,541
Balance, September 30, 2015	\$ 6,075,156	\$ 4,697,038	\$ 369,444	\$ 1,008,675
Additions	31,540	-	31,540	-
Balance, December 31, 2015	\$ 6,106,696	\$ 4,697,038	\$ 400,984	\$ 1,008,675
Accumulated depreciation				
Balance, September 30, 2014	\$ (1,174,923)	\$ -	\$ (637,212)	\$ (537,711)
Additions	(29,001)	-	(7,181)	(21,820)
Dispositions/write downs	33,600	-	33,600	-
Balance, December 31, 2014	\$ (1,170,324)	\$ -	\$ (610,793)	\$ (559,531)
Balance, September 30, 2015	\$ (1,025,378)	\$ -	\$ (300,763)	\$ (724,615)
Additions	(51,166)	-	(10,728)	(40,438)
Balance, December 31, 2015	\$ (1,076,544)	\$ -	\$ (311,491)	\$ (765,053)
Carrying amounts				
Balance, December 31, 2014	\$ 5,143,540	\$ 4,697,038	\$ 48,492	\$ 398,010
Balance, September 30, 2015	\$ 5,049,778	\$ 4,697,038	\$ 68,681	\$ 284,060
Balance, December 31, 2015	\$ 5,030,150	\$ 4,697,038	\$ 89,491	\$ 243,622
Mineral Exploration Assets	Total	Chidliak	Qilaq	WO
December 31, 2014, September 30, 2015 and December 31, 2015	\$ 4,697,038	\$ 3,995,384	\$ 125,760	\$ 575,894

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6. EXPLORATION AND EVALUATION COSTS

Cumulative exploration and evaluation costs included in operations are:

	Total	Chidliak	Botswana	Other Nunavut Properties	Others (a)
Balance, September 30, 2014	\$ 129,205,326	\$ 33,670,028	\$ 289,981	\$ 22,448,043	\$ 72,797,274
Expenditures for the three months ended December 31, 2014	1,760,893	1,570,225	119,369	12,049	59,250
Balance, December 31, 2014	\$ 130,966,219	\$ 35,240,253	\$ 409,350	\$ 22,460,092	\$ 72,856,524
Balance, September 30, 2015	145,974,647	49,164,631	747,233	22,478,002	73,584,781
Expenditures for the three months ended December 31, 2015	1,541,190	1,130,668	286,818	10,051	113,653
Balance, December 31, 2015	\$ 147,515,837	\$ 50,295,299	\$ 1,034,052	\$ 22,488,053	\$ 73,698,434

(a) Includes cumulative expenditures on the WO project to December 31, 2015 and 2014 of \$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 three months ended December 31, 2015, the WO joint operation incurred expenditures of \$10,000 (2014 - \$15,000), 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 December 31, 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.

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8. SHARE CAPITAL

- (a) The Company's authorized capital consists of an unlimited number of common shares without par value. At December 31, 2015, 282,663,598 common shares were issued and outstanding. Subsequent to December 31, 2015, the Company closed a rights offering whereby a total of 56,412,307 common shares were issued (Note 16).
- (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 December 31, 2015 and September 30, 2015 and changes during the periods ended on those dates are presented below:

	Three Months Ended December 31, 2015		Year Ended September 30, 2015	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of period	25,238,500	\$ 0.32	20,668,500	\$ 0.67
Granted	-	-	20,185,000	0.31
Exercised	-	-	-	-
Forfeited /Expired	-	-	(15,615,000)	0.75
Outstanding at end of period	25,238,500	0.32	25,238,500	0.32
Options exercisable at end of period	18,683,500	\$ 0.32	15,482,250	\$ 0.32
Weighted average remaining contractual life	4.0 years		4.2 years	

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8. SHARE CAPITAL (Continued)

As at December 31, 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	2.4	1,663,500
\$0.21 to \$0.30	16,715,000	4.1	12,277,500
\$0.31 to \$0.40	5,235,000	4.6	3,117,500
\$0.41 to \$0.50	1,100,000	0.1	1,100,000
\$0.51 to \$0.85	525,000	1.0	525,000
\$0.32	25,238,500	4.0	18,683,500

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

Risk free interest rate	0.49%
Expected volatility	90%
Expected years of option life	3.0
Expected dividends	\$Nil
Share price	\$0.31
Exercise price	\$0.31

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.

Subsequent to December 31, 2015, 1,100,000 options with an exercise price of \$0.42 expired unexercised.

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9. RELATED PARTY TRANSACTIONS

Remuneration of directors and key management personnel was as follows:

	Three Months Ended December 31,	
	2015	2014
Salaries	\$ 304,625	\$ 272,644
Short-term employee benefits	12,358	10,517
Reorganization expenses	337,000	-
Share-based payments	227,991	28,637
	<u>\$ 881,974</u>	<u>\$ 311,798</u>

Short-term employee benefits include the cost of health and life insurance plans. Reorganization expenses consist of payment obligations in respect of the termination of a management employment contract.

10. 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 three months ended December 31, 2015, the Company made contributions totaling \$1,006 (2014 - \$3,747).

11. CASH FLOW INFORMATION

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

	Three Months Ended December 31,	
	2015	2014
Accounts receivable	\$ 36,389	\$ 125,753
Prepaid expenses	(96,708)	121,479
Accounts payable and accrued liabilities	(601,680)	(2,917,335)
	<u>\$ (661,999)</u>	<u>\$ (2,670,103)</u>

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11. CASH FLOW INFORMATION (Continued)

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

	<u>Three Months Ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Transfer from share option reserve to share capital on exercise of share purchase options	\$ -	\$ (75)
Transfer from share capital for fair value of warrants issued on rights offering	-	719,216

(c) Other information:

	<u>Three Months Ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Interest received	\$ 11,364	\$ 33,732
Interest paid	\$ -	\$ 8,597

12. SEGMENT DISCLOSURES

- (a) The Company operates in one industry segment (Note 1).
- (b) At December 31, 2015, the Company's mineral exploration assets, recorded at \$4,697,038 (2014- \$4,697,038), were located solely in Canada and prospecting licenses, recorded at nominal value (2014 - \$nil), were located in Botswana.
- (c) At December 31, 2015, the Company's other capital assets, recorded at \$333,113 (2014 - \$446,503), were located solely in Canada.
- (d) For the three months ended December 31, 2015, the Company incurred \$1,254,372 (2014 - \$1,641,524) in exploration expenditures on its mineral property assets in Canada and \$286,818 (2014 - \$119,369) on its mineral property assets in Botswana.

13. 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,		
2016	\$	143,005
2017	\$	57,028
2018	\$	52,476
2019	\$	52,476
2020	\$	52,476

In accordance with the terms of a contract for drilling services, the Company is required to demobilize drilling equipment from the Chidiak property in Nunavut to Montreal, PQ. Estimated costs for this demobilization range between \$2.0 million and \$3.0 million and these costs could be incurred as early as 2017.

14. 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.

15. 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 are due within the current operating period. The Company manages liquidity risk through the management of its capital structure (Note 14).

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.
Notes to the Condensed Consolidated Interim Financial Statements
December 31, 2015 and 2014
(Expressed in Canadian Dollars)
(Unaudited)

16. EVENTS AFTER THE REPORTING PERIOD

Subsequent to December 31, 2015, the Company completed an offering of rights to holders of its common shares. Shareholders of record received one right for each common share held, four rights entitled the holder to purchase one common share at a price of \$0.10 per common share. A total of 56,412,307 common shares were issued pursuant to this offering, resulting in proceeds to the Company of \$5.6 million.

Subsequent to December 31, 2015, the Company settled litigation with BHP Billiton Canada Inc. ("BHPB") relating to the Chidliak Royalty. The dispute arose in May, 2015 in regards to BHPB's transfer of the Chidliak Royalty to South32 Limited. By a royalty agreement, dated February 2, 2012, ("Royalty Agreement") the Company had granted BHPB a 2% Gross Over Riding Royalty on future mineral production, including diamond production, from Chidliak. In consideration of the Company terminating its legal action against BHPB and a cash payment of \$125,000, BHPB has agreed to terminate the Royalty Agreement and thereby cancel the Chidliak Royalty.

PEREGRINE DIAMONDS LTD.**Schedule of Exploration Expenditures****For the Three Months Ended December 31, 2015 and 2014****(Expressed in Canadian Dollars)****(Unaudited)**

	2015	2014
Salaries	\$ 202,191	\$ 253,980
Share-based payments	26,454	6,700
Fuels	457	7,425
Sampling	61,164	-
Drilling	100,123	366,090
Sample processing	696,876	211,166
Camp costs	35,864	304,370
Rental, lease and charter	98,563	282,957
Environmental	22,462	84,834
Geological consultants	214,276	90,657
Geophysical consultants	-	12,250
Engineering consultants	8,545	16,179
Site administration	18,177	34,300
Travel	15,600	68,165
Depreciation	40,438	21,820
	\$ 1,541,190	\$ 1,760,893

ASSIGNMENT AND ASSUMPTION AGREEMENT – NANUQ NORTH PROJECT

THIS AGREEMENT dated for reference May 11, 2016 is between:

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”)

AND:

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”)

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 Hunter Exploration Group (“**Hunter**”), **PEX**, 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. On March 18, 2015, PGD assigned to PEX, its wholly-owned subsidiary, all of its interest in the Letter Agreement and Nanuq North.
- D. **PEX** wishes to re-assign its interests in the Letter Agreement as amended and Nanuq North, to **PGD**

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. **PEX** hereby grants, transfers, assigns and sets over unto **PGD**, as and from the date hereof (the “**Effective Date**”) all the rights, benefits and obligations of **PEX** 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. **PGD** hereby covenants and agrees with **PEX** that **PGD** will, from and after the Effective Date, assume, perform and observe all the duties, covenants, agreements, representations, warranties and other obligations of **PEX** 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 EXPLORATION LTD.

Per:



Greg Shenton, CFO

PEREGRINE DIAMONDS LTD.

Per:



Tom Peregoodoff, President and CEO