

PEREGRINE DIAMONDS LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Nine Months Ended June 30, 2008

Information presented in the Management's Discussion and Analysis of Financial Condition and Results of Operations are at June 30, 2008 and for the nine months then ended. Also incorporated in this disclosure are all material activities of the Company to August 12, 2008. The information contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Company's latest audited consolidated financial statements for the year ended September 30, 2007 and its interim statements for the nine months ended June 30, 2008.

OVERVIEW

Peregrine Diamonds Ltd. ("Peregrine") (which, together with its subsidiaries, is collectively referred to as the "Company") is a mineral exploration company with interests presently consisting of diamond exploration properties located in the Nunavut and the Northwest Territories in Canada. The Company's primary exploration properties are the Nanuq diamond project in Nunavut, the WO diamond project in the Northwest Territories and diamond and metals exploration properties on Baffin Island known as the Chidliak, Kimmirut, Flint Lake, Foley Lake and Barnes projects. Peregrine also holds various interests in the Lac de Gras East, Lac de Gras West, Pellatt Lake, IM, TW and McKay Lake diamond exploration properties in the Northwest Territories and the Nanuq North, Timmijuuq, Mirage Bay and Foxe Basin diamond exploration properties in Nunavut. The Company holds a 71.74% interest in the WO Property, located in the Northwest Territories, which contains the nine hectare DO-27 kimberlite pipe, among others.

HIGHLIGHTS

Peregrine Diamonds Ltd. and Peregrine Metals Ltd. plan to Merge

On July 3, 2008, the Company and Peregrine Metals Ltd. ("Metals") announced that they have entered into a letter of intent for the purpose of effecting a business combination whereby the two companies will merge to form a new multi-commodity resource company to be called Peregrine Resources Ltd. ("Peregrine Resources"). The boards of the Company and Metals have formed special committees for the purpose of negotiating a mutually acceptable share exchange ratio and making recommendations to their respective boards. Various structures are being examined to complete the merger in the most efficient and tax advantageous manner. It is contemplated that Peregrine Resources will assume the Company's public listing and that an equity financing will be undertaken concurrent with completion of the business combination. The merger ratio will be negotiated after the completion of independent resource estimations on Metals' Altar project and the Company's DO-27 project. It is anticipated that this ratio will be determined during the summer of 2008. In addition, it is anticipated that both the Company and Metals may seek an independent fairness opinion to further evaluate the merger ratio. Completion of the merger, which is currently anticipated to occur in the fall of 2008, will be subject to the Company's and Metals shareholder and regulatory approval.

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Kimberlite Discovery and Platinum and Base Metals Anomalies on Chidliak, Baffin Island

On July 23, 2008, the Company announced it had discovered a kimberlite outcrop within a circular magnetic anomaly selected from an airborne geophysical survey that commenced on July 17, 2008 on its Chidliak property. The anomaly has an estimated surface expression of six hectares. The outcrop was discovered in an area with high concentrations of kimberlite indicator minerals. As reported in a news release on February 19, 2008, many of these indicator minerals have geochemical compositions that imply their kimberlite source contains diamonds. Chidliak is situated approximately 150 kilometres northeast of Iqaluit, capital of Nunavut. The proximity to the capital provides the Chidliak property with better infrastructure support than is available in other more remote regions of Nunavut. This information is available in the Company's news releases of July 23, 2008 which is available on the Company's website (www.peregrinediamonds.com) and SEDAR.

A sample of approximately 200 kilograms collected from the kimberlite outcrop has been shipped to Saskatchewan Research Council Geoanalytical Laboratories for microdiamond recovery by caustic fusion. Results of the analyses are expected in August 2008.

On February 12, 2008, the Company announced that it had discovered three separate areas with high concentrations of metals indicator minerals on the Chidliak property. Highly anomalous concentrations of the platinum-bearing mineral sperrylite, the zinc-bearing mineral gahnite and the copper-bearing mineral chalcopyrite were recovered from till samples collected in 2007.

These metals results prompted the Company to apply, on a confidential basis, for prospecting permits that increased the size of the property by 50% to 980,000 hectares. Receipt of these permits was confirmed on February 1, 2008 by the Nunavut Mining Recorder.

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CRITICAL ACCOUNTING ESTIMATES AND POLICIES

A detailed description of the Company's significant accounting policies is included in Note 2 to the annual Consolidated Financial Statements for the year ended September 30, 2007.

Significant estimates used in the preparation of these financial statements include, among others, the recoverability of accounts receivable, future income tax assets and investments, the expected economic lives of and the estimated future operating results and net cash flows from mineral properties, other capital assets and property deposits.

All direct costs related to the acquisition of mineral property interests are capitalized by property. Exploration costs are charged to operations until such time as it is determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property will be capitalized.

The Company reviews the carrying values of its mineral property interests whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts. An impairment loss is recognized when the carrying value of those assets is not recoverable and exceeds their fair value.

Future income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax values, using the enacted or substantively enacted, as applicable, income tax rates at each balance sheet date. Future income tax assets also result from unused loss carry-forwards and other deductions. The valuation of future income tax assets is reviewed quarterly and adjusted, if necessary, by use of a valuation allowance to reflect the estimated realizable amount.

The Company accounts for stock options granted to directors, officers and employees using the fair value method of accounting. Accordingly, the fair value of the options at the date of the grant is determined using the Black-Scholes option pricing model, as required by generally accepted accounting principles, and stock-based compensation is accrued and charged to operations, with an offsetting credit to contributed surplus, on the basis of the vesting of the related option. Option pricing models require the input of highly subjective assumptions regarding the expected volatility. Changes in assumptions can materially affect the fair value estimate, and therefore, the existing models may not necessarily provide a realistic measure of the fair value of the Company's stock options at the date of the grant or thereafter.

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INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended September 30, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably determined at this time.

FORWARD LOOKING STATEMENTS

Except for statements of fact relating to the Company, certain information contained herein constitutes forward-looking statements. Forward-looking statements are frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate" and other similar words, or statements that certain events or conditions "may" or "will" occur. Forward-looking statements are based on the opinions and estimates of management at the dates the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include the inherent risks involved in the exploration and development of mineral properties, the uncertainties involved in interpreting drilling results and other ecological data, fluctuating commodity prices, the possibility of project cost overruns or unanticipated costs and expenses, uncertainties related to the availability of and costs of financing needed in the future and other factors described in this discussion under the heading "Outlook". The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change. The reader is cautioned not to place undue reliance on forward-looking statements.

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MINERAL PROPERTIES

Baffin Island, Nunavut

On June 29, 2005 the Company entered an agreement with BHP Billiton Diamonds Inc. ("BHPB") regarding a regional sampling program on a region known as Area 15, which covers much of Baffin Island. Under the terms of this agreement, BHPB will provide the Company technical data in order that the Company may develop areas of advanced exploration interest, in exchange, BHPB retained certain back-in rights on these properties. In May 2006, the Company and BHPB entered into a second agreement identical to the foregoing which covers other properties on any coastal islands around Baffin Island. On July 9, 2007, the Company and BHPB entered into an agreement which replaces these two original agreements (See: Falcon™ System and BHP Diamonds Rights).

Currently, the Company is undertaking exploration activity on Baffin Island and has been issued prospecting permits covering an area of over 2.7 million hectares which encompasses six project areas, Chidliak, Kimmirut, Flint Lake, Mirage Bay, Timmijuuq and Foxe Basin. Exploration programs planned for 2008 will build on previous programs conducted by BHPB and the Company during the years 2005 through 2007.

Reconnaissance-scale heavy mineral sampling programs conducted by the Company and BHPB on Baffin Island during 2005 and 2006 recovered kimberlitic indicator minerals. In addition to heavy mineral sampling, a fixed-wing aeromagnetic survey was flown using a 250 metre line spacing over the southern half of Prince Charles Island in the Foxe Basin project. This survey produced 14 generally large geophysical anomalies.

The Company's 2007 exploration program on Baffin Island began in early July 2007 and included additional heavy mineral sampling on the Chidliak and Mirage Bay properties to better define the kimberlitic indicator mineral results. 874 heavy mineral samples were collected within the Chidliak property, while 306 heavy mineral samples were collected from the Mirage Bay property. In addition, ground-based geophysical surveys, geochemical sampling over geophysical anomalies and heavy mineral sampling was undertaken on Foxe Basin with particular emphasis on the 14 geophysical anomalies previously identified from the airborne survey. 176 heavy mineral samples were collected from the Foxe Basin property. Kimberlitic indicator minerals were recovered from all three properties, most notably from Chidliak where the distribution of these mantle-derived minerals in the glacial sediments and their textures show a number of interesting patterns that are indicative of proximal kimberlite sources. The presence of unabraded surface textures and coarse mineral grains are particularly suggestive that these kimberlitic species were locally derived. For example, one sample from the central anomaly contained 246 purple peridotitic garnets, 24 orange (eclogitic and/or megacryst) garnets, 13 chrome diopsides, 89 picroilmenites and 244 forsteritic olivine grains. Of these, fragile surface textures (kelyphite or alteration mantles) were noted on 33 of the purple peridotitic garnets and 44 of the ilmenite grains as well as on some of the orange garnets and chrome diopsides, suggesting short travel distances. (See: **Kimberlite Discovery and Platinum and Base Metals Anomalies on Chidliak, Baffin Island**)

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Other reconnaissance-scale heavy mineral sampling programs conducted in 2007 by the company in select areas with previously identified heavy mineral anomalies confirmed the anomalies and aided in defining several areas of interest that were selected for permitting. On February 1, 2008, the Nunavut Mining Recorder notified Peregrine that its application for 76 prospecting permits totalling over 1.3 million hectares was accepted. Most of the permits are situated in two new property areas, Kimmirut and Flint Lake where uranium anomalies have been identified. Highly anomalous concentrations of the uranium-bearing mineral uraninite-thorianite were recovered from till samples collected in 2007. Uraninite is the principal ore mineral in most uranium mines in the world. The remaining permits are peripheral to the existing Chidliak property. Exploration targets on the Chidliak property include diamonds, nickel, copper/zinc and platinum/palladium. The approximate size of the three properties is as follows: Kimmirut, 654,000 hectares, Flint Lake 300,000 hectares and Chidliak, 984,000 hectares.

Exploration activities for the Baffin Island properties in 2008 include an airborne geophysical survey, ground geophysical surveys, heavy mineral sampling, prospecting, geological mapping and ground scintolometer surveys. Planned expenditures on the Baffin Island properties for 2008 are currently estimated to be \$1.9 million.

The recent kimberlite discovery at the Chidliak project has prompted BHP Billiton to request the expansion of the size of the current ongoing airborne geophysical survey by over 30 percent from the original 9,000 line kilometres to approximately 12,000 line kilometres. The survey extensions will be solely funded by BHP Billiton. Chidliak is owned 100% by Peregrine subject to certain back-in rights held by BHP Billiton. If BHP Billiton elects to exercise their back-in rights in the future, they will receive a credit towards their back-in costs commensurate to the cost of the survey extension. This information is available in the Company's news releases of August 7, 2008 which is available on the Company's website (www.peregrinediamonds.com) and SEDAR.

Based on the results of geophysical surveys and other work undertaken in 2007 and 2008, the Company has determined that no further exploration work will be conducted on the Mirage Bay, Foxe Basin and Timmijuuq properties on Baffin Island. Accordingly, the aggregate carrying value of these properties in the amount of \$120,000 was written off in June 2008.

Nanuq and Nanuq North Properties, Nunavut

The Nanuq property consists of 320 mineral claims covering 313,859 hectares in Nunavut, Canada.

The Company's 2007 exploration program commenced in July 2007 with a core-drilling program to test a number of high priority geophysical anomalies. Twelve drill holes, totalling approximately 2,500 metres, were completed by mid-September resulting in the discovery of three kimberlite pipes. The three kimberlites named Naturalik, Kayuu and Tudlik have estimated sizes ranging from one to approximately seven hectares. Microdiamond analyses carried out at the Saskatchewan Research Council Geoanalytical Laboratories ("SRC") in Saskatoon, SK, Canada confirmed that the three kimberlites are diamondiferous. SRC is accredited to the ISO/IEC standard for microdiamond recovery by caustic fusion.

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The table below summarizes the complete set of results received for the samples submitted from the three kimberlite pipes currently known at Nanuq.

Kimberlite	Sample Wt. (kg.)	Number of Diamonds per Sieve Size									Total Diamonds
		1.18mm	.85mm	.60mm	.425mm	.30mm	.212mm	.15mm	.106mm	.075mm	
Naturalik	705.85	0	2	1	6	17	41	57	82	108	314
Kayuu	763.50	1	2	2	24	38	74	117	150	179	587
Tudlik	88.95	0	0	2	5	12	10	29	17	37	112

This information is available in the Company's news releases of November 22, 2007 and December 4, 2007 which are available on the Company's website (www.peregrinediamonds.com) and SEDAR.

In response to the positive exploration results, an additional 62 mineral claims were staked to the west of the existing property to cover an area up-ice of the kimberlites, bringing the property to its current 201,014 hectares size. A 14,000 line-km fixed wing aeromagnetic/VLF-EM survey was flown by Tundra Airborne Surveys to cover the new claims.

Ground-based gravity surveys were completed over the Naturalik kimberlite and ground-based magnetic surveys were completed over a number of geophysical anomalies in the fall of 2007. In addition, 130 heavy mineral samples were collected to better resolve the indicator mineral dispersion in the southern part of the property; results are pending.

Exploration activities conducted on the Nanuq property in 2008 include ground geophysical survey over selected priority airborne anomalies and the staking of additional claims. A drill program had been planned, but has been deferred until 2009 to allow complete evaluation of airborne and ground geophysical data in conjunction with the indicator mineral data on the original claims and newly staked ground. The 2008 expenditures on the Nanuq property are currently estimated at \$1.2 million.

The Company has entered into an agreement with Indicator Minerals Inc. ('Indicator') and Hunter Exploration Group ('Hunter') on the Nanuq North property which consists of 51 claims covering an area of 33,090 hectares immediately north of the Nanuq property. Under the terms of the agreement, an exploration joint venture will be formed with Indicator as the operator and the Company and Indicator sharing the costs of exploration on a 50/50 basis. Hunter will retain a 20% property interest carried through the completion of scoping study and a gross overriding royalty of 2% from a core group 16 claims with an area of 13,864 hectares. Indicator and Peregrine each hold a 50% interest in the remaining 19,226 hectares.

Exploration activities planned for 2008 on the Nanuq North property include an airborne geophysical survey, ground geophysical surveying, heavy mineral sampling and limited drilling. Expenditures on the Nanuq North property for 2008 are currently estimated to be \$1,000,000, of which the Company's 50% share is \$500,000.

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WO Property, Northwest Territories

The WO Property, which contains the DO-27 diamond deposit, the diamondiferous DO-18 kimberlite pipe and a number of other kimberlites, is located approximately 300 kilometres north-northeast of the city of Yellowknife in the Northwest Territories, Canada. It comprises 14 mineral claims and 3 mineral leases covering an area of 15,107 hectares. The WO Property is not subject to the Falcon™ Back-in Rights (See: Falcon™ System and BHP Diamonds Rights). The WO property is held by the Company and its joint venture partners and the Company's current interest in this joint venture is 71.74%.

In 2005, 2006 and 2007, the Company undertook large diameter reverse circulation drill programs designed to test the previously un-sampled central portion of the DO-27 kimberlite pipe. In addition to the large diameter RC drilling programs, core drilling programs were undertaken in 2006 and 2007 at DO-27, DO-18 and the region between the two pipes in order to provide geotechnical information and to generate an independent resource estimate. The independent resource estimate was prepared by AMEC Americas Ltd. ("AMEC") and on June 24, 2008 the Company reported the results of this resource estimate which indicated a Canadian NI-43-101-compliant indicated mineral resource of 18.2 million carats in 19.5 million tonnes of kimberlite for the DO-27 kimberlite. The estimated grade of the indicated resource is 94 carats per hundred tonnes. An additional 6.5-8.5 million tonnes of kimberlite below the indicated resource was classified as a potential mineral deposit and DO-27 remains open at depth. Details of the DO-27 indicated mineral resource estimate are available in a news release dated June 24, 2008 on the Company's website (www.peregrinediamonds.com) and SEDAR.

Modelled diamond values for 2,075 carats of diamonds recovered from the DO-27 kimberlite during 2005, 2006 and 2007 ranged from US\$43 to US\$70 per carat, with a "Base Case" average of US\$51 per carat. The valuation was completed in Antwerp, Belgium under the supervision of WWW International Diamond Consultants Ltd., an internationally recognized diamond valuation and consultancy company. The valuation results are available in a news release dated December 17, 2007 on the Company's website (www.peregrinediamonds.com) and SEDAR.

The Company is currently assessing potential future development activity at the DO-27 kimberlite. No additional bulk sampling campaigns are currently planned at DO-27. It is currently estimated that the total cost for 2008 activities will be approximately \$1.7 million; the Company's 71.74% share of this estimated amount is \$1.2 million.

Although the Company's management has concluded that the development of the DO-27 project is currently not economically justifiable, both the Company and AMEC believe that there is a reasonable chance that DO-27 could support a mining operation in the future. Factors that could enhance the economics of a mining operation at DO-27 include:

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- Higher rough diamond prices.
- Possible underestimation of the average DO-27 diamond value because the current estimate is based on a parcel of only 2,075 carats.
- More favourable Canadian-US currency exchange rates.
- A diamond processing arrangement with one of the nearby diamond mines.
- Increased revenue potential from downstream cutting and polishing of DO-27 diamonds.
- Mining and processing technology advances.
- Regional infrastructure developments.
- An ultimate run of mine grade greater than the current grade estimated by reverse circulation ("RC") drill samples.

Jennifer Pell, (Ph.D., P.Geo.), Chief Geoscientist for Peregrine Diamonds Ltd., is the Qualified Person under NI 43-101, for work on the DO-27 kimberlite. Mr. Howard Coopersmith (B.Sc., P.Geo.), an internationally recognized consultant to the diamond industry, was Peregrine's external Qualified Person for the 2005, 2006 and 2007 bulk sampling programs.

Mr. Ken Brisebois (B.A.Sc., P.Eng.) and Mr. Ted Eggleston (PhD., P. Geo.) of AMEC are the independent Qualified Persons who supervised the preparation of the mineral resource estimate for the DO-27 kimberlite. Mr. Brisebois has 22 years of worldwide experience in mining resource and reserve assessments and related work and has worked on several diamond resource estimates in North America. His specialties include technical resource and reserve risk assessment, resource and reserve audits, geostatistical and geological modelling, ore and grade control and resource classification. Mr. Eggleston has more than 30 years of worldwide experience in exploration and development of mining properties including work on several diamond projects in North America.

Crosswell River Property and Weir River Property, Manitoba

Expenditures on the Crosswell River and Weir River properties for 2008 totalled \$1.1 million. Based on the results of this 2008 drill program, no further work is planned and the carrying costs of \$125,000 have been written-off in the June 2008 quarter. The Company has elected to terminate its option on the Crosswell River property and is currently reviewing the status of the Weir River property; however, the company has no present plans for further exploration work on the Weir River property.

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Lac de Gras East and Lac de Gras West, Northwest Territories

The Lac de Gras East property consists of, 81 mineral claims covering 78,153 hectares located 300 kilometres northeast of Yellowknife. The Company has earned a 65% joint venture interest in 24 of these 81 claims by making share payments to Thelon Ventures Ltd. and spending an aggregate of \$4.1 million on exploration on Lac de Gras East and West. The remaining 57 claims are owned by the Company.

The initial phase of the 2007 field program completed a total of 18 magnetic and HLEM grids within Lac de Gras East (including the WO property) resulting in 322 line-kilometres of magnetic data and 89 line-kilometres of electromagnetic data. Starting in July 2007, field crews began to ground check geophysical anomalies and collect additional heavy mineral samples at Lac de Gras East. 512 heavy mineral samples were collected. Till samples have been analyzed producing abundant kimberlite indicator minerals, with no apparent source yet discovered on the property.

The Lac de Gras West property consists of 40 mineral claims covering 34,234 hectares, located 275 kilometres northeast of Yellowknife. The Company has earned a 65% joint venture interest in 22 of these 40 claims, by making share payments to Thelon Ventures Ltd. and spending an aggregate of \$4.1 million on exploration on Lac de Gras East and West. The remaining 18 claims are owned by the Company.

The 2007 ground-based geophysical program commenced in March using the Lac de Gras West exploration camp as a base. Nineteen magnetic grids, totalling 800 line-kilometres of data, were completed over anomalies identified from the airborne data. In addition, seven HLEM surveys were completed over high priority targets. Two targets were drilled during May 2007 but no kimberlite was intersected. During July and August 2007, 350 heavy mineral samples were collected within the Lac de Gras West property. Till samples have been analyzed producing abundant kimberlite indicator minerals, with no apparent source yet discovered on the property.

The Company issued a total of 36,862 common shares and paid a total of \$44,300 in respect of commitments to a private prospecting syndicate in respect of both the Lac de Gras East and Lac de Gras West properties. In addition to the foregoing, the Company has agreed to pay a discovery bonus to the syndicate in the amount of 2,500 common shares of the Company for the first kimberlite discovered on the property and a discovery bonus of 1,250 common shares of the Company for each subsequent kimberlite discovered on the property up to a maximum of 50,000 common shares. To date, no discovery bonuses have been paid. These properties are subject to a gross overriding royalty of 2% of all diamond production; 50% of this royalty can be purchased by the Company for \$1 million.

In March and April 2008, a winter ground geophysical survey was completed on the Lac de Gras East and Lac de Gras West properties at a cost of \$400,000. No further field work is planned on these properties in 2008. Complete data evaluation is underway.

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Pellatt Lake Property, Northwest Territories

The Pellatt Lake property is located 42 kilometres northeast of BHP Diamonds' Ekati™ Diamond Mine at Lac de Gras, encompassing areas around the southern part of Pellatt Lake, Windy Lake and the northern part of Hardy Lake. The property covers an area of 29,263 hectares and consists of two packages of claims, the main block and the JPL and RESA claims. The main block consists of three claims that were acquired by DHK Diamonds Inc. ("DHK") from Kennecott Canada Exploration Inc. which maintains a 1% gross overriding royalty on these claims. These three claims have been taken to lease. Three other claims were staked in 2000 by DHK, with an additional seven claims staked in 2003 by Dentonia Resources ("Dentonia").

By way of an amending agreement entered into in March 2007, the Company has a right to earn a 51% interest in these claims by completing drill testing of certain defined target areas by December 31, 2008. The Company has a second option to earn another 14% interest in a target area by completing a 100 tonne bulk sample by the fifth anniversary of the date of the election to acquire its initial 51% interest in that target area. The Company has a third option to earn another 10% in a target area by arranging all financing to put the target area into production. Dentonia and DHK will reimburse their share of debt servicing and capital repayment out of the balance of their share of mining cash flow plus 2% above the Company's financing costs.

The remaining 15 JPL claims were staked in 2004 for the Company and are 100% owned by the Company. The Pellatt Lake property is no longer subject to the Falcon™ Back-in Rights (See: Falcon™ System and BHP Diamonds Rights).

Results from the 2006 heavy mineral sampling program undertaken at the Pellatt Lake property were used to focus the 2007 ground-based geophysical program. Twelve magnetic grids, totalling 345 line-kilometres, were completed along a WNW-trending structure and in other parts of the Pellatt Lake property. Three HLEM grids were also completed, collecting 10.4 line-kilometres of data.

Field crews based at DO-27 camp carried out a summer 2007 heavy mineral sampling program at Pellatt Lake. A total of 162 samples were collected and complete results were received in August 2007. Sampling results confirmed that the dominant mineral dispersion train was sourced along a WNW-trending structure within which the known kimberlite, PL-01 is located. A late season drill program tested three high priority magnetic anomalies and no kimberlite was intersected. There are no exploration programs currently planned on this property for 2008.

Mackay West Property, Northwest Territories

In the spring of 2006, the Company acquired 21 claims covering 18,024 hectares in the Mackay Lake West area. A total of 82 till samples were collected in the Mackay West property in July 2007 to confirm an indicator mineral anomaly recorded in the NWT assessment database. The mineral anomaly was not repeated and future activity on the property is under review.

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TW Property and IM Properties, Northwest Territories

The Company has acquired a 100% interest in certain mineral exploration claims with an aggregate area of approximately 206,400 hectares located in the Northwest Territories, Canada known as the TW and IM properties. Exploration by Peregrine suggested that these claims did not have high potential to host diamond deposits and the majority of the claims have been allowed to lapse.

In April 2006, the Company granted Viking Gold Exploration Inc. ('Viking') an option to acquire a 60% interest in a portion of the TW property consisting of 5 claims with an area of 4,772 hectares, but only with respect to gold exploration. Under the terms of this agreement, Viking must complete an airborne geophysical survey over the property by March 31, 2007 (which has been completed), incur aggregate exploration expenditures of \$1 million on the property within a period of 4 years from the date of the agreement and maintain all permits in good standing on the property for the duration of the agreement. If Viking completes \$1 million of work during the life of the option it will vest with a 60% working interest, Peregrine having the right to participate by funding the remaining 40% interest.

Falcon™ System and BHP Diamonds Rights

On July 6, 2007, the Company entered into a new Falcon™ system deployment agreement with BHP Diamonds (the "BHP Framework Agreement") which governs the Company's use of the Falcon™ airborne gravity gradiometer system as well as BHP Diamonds' rights to earn into certain mineral discoveries made by that system. In addition, the BHP Framework Agreement rationalizes the numerous joint venture, earn-in, and Falcon™ data usage and deployment agreements that existed between Peregrine and BHP Diamonds on various diamond, copper and IOCG properties located in Canada, United States, Mexico, and Peru.

Highlights of the BHP Framework Agreement include:

- Termination of BHP Diamonds' right to earn-into the WO Property, Lac de Gras East, Nanuq, Pellatt Lake, TW, IM, and US Generative Properties (as well as the Great Bear, Ica and Mexico properties owned by Peregrine Metals Ltd.) (collectively the "Royalty Properties"). These earn-in rights have been replaced with royalties in favour of BHP Diamonds as follows: 0.7% on the WO property (other than existing mineral discoveries including DO-18 and DO-27, on which no earn-rights existed and no royalties are applicable); 1% on the Great Bear property, the Pellatt Lake property, the Mexico properties and the US Generative Properties; and 2% on the Ica property, the Nanuq property and the TW and IM properties. Marketing rights in respect of diamond production in favour of BHP Diamonds also apply to the Royalty Properties for a period of three years from the date of commencement of commercial production. The royalties can be purchased by the Company, in whole or in part, at the completion of a feasibility study, for an independently determined fair market value.

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- BHP Diamonds retains the right to earn up to 58% of the Foxe Basin, Chidliak, Mirage Bay and Timmijuuq properties, and on certain other areas on Baffin Island where the Company may acquire mineral rights in the future. BHP Diamonds is also granted the right to earn up to 65% of any other mineral property which is acquired by the Company where a FalconTM survey is conducted by the Company ("Falcon Property"). To exercise its earn-in rights, BHP Diamonds must first expend US\$15 million to US\$50 million per property, depending on when the earn-in commences, to earn a 51% interest. BHP Diamonds can earn an additional 7% interest by delivering a bankable feasibility study. In the case of a Falcon Property, BHP Diamonds can purchase a further 7% interest (to bring their total to 65%) from the Company at the completion of the feasibility study at a price equal to fair market value as independently determined. Additional conditions exist for the creation of a 51-49% joint venture between the parties in the event BHP Diamonds does not earn-in beyond 51% and for different earn-in arrangements should the Company own less than 100% of any particular property prior to the commencement of a FalconTM survey. In the event BHP Diamonds elects not to exercise its earn-in right at any stage, it retains a 1% royalty on properties generated by the Company and a 2% royalty on properties generated by BHP Diamonds, together with all marketing rights in respect of diamond production for a period of three years following the commencement of commercial production on any Falcon Property.
- The Company (and affiliates) will have the right, but not the obligation, to use up to 40,000 line kilometres of FalconTM airborne gravity gradiometer surveys per year until March 31, 2010. The Company in turn granted Peregrine Metals Ltd. an option to utilize up to 20,000 line kilometres of this right per year.

PEREGRINE DIAMONDS LTD.
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RESULTS OF OPERATIONS

Selected Quarterly Data

(\$ in thousands, except per share information)

QUARTER ENDED	2008 Fiscal Year			2007 Fiscal Year			2006	
	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep
Exploration expenses	2,468	2,028	\$ 3,412	\$ 7,703	\$ 9,006	\$ 14,738	\$ 4,436	\$ 6,179
General and administrative expenses	335	441	459	510	370	511	440	343
Stock-based compensation	27	70	140	116	114	133	135	302
Depreciation	87	74	81	82	70	52	46	28
Other (Income)/expenses	216	(35)	(112)	(108)	(189)	(336)	(368)	430
Tax recovery	-	-	(1,484)	(2,730)	-	-	-	(1,559)
Net loss	3,133	2,578	2,497	5,573	9,371	15,098	4,689	5,723
Net loss per share	(0.05)	(0.05)	(0.05)	(0.11)	(0.18)	(0.30)	(0.10)	(0.12)

The changes in comparative results of operations on a quarter over quarter basis are due primarily to fluctuations in exploration expenses. There was an increase in exploration expenditures in the winter months of 2006 and 2007 owing to drilling and bulk sampling work on the DO-27 kimberlite pipe; this increase was most noticeable during the March and June 2007 quarters as the bulk sampling program undertaken during this period incorporated three large-diameter drill rigs (as opposed to two in 2006), and had a longer drilling season due to colder weather. In addition, exploration expenditures are partially offset by contributions from joint venture partners; during 2007, the Company's share of DO-27 exploration expenditures was 71.74% as compared to 54.475% in 2006. Exploration expenditures for the December 2007 and the March and June 2008 quarters have decreased over those amounts incurred in the previous five quarters as no bulk sampling work was undertaken at DO-27 during these periods.

Administrative costs have remained relatively constant over the last 8 quarters, trending upward slightly from 2006 to 2007 as a result of increased administrative staffing levels during this time. In the June 2008 quarter, administrative resources allocated and charged to Peregrine Metals Ltd. increased resulting in lower overall administrative costs for the Company for this period. Stock-based compensation charges reflect the granting and vesting patterns of the underlying stock options. The reduction in stock-based compensation in the June 2008 quarter reflects the cancellation of 2.5 million outstanding stock options in April 2008. Other income and expenses consist primarily of interest income earned on the Company's surplus cash balances. Interest income has steadily declined during the last two years in parallel with the decline in cash reserves during this period. In the September 2006 and June 2008 quarters, mineral properties were written down by \$821,000 and \$245,000, respectively, resulting in net other expenses of \$430,000 and \$216,000, respectively, for these periods. Tax recovery amounts relate to the renunciation of exploration expenses in connection with flow-through financing arrangements and occur whenever expenditures from a flow-through financing are renounced.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
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Nine Months Ended June 30, 2008**

Three Months Ended June 30, 2008 and 2007

The Company incurred a net loss for the three months ended June 30, 2008 of \$3.1 million as compared to a net loss of \$9.4 million for the same period in 2007. This change is due primarily to lower exploration expenditures resulting from decreased exploration activity during the 2008 period.

Exploration expenses during the three months ended June 30, 2008 were \$2.5 million as compared to exploration costs of \$9.0 million for the same period in 2007. During the 2008 period, exploration activities included diamond drilling on the Crosswell River and Weir River properties in Manitoba, demobilization activities at the DO-27 project, mapping and geophysical surveys on the Nanuq and Nanuq North properties and analysis and planning for the summer exploration programs at Baffin Island. During the 2007 period, the majority of expenditures were made in respect of the large diameter bulk sample programs on the DO-27 kimberlite pipe.

General and administrative expenditures (net of stock-based compensation charges and depreciation) were \$335,000 for the three months ended June 30, 2008 and \$370,000 for the same period in 2007. Legal expenses decreased by \$20,000 on a period over period basis as certain expenditures incurred in the 2007 period associated with corporate agreements were not duplicated in the 2008 period. Salary costs also decreased in the 2008 period as Peregrine Metals Ltd. utilized and paid for a greater share of corporate personnel than in previous periods. Filing fees increased during the three months ended June 30, 2008 owing to additional listing fees associated with shares issued in March 2008.

Stock-based compensation expense recorded for the 2008 quarter was \$27,000 as opposed to an amount of \$114,000 in the 2007 quarter. Stock-based compensation has also been charged to exploration costs in respect of stock options granted to those employees who are engaged solely in exploration activities. Stock-based compensation charged to exploration was \$11,000 and \$84,000 for the 2008 and 2007 quarters, respectively. These stock-based compensation amounts reflect stock options which were granted during 2008, 2007 and 2006 and the vesting patterns of these options that gave rise to the compensation expense. A portion of the decrease in stock-based compensation expense in the June 2008 quarter is also attributable to the cancellation of 2.5 million outstanding stock options in April 2008.

Based on the results of geophysical surveys, drilling and other work undertaken in 2007 and 2008, the Company has determined that no further exploration work will be conducted on the Mirage Bay and Timmijuuq properties on Baffin Island and the Crosswell River and Weir River properties in Manitoba. Accordingly, the aggregate carrying value of these properties in the amount of \$245,000 was written off in the June 2008 period.

Interest income for the three months ended June 30, 2008 was \$26,000 as compared to \$173,000 for the same period in 2007. Decreasing net cash balances is responsible for the decline in interest income from 2007 to 2008.

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Nine Months Ended June 30, 2008 and 2007

The Company incurred a net loss for the nine months ended June 30, 2008 of \$8.2 million as compared to a net loss of \$29.2 million for the same period in 2007. This change is due primarily to lower exploration expenditures resulting from decreased exploration activity during the 2008 period.

Exploration expenses during the nine months ended June 30, 2008 were \$7.9 million as compared to exploration costs of \$28.2 million for the same period in 2007. During the 2008 period, exploration activities included diamond drilling on the Crowell River and Weir River properties in Manitoba, geotechnical drilling, engineering studies and demobilization activities at the DO-27 project, mapping and geophysical surveys on the Nanuq and Nanuq North properties and analysis and planning for the upcoming summer exploration programs at Baffin Island. During the 2007 period, the majority of expenditures were made in respect of the large diameter bulk sample programs on the DO-27 kimberlite pipe.

General and administrative expenditures (net of stock-based compensation charges and depreciation) were \$1.2 million for the nine months ended June 30, 2008 and \$1.3 million for the same period in 2007. Accounting fees decreased by \$31,000 in the 2008 quarter owing to auditing fees from 2006 that were recognized in the 2007 quarter. Consulting fees of \$87,000 in the 2008 period, representing an increase of \$52,000 over the amount incurred in the 2007 period, is attributable to costs associated with analysis of the Company's systems of disclosure controls and internal controls over financial reporting. Legal expenses decreased by \$125,000 on a period over period basis as certain expenditures incurred in the 2007 period associated with corporate agreements were not duplicated in 2008; reductions were also realized through a reduction of legal work on other regulatory matters. The balance of legal fees incurred for both periods represent costs incurred in respect of general legal representation for corporate matters. Insurance premiums, primarily from directors and officers liability programs and other liability coverage, have remained relatively constant on a period over period basis.

Administrative staffing levels increased with the hiring of a new corporate President in December 2007 which resulted in an increase in salary expense for the 2008 period. Other administrative expenses, which include expenditures for office costs, supplies, information technology, communications, investor relations and travel, remained relatively constant for the nine months ended June 30, 2008 and 2007.

Depreciation charges were \$242,000 in the 2008 period and \$167,000 in the 2007 period which reflects the amortization of the cost of assets acquired during 2007. Capital assets before depreciation were \$941,000 at June 30, 2008 versus \$886,000 at June 30, 2007. Installation of an office network, additional leasehold improvements and furniture, all of which were associated with expanded office premises in early 2007, and additional exploration equipment accounted for this difference.

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Stock-based compensation expense recorded for the 2008 quarter was \$237,000 as opposed to an amount of \$383,000 in the 2007 quarter. Stock-based compensation has also been charged to exploration costs in respect of stock options granted to those employees who are engaged solely in exploration activities. Stock-based compensation charged to exploration was \$62,000 and \$211,000 for the 2008 and 2007 periods, respectively. These stock-based compensation amounts reflect stock options which were granted during 2008, 2007 and 2006 and the vesting patterns of these options that gave rise to the compensation expense. A portion of the decrease in stock-based compensation expense in the June 2008 period is also attributable to the cancellation of 2.5 million outstanding stock options in April 2008.

Interest income for the nine months ended June 30, 2008 was \$112,000 as compared to \$796,000 for the same period in 2007. Decreasing net cash balances over these two periods is responsible for the decline in interest income from 2007 to 2008.

Based on the results of geophysical surveys, drilling and other work undertaken in 2007 and 2008, the Company has determined that no further exploration work will be conducted on the Mirage Bay and Timmijuuq properties on Baffin Island and the Crosswell River and Weir River properties in Manitoba. Accordingly, the aggregate carrying value of these properties in the amount of \$245,000 was written off in the June 2008 period.

During the nine month periods ended June 30, 2008 and 2007, the Company sold investments resulting in gains of \$61,000 and \$74,000, respectively.

The issuance of flow through shares in December 2007 resulted in an estimated future income tax liability of \$1.5 million that was recorded in the December 2007 quarter. Renunciation of the expenses associated with these flow through shares in December 2007 has resulted in a recovery of these future income tax liability amounts resulting in future income tax expense recoveries recorded in the three month period ended December 31, 2007 in the amounts of \$1.5 million.

Additional flow through shares were issued in March 2008. However, the renunciation of exploration expenses associated with the funds generated from the March 2008 issue of flow through shares has not yet occurred and, accordingly, recognition of an estimated future tax liability associated with these shares and recovery of these future income tax liability amounts resulting in future income tax expense recoveries has yet to be recorded.

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LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2008, the Company had a working capital balance of \$1.9 million and cash resources of \$2.4 million. Accounts receivable at June 30, 2008 consist primarily of refundable GST, receivable amounts from vendors relating to the sale to them of surplus supplies and amounts receivable from Peregrine Metals Ltd. for shared office facilities and personnel. All amounts are current and either have been or are expected to be received during the forthcoming quarterly period.

During the three months ended June 30, 2008, the Company spent \$1.7 million on operations and \$400,000 on mineral property payments. Cash inflows during this period consisted of \$250,000 from the refund of a letter of credit held in security for the demobilization of drill rigs at DO-27.

At August 12, 2008, the Company had a working capital balance of approximately \$1.3 million. Budgeted expenses for the balance of 2008 are estimated to be \$2.9 million, consisting of exploration expenditures of \$2.2 million and general and administrative and capital expenditures of \$724,000.

The Company does not currently earn any revenue from its planned operations. The Company does not have sufficient financial resources to undertake all of its currently planned exploration programs, 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 venture of projects. The Company will need to obtain additional financing in an amount in excess of \$2 million during 2008 in order to fund its planned 2008 exploration activities. Although the Company has in the past been successful in obtaining financing through the sale of equity securities, there can be no assurance that funding will be available in 2008 or future periods or on terms favourable to the Company. Failure to obtain additional financing in 2008 would result in the delay or indefinite postponement of further exploration or development of the Company's properties and possibly result in loss of properties. For further discussion on management of the Company's capital risk, see Note 2 to the interim financial statements for the nine months ended June 30, 2008.

PEREGRINE DIAMONDS LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Nine Months Ended June 30, 2008

RELATED PARTY TRANSACTIONS

Legal fees are paid to a firm with which a director of the Company is associated. The Company has utilized the services of this firm since incorporation and for the nine months ended June 30, 2008 and 2007 has incurred costs of \$68,000 and \$191,000, respectively.

In connection with the flow through and Unit financings in December 2007 and March 2008, the Company paid finder's fees of \$246,000 to a Company with whom a director is associated and \$42,000 for legal services to a firm with which a director of the Company is associated.

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares without par value. As at August 12, 2008: 64,660,075 common shares were issued and outstanding; 7,585,500 share purchase options were outstanding; and warrants to purchase an aggregate of 1,245,000 common shares were outstanding. On a fully diluted basis, 73,490,575 common shares would be outstanding.

As at August 12, 2008, there were no common shares or share purchase options subject to escrow restrictions.

RISK FACTORS

The business of mineral exploration and extraction involves a high degree of risk. Few properties that are explored are ultimately developed into production. At present, none of the Company's properties has a known body of commercial ore. Material risks and uncertainties affecting the Company, their potential impact, and the Company's principal risk management strategies, are as follows (for a comprehensive discussion of the Company's financial risks, see Note 3 to the interim financial statements for the nine months ended June 30, 2008):

- *Additional Funding Requirements* - The further development and exploration of the various mineral properties in which it holds interests depends upon the Company's ability to obtain financing through joint ventures, debt financing, equity financing or other means. There can be no assurance that the Company will be successful in obtaining any required financing as and when needed. Depressed markets for precious gems may make it difficult, or impossible, for the Company to obtain debt financing or equity financing on favourable terms, or at all. Failure to obtain additional financing on a timely basis may cause the Company to postpone its development plans, forfeit rights in some or all of its properties or reduce or terminate some or all of its operations.

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- *Uncertainties related to mineral resource estimates* – There is a degree of uncertainty attributable to the calculation of mineral resources and corresponding grades being mined or dedicated to future production. Until resources are actually mined and processed, the quantity of resources and grades must be considered as estimates only. In addition, the quantity and value of reserves or resources may vary, depending on commodity prices. Any material change in the quantity of resources, grades or stripping ratio may affect the economic viability of the Company's properties. In addition, there can be no assurance that recoveries in small-scale laboratory tests will be duplicated in larger-scale tests under on-site conditions, or during production. Determining the economic viability of a diamond project is complicated and involves a number of variables. It involves extensive geostatistical analysis due to the highly variable nature of diamond distribution in kimberlite pipes and the fact that both diamond grade and average diamond value play important roles in determining the viability of any given diamond deposit. Since no two diamonds are exactly alike, a significant parcel of diamonds is needed to gain the confidence levels on diamond size distribution and average diamond value necessary to make any realistic decisions regarding future development.
- *Price volatility* – Commodity prices are subject to volatile price changes from a variety of factors, including international economic and political trends, expectations of inflation, global and regional demand, currency-exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods.
- *Currency risks* – *The bulk of the Company's exploration and planned operational costs are incurred in Canadian dollars. Proceeds from diamond sales, should successful operations be achieved in future years, would be received in U.S. dollars. During 2007, the Canadian dollar strengthened appreciably against its U.S. counterpart. Should this trend continue or be maintained at current exchange levels, planned operations could be detrimentally affected or may result in the inability of the Company to place certain properties into production due to eroded sales proceeds relating to this exchange difference. The Company currently operates only in Canada and all but a minimal amount of its monetary financial instruments are denominated in Canadian dollars. As such, the Company considers this risk to be minimal.*
- *Limited production history* - The Company has paid no dividends on its common shares since inception and does not anticipate doing so in the foreseeable future. To date, the Company has not received any cash flow generated from operations. All exploration projects of the Company will need funding from the Company. The Company has a limited operating history and there can be no assurance of its ability to operate its projects profitably. While the Company may in the future generate additional working capital through the operation, development, sale or possible joint venture of its properties, there is no assurance that the Company will be capable of producing positive cash flow on a consistent basis or that any such funds will be available for exploration and development programs.

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- *Uninsurable risks or self-insured risks* –Exploration, development and production operations on mineral properties involve numerous risks, including unexpected or unusual geological operating conditions, rock bursts or slides, fires, floods, earthquakes or other environmental occurrences, and political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any further profitability and result in increasing costs and a decline in the value of the securities of the Company. The Company does not maintain insurance against political or environmental risks.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

There have been no changes to internal control over financial reporting or in any other factors during the period ended June 30, 2008, that have materially affected, or are reasonably likely to materially affect internal control over financial reporting.

OUTLOOK

The Company's long term strategy is to find an economic mineral deposit by way of exploration. The Company will continue to investigate options for the development of its 71.74% interest in the nine hectare diamondiferous DO-27 kimberlite pipe located 23 kilometres from the Diavik Diamond Mine in the NWT, Canada. Exploration in 2008 will focus on the Nanuq project, where the Company recently announced the discovery of 3 diamondiferous kimberlites, and the Chidliak project on Baffin Island where the Company recently announced the discovery of a kimberlite outcrop. The Company will continue to identify and evaluate prospective diamond exploration and development projects in Canada and around the world as they arise.

August 12, 2008