

# **PEREGRINE DIAMONDS LTD.**

**Annual Information Form  
For the Year  
Ended September 30, 2008**

**December 15, 2008**

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## **CORPORATE STRUCTURE**

### **Name, Address and Incorporation**

Peregrine Diamonds Ltd. (the “Company” or “Peregrine”) was incorporated under the Canada Business Corporations Act (“CBCA”) on November 19, 2002 under the name “Kettle Point Resources Ltd.”. On April 8, 2003, the Company changed its name to “Peregrine Diamonds Ltd.”

On October 14, 2005, the shareholders of the Company adopted new bylaws of the Company and the Company amended its articles of incorporation to identify the rights and restrictions of its authorized shares and to remove the requirement for prior directors’ consent for share transfers.

The Company is a mineral exploration company with mineral interests presently consisting of diamond exploration properties located in Nunavut, the Northwest Territories, and Manitoba in Canada. In its search for diamonds, Peregrine has a secondary focus on exploration for metals deposits. The Company is a reporting issuer in each of British Columbia, Alberta and Ontario and the common shares of the Company are listed and posted for trading on the TSX under the trading symbol "PGD".

The Company’s head office and its registered and records office is located at Suite 201—1250 Homer Street, Vancouver, British Columbia V6B 1C6.

The Company has no material subsidiaries.

### **GENERAL DEVELOPMENT OF THE BUSINESS**

Peregrine is a mineral exploration company with interests presently consisting of diamond exploration properties located in Nunavut, the Northwest Territories and Manitoba in Canada. Peregrine’s primary exploration properties are the Chidliak diamond property on Baffin Island and the Nanuq diamond property in Nunavut. Other mineral exploration properties include the WO diamond project in the Northwest Territories (the “WO Property”), diamond and metals exploration properties on Baffin Island known as Kimmirut and Flint Lake, diamond exploration properties known as the Lac de Gras East, Lac de Gras West, TW and Pellatt Lake in the Northwest Territories, the Nanuq North diamond exploration property in Nunavut, and the Weir River diamond exploration property in Manitoba.

Peregrine holds a 100% interest in the Chidliak Property, subject to rights held by BHP Billiton Diamonds Inc. to acquire up to a 58% interest. BHP Billiton Diamonds Inc. forms part of a group of companies of which BHP Billiton Inc. and BHP Billiton Plc. are the ultimate holding companies (the group is collectively referred to herein as “BHP Billiton”)

Peregrine holds a 100% interest in the 313,859 hectare Nanuq Property, subject to a 2% gross production royalty in favour of BHP Billiton on 47% of the area of the Property. BHP Billiton retains all marketing rights in respect of all rough diamonds extracted from such 47% area of the Nanuq Property for a period of three years from the commencement of commercial production. Peregrine retains all marketing rights for the remaining 53% of the Property.

Peregrine holds a 71.85% interest in the WO Property, which hosts the DO-27 kimberlite pipe with an indicated resource of 18.2 million carats of diamonds. The WO Property is subject to gross overriding royalties of 0.55%, 0.25%, and 1% in favour of Aberex Minerals Ltd. (“Aber”), SouthernEra Resources Ltd.

(“SouthernEra”) and Kennecott Canada Inc. (“Kennecott”), respectively. BHP Billiton also retains a 0.7% gross production royalty on the balance of the WO Property (which excludes existing mineral discoveries at DO-27 and the DO-18 kimberlite, on which no rights to acquire exist in favour of BHP Billiton and no royalties are payable to BHP Billiton). Peregrine also holds 97.92% of the diamond marketing rights from any diamond production from the WO Property for the first five years of commercial production.

## **History**

### Inception to 2005

At inception, Peregrine assembled a portfolio of mineral property interests in Canada, Mexico and South America by way of acquisition or option agreements with third parties, including BHP Billiton, and through staking. The properties in the Northwest Territories and Nunavut represented Peregrine’s potential diamond-producing properties (“Diamond Assets”) and the other properties located principally in Mexico and South America represented potential copper, gold, silver, lead and other metals-producing mineral properties (“Metals Assets”).

#### *WO Property*

In April 2004, Peregrine acquired a 38.475% interest in the WO Property from BHP Billiton. In accordance with the terms of the agreement between Peregrine and its joint venture partners governing the WO Property, Peregrine subsequently increased its interest in the WO Property to 54.475%.

#### *Corporate Reorganization*

On October 14, 2005, Peregrine completed a corporate reorganization (the “Spin-Out”) whereby it separated its Metals Assets from its Diamond Assets by transferring all of its direct and indirect interests in all of the Metals Assets to Peregrine Metals Ltd. (“Peregrine Metals”), its subsidiary. To complete the Spin-out, Peregrine distributed all of the outstanding common shares of Peregrine Metals to the shareholders of Peregrine by way of return of capital and Peregrine Metals ceased to be a subsidiary of Peregrine.

### 2006 and 2007

#### *Stock Exchange Listings*

In January 2006, Peregrine’s common shares were listed on the TSX Venture Exchange after a business combination (the “Business Combination”) with Dunsmuir Ventures Ltd. (“Dunsmuir”), a TSX Venture Exchange-listed company engaged in the exploration for diamonds primarily in North America. Pursuant to the Business Combination, Peregrine issued common shares in exchange for outstanding shares of Dunsmuir and Peregrine issued convertible securities in exchange for outstanding convertible securities of Dunsmuir. As a result of the Business Combination, the securityholders of Dunsmuir became securityholders of Peregrine, and Dunsmuir was amalgamated with a wholly-owned subsidiary of Peregrine.

On August 24, 2006, Peregrine graduated to the TSX where the common shares of Peregrine are now listed and traded.

### *Financing Activities*

Concurrently with the Business Combination, a \$50 million special warrant financing was completed which, in accordance with the terms of the Business Combination, resulted in the issuance by Peregrine of 10,000,000 common shares and 5,000,000 common share purchase warrants.

Between February and November 2007, Peregrine undertook a normal course issuer bid under which it purchased an aggregate of 1,722,900 common shares at market prices averaging \$1.98 per share for a total cost of \$3,409,301. All shares purchased by Peregrine have been cancelled.

In March 2007, Peregrine completed private placements by issuing a total of 3,200,000 common shares (issued on a “flow-through” basis pursuant to the Income Tax Act (Canada) (“ITA”)) at a price of \$2.50 per share for gross proceeds of \$8.0 million.

In December 2007, Peregrine completed a private placement by issuing 3,952,745 common shares (issued on a “flow-through” basis pursuant to the ITA) at a price of \$1.10 per share for gross proceeds of approximately \$4.3 million.

### *WO Property*

In December 2006, Peregrine’s interest in the WO Property increased to 71.743% when certain joint venture partners failed to make their respective cash call contributions in respect of the WO Property.

Peregrine’s 2007 bulk sample program resulted in 2,651 wet tonnes (approximately 2,520 dry tonnes) of kimberlite being extracted from the DO-27 kimberlite by large diameter RC drilling. Processing results indicated that the 2007 bulk sample average modelled grade for the Main Lobe pyroclastic kimberlite (PK) was 0.89 carats per tonne (89 carats per hundred dry tonnes), confirming Peregrine’s previous bulk sample estimates of 0.90 carats per tonne in 2005 and 0.88 carats per tonne in 2006. This Main Lobe PK lithology represented at least 80% of the DO-27 kimberlite complex.

Results from preliminary kimberlite scrubbing tests indicated that the kimberlite can be pre-concentrated using simple, relatively inexpensive, water-based scrubbing technology with minimum crushing, thus increasing the diamond grade of the resulting concentrate.

To December 2007, Peregrine had spent \$28 million on the winter 2007 large diameter RC drilling work at DO-27, of which the Company’s 71.743% share of this amount was \$20 million. In addition to the large diameter RC drilling programs, core drilling programs had been undertaken in 2006 and 2007 at DO-27, DO-18 and the region between the two kimberlite pipes in order to provide geotechnical information and to generate an independent resource estimate. For the fiscal year ended September 30, 2007, \$4.3 million had been spent on geotechnical and geological drilling at DO-27.

Modelled diamond values for the 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. These valuation results, along with the updated grade and geological information, was used to complete an internal Preliminary Technical Assessment on the WO Property in June 2008.

### *Chidliak Property*

In February 2007, Peregrine acquired 35 prospecting permits covering 587,603 hectares on the Hall Peninsula of Baffin Island, Nunavut, Canada, situated approximately 150 kilometres northeast of Iqaluit, capital of Nunavut. These permits would later constitute part of the Chidliak Property.

### *Nanuq Property*

Through the Business Combination with Dunsmuir, Peregrine acquired 144 claims originally staked by Dunsmuir covering approximately 146,552 hectares in an area located in the Western Churchill Province, Nunavut, Canada, situated 170 km north of the town of Chesterfield Inlet and 225 km east-northeast of the town of Baker Lake. In September 2007, Peregrine staked an additional 62 claims covering 54,462 hectares in the area.

## 2008

### *Financing Activities*

In March 2008, Peregrine completed private placements by issuing an aggregate of 7,106,000 common shares at a price of \$0.44 per share (issued on a “flow-through” basis pursuant to the ITA), and an aggregate of 2,490,000 units at a price of \$0.40 per unit, for gross proceeds of approximately \$4.1 million. Each unit was comprised of one common share and one-half of one common share purchase warrant, with each whole common share purchase warrant entitling the holder thereof to purchase one common share at a price of \$0.50 for a period of 12 months from the date of issuance.

In September 2008, Peregrine completed a private placement by issuing 5,306,407 common shares (issued on a “flow-through” basis pursuant to the ITA) at a price of \$0.53 per share for gross proceeds of approximately \$2.8 million.

### *Chidliak Property*

In early 2008, Peregrine announced the discovery of three separate areas with high concentrations of kimberlitic indicator minerals and a number of metals indicator mineral anomalies on the Chidliak Property. The results recovered from till samples collected in 2007 prompted Peregrine, in February 2008, to obtain prospecting permits that increased the size of the Chidliak Property by 50% to 983,833 hectares.

Between July and September 2008, Peregrine discovered three kimberlites, CH-1, CH-2 and CH-3, in outcrop and subcrop, through an airborne geophysical survey and ground prospecting conducted on the Chidliak Property.

The two kimberlite outcrops, CH-1 and CH-2, were estimated as having surface expressions of six and three hectares, respectively. CH-2 was located 1.5 km from CH-1.

The CH-3 kimberlite, located approximately 12 km from CH-1, was represented by a collection of kimberlite cobbles and boulders discovered within the boundaries of a semi-circular geophysical anomaly. The field crew discovered the kimberlite cobbles and boulders over an area of approximately 500 square metres near the edge of the anomaly. The anomaly is interpreted to represent a kimberlite pipe. The kimberlite material is described as being magmatic with abundant kimberlite indicator minerals including pyrope garnet and olivine, and a large elongated mantle xenolith measuring approximately 25 by 10 centimetres.

Representative surface samples from three different CH-1 kimberlite units, 1A, 1B and 1C were processed for diamonds by caustic fusion analysis. Sample 1B weighed 94.9 kg and returned 146 diamonds larger than the 0.075 mm sieve size, including 10 diamonds larger than the 0.600 mm sieve size, an indication of a favourable coarse diamond size distribution. Sample 1A weighed 100.0 kg and returned 44 diamonds larger than the 0.075 mm sieve size including two diamonds larger than the 0.600 mm sieve size. Sample 1C weighed 94.0 kg and returned 184 diamonds larger than the 0.075 mm sieve size including 15 diamonds larger than the 0.600 mm sieve size.

In October 2008, Peregrine reported the discovery of diamonds in the CH-2 and CH-3 kimberlites. A 356.6 kilogram surface sample from CH-2 yielded 372 diamonds larger than the .075 mm sieve size including three diamonds larger than the 0.600 mm sieve size. A 253.7 kilogram surface sample from CH-3 yielded 189 diamonds larger than the 0.075 mm sieve size.

In November 2008, Peregrine reported the discovery of a 2.01 carat, gem quality, clear colourless octahedron diamond in a 2.28 tonne sample collected from the CH-1 kimberlite during the 2008 summer field season. The 2.28 tonne mini-bulk sample was collected by hand from the surface of CH-1 and yielded 168 diamonds larger than the 0.425 mm sieve size, including 34 commercial-size diamonds larger than the 0.85 mm sieve size weighing a total of 3.55 carats. The diamond content of the 2.28 tonne sample for diamonds larger than the 0.85 mm sieve size is 1.56 carats per tonne ("cpt"). The diamond content of the 2.28 tonne sample for the 16 diamonds larger than the 1.18 mm sieve size weighing 3.25 carats is 1.43 cpt.

On November 24, 2008, BHP Billiton exercised its right pursuant to the BHP Framework Agreement (as further described below) to acquire an interest in the Chidliak Property. BHP Billiton can acquire a 51% interest in the Chidliak Property by funding, over a period of five years, five times the exploration expenditures that have been incurred by Peregrine, with minimum annual expenditures of \$5 million. In order to acquire a 51% interest, BHP Billiton is to incur a total of \$22.3 million in future exploration expenditures over five years, with a minimum commitment of \$8.9 million.

#### *Nanuq Property*

In July 2008, Peregrine staked an additional 114 mineral claims covering 112,844 hectares at the Nanuq Property increasing the size of the property to 313,859 hectares.

#### *Nanuq North Property*

In the summer of 2008, Peregrine discovered a new kimberlite, NQN-001, estimated at 4.5 hectares in size, on the Nanuq North Property. Diamond results for the kimberlite discovery are pending. The 33,100 hectare Nanuq North Property is situated just north of the Nanuq Property. Exploration expenditures on the Nanuq North Property are currently funded on a 50/50 basis by Peregrine and Indicator Minerals Inc. ("Indicator"). Under the terms of a letter agreement, the Hunter Exploration Group retains a 20% interest and Peregrine and Indicator each retain 40% interests in 13,864 hectares of claims. Peregrine and Indicator each have an undivided 50% interest in the remaining 19,226 hectares of claims at Nanuq North.

#### *WO Property*

In June 2008, Peregrine reported on an indicated mineral resource of 18.2 million carats in 19.5 million tonnes of kimberlite for the nine hectare DO-27 kimberlite. The estimated grade of the indicated resource was 94 carats per hundred tonnes ("cph"). The resource estimate was prepared by AMEC E&C Services Limited ("AMEC"), an internationally recognized engineering firm with extensive experience in evaluating advanced

diamond projects. An additional 6.5-8.5 million tonnes of kimberlite below the indicated resource was classified as a potential mineral deposit and DO-27 remained open at depth.

In September 2008, Peregrine's interest in the WO Property increased to 71.85% when a joint venture partner failed to make a scheduled cash call contribution in respect of the WO Property.

#### *Other*

In June 2008, Peregrine and Peregrine Metals entered into a letter of intent for the purpose of effecting a business combination whereby the two companies would merge to form a new multi-commodity resource company to be called "Peregrine Resources Ltd.". The Boards of Peregrine and Peregrine Metals formed special committees for the purpose of negotiating a mutually acceptable share exchange ratio and making recommendations to their respective Boards.

In November 2008, the respective Boards of Peregrine and Peregrine Metals mutually agreed to terminate discussions to effect the business combination between the two companies. The Special Committee of Peregrine cited the recent developments and exploration results relating to Peregrine's Chidliak Property, including the exercise of the right to acquire an interest in the Chidliak Property by BHP Billiton, as the primary reason for terminating the merger discussions.

#### **Falcon™ System and BHP Billiton Rights**

Pursuant to an agreement dated December 11, 2002 (the "BHP Falcon Agreement") with BHP Billiton, the Company was granted certain exclusive rights until September 30, 2006 to utilize BHP Billiton's Falcon™ System in exchange for which BHP Billiton became entitled to certain back-in rights on mineral properties over which the Falcon™ System would be deployed.

The Falcon™ System is an airborne geophysical system that incorporates a gravity gradiometer as well as a stinger magnetometer, differential GPS, radar and baro altimeters, and laser topographic and radiometric scanners, all of which are operated from a Cessna Grand Caravan aircraft. The Falcon™ System generates a continuous set of data streams as the aircraft flies at speeds up to 180 kilometres per hour. The Falcon™ System is the first high-resolution gravity gradiometer capable of direct mineral deposit detection under certain conditions. The purpose of using this system is to screen very large areas for mineral occurrences at a speed that is orders of magnitude faster than ground-based gravity surveys. This provides the Company with the possibility to "fly and drill" in the same field season on certain projects and under certain conditions.

On July 6, 2007, and amended September 10, 2007, the Company entered into a new Falcon™ system deployment agreement with BHP Billiton (the "BHP Framework Agreement") which governed Peregrine's use of the Falcon™ airborne gravity gradiometer system as well as BHP Billiton's rights to acquire an interest in certain mineral discoveries made by that system. In addition, the BHP Framework Agreement rationalizes the numerous joint venture, back-in, and Falcon™ data usage and deployment agreements that existed between Peregrine and BHP Billiton 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 Billiton's right to back-in to the WO Property, Lac de Gras East, Nanuq, Pellatt Lake, TW, IM, and certain areas in the United States ("US Generative Properties") (as well as the Great Bear, Ica and Mexico properties owned by Peregrine Metals) (collectively the "Royalty Properties"). These back-in rights have been replaced with royalties in favour of BHP Billiton as

follows: 0.7% on the WO Property (other than existing mineral discoveries including DO-18 and DO-27, on which no rights to acquire existed and no royalties are applicable); 1% on the Great Bear property, the Pellat 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 Billiton 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.

- BHP Billiton retains the right to acquire up to 58% of the Chidliak, Kimmirut, Flint Lake, Foxe Basin, Mirage Bay and Timmijuuq properties, and on certain other areas on Baffin Island where the Company may acquire mineral rights in the future. To exercise its acquisition rights, BHP Billiton must first expend over a period of five years, five times the exploration expenditures incurred by Peregrine, with a minimum of US\$15 million to a maximum of US\$50 million per property, depending on when the earn-in commences, to acquire a 51% interest. BHP Billiton can acquire an additional 7% interest by delivering a bankable feasibility study. Additional conditions exist for the creation of a 51-49% joint venture between the parties in the event BHP Billiton does not acquire beyond 51%. In the event BHP Billiton elects not to exercise its acquisition right at any stage, it retains a 1% royalty on properties generated by the Company and a 2% royalty on properties generated by BHP Billiton. Under certain circumstances, BHP Billiton can retain all marketing rights in respect of diamond production for a period of three years following the commencement of commercial production.
- Peregrine (and its affiliates) will have the right, but not the obligation, to use up to 40,000 line km of Falcon™ airborne gravity gradiometer surveys per year until October 1, 2009. Peregrine in turn granted Peregrine Metals an option to utilize up to 20,000 line km of this right per year.
- During 2008, BHP Billiton negotiated the sale of its Falcon™ airborne gravity gradiometer system to a third party. On November 21, 2008, Peregrine entered into an agreement with the third party whereby Peregrine will continue to have access to the Falcon™ system until October 1, 2009. On December 11, 2008, Peregrine and BHP Billiton entered into an amended and restated BHP Framework Agreement whereby BHP Billiton retains all its existing acquisition rights on properties currently owned by Peregrine but will have no acquisition rights, royalty rights or any other rights to any property where the Company conducts a Falcon™ survey in the future.

## DESCRIPTION OF MINERAL PROPERTIES

### CHIDLIAK PROPERTY

*Jennifer Pell, Ph.D, P. Geo. prepared a technical report on the Chidliak Property in accordance with National Instrument 43-101 - Standards of Disclosure for Mineral Projects (“NI 43-101”) dated November 28, 2008 titled “The Chidliak Property, Baffin Region, Nunavut” (the “Chidliak Property Technical Report”). Dr. Pell is a qualified person within the meaning of NI 43-101, but she is not independent of Peregrine by reason of her employment as Chief Geoscientist of Peregrine.*

#### Incorporation of Information by Reference

The summary from the Chidliak Property Technical Report is reproduced herein and, for the purposes of the disclosure of the Chidliak Property required under section 5.4 of Form 51-102F2 – *Annual Information*

*Form*, the disclosure contained in the Chidliak Property Technical Report, a complete copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com), is incorporated by reference into this Annual Information Form.

#### Summary of Chidliak Property (extracted from the Chidliak Property Technical Report)

The Chidliak Property consists of 60 prospecting permits covering 983,833 hectares (2,431,103 acres) located on the Hall Peninsula of Baffin Island, approximately 150 kilometres northeast of the town of Iqaluit at 64° 28' 26" N latitude and 66° 21' 43" W longitude. Thirty-five of the permits were acquired by Peregrine in February 2007. The remainder were acquired by Peregrine in February 2008. All are valid for 3 years (until Jan. 31, 2010 and 2011, respectively).

Chidliak is held 100% by Peregrine and falls under the BHP Framework Agreement, whereby BHP Billiton has certain rights of acquisition.

On November 24, 2008, BHP Billiton elected to exercise its right to acquire an interest in the Chidliak Property. The BHP Framework Agreement provides that BHP Billiton can acquire a 51% interest in Chidliak by funding, over a period of five years, five times the exploration expenditures that have been incurred by Peregrine, with minimum annual expenditures of \$5 million. In order to acquire a 51% interest, BHP Billiton is to incur a total of \$22.3 million in future exploration expenditures on the Chidliak Property over five years, with a minimum commitment of \$8.9 million.

Once BHP Billiton has acquired an initial 51% interest, it will then have a one-time option to acquire an additional seven percent (7%) interest in the Chidliak Property by sole-funding the complete costs of a bankable feasibility study. If this option is exercised, the resulting ownership interests in any potential mine would be BHP Billiton 58% and Peregrine 42%. If BHP Billiton does not elect to exercise the second option, BHP Billiton and Peregrine will advance the project maintaining their respective 51% and 49% interests. If BHP Billiton elects to exercise this second option but fails to complete the feasibility study as required by the agreement, Peregrine, under certain conditions, will have the right to complete the bankable feasibility study to acquire a 58% interest in the Chidliak Property.

If BHP Billiton elects to exercise the second option and completes the feasibility study as required by the agreement, BHP Billiton will retain all marketing rights for all rough diamonds during the first 3 years of commercial production. Alternatively, if BHP Billiton elects to exercise the second option but fails to complete the bankable feasibility study as required by the agreement and Peregrine has funded the full costs of completing the feasibility study and completes the feasibility study in accordance with the agreement, Peregrine will retain all marketing rights for all rough diamonds during the first 3 years of commercial production. If Peregrine has funded its pro-rata share of completing the feasibility study, Peregrine shall have the marketing rights to its share of diamonds at the commencement of production.

Much of the Chidliak Property comprises upland surfaces and stepped plain or dissected upland surfaces. Glacial tills are found throughout the area, generally as thin veneers on bedrock. Ice flow directions in the area are dominated by the Hall Ice Divide, parallel to the length of the peninsula, with the primary ice flow direction parallel to the ice divide and then emanating to the north and south away from it.

The majority of the Chidliak Property is believed to be underlain by Archean and Proterozoic Ramsay River Orthogneisses. Inliers of strata correlated with the Paleoproterozoic Lake Harbour Group occur in north-south trending, discontinuously mapped belts on the property. The majority of the mapped Lake Harbour Group rocks on the property are metasediments; however, two small areas of Lake Harbour Group mafic igneous rocks and one area of Lake Harbour Group ultramafic rocks have been mapped on the property. Rocks of the 1.86 to 1.85 Ga Cumberland Batholith occur along the western margin of the property.

A 2005 reconnaissance till sampling survey of the southern Baffin Island by BHP Billiton and Peregrine encountered kimberlite indicator minerals ("KIMs") on the Chidliak Property, prior to which there had been no reported diamond exploration in the area. Peregrine completed a follow-up sampling program in 2006

and again positive results were obtained. These results prompted Peregrine to apply for prospecting permits which were granted in February 2007. Eight hundred and sixty-nine indicator mineral samples were collected in 2007 and additional permits were applied for and obtained in February 2008. In 2008, an additional 221 till samples were collected for KIMs and heavy minerals associated with base and precious metal deposits. Three areas with anomalous KIMs have been outlined, a highly anomalous area in the south-central part of the property and two weaker anomalies, one to the north and one to the east of the main anomalous area.

In 2008, Fugro Airborne Surveys Inc. was contracted by Peregrine to fly a helicopter-borne DIGHEM™ survey over three blocks. The position of the blocks was defined to cover the three distinct and well-defined KIM anomaly areas with coarse kimberlite indicator minerals and containing indicator minerals with unabraded surface textures suggesting local sources. A total of 11,700 line kilometres was flown. Preliminary data interpretation was done in the field as the survey was ongoing. Ground prospecting of priority geophysical anomalies led to the discovery of three kimberlites, CH-1, 2 & 3, in outcrop and subcrop. Caustic fusion analysis of nearly 900 kilograms of material collected indicate that all three kimberlites are significantly diamond bearing. The CH-1 results indicate excellent potential for a population of commercial size diamonds. Of particular note is the sample of CH-1B, where six diamonds greater in size than a 0.85 mm screen size, weighing 0.157 carats, were recovered from a 94.9 kg sample. With geophysical surface expressions estimated at six, three and two hectares respectively, CH-1, CH-2 and CH-3 need to be evaluated by drilling and more kimberlite sampling to accurately determine the geology, volume and diamond content of the different kimberlite phases.

Due to the encouraging initial results from CH-1, a 2.28 tonne mini-bulk sample was collected and 168 diamonds larger than the 0.425 mm sieve size, including 34 commercial-size diamonds larger than the 0.85 mm sieve size weighing a total of 3.55 carats were recovered. The diamond content of the 2.28 tonne sample for diamonds larger than the 0.85 mm sieve size is 1.56 carats per tonne ("cpt"). The diamond content of the 2.28 tonne sample for the 16 diamonds larger than the 1.18 mm sieve size weighing 3.25 carats is 1.43 cpt. These diamond results provide support to the initial caustic fusion diamond results for a 288.9 kilogram sample that indicated a coarse diamond size distribution within the CH-1 kimberlite. A coarse diamond size distribution is often a favourable indicator for the ultimate average diamond value of a kimberlite. It must however, be noted that the diamond content of the samples collected to date may not be fully representative of the overall diamond grade of the CH-1 kimberlite due to a number of factors including the limited area of the surface of the kimberlite from which the samples were collected and the relatively small size of the samples. The largest diamond in the 2.28 tonne sample of CH-1 was a 2.01 carat gem quality white/colourless diamond.

The evaluation of exploration data generated thus far from the Chidliak Property has resulted in the discovery of over 170 kimberlite-type geophysical anomalies, many with signatures similar to that of the CH-1 kimberlite. This supports the likelihood that additional diamond-bearing kimberlites with large tonnage potential will be discovered.

Significant base and precious metal anomalies have also been identified at Chidliak. In 1996 and 1997, an area of Hall Peninsula, including some the ground now covered by the Chidliak Property was briefly prospected for magmatic Ni-Cu-PGE (Voisey Bay and Raglan-type), metamorphosed SEDEX and VMS Pb-Zn and Pb-Zn-Cu, and lode gold deposits and a few minor showings identified, but extensive work was not completed. Work by Peregrine has resulted in the discovery of anomalous concentrations of gahnite, a zinc spinel that is commonly found in metamorphosed massive sulphide ("MMS") deposits in till samples. Loëllingite (an iron arsenide), arsenopyrite and molybdenite, all of which are minerals that can be associated with MMS deposits, were also recovered from some samples. Sperrylite, a platinum arsenide, in highly anomalous concentrations was noted in a number of samples. Other minerals that can be associated with Ni-Cu-PGE deposits, such as green chrome garnet, were also recovered in a number of samples. As well, some samples were notably anomalous with respect to gold or chalcopyrite.

The kimberlite discoveries made by Peregrine at the Chidliak Property in 2008 have established a new Canadian diamond district. It is very early in the cycle of evaluation for this district. Based on the

information derived from the first three discoveries and property-wide exploration data, the author of the Chidliak Property Technical Report believes that the property has good exploration potential. There is the potential for the property to host one or more kimberlites that have a favourable combination of grade and tonnage to warrant economic evaluation. Future exploration should focus primarily on identifying new kimberlites and evaluating their diamond potential as well as assessing the kimberlites discovered in 2008. As well, exploration for metamorphosed massive sulphide, magmatic Ni-Cu-PGE mineralization and other precious metals is warranted.

## **NANUQ PROPERTY**

*Jennifer Pell, Ph.D, P. Geo. prepared a technical report on the Nanuq Property in accordance with National Instrument 43-101 - Standards of Disclosure for Mineral Projects (“NI 43-101”) dated November 26, 2008 titled “Technical Report on The Nanuq Property Kivalliq Region, Nunavut” (the “Nanuq Property Technical Report”). Dr. Pell is a qualified person within the meaning of NI 43-101, but she is not independent of Peregrine by reason of her employment as Chief Geoscientist of Peregrine.*

### Incorporation of Information by Reference

The summary from the Nanuq Property Technical Report is reproduced herein and, for the purposes of the disclosure of the Nanuq Property required under section 5.4 of Form 51-102F2 – *Annual Information Form*, the disclosure contained in the Nanuq Property Technical Report, a complete copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com), is incorporated by reference into this Annual Information Form.

### Summary of Nanuq Property (extracted from the Nanuq Property Technical Report)

The Nanuq Property consists of 320 mineral claims covering 313,859 hectares (775,563 acres), located in the Western Churchill Province. The centre of the property is 170 km north of the town of Chesterfield Inlet and 225 km east-northeast of the town of Baker Lake at 90° 30' W longitude and 65° 15' N latitude. The property is held 100% by Peregrine, subject to a 2% gross production royalty in favour of BHP Billiton on 47% of the area of the Property. BHP Billiton also retains all marketing rights in respect of all rough diamonds extracted from such 47% area of the Nanuq Property for a period of three years from the commencement of commercial production.

Nanuq is located within the Rae domain of the Western Churchill Province and is underlain primarily by Archean tonalite-granodiorite-granite gneiss and Archean or Paleoproterozoic (Aphebian) biotite gneiss, migmatite, and granite. Rocks in the Nanuq region have been divided into three major supracrustal belts. The Wager Bay Shear Zone cuts through the north central part of the property in an east-west direction and is the dominant structural element observed. It is a near-vertical-dipping shear zone that displays dextral movement. The property is located within, and to the southeast of, the Keewatin Ice Divide. Undifferentiated surficial materials, which consist mainly of tills, cover bedrock. Two esker systems traverse the area; one trends in an east-southeast direction and a second more dominant system is southeast-trending. In the southern part of the area glacial striae indicate that ice flow was in a general southeasterly direction. On the northern part of the property, northerly ice flow directions have been recorded.

KIM sampling by BHP Billiton as part of a regional reconnaissance program detected the presence of KIMs in the Nanuq area. Additional work between 2002 and 2005 defined several southeast-trending dispersion plumes dominated by chrome pyrope, eclogitic garnet and chrome diopside with some forsterite olivine and chromite, but no ilmenite. Olivine-dominated dispersion plumes were also identified. The mineral chemistry showed evidence of sampling within the diamond stability field by the presence of pyrope garnets (both G10's and G9's), and diamond inclusion field eclogitic garnets and diamond inclusion field chromites. Clinopyroxene thermobarometry indicated a cool geotherm for the Nanuq

mantle, approximately 34 to 35 mW/m<sup>2</sup>, which is similar to what is found for the Slave Province and also indicated that mantle within the diamond stability field was tapped.

An airborne magnetometer survey was flown in the fall of 2003 over part of the property and in 2004, a Falcon™ airborne gravity gradiometric survey was flown over parts of the area. In 2007 an airborne magnetic survey was flown over previously unsurveyed claims, resulting in complete airborne magnetic coverage of the property at that time. Ground geophysical surveys (magnetic, electromagnetic and gravity) have been completed over a number of the anomalies. Airborne and ground geophysical surveys identified and confirmed the presence of numerous geophysical anomalies most of which remain untested.

In May, 2004 seven drill holes totalling 520 metres were drilled to test five geophysical anomalies. All targets tested were on a single geophysical grid. No kimberlites were intersected.

In 2007, 2,502 metres of NQ diamond drilling was completed in 12 holes to test three geophysical targets. Three kimberlites, Kayuu, Tudlik and Naturalik, were discovered. Kayuu is estimated to be approximately five hectares in size and has complex internal geology. It was intersected by five drill holes. The bulk of the Kayuu pipe fill comprises volcanoclastic kimberlite (“VK”) arranged in numerous massive to crudely bedded depositional packages that occur as six spatially and lithologically distinct units. Many of the VK units show evidence of being resedimented; one unit is enigmatic and displays both fragmental and coherent textures. Naturalik is located approximately five kilometres east of Kayuu and is estimated to be around six hectares in size. It was intersected by six drill holes. Naturalik is filled by two contrasting textural varieties of kimberlite: two phases of coherent kimberlite (“CK”) and subordinate variably fragmental VK. Tudlik is located approximately 200 metres southwest of Kayuu. Tudlik is smaller than Naturalik and Kayuu at approximately one hectare in size, and was intersected with only a single drill hole. It appears to be infilled with a single phase of VK, distinctly different than the phases in either Kayuu or Naturalik. All three pipes have been tested and all are diamond-bearing.

In 2008, 303 line-kilometres of data were collected on 14 ground magnetometer grids and 572 line-kilometres of data were collected on a sled-magnetometer grid. Four horizontal-loop electromagnetic grids were surveyed for a total of 31 line-kilometres.

The kimberlite discoveries made by Peregrine at Nanuq in 2007 have established a new Canadian diamond district. It is very early in the cycle of evaluating this district. Based on the information derived from the first three discoveries and property-wide exploration data, the author of the Nanuq Property Technical Report believes that the property has good exploration potential. There is the potential for the property to host one or more kimberlites that have a favourable combination of grade and tonnage to warrant economic evaluation. Future exploration should focus primarily on identifying new kimberlites and evaluating their diamond potential. To accomplish this, additional till sampling, mapping, prospecting, ground geophysical surveys, diamond drilling and drill core analysis is recommended.

## **WO Property**

*AMEC prepared the technical report dated August 7, 2008 titled “Peregrine Diamonds Limited, DO-27 Diamond Project, Northwest Territories, Canada” (the “WO Property Technical Report”) in accordance with NI 43-101. The WO Property Technical Report is co-authored by Ken Brisebois (B.A.Sc., P.Eng.) and Ted Eggleston (PhD., P. Geo.) of AMEC, who are both independent Qualified Persons within the meaning of NI 43-101.*

### Incorporation of Information by Reference

The summary from the WO Property Technical Report is reproduced herein and, for the purposes of the disclosure of the WO Property required under section 5.4 of Form 51-102F2 – *Annual Information Form*, the disclosure contained in the WO Property Technical Report, a complete copy of which is available on SEDAR

at www.sedar.com, is incorporated by reference into this Annual Information Form.

Summary of WO Property (extracted from the WO Property Technical Report)

**Property Description and Location**

The WO Property is located approximately 300 kilometres north-northeast of the city of Yellowknife in the Northwest Territories, Canada to the southeast of the Diavik™ Diamond Mine, centred at approximately 64° 20' N latitude and 109° 50' W longitude. It comprises 14 mineral claims and 3 mineral leases covering 15,107 hectares. The claims and leases are in three main groups and one individual claim.

Ownership of the WO Property is held pursuant to a letter agreement dated December 6, 2002, as amended 30 September 2004 and 13 June 2005, among Peregrine Diamonds Ltd. and its joint venture partners.

The WO Property ownership is currently as follows:

- Peregrine Diamonds Ltd. (Peregrine) – 71.848%;
- DHK Diamonds Inc. (DHK) – 10.643%;
- Archon Minerals Inc. (Archon) – 17.509%.

DHK is collectively owned by Dentonia Resources Ltd. (Dentonia), Horseshoe Gold Mining Inc. (Horseshoe Gold) and Kettle River Resources Ltd. (Kettle River).

On April 21, 2004, Peregrine bought a 38.475% interest in the property from BHP Billiton Diamonds Inc. (BHPB). The acquisition came with an option to increase the interest to 54.475% upon the completion of a mini bulk sample on the DO-27 pipe, which occurred in 2005.

On December 9, 2006, Peregrine's interest in the WO Property increased to 71.743%, DHK was diluted to a 10.774% participating interest and each of Aber's and SouthernEra's property interests converted into a gross overriding royalty (GOR).

On September 30, 2008, Peregrine's interest in the WO Property increased to 71.848%, Archon's interest increased to 17.509% and DHK was diluted to a 10.643% participating interest.

Aber presently holds a 0.55% GOR and SouthernEra has a 0.25% GOR.

Kennecott Canada Inc. (Kennecott) retains a 1% GOR.

Peregrine holds 97.92% of the diamond marketing rights from any WO Joint Venture diamond production.

Peregrine is the operator of all work programs pertaining to the WO Property.

**Accessibility, Climate, Local Resources, Infrastructure, and Physiography**

Access to the area is from Yellowknife, which is the main staging area for all operations in this region. Most necessary services can be obtained in Yellowknife. Access is commonly via fixed wing aircraft equipped with wheels, floats, or skis, depending on the season. From approximately mid-January to mid-April access is provided via a winter ice road which connects Yellowknife with the Lupin Gold Mine and the Diavik™ and Ekati™ Diamond Mines. This road passes within 11 km of the DO-27 kimberlite.

The property is located within the Canadian Arctic tundra, or barren lands. For the majority of the year, the area is covered with ice and snow. Summer begins in June, when melting commences and by October winter has returned. Temperatures range from highs of around 25 °C during the brief summer months, to winter lows of -45 °C which are often magnified by strong, constant winds. Daylight varies from nearly 24 hours in the summer to only a few hours per day during the winter.

DO-27 is located within a small stream fed valley that contains a small lake (approximately 1 km<sup>2</sup>), informally referred to as Tli Kwi Cho Lake, below which lies most of the kimberlite pipe. The stream, which flows into Tli Kwi Cho Lake from the north, is intermittent with high volume flow during the summer, due to melt water and diminishing to a small trickle by fall. Tli Kwi Cho Lake has an average depth of approximately 4 m and drains south into Thonikied Lake. Low granitic hills with sporadic frost heave outcrop and subcrop that have a maximum elevation of 30 m above lake level.

For the current and recommended exploration activities, potential processing plant sites, tailings and waste storage and disposal sites and other mining related issues are not relevant. However, sufficient water and appropriate facility sites appear to be present. Land use permits for the current and recommended program are in hand.

## **History**

The original claims within which the DO-27 kimberlite occurs (WO claims) were staked by representatives of DHK in February of 1992, following the announcement, by BHP and DiaMet, in the fall of 1991 of the diamond discovery at Point Lake. DHK shareholders were Dentonia Resources Ltd (Dentonia, 33%), Horseshoe Gold Ltd. (Horseshoe Gold, 33%) and Kettle River Resources (Kettle River, 33%). The claims were then optioned to Kennecott, SouthernEra, and Aber, who exercised the option, leaving DHK with a carried interest.

Since the claims were first staked, exploration has consisted of geophysical studies, core and reverse circulation drilling, and underground developments.

In 2004, Peregrine acquired BHPB's interest in the property. Peregrine exploration at DO-27 consists of core and large diameter reverse circulation drilling in 2005, 2006, and 2007.

## **Geological Setting**

The WO claims lie within the Slave Structural Province of the Northwest Territories, northern Canada, which is an Archean segment of the North American Craton. The Slave Province can be subdivided isotopically into an eastern and a western domain. Kimberlites intrude granites, supracrustal rocks and, in some cases, diabase dykes (Pell, 1995, 1997) in both the eastern and western parts of the Slave Province. To date, all economic and near economic kimberlites, including those at Ekati™, Diavik™, Gahcho Kué, and Jericho are located in the eastern Slave Province.

Subsequent to kimberlite emplacement, the area was covered by the Laurentide ice sheet during the Late Wisconsinan glaciation, which climaxed about 20,000 years B.P. Till is the most prominent surficial sediment type in the Slave Geological Province. Glaciofluvial deposits, eskers and outwash plains, are also present in the Slave Province. In the Lac de Gras area, eskers are mainly west and northwest trending.

Two major rock types occur on the property, medium- and high-grade Archean metaturbidites and two-mica post-deformational granites. All of the kimberlites discovered to date on the property, including DO-27 and DO-18, which lies 800 m north of DO-27, intrude the granites. DO-27 does not outcrop; it is overlain by 23-50 metres of till consisting of angular granitic boulders, gravel, sand, silt and clay and is mostly covered by Tli Kwi Cho Lake with an average depth of approximately four metres and is approximately one km<sup>2</sup> in size. Till thickness at DO-18 is between five and twenty metres on average.

The main DO-27 pipe is asymmetrical in shape, with a steep western margin and a shallower eastern margin in the northeastern part of the pipe. The irregular shape of the pipe and complex geology in the northeastern zone has been interpreted to suggest that two separate but related eruptions could have been involved in pipe formation.

DO-27 consists primarily of KIMB-1, a pyroclastic kimberlite (PK). KIMB-1 is commonly light to medium green in colour. It is extremely altered and the upper 100 m generally displays extremely poor mineral and textural preservation. This lack of preservation is most notable towards the centre of the pipe, with preservation improving towards the margins. KIMB-1 is clast-supported, moderately well-packed, and is dominated by single olivine grains over juvenile lapilli, comprising approximately 60-70% olivine.

KIMB-2 is the second most volumetrically important kimberlite (KIMB-2) is interpreted to be magmatic in origin and may be related to the magmatic sheets (dikes and sills) common immediately north of the DO-27 pipe. KIMB-2, where intersected in the vicinity of the northeastern lobe, is granite-rich (>25%), with a brownish to greenish kimberlite base and white to light green altered granitic clasts.

KIMB-3 is a complex unit of volcanoclastic kimberlite that contains several sub-divisions that cannot always be correlated between drill holes. To date, it has been observed only in the northeastern lobe of DO-27 where it comprises approximately 20% of the kimberlite (approximately 2% of the whole body), locally underlying KIMB-1. It is variable in colour from green to black and highly variable in grain size, sorting and xenolith content with some units (KGB – kimberlite-granite breccia) containing > 30% granite boulders up to 2 m in size.

KIMB-P is volcanoclastic, possibly re-sedimented, kimberlite infilling the DO-27 pipe which cannot be further subdivided into KIMB-1 or KIMB-3. It is present in low volumes at the pipe margins in many areas of the kimberlite. It contains variable amounts of dilution, and can have 15% mud as xenoliths and within the matrix.

### **Deposit Type**

DO-27 is a diamondiferous kimberlite pipe similar to others found in the Canadian arctic, South Africa, and Russia.

### **Mineralization**

Mineralization on the property consists of kimberlite intrusions containing diamonds.

### **Exploration**

Exploration at DO-27 consists of geophysical surveys and core and reverse circulation drilling. A short underground development was driven into the edge of the pipe, but geotechnical problems prevented intersection of the main pipe. Core drilling was used primarily to define the extents of the pipe and as pilot holes for reverse circulation drilling which was used to produce a bulk sample of the pipe.

### **Drilling**

Drilling at DO-27 consists of 66 HQ and NQ core holes (17,337 m) and 46 large diameter reverse circulation holes (8,843 m). Core drilling was utilized to define the limits of the pipe to about 350 m depth, as pilot holes for the large diameter RC program, and to collect material for metallurgical tests. Large diameter RC drilling (LDD) was used to collect bulk samples of the kimberlite. A total of 6,678 m of kimberlite were intersected in the LLD holes.

## **Sampling Method and Approach**

Drill core was sealed in core boxes at the drill site once it was “quick-logged” by the project geologist to determine if it was kimberlite. Core was then transported directly to the secure onsite core logging facility where geotechnical logs were completed. All holes containing kimberlite were then securely boxed and shipped via wheel or float plane to Peregrine’s core logging facility in Yellowknife for detailed examination. Prior to logging, a complete photographic record of each core hole was taken. After the macroscopic log was completed, representative samples for petrography were selected from each core hole such that geology of each hole could be reconstructed from these samples. Drill holes were sampled for macro- and micro diamonds and submitted for caustic fusion analysis as deemed necessary. Sampling was done to industry standards by or under the supervision of Margaret Harder of Mineral Services Canada.

Bulk samples were collected by Peregrine in the winters of 2005, 2006 and 2007 by large diameter reverse circulation drilling. Protocols for this work were developed by Peregrine and its consultants, and are described in detail in Coopersmith and Pell (2007). At logical breaks during the drilling and immediately after the RC hole was completed, a calliper survey of the hole was completed to allow the volume of extracted kimberlite to be calculated. In 2005 and 2007, Century Wireline Services (Century) of Tulsa, Oklahoma performed three-arm calliper surveys. In 2006, DGI Geosciences Inc. of Toronto, Ontario performed the calliper measurements. Wherever possible, these logical breaks defined sample breaks.

Bulk samples were collected using 1,300 L capacity double-layer bags. In 2005, +0.85mm material was collected and in 2006-2007, +1mm material was collected and sent for processing. The undersized material does not contain diamonds of commercial value and went into a mud tank and then taken to the onsite sump. Once a bag was filled it was sealed with a tamper evident security seal and transported to the Ekati™ Sample Plant for processing. A strict chain of custody procedure was observed when samples were shipped to the Ekati™ plant.

## **Sample Preparation, Analysis, and Security**

All core sent for macro- and microdiamond analysis was placed in polyurethane bags which were sealed and put into 20 L pails that were sealed with tamper evident lids which, in turn, were secured with a uniquely numbered security seal. Once the samples were security sealed, they were shipped via float plane to Yellowknife and put on pallets and shrink wrapped. They were then transported by truck to Saskatchewan Research Council (SRC) of Saskatoon, Saskatchewan, Canada, an ISO/IEC 17025 accredited lab. The caustic fusion method of diamond extraction was employed SRC.

All whole core sent for metallurgical testing was wrapped and protected by bubble wrap, placed in polyurethane bags that were sealed, and put into 20 L pails that were sealed with tamper proof lids which, in turn, were secured with a uniquely numbered security seal. Once the samples were security sealed, they were shipped via wheel or float plane to Yellowknife and put on pallets and shrink wrapped. They were then transported by truck to SGS Mineral Services (SGS) in Lakefield, Ontario.

Bulk samples were collected using 1,300 L capacity double-layer bags with a 35" (0.89 m) x 35" (0.89 m) square bottom and 41" (1.04 m) high panels on each side. Each bag was labelled on two sides with a felt marker. Individual samples were prepared at the drill by treatment over a vibrating screen to remove the minus 1mm (square mesh) undersize material. This undersize material does not contain diamonds of commercial value. Drill cuttings that passed over the 1 mm vibrating dewatering/de-sliming screen were collected in the sample bags, which were placed at the end of this screen. Only the +1mm material was collected and sent for processing. The -1mm material went into a mud tank and then taken to the onsite sump. Once a bag was filled it was sealed with a tamper evident security seal.

The Ekati™ Sample Plant is a small-scale diamond recovery plant that was used to process the bulk samples. It is a secure facility with dedicated security staff, security procedures, and multiple layers of physical security measures in place. Additional security procedures were put in place for handling of the Peregrine

samples, as these are outside samples to BHPB. The facility had restricted and controlled access, physical searches, surveillance equipment, and security staff continually present and monitoring the operation. Strict chain of custody was followed. Ekati™ personnel had only limited access, under security presence and surveillance, to final x-ray or grease concentrates for sealing purposes. Observation and sorting of these concentrates was handled strictly by Peregrine representatives (Peregrine QPs and senior staff under QP supervision, using the two person rule), under Security surveillance. Concentrates were accessed and stored through the Ekati™ two person secure storage mentioned above. Howard Coopersmith reviewed and observed Ekati™ security procedures and operations, and received copies of, and reviewed, all security reports and documentation. No tampering or suspicious circumstances were noted during the handling of the Peregrine bulk samples and products at any point.

### **Data Verification**

AMEC monitored and verified data that were to be used for resource estimation. All data in the database were checked and double checked. Discrepancies were resolved immediately. AMEC believes that the database is adequate for resource estimation.

### **Adjacent Properties**

The WO Property is situated at the southern border of the Diavik™ Mine property. The DO-27 kimberlite itself is 23 km southeast of the Diavik™ Mine site. All mineral leases to the north of the WO property are held by Diavik™ Diamond Mines Inc. Other active mineral claims and leases in the immediate area are held by North Arrow Mines Ltd., ATW Resources Ltd., Shear Minerals Ltd., Slave District Exploration Ltd, and SouthernEra Diamonds. No information or data is available or relied upon from adjacent properties for this report, nor is any direct relationship with any mineralization on adjacent properties implied.

### **Mineral Processing and Metallurgical Testing**

Sample processing protocols were developed specifically for Peregrine's requirements and the use of the Ekati™ Sample Plant. The Ekati™ Sample Plant was used by Peregrine for the 2005, 2006 and 2007 sample processing. AMEC visited the Sample Plant in 2005 to observe operations during DO-27 sample processing, and reported on their findings and recommendations (AMEC Americas, 2005). Howard Coopersmith was present at the Ekati™ plant for the processing of several complete DO-27 samples and audits, and to assess protocol compliance, metallurgical operations, efficiency, and security. A complete processing report was provided by BHPB. The Ekati™ Sample plant recovered diamonds down to a minus 1.0 mm bottom cut off, using primarily 1 mm x 14 mm slotted screens.

After the concentrate was produced, final diamond recovery operations were performed by Howard Coopersmith assisted by Jennifer Pell and Jim Crawford of Peregrine. Sorting procedures and protocols are presented in Appendix 5 of Coopersmith and Pell (2007). Ekati™ personnel performed all sample processing and recovery operations until the final product (x-ray diamond recovery machine and grease table products). These products were labelled and securely stored for Peregrine personnel who performed all final concentrate handling and sorting. Ekati™ personnel were not party to any final recovery operations or results; however, all operations were conducted in view of security cameras monitored by security personnel.

### **Mineral Resource and Mineral Reserve Estimates**

The three dimensional model of the DO-27 kimberlite and the tonnage and resource calculations are based on data from 66 core holes (17,300 metres) and 46 large diameter (35-61 cm) reverse circulation ("RC") holes totalling 8,800 metres and sample results for a cumulative 3,200 dry tonnes of bulk sample material collected from the RC holes. The tonnage for each block was calculated by multiplying the interpreted volume by a specific gravity determined from a three dimensional density model developed by AMEC. The density model

was based on 507 specific gravity measurements on drill core from throughout the body performed by Global Discovery Labs in Vancouver. Recovered macro-diamond results at a 1mm lower cutoff were used to interpolate grades into 25x25x15m blocks. Ordinary kriging was used to estimate the block grades. The Vulcan© mine modelling software system was used to create the resource model.

Detailed analysis of the diamond size distributions led to an adjustment process to account for known differences in the diamond recovery regimes between drill campaigns. Study of these data showed that the distributions were affected by year-to-year treatment plant recovery differences. AMEC used factors derived from industry standard recovery studies to adjust the distributions before their use in the resource estimation. Adjustments derived from these analyses for conversion of individual sample cpht values were 1.33 for 2007 data (addresses deficiency of small stones due to treatment plant differences) and 1.11 for 2006 data (adjusts for a small degree of deficiency of large stones).

AMEC used a base case from the various Lerchs-Grossman (LG) pit shell optimization runs to establish a shell within which the resource can be classified. Both a “Scrubonly and a “Stand-alone” operation were investigated. For a Scrub-only operation, a kimberlite concentrate with a grade that could approach up to ten times that of run of mine material would be produced at DO-27 by conventional open-pit mining, crushing and scrubbing techniques. The resulting concentrates would be shipped elsewhere for diamond recovery. For a Stand-alone operation, rough diamonds would be recovered at the site by way of a conventional open-pit mining and diamond processing facility. AMEC has used the Scrub-only, LG case as the basis for the resource estimate. This case uses the ‘high’ diamond value from the WWW evaluation work. Based on project and resource modelling work to date, AMEC considers the kimberlitic material contained within the resource shell to be an Indicated Mineral Resource (Table 17.3). The base elevation of the material lies within adequate proximity of RC drilling where diamond sampling has occurred. These data have been used to estimate and value the resource. AMEC relies on the opinion of WWW for the valuation of the diamonds. AMEC has reviewed the work and is of the opinion that the parcel, spatial location, and valuations are adequate for supporting the Indicated Mineral Resource classification.

Sampling issues with the RC drilling, however, have necessarily led to a resource model where local variations in block grades may not be fully reflected in the resource block estimates. The Indicated Mineral Resource classification must therefore carry the important caveat that it can only be converted to a Reserve without the use of cutoffs or mining selectivity assumptions. Any future Reserve conversion process must treat the Indicated Mineral Resource from this long-range resource model as a bulk-mining target with no opportunity for selective mining alternatives.

There has been no Inferred Mineral Resource declared at this time given the results of the resource shell runs. It is clear from the resource shell results however, that changing conditions may result in a declaration of an Inferred Mineral Resource in the future.

The tonnage reported below (Table 1.1) lies within the resource shell and the modelled KIMB-1 boundary and is reported as undiluted kimberlite only (or partial block tonnes). The tabulation does not include mixed kimberlitic material that occurs between the KIMB-1 and KIMB-P boundary.

**Table 1-1: DO-27 Mineral Resources**

	<b>Tonnes (1,000,000's)</b>	<b>Carats (1,000,000's)</b>	<b>Grade (cpt)</b>
<b>Indicated Resource</b>	19.5	18.2	0.94

AMEC has identified a 6.5-8.5 Mt of potential mineral deposits grading in the range of 0.9-1.0 cpt beneath the Indicated Resource. The potential quantity and grade of the DO-27 potential mineral deposit is conceptual in nature and there has been insufficient exploration to define a mineral resource. It is uncertain whether additional exploration will result in the target being delineated as a mineral resource.

## Other Relevant Data and Information

Peregrine contracted WWW Diamond Consultants International (WWW) of London to obtain valuations and perform price modeling. WWW are recognized international leaders in this field. M.M. Oosterveld, a professional mining engineer was also contracted to give an independent price model.

The 2007 individual sample goods were combined on the basis of geology to give four parcels for valuation: Parcels PDL07-03 and 04 from KIMB-1 in the main lobe of DO27; Parcel PDL07-01 from KIMB-1 in the northeast lobe of DO-27; and Parcel PDL0702 from other lithologies mixed with KIMB-1, at the base of the northeast lobe of DO27 (Table 16-2).

Results of the valuation are summarized in Table 1-2.

**Table 1-2: Summary of WWW Diamond Valuations for DO-27**

Bulk Sampling Program	Weight Of Valuation Sample (Carats) <sup>(1)</sup>	Largest Diamonds (Carats)	“Base Case” Diamond Price Model (US\$/Carat) <sup>(2)</sup>	“High” Diamond Price Model (US\$/Carat) <sup>(2)</sup>	“Low” Diamond Price Model (US\$/Carat) <sup>(2)</sup>
2007	1,566	9.45, 7.03, 6.03, 5.17, 4.84, 4.35, 4.19	\$52	\$72	\$39
2006/2005	509 <sup>(3)</sup>	7.11, 3.91, 2.34	\$46	\$62	\$41
Combined	2,075 <sup>(4)</sup>		\$51	\$70	\$43
<sup>(1)</sup> Sample weights represent the total carat weight of diamonds presented for valuation following the combination of individual sub-samples and after acid cleaning.					
<sup>(2)</sup> As determined by WWW International Diamond Consultants Ltd.					
<sup>(3)</sup> Values from the WWW October, 2006 price book, as reported by Peregrine on November 6, 2006.					
<sup>(4)</sup> The combined sample was re-valued and modelled based on the WWW October 31, 2007 price book.					

WWW believes it is highly unlikely that the modelled average price will be lower than the minimum values and that the high values should not be considered maximum values. The modelled average price is extremely sensitive to the value of large diamonds so there is a high degree of uncertainty in the modelled value of the larger stones that would be expected in a production scenario.

## Additional Requirements on Development Properties

None at this time.

## Conclusions

DO-27 is a diamondiferous kimberlite pipe in the Northwest Territories of Canada. It has been explored in detail to a depth of about 250 m by a combination of core and large diameter reverse circulation drilling. Drilling employed industry-standard procedures and protocols. Large diameter reverse circulation drilling was used to produce bulk samples that were then processed at the Ekati™ sample plant using standard procedures and protocols. Diamond valuation was performed by WWW International Consulting and reviewed by M.M. Oosterveld, a recognized expert in diamond evaluations. AMEC has been involved with, and reviewed all aspects of the exploration and is of the opinion that it has been performed to industry standards. These data are the basis for an estimation of the mineral resource at DO-27.

## Recommendations

Peregrine management has decided that development of the DO-27 project is currently not economically justifiable. However, AMEC believes 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:

- 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.
- Favorable 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

To that end, AMEC recommends that Peregrine:

- Monitor rough diamond prices and periodically have the parcel re-evaluated.
- Assess engineering advances that might make a scrub-only more attractive or that would reduce capital and operating costs for other scenarios, making them more attractive.
- Ensure that mining leases covering DO27 and adjacent areas are kept in good standing.

The budget for these activities will amount to a few thousand dollars per year and is thus not itemized here.

## Other Properties

In addition to its interest in the Chidliak, Nanuq and WO Properties, Peregrine also holds various diamond and metals exploration properties on Baffin Island known as Kimmirut and Flint Lake, diamond exploration properties known as the Lac de Gras East, Lac de Gras West, TW and Pellatt Lake in the Northwest Territories and the Nanuq North diamond exploration property in Nunavut. **These properties are considered by Peregrine not to be material for the purposes of this Annual Information Form. These properties are presently in the exploration stage and are without a known body of commercial ore or economic deposit of diamonds.**

### Baffin Island, Nunavut

Under the terms of the BHP Framework Agreement, BHP Billiton can acquire a 51% interest in certain properties that have been acquired by Peregrine by funding, over a period of five years, five times the exploration expenditures that have been incurred by the Company, with minimum annual expenditures of \$5 million. After they have acquired a 51% interest in a property, BHP Billiton has a one-time option to acquire

an additional 7% percent interest in the property by sole-funding the complete costs of a bankable feasibility study. If this option is exercised, the resulting ownership interests in any property would be BHP Billiton 58% and Peregrine 42%.

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 properties: Chidliak, Kimmirut, Flint Lake, Mirage Bay, Timmijuuq and Foxe Basin.

The Company's 2007 exploration program on Baffin Island included heavy mineral sampling on the Mirage Bay property to better define the kimberlitic indicator mineral results. 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.

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 activities for the other Baffin Island properties in 2008 included heavy mineral and geochemical sampling, prospecting, geological mapping and ground scintolometer surveys. Planned expenditures on the other Baffin Island properties for 2009 are currently estimated to be approximately \$250,000.

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.

### **Nanuq North Property, Nunavut**

In 2005, the Company 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% undivided interest in the remaining 19,226 hectares.

Exploration activities for 2008 at Nanuq North property included an airborne geophysical survey, ground geophysical surveying and limited drilling. The Company's share of expenditures at the Nanuq North property for 2008 are currently estimated to be \$500,000.

In June an airborne geophysical survey was completed over a portion of the Nanuq North property. On September 3, 2008, Peregrine and Indicator announced the discovery of a new kimberlite, NQN-001, estimated at 4.5 hectares in size. The kimberlite was discovered during a short percussion drilling campaign. Diamond results are pending for a representative 150 kilogram sample of drill cuttings sent to the Saskatchewan Geoanalytical Laboratories.

### **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 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 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 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 Company has agreed to pay a discovery bonus to a prospecting 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 programme was completed on the Lac de Gras East and Lac de Gras West properties at a cost of approximately \$450,000. Complete data evaluation is ongoing.

### **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").

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 (which has been done). 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 Company is reviewing the results of the Pellatt Lake drill program and has until March 31, 2009 to declare its intention to acquire the 51% interest under the First Option.

The remaining 15 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).

There are no exploration programs currently planned on this property for 2008 or 2009.

### **TW Property and IM Properties, Northwest Territories**

The Company 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. Based on the results of geophysical surveys and other work undertaken in 2005 and 2006, the Company has determined that no further diamond exploration work is warranted and, with the exception of the claims discussed below, all claims will be allowed to lapse.

In April 2006, the Company granted Viking Exploration Inc. ('Viking') an option to acquire a 60% interest in the Company's right in the TW property with respect to gold exploration. Under the terms of this agreement, Viking must complete an airborne geophysical survey over the property by December 31, 2006 (which has been completed), incur aggregate exploration expenditures of \$1 million on the property (of which \$195,000 has been spent) within a period of 4 years from the date of the agreement and maintain all permits on the property in good standing for the duration of the agreement.

### **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. As the mineral anomaly was not repeated, the Company plans no future activity on the property and will allow the claims to lapse.

### **Crosswell River Property and Weir River Property, Manitoba**

Expenditures on the Crosswell River and Weir River properties during 2008 totalled \$1.1 million. Based on the results of this 2008 drill program, no further work is planned on these properties and the carrying costs of \$125,000 have been written-off during the year ended September 30, 2008. The Company has elected to terminate its option on the Crosswell River property and two of the three mineral exploration licenses ("MEL") on the Weir River property. The Company has entered into a revised option agreement with the vendor regarding the remaining MEL on the Weir River property whereby the remaining property payments and expenditure obligations have been extended for a period of two years. Accordingly, the Company will maintain its interest in one of the MELs for the forthcoming two year period in order to continue to analyze its potential for kimberlites and base metals anomalies.

### **Risk Factors**

In evaluating the Company and its business, the following risk factors should be considered in addition to the other information contained herein.

#### **Financing Risks**

Peregrine's financial resources are limited. Substantial financial resources and sources of operating cash flow will be required in order to advance the exploration and development of Peregrine's mineral properties. There can be no assurance that Peregrine will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such financing could result in delay or indefinite postponement of further exploration and development of mineral exploration projects with the possible loss of such properties.

## Exploration and Mining Risks

None of the mineral properties held by Peregrine contains a known body of commercial ore or economic deposit of diamonds. Development of the mineral properties depends on satisfactory exploration results. Mineral exploration and development involves a high degree of risk and few properties which are explored are ultimately developed into producing mines. The long-term profitability of the operations of Peregrine will be in part directly related to the cost and success of exploration programs, which may be affected by a number of factors beyond its control. Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which Peregrine has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of diamonds, any of which could result in work stoppages, damage to property, and possible environmental damage. Hazards such as unusual or unexpected formations and other conditions such as formation pressures, fires, power outages, labour disruptions, flooding, explosions, cave-ins, landslides and the inability to obtain suitable adequate machinery, equipment or labour are involved in mineral exploration, development and operation. Peregrine may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. The payment of such liabilities may have a material, adverse effect on its financial position.

Peregrine will continue to rely upon consultants and others for exploration and development expertise. Substantial expenditures are required to establish reserves through drilling, to develop processes to extract the diamonds and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. The economics of developing mineral properties are affected by many factors including the cost of operations, variations in the grade of diamonds mined, fluctuations in markets, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. The remoteness and restrictions on access of certain of the properties in which Peregrine may have an interest will have an adverse effect on profitability in that infrastructure costs will be higher.

## Uninsurable Risks

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and Peregrine may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of Peregrine.

## Regulatory Requirements

Even if mineral properties held by Peregrine are proven to host economic reserves of diamonds, precious metals or non-precious metals, factors such as governmental expropriation or regulation may prevent or restrict mining of any such deposits. Exploration and mining activities may be affected in varying degrees by government policies and regulations relating to the mining industry. Any changes in regulations or shifts in political conditions are beyond the control of Peregrine and may adversely affect its business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation and mine safety.

## No Assurance of Titles

In those jurisdictions where Peregrine has property interests, searches of mining records are carried out in accordance with mining industry practices to confirm satisfactory title to properties in which it holds or intends to acquire an interest, but do not obtain title insurance with respect to such properties. The possibility exists that title to one or more of the properties, particularly title to undeveloped properties, might be defective because of errors or omissions in the chain of title, including defects in conveyances and defects in locating or maintaining such claims or concessions. The ownership and validity of mining claims and concessions are often uncertain and may be contested.

Peregrine has taken and will continue to take all reasonable steps, in accordance with the laws and regulations of the jurisdictions in which their properties are located, to ensure proper title to its properties and to properties it may acquire in the future, either at the time of acquisition or prior to any major expenditures thereon. This, however, should not be construed as a guarantee of title. There are no assurances that Peregrine will obtain title. Both presently owned and after-acquired properties may be subject to prior unregistered agreements, transfers, land claims or other claims or interests. In addition, third parties may dispute the rights of Peregrine to its respective mining and other interests. Peregrine will attempt to clear title and obtain legal opinions commensurate to the intended level of expenditures required on areas that show promise. There can be no assurance, however, that it will be successful in doing so.

## Environmental Regulations

Mining operations may be subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the operations of Peregrine. Peregrine intends to fully comply with all environmental regulations.

## Permits and Licences

The operations of Peregrine require licences and permits from various governmental authorities. There can be no assurance that Peregrine will be able to obtain all necessary licences and permits that may be required to carry out exploration, development and mining operations at its projects.

## Competition

The mineral industry is intensely competitive in all its phases. Peregrine competes with many companies which possess greater financial resources and technical facilities for the acquisition of mineral concessions, claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees. In addition, there is no assurance that even if commercial quantities of diamonds are discovered, a ready market will exist for their sale. Factors beyond the control of Peregrine may affect the marketability of any substances discovered. These factors include market fluctuations, the proximity and capacity of natural resource markets and processing equipment, government regulations, including regulations relating to prices,

taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in Peregrine not receiving an adequate return on invested capital or losing its invested capital.

#### Fluctuating Price

Revenues of Peregrine, if any, are expected to be in large part derived from the mining and sale of diamonds. The price of those commodities has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond the control of Peregrine including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, consumption patterns, speculative activities and increased production due to new mine developments and improved mining and production methods. The effect of these factors on the price of diamonds and therefore the economic viability of any exploration projects, cannot be accurately predicted.

#### Conflicts Under the CBCA

The directors and officers of Peregrine are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest and Peregrine will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts are required to be disclosed by such directors or officers in accordance with the Act and CBCA and the directors of the Company are required to govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law. Generally, the CBCA requires a director with a direct or indirect interest in a contract or transaction to disclose the nature and extent of the director's interest at a meeting of the directors. A director who has an interest in such a transaction is accountable to the corporation for which the director serves for any profit the director receives as a result of the transaction unless: (a) the director has previously disclosed the interest in accordance with the CBCA, (b) the board of directors subsequently approves the transaction or contract and (c) the interested director does not vote on the approval, or the contract or transaction was reasonable and fair to the corporation at the time it was entered into, and after full disclosure of the nature and extent of the director's interest, it is approved by special resolution of shareholders.

Certain of the directors of Peregrine are also directors, officers or shareholders of other companies that are engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. Such a conflict poses the risk that Peregrine may enter into a transaction on terms which place them in a worse position than if no conflict existed. The directors of Peregrine are required by law to act honestly and in good faith with a view to the best interests of Peregrine and to disclose any interest which they may have in any project or opportunity of the respective corporation. However, each director has similar obligations to other companies for which such director serves as an officer or director. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter.

#### No History of Profits or Dividends

Peregrine has a limited operating history and no history of profits or of paying dividends. Peregrine does not anticipate paying any dividends in the near future.

#### Volatility of Share Price

The price of the shares of junior resource companies in general tends to be volatile. Fluctuations in the world price for diamonds, precious metals, base metals or industrial minerals and many other elements beyond the control of Peregrine could materially affect the price of the Peregrine's common shares.

## 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. If the Canadian dollar strengthens appreciably against its U.S. counterpart, 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 any significant exchange difference.

## **DIVIDENDS**

Other than as disclosed in this Annual Information Form, since the date of incorporation, the Company has not declared or paid any dividends or made any other distributions on its common shares, and does not currently intend to pay dividends. Earnings, if any, will be retained to finance future growth and development of the business of the Company.

Further to the spin-out of the Company's Metals Assets to Peregrine Metals on October 14, 2006, the Company effected a distribution of the Peregrine Metals Shares to its holders of common shares by way of return of capital (the stated capital of the common shares of the Company was accordingly reduced by an amount equal to the value of the Peregrine Metals Shares so distributed). See "General Development of the Business – History".

## **CAPITAL STRUCTURE**

The Company is authorized to issue an unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

The holders of common shares of the Company are entitled to receive notice of and to attend all meetings of the shareholders of the Company (except meetings at which only holders of a specified class or series of shares of the Company are entitled to vote separately as a class or series) and each common share carries one vote. The holders of common shares have the right, subject to any preferential rights attaching to any other class or series of shares of the Company, to receive dividends if, as and when declared on the common shares by the Board of Directors. In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of its assets among its shareholders for the purpose of winding-up its affairs, the holders of the common shares are entitled to receive the remaining property and assets of the Company pro rata according to the number of shares held (subject to any preferential rights attaching to any other class or series of shares of the Company with respect to such matters).

The preferred shares of the Company may be issued from time to time in one or more series, each consisting of such number of preferred shares as determined by the Board of Directors of the Company, who also may fix the designations, rights, privileges, restrictions and conditions attaching to the shares of each series of preferred shares. The preferred shares of each series shall, with respect to payment of dividends and distribution of assets in the event of voluntary or involuntary liquidation, dissolution or winding-up of the Company or any other distribution of the assets of the Company among its shareholders for the purpose of winding-up its affairs, rank on a parity with the preferred shares of every other series and shall be entitled to preference over the common shares and the shares of any other class ranking junior to the preferred shares. After payment to the holders of preferred shares of the amounts so payable to them in the event of voluntary or involuntary liquidation, dissolution or winding-up of the Company or any other distribution of the assets of the Company among its shareholders for the purpose of winding-up its affairs, holders of preferred shares shall not be entitled to share in any further distribution of the property or assets of the Company except as

specifically provided in the special rights and restrictions attached to any particular series. Except for such rights relating to the election of directors on a default in payment of dividends as may be attached to any series of the preferred shares by the directors, holders of preferred shares are not entitled to receive notice of, or to attend or vote at, any general meeting of shareholders of the Company.

As at September 30, 2008, 69,966,482 common shares and no preferred shares of the Company were issued and outstanding.

As at September 30, 2008, 9,805,500 common shares were issuable upon the exercise of outstanding stock options of the Company.

As at September 30, 2008, 1,245,000 common shares were issuable upon the exercise of outstanding common share purchase warrants of the Company.

## **MARKET FOR SECURITIES**

### Trading Price and Volume

#### Common Shares

The common shares of the Company are listed and posted for trading on the TSX under the symbol “PGD”.

The following table sets out the monthly trading history for the common shares of the Company on the TSX during the financial year ended September 30, 2008:

<b>Year</b>	<b>Month</b>	<b>High</b>	<b>Low</b>	<b>Close</b>	<b>Volume</b>
2007	October	1.32	0.90	1.05	1,127,826
	November	1.42	.74	.82	3,622,920
	December	.89	.55	.65	3,104,439
2008	January	.70	.35	.41	1,073,289
	February	.45	.34	.43	1,485,323
	March	.44	.32	.37	592,540
	April	.38	.24	.275	438,924
	May	.28	.20	.21	1,320,818
	June	.26	.18	.21	1,932,833
	July	.275	.1165	.20	3,306,904
	August	.63	.17	.42	6,369,887
	September	.53	.30	.38	6,776,945

## **ESCROWED SECURITIES**

As at September 30, 2008 and as at the date of this Annual Information Form, no common shares of the Company or securities convertible into common shares were subject to any escrow restrictions.

## DIRECTORS AND OFFICERS

As at the date of this Annual Information Form, the following information with respect to each director and executive officer of the Company sets out that individual's name, province (or state) and country of residence, the positions and offices in the Company presently held by that individual, the period during which such individual has served as a director or executive officer of the Company and that individual's principal occupation(s) during the past five years:

Name, Province (or State) and Country of Residence	Office	Date of Appointment as Director	Principal Occupation Within the Five Preceding Years
Robert Boyd <sup>(1)</sup>	Director	Director since July 7, 2008	President and CEO of Ashton Mining of Canada Inc. from 2000 to 2006
Alan Carter Vancouver, BC, Canada	Director	Director since March 29, 2005	President of Electrum Capital Inc. since February 2006; Chief Operating Officer of Peregrine from August 2004 to October 2006; President, Dunsmuir Ventures Ltd. from February 2005 until January 2006; Manager Business Development, BHP Billiton Diamonds Inc. from September 2001 to May 2004; prior thereto, Exploration Manager, Billiton Exploration and Mining (Peru)
Jonathan Challis <sup>(1)(2)</sup> Sevenoaks, Kent, UK	Director	Director since June 10, 2003	Executive Officer of Solex Resources Corp. since January 2004, including President and Chief Operating Officer since March 2005; President, Cornerstone Capital Resources Inc. from November 2003 to December 2004; President, Shore Gold Inc., a diamond exploration company from June 1999 to September 2003
Brooke Clements North Vancouver, BC, Canada	President	N/A	President of Peregrine since December 2007; prior thereto, Vice President, Exploration of Ashton Mining of Canada Inc. from 1999 to 2007.
Roderick Davey Salt Lake City, Utah, USA	Chief Operating Officer	N/A	Independent Mining Consultant to Peregrine from February 2002 to August 2006
Eric Friedland <sup>(3)</sup> West Vancouver, BC, Canada	Chairman, Chief Executive Officer and Director	Director since November 19, 2002	President of Peregrine from November 2002 to December 2007; prior thereto, Mining Consultant for Global Mining Management Corp.

<b>Name, Province (or State) and Country of Residence</b>	<b>Office</b>	<b>Date of Appointment as Director</b>	<b>Principal Occupation Within the Five Preceding Years</b>
Peter Holmes Campbell River, BC, Canada	Vice-President, Exploration	N/A	Divisional Manager-Western Canada for De Beers Canada Inc. – Exploration Division from March 2004 until April 2005; member of the De Beers Venture Capital Project Team from January 2003 until April 2005
Gordon Keep <sup>(1)(2)</sup> Vancouver, BC, Canada	Director	Director since February 2, 2005	Executive Vice-President, Fiore Financial from August 2007 to present; prior thereto, Managing Director, Corporate Finance, Endeavour Financial from 2001 to July 2007.
Sophia Morris North Vancouver, BC, Canada	Corporate Secretary	N/A	Corporate Secretary of Peregrine Diamonds Ltd., February 2007 to present; prior thereto, Investor Relations for Global Mining Management Corp.
Jennifer Pell Vancouver, BC, Canada	Chief Geoscientist	N/A	Chief Geoscientist, Peregrine since June 2006; Vice-President, Exploration of Peregrine from February 2005 to June 2006; prior thereto, Vice-President, Exploration for Dunsmuir Ventures Ltd. until January 2006
Bernard Poznanski Vancouver, BC, Canada	Assistant Corporate Secretary	N/A	Partner, Koffman Kalef LLP (law firm)
Gregory Shenton <sup>(3)</sup> Vancouver, BC Canada	Chief Financial Officer	N/A	Chief Financial Officer of Peregrine since February 1, 2006; Vice-President of Ivanhoe Capital Corp.; CFO for Jinshan Gold Mines from November 2003 to December 2005; CFO for Asia Gold Corp. from August 2003 to July 2006.

(1) Member of the Audit Committee.

(2) Member of the Corporate Governance and Compensation Committee.

(3) Member of the Disclosure Policy Committee.

Each director will serve as a director until the next annual general meeting of the Company or until his successor is elected or appointed.

As at September 30, 2008, the directors and executive officers of the Company in the aggregate beneficially owned, directly or indirectly, or exercised control or direction over approximately 10,142,525 common shares or 14.50% of the then issued and outstanding common shares of the Company.

## AUDIT COMMITTEE DISCLOSURE

### Audit Committee Charter

Pursuant to National Instrument 52-110 – *Audit Committees* (“NI 52-110”), the Company’s audit committee is required to have a charter. A copy of the Company’s Audit Committee Charter is set out in Appendix A to this Annual Information Form.

### Composition of the Audit Committee

As at the date of this Annual Information Form, the following is information on the members of the Company’s Audit Committee:

<u>Name</u>	<u>Independent</u>	<u>Financial Literacy</u>
Gordon Keep (Chair)	Yes	Yes
Jonathan Challis	Yes	Yes
Robert Boyd	Yes	Yes

### Relevant Education and Experience

The following describes the relevant education and experience of the members of the audit committee:

**Gordon Keep** — Mr. Keep is the Chair of the Audit Committee. He has extensive business experience as an investment banker and has held several senior positions. From 1987 to 1997, he was the Vice-President, Corporate Finance in the natural resources group of Yorkton Securities Inc. and, from 1997 to March 2004, he was Senior Vice-President and a Director of Lions Gate Entertainment Corp. From 2001 to July 2007, Mr. Keep was Managing Director of Corporate Finance at Endeavour Financial, an investment banking firm that specializes in the mining and minerals industries. Since August 2007, Mr. Keep has been Executive Vice-President at Fiore Financial. Mr. Keep has also served as Chief Financial Officer and audit committee member of several public companies. Mr. Keep is a P. Geol in the province of British Columbia and received his BSc in Geological Sciences from Queen’s University in 1979 and his MBA from the University of British Columbia in 1983.

**Jonathan Challis** — Mr. Challis is a mining engineer with an MBA degree from Cranfield University. Within the last five years Mr. Challis has served as President, CEO and Director of Shore Gold Inc. (diamond exploration) from 1999 to December 2003; President, COO and Director of Cornerstone Capital Resources Inc. (gold exploration) from January 2004 to January 2005; and President and Director of Solex Resources Corporation (uranium exploration) from February 2005 to present. He is currently a director of Peregrine Diamonds Ltd. Mr. Challis has over 30 years experience in the operation, management, financing and analysis of mining projects around the world.

**Robert Boyd** — Mr. Boyd is a senior mining executive with over 30 years experience in exploration, executive-level management, corporate finance and corporate governance. Mr. Boyd is currently Chairman of the Board of True North Gems Inc. and serves on the Board of Directors of Condor Resources Inc. and Endurance Gold Corporation. He also serves as a Director of the Prospectors and Developers Association of Canada and the Association for Mineral Exploration British Columbia. From 2000 to 2006, Mr. Boyd held the position of President, CEO and Director of Ashton Mining of Canada Inc. Mr. Boyd was a founding principal

and major shareholder of a financial and strategic advisory firm to the mining and mineral exploration industry and was also Vice President Exploration for Homestake Canada Limited. He received a BSc. in geology from the University of Western Ontario.

### **Reliance on Certain Exemptions**

At no time since October 1, 2007 has the Company relied on any of the exemptions in sections 2.4, 3.2, 3.4, 3.5 or 3.8 of NI 52-110 or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110 by a securities regulatory authority or regulator.

### **Audit Committee Oversight**

At no time since October 1, 2007 was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Company's Board of Directors.

### **Pre-approval Policies and Procedures for Non-Audit Services**

The Audit Committee has not adopted any specific policies and procedures for the engagement of non-audit services.

### **External Auditor Service Fees (By Category)**

Hay & Watson, Chartered Accountants, was appointed as the auditor of the Company on March 29, 2005. The aggregate fees billed by Hay & Watson, Chartered Accountants, in each of the last two financial years of the Company for services in each of the categories indicated are as follows:

<b>Financial Year Ended</b>	<b>Audit Fees</b>	<b>Audit Related Fees<sup>(1)</sup></b>	<b>Tax Fees<sup>(2)</sup></b>	<b>All Other Fees<sup>(3)</sup></b>
September 30, 2007	\$65,000	\$19,500	\$3,000	—
September 30, 2008	\$65,000	\$19,100	\$3,000	—

(1) Pertains to assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and that are not reported under "Audit Fees".

(2) Pertains to professional services for tax compliance, tax advice, and tax planning. The nature of the services comprising the fees disclosed under this category include preparation of the corporate tax return and other federal and provincial compliance reports such as flow-through share offering registrations and information slips.

(3) Pertains to products and services other than services reported under the other categories.

### **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

Other than as disclosed herein, no director or executive officer of the Company is, as at the date of this Annual Information Form, or has been, within the ten years preceding the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any company (including the Company) that

- (a) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, when such order was issued while the person was acting in the capacity of a director, chief executive officer or chief financial officer of the relevant company; or

- (b) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after such person ceased to be a director, chief executive officer or chief financial officer of the relevant company, and which resulted from an event that occurred while the person was acting in the capacity of a director, chief executive officer or chief financial officer of the relevant company.

Bernard Poznanski, a director of the Company, was a director and Corporate Secretary of Energem Resources Inc. ("Energem") when certain management cease trade orders were issued against the insiders of Energem. Mr. Poznanski ceased to be a director and Corporate Secretary of Energem on May 1, 2006. Particulars of the orders are as follows:

- (a) On March 7, 2006, the Executive Director of the British Columbia Securities Commission (the "BCSC") issued a management cease trade order in connection with the late filing of Energem's 2005 comparative annual financial statements, 2005 annual MD&A and a 2005 Annual Information Form. The management cease trade order was revoked on May 31, 2006 after the relevant documents were filed.
- (b) On April 20, 2005, the Executive Director of the BCSC issued a management cease trade order in connection with the late filing of Energem's 2004 comparative annual financial statements, 2005 first interim period financial statements and MD&A for the 2005 first interim period. The management cease trade order was revoked on June 2, 2005 after the relevant documents were filed.
- (c) On April 25, 2002, the Ontario Securities Commission issued a temporary management cease trade order (which was extended on May 9, 2002) in connection with the late filing of Energem's 2001 annual financial statements. The management cease trade order expired on June 10, 2002 after the relevant documents were filed.

No director or executive officer of the Company or any shareholder holding a sufficient number of common shares of the Company to affect materially the control of the Company:

- (a) is, as at the date of this Annual Information Form, or has been, within the ten years preceding the date of this Annual Information Form, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;
- (b) has, within the ten years preceding the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that person;
- (c) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (d) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision regarding the Company.

The foregoing information, not being within the knowledge of the Company, has been furnished by the respective directors, officers and shareholders holding a sufficient number of securities of the Company to affect materially the control of the Company.

### **CONFLICTS OF INTEREST**

The Company's directors and officers may serve as directors or officers of other companies or have significant shareholdings in other resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such a participation or such terms.

The directors of the Company are required to act honestly, in good faith and in the best interests of the Company. The directors and officers of the Company are aware of the existence of laws governing the accountability of directors and officers for corporate opportunity and requiring disclosures by directors and officers of conflicts of interest and the Company will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts will be disclosed by such directors or officers in accordance with the bylaws of the Company and the CBCA, and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

To the best of the Company's knowledge, and except as disclosed herein, there are no known existing or potential conflicts of interest between the Company or any of its subsidiaries and any director or officer of the Company.

### **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

The Company is not a party to any material legal proceedings, and there are no material legal proceedings to which any of the Company's property is subject, and no such proceedings are known to the Company to be contemplated.

During the financial year ended September 30, 2008:

- (a) no penalties or sanctions were imposed against the Company by a court relating to securities legislation or by a securities regulatory authority;
- (b) no other penalties or sanctions were imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision in the Company's securities; and
- (c) no settlement agreements of the Company were entered into with any court relating to securities legislation or with any securities regulatory authority.

### **INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

The Company believes that no director or executive officer of the Company or any person or company that is the direct or indirect beneficial owner of, or who exercise control or direction over, more than 10% of any

class or series of the Company's outstanding voting securities or any associate or affiliate of any of the persons or companies referred to above has any material interest, direct or indirect, in any transactions which materially affected or would materially affect the Company or any of its subsidiaries since January 16, 2006, the date that the Company first became a reporting issuer in Canada.

### **TRANSFER AGENTS AND REGISTRARS**

Computershare Investor Services Inc. (at its principal transfer offices in Vancouver, British Columbia and Toronto, Ontario) is the transfer agent and registrar for the common shares of the Company.

### **MATERIAL CONTRACTS**

Other than the following contracts, there are no contracts that are material to the Company that were entered into during the financial year ended September 30, 2008 or prior thereto but which are still in effect, other than contracts entered into in the ordinary course of business of the Company:

- BHP Framework Agreement dated July 6, 2007, as amended and restated December 11, 2008, between, *inter alia*, Peregrine and BHP Billiton described in "General Development of the Business – Falcon™ System and BHP Billiton Rights".

### **INTERESTS OF EXPERTS**

This Annual Information Form incorporates by reference certain technical information contained in the Chidliak Property Technical Report and Nanuq Property Technical Report, prepared by Jennifer Pell (see under "Description of Mineral Properties" – "Chidliak Property" and "Nanuq Property"). Dr. Pell is employed as the Chief Geoscientist of the Company and holds 5,800 common shares of the Company and options to acquire 100,000 common shares of the Company.

### **ADDITIONAL INFORMATION**

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Additional information, including directors' and officers' remuneration and indebtedness (if any), principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, is contained in the Company's management proxy information circular dated February 14, 2008, in respect of the Company's annual general meeting of shareholders held on March 19, 2008.

Additional information is provided in the Company's audited consolidated financial statements and management's discussion and analysis for its most recently completed financial year ended September 30, 2008.

## **APPENDIX A**

### **PEREGRINE DIAMONDS LTD. (the “Company”)**

#### **Audit Committee Charter**

##### **Mandate**

The primary function of the audit committee (the “Committee”) is to assist the Board of Directors (“Board”) in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by the Company to regulatory authorities and shareholders, the Company’s systems of internal controls regarding finance and accounting and the Company’s auditing, accounting and financial reporting processes. The Committee’s primary duties and responsibilities are to:

- serve as an independent and objective party to monitor the Company’s financial reporting and internal control system and review the Company’s financial statements;
- review and appraise the performance of the Company’s external auditor; and
- provide an open avenue of communication among the Company’s auditor, financial and senior management and the Board.

##### **Composition**

The Committee shall be comprised of at least three directors as determined by the Board, all of whom shall be “independent” directors except as permitted by applicable securities regulatory guidelines (including applicable exemptions while the Company is a “venture issuer” within the meaning of applicable securities legislation). A quorum of the Committee shall be a majority of the members. Each member of the Committee will be a member of the Board. In the event of an equality of votes, the Chair of the Committee shall not have a second casting vote.

The members of the Committee shall be elected by the Board at its first meeting following the annual shareholders’ meeting. Unless a Chair is elected by the Board, the members of the Committee may designate a Chair by a majority vote of the full Committee membership.

##### **Meetings**

The Committee shall meet a least four times annually, or more frequently as circumstances dictate or as may be prescribed by securities regulatory requirements. As part of its job to foster open communication, the Committee will meet at least annually with the Chief Financial Officer and the external auditor in separate sessions.

## **Responsibilities and Duties**

To fulfill its responsibilities and duties, the Committee shall:

### 1. Documents/Reports

- a) review and update, if applicable or necessary, this Audit Committee Charter annually;
- b) review with management and the independent auditor the Company's annual and interim financial statements, management's discussion and analysis, any annual and interim earnings press releases and any reports or other financial information to be submitted to any governmental and/or regulatory body, or the public, including any certification, report, opinion, or review rendered by the external auditor for the purpose of recommending their approval to the Board prior to their filing, issue or publication. The Chair of the Committee may represent the entire Committee for purposes of this review in circumstances where time does not allow the full Committee to be available;
- c) review analyses prepared by management and/or the external auditor setting forth significant financial reporting issues and judgements made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements;
- d) review the effect of regulatory and accounting initiatives, as well as off balance sheet structures, on the financial statements of the Company;
- e) review policies and procedures with respect to directors' and officers' expense accounts and management perquisites and benefits, including their use of corporate assets and expenditures related to executive travel and entertainment, and review the results of the procedures performed in these areas by the external auditor, based on the terms of reference agreed upon by the external auditor and the Committee; and
- f) ensure that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, as well as review any financial information and earnings guidance provided to analysts and rating agencies, and periodically assess the adequacy of those procedures.

### 2. External Auditor

- a) review annually, the performance of the external auditor who shall be ultimately accountable to the Board and the Committee as representatives of the shareholders of the Company;
- b) obtain annually, a formal written statement of external auditor setting forth all relationships between the external auditor and the Company;
- c) review and discuss with the external auditor any disclosed relationships or services that may have an impact on the objectivity and independence of the external auditor;
- d) take, or recommend that the Board take, appropriate action to oversee the independence of the external auditor, including the resolution of disagreements between management and the external auditor regarding financial reporting;

- e) recommend to the Board the selection and, where applicable, the replacement of the external auditor nominated annually for shareholder approval;
- f) recommend to the Board the compensation to be paid to the external auditor;
- g) at each meeting, where desired, consult with the external auditor, without the presence of management, about the quality of the Company's accounting principles, internal controls and the completeness and accuracy of the Company's financial statements;
- h) review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company;
- i) review with management and the external auditor the audit plan for the year-end financial statements; and
- j) review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Company's external auditor. The authority to pre-approve non-audit services may be delegated by the Committee to one or more independent members of the Committee, provided that such pre-approval must be presented to the Committee's first scheduled meeting following such pre-approval. Pre-approval of non-audit services is satisfied if:
  - i. the aggregate amount of all the non-audit services that were not pre-approved is reasonably expected to constitute no more than 5% of the total amount of fees paid by the Company and subsidiaries to the Company's external auditor during the fiscal year in which the services are provided;
  - ii. the Company or a subsidiary did not recognize the services as non-audit services at the time of the engagement; and
  - iii. the services are promptly brought to the attention of the Committee and approved, prior to completion of the audit, by the Committee or by one or more of its members to whom authority to grant such approvals has been delegated by the Committee.

### 3. Financial Reporting Processes

- a) in consultation with the external auditor, review with management the integrity of the Company's financial reporting process, both internal and external;
- b) consider the external auditor's judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting;
- c) consider and approve, if appropriate, changes to the Company's auditing and accounting principles and practices as suggested by the external auditor and management;
- d) review significant judgments made by management in the preparation of the financial statements and the view of the external auditor as to appropriateness of such judgments;
- e) following completion of the annual audit, review separately with management and the external auditor any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information;

- f) review any significant disagreement among management and the external auditor in connection with the preparation of the financial statements;
  - g) review with the external auditor and management the extent to which changes and improvements in financial or accounting practices have been implemented;
  - h) review any complaints or concerns about any questionable accounting, internal accounting controls or auditing matters;
  - i) review certification process;
  - j) establish a procedure for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and
  - k) establish a procedure for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
4. Other
- a) review any material related party transactions;
  - b) engage independent counsel and other advisors as it determines necessary to carry out its duties; and
  - c) to set and pay compensation for any independent counsel and other advisors employed by the Committee.