

# **PEREGRINE DIAMONDS LTD.**

**Annual Information Form  
For the Year  
Ended September 30, 2011**

**December 21, 2011**

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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.

The Company is a mineral exploration company with mineral interests presently consisting of diamond exploration properties located in Nunavut and the Northwest Territories in Canada. The Company is a reporting issuer in each of the provinces of British Columbia, Alberta and Ontario and the common shares of the Company are listed and posted for trading on the Toronto Stock Exchange (“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 subsidiaries.

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

Peregrine is a mineral exploration company with interests presently consisting of diamond exploration properties and a NI 43-101 compliant, 18.2 million carat diamond resource at the DO-27 kimberlite pipe. The projects are located in Nunavut and the Northwest Territories in Canada. Peregrine’s primary exploration properties are located in Nunavut, with the Chidliak and Qilaq diamond properties and Cumberland metals exploration property located on Baffin Island and the Nanuq and Nanuq North diamond properties located in Western Churchill Province. Other mineral exploration properties include the WO diamond project, which contains the DO-27 diamond resource, in the Northwest Territories (the “WO property”), and diamond exploration properties known as Lac de Gras and TW in the Northwest Territories.

The Company entered into a binding agreement with BHP Billiton on December 20, 2011 to purchase BHP Billiton's 51 percent participating interest in the 8,580 square kilometre Chidliak diamond project (“Chidliak”), Baffin Island, Nunavut, Canada. The purchase gives Peregrine 100 percent ownership of Chidliak. Under the terms of the agreement, Peregrine will pay a total of \$9.0 million over a period of three years, and grant BHP Billiton a two percent royalty on any future mineral production from Chidliak. Peregrine has the right to match any offer by a third party to purchase any of the royalty, should BHP Billiton decide to sell. In addition, as part of the transaction, Peregrine has acquired BHP Billiton's Canadian regional diamond exploration database and BHP Billiton has agreed to extinguish Peregrine's royalty obligations and BHP Billiton's diamond marketing rights on certain Canadian mineral properties in which Peregrine has an interest. The information in the AIF reflects all terms of this agreement.

Peregrine holds a 100% interest in the 858,887 hectare Chidliak project (“Chidliak”). Peregrine also holds 100% interests in the 449,042 hectare Qilaq project, which is a property contiguous with Chidliak and the 526,729 hectare Cumberland property approximately 200 kilometres north of Chidliak. Peregrine also holds a 100% interest in the 235,608 hectare Nanuq project (“Nanuq”).

Peregrine holds a 71.93% 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”), MDL Diamonds (Canada) Inc. (“MDL”) (*formerly SouthernEra Resources Ltd.*) and Kennecott Canada Inc. (“Kennecott”), respectively. 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.

## **Three-Year History**

### *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 Toronto Stock Exchange ("TSX") where the common shares of Peregrine are now listed and traded under the symbol ("PGD").

### *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 *Income Tax Act (Canada)* ("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.

On February 19, 2009, Peregrine completed a rights offering for aggregate proceeds of approximately \$3.5 million. The rights offering was fully subscribed, with an aggregate of 10,038,750 units being issued, each unit comprising of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of Peregrine at a price of \$1.00 until February 19, 2010 and \$1.50 until February 19, 2011. As at the date hereof, 4,041,889 warrants issued pursuant to the rights offering have been exercised.

In April 2010, Peregrine completed a private placement by issuing 2,000,000 common shares (issued on a "flow-through" basis pursuant to the ITA) at a price of \$3.00 per share for gross proceeds of \$6.0 million.

On November 3, 2010, Peregrine completed a Private Placement of 4,800,000 units at \$2.50 per unit with each unit consisting of one common share and one-half of one common share purchase warrant, each whole warrant entitling the holder to purchase one common share of Peregrine at a price of \$3.00 until November 3, 2011.

In March 2011, Peregrine completed a private placement by issuing 3,000,000 common shares (issued on a "flow-through" basis pursuant to the ITA) at a price of \$2.80 per share for gross proceeds of approximately \$8.4 million.

On December 6, 2011, Peregrine completed a rights offering for aggregate proceeds of \$6,083,163 million. An aggregate of 7,156,662 units were issued, each unit comprising of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of Peregrine at a price of \$2.00 until December 6, 2013.

*Chidliak Project, Baffin Island, Nunavut*

In February 2007, Peregrine acquired 35 prospecting permits covering 587,603 hectares and named the property "Chidliak". Chidliak is situated approximately 120 kilometres northeast of Iqaluit, capital of Nunavut. As of November 30, 2011, Chidliak consisted of 852 mineral claims with a total area of 858,887 hectares.

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 Chidliak. The results recovered from till samples collected in 2007 prompted Peregrine, in February 2008, to obtain prospecting permits that increased the size of Chidliak by 50% to 983,833 hectares.

In July 2008 a 24 person exploration camp was established at Chidliak. 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 at Chidliak. 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 kilometres from CH-1. The CH-3 kimberlite, located approximately 12 kilometres from CH-1, was represented by a collection of kimberlite cobbles and boulders discovered within the boundaries of a semi-circular geophysical anomaly.

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 millimetre ("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 kilograms ("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 kg 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 kg 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 to acquire a 51% interest in Chidliak by sole-funding \$22.3 million in exploration expenditures over five years. These amounts were spent during 2009 and 2010 and BHP Billiton earned its 51% interest in September 2010.

To secure land title, during the summer of 2009, Peregrine staked 581 claims covering the area of the original 35 permits which were due to expire on January 31, 2010.

In May 2009, the Company, as operator of Chidliak, commenced a \$9.2 million diamond exploration programme at Chidliak. The exploration programme included the following key elements: core drilling,

prospecting and mapping, a mini bulk sample, heavy mineral sampling, ground magnetic and electromagnetic geophysical surveys, construction of a second 24 person camp and initiation of an environmental baseline study.

During the 2009 programme, over 1,100 line kilometres of ground geophysical surveys were completed over 37 geophysical anomalies, 1,273 heavy mineral samples were collected, approximately 4,000 metres of core drilling was completed, a 49.6 tonne mini-bulk sample was taken from the CH-1 kimberlite, 58 geophysical anomalies were assessed by prospecting and geochemical sampling, and an environmental baseline study was initiated.

As a result of the 2009 Chidliak exploration programme, thirteen new kimberlites were discovered, seven by drilling and six by prospecting and mapping. Fifteen of the total of sixteen kimberlites tested proved to be diamondiferous and four of these, CH-1, CH-2, CH-6 and CH-7 produced commercial-size, +0.85 mm diamonds from small kimberlite samples. Results for the 49.6 tonne sample collected from the CH-1A phase of the CH-1 kimberlite returned 20.26 carats of commercial-sized diamonds larger than 0.85 mm for a diamond content of 0.41 cpt, including a total of 15 diamonds larger than 0.30 carats in size.

The Company and BHP Billiton approved a \$15.3 million 2010 exploration programme for Chidliak. The 2010 field operations commenced in mid-March and continued through early September.

During the summer of 2010, an additional 271 claims were staked to protect the area of interest within the permits acquired in 2008. As of November, 2010, 852 claims covering 858,887.5 hectares are held at Chidliak.

In June 2010, a helicopter-borne magnetic/electromagnetic geophysical survey of 20,500 line kilometres at 100 metre line spacing was completed. This survey was flown to complement the 11,700 line kilometre airborne geophysical survey that was completed in 2008 and was designed to investigate at least ten kimberlite indicator mineral anomalies that were not covered by the 2008 survey. Ground magnetic geophysical survey crews have evaluated in excess of 90 anomalies selected from the 2008 and 2010 airborne surveys and the highest priority targets were drilled this year.

An additional 34 new kimberlites were discovered during the 2010 summer exploration programme at Chidliak. These 34 new discoveries brought the total number of kimberlites discovered on the project to 50. Eight of the new kimberlites were discovered by reverse circulation (“RC”) drilling, 11 by core drilling and 15 by prospecting. In addition, 19 core holes and ten RC holes were drilled into six previously identified kimberlites to increase the understanding of their size and diamond potential.

Seven of the kimberlites discovered through 2010 were thought likely to be greater than one hectares in size based on drill data and ground geophysical signatures. Highlighting the probability for large kimberlites and associated tonnage at Chidliak was CH-31, where interpretation of the geophysical and drill data and the distribution of kimberlite float indicated that this kimberlite could be over five hectares in size. A 410 metre kimberlite intersection was drilled at CH-31 in a core hole inclined at a 45 degree angle, which equates to an estimated horizontal width of at least 290 metres.

Also in 2010, mini-bulk samples of approximately 14 and 47 tonnes respectively were collected from the CH-6 and CH-7 kimberlites. The mini-bulk samples were collected from these kimberlites to establish the approximate grade of the kimberlite phases that were tested and to recover an initial parcel of commercial-size diamonds.

On December 6, 2010, the Company reported that the 14.11 tonne mini-bulk sample of drill core collected from the CH-6 kimberlite returned 40.04 carats of commercial-sized diamonds larger than the 0.85 mm sieve

size for an average grade of 2.84 cpt. The mini-bulk sample was divided into four sub-samples, based on geology. The sub-samples, which were processed separately and ranged in size from 1.03 to 7.56 tonnes, returned diamond grades of 6.81, 3.49, 2.82, and 2.03 carats per tonne. The sub-sample with the highest grade was collected from the upper portion of the pipe. Overall, the 14.11 tonne sample yielded 523 commercial-size diamonds, nine of which weighed 0.50 carat or more, including two diamonds larger than one carat. The largest three diamonds were a 1.29 carat off-white, transparent macle, a 1.02 carat off-white, transparent octahedron, and a 0.99 carat white/colorless, transparent, tetrahedron.

Sample results from the 47.19 tonne a mini-bulk sample of surface material collected from CH-7 returned 49.07 carats of commercial-sized diamonds larger than the 0.85 mm sieve size, for a diamond content of 1.04 cpt. The mini-bulk sample yielded 502 commercial-sized diamonds, 15 of which weighed 0.50 carat or more, including three diamonds larger than one carat. The largest four diamonds were a 6.53 carat grey, translucent distorted crystal, a 2.18 carat white/colorless, transparent octahedron, a 1.24 carat off-white, transparent aggregate and a 0.98 carat off-white, transparent octahedron.

On November 30, 2010, BHP Billiton notified the Company that it elected not to exercise its right which would have entitled BHP Billiton to earn an additional 7% interest in Chidliak by sole-funding a feasibility study. As a result, the property is currently held 49% by the Company and 51% by BHP Billiton. If the property goes to production each partner will have the marketing rights on their pro-rata share of the diamonds.

Exploration expenditures incurred during 2010 at Chidliak totalled \$15.6 million, of which \$13.8 million was funded by BHP Billiton and \$1.8 million was funded by the Company.

The primary work activities for the 2011 programme included:

- 8,865 metres of core drilling;
- 1,530 metres of reverse circulation drilling;
- collection of a mini-bulk sample of approximately 3.9 tonnes by core drilling from the CH-31 kimberlite;
- collection of a 32.5 tonne mini-bulk sample from the surface of the CH-28 kimberlite;
- completion of a 11,105 line-kilometre heli-borne magnetic-electromagnetic geophysical survey and ground geophysical surveys;
- collection of 443 heavy mineral samples and prospecting, .
- initiation of preparations for a multi-kimberlite 2012 bulk sampling program; and
- continuation of environmental baseline studies and archeological surveys.

The Company discovered nine kimberlites in 2011 bringing to 59 the total number of kimberlites discovered at Chidliak since August, 2008.

On December 20, 2011 the Company entered into a binding agreement with BHP Billiton to purchase BHP Billiton's 51 percent participating interest in the Chidliak property. The purchase gives the Company a 100 percent ownership of Chidliak. Under the terms of the agreement, the Company will pay a total of \$9.0 million over a period of three years, and grant BHP Billiton a two percent royalty on any future mineral production from Chidliak. The Company has the right to match any offer by a third party to purchase any of the royalty, should BHP Billiton decide to sell. In addition, as part of the transaction, the Company has acquired BHP Billiton's Canadian regional diamond exploration database and BHP Billiton has agreed to extinguish the Company's royalty obligations and BHP Billiton's diamond marketing rights on certain properties.

One major objective of the 2011 program was to continue the detailed exploration of kimberlites with economic potential, in preparation for bulk sampling. The drilling of over 5,500 metres on six high-potential

kimberlites, and extensive logistical planning and arrangements, have set the stage for bulk sampling of select kimberlites by way of large diameter reverse circulation (“RC”) drilling. The bulk sampling program will aim to extract roughly 200-carat diamond parcels per kimberlite to support independent diamond valuations, considered a crucial step towards determining economic viability. At this time, preparations for a 2012 bulk sampling program have been put on hold until completion of an analysis of the entire 2012 program is completed in January 2012.

The Company was the operator of the 2011 exploration programme and its anticipated share of the 2011 programme costs will be approximately \$10.3 million of which \$8.3 million has been spent to September 30, 2011.

#### *Qilaaq Project, Baffin Island, Nunavut*

The Qilaaq project (“Qilaaq”) consists of 33 prospecting permits covering 449,042 hectares, most of which were acquired in 2009 and are contiguous with Chidliak to the north, east and south.

In the summer of 2009, 516 samples were collected to evaluate the Qilaaq permit area for its diamond potential. Seven of the 516 samples collected at Qilaaq returned at least one probe-confirmed KIM. The 516 Qilaaq samples were also examined for the presence of minerals that may be indicative of base or precious metals mineralization with 213 of the samples containing at least one gold grain and 31 samples containing one or more grains of sperrylite. Sperrylite is a platinum-bearing mineral that is often associated with rocks that contain significant amounts of platinum, palladium and nickel.

The Company completed a 2010 diamond exploration programme at Qilaaq which included the collection of an additional 389 sediment samples and a 620 line kilometer helicopter borne magnetic/electromagnetic geophysical survey. In addition, 23 metals anomalies discovered in 2009 were evaluated by prospecting, mapping and the collection of 476 soil and 120 rock samples. On August 5, 2010, the Company announced the discovery of two kimberlites, named Q1 and Q2.

The Q1 kimberlite is associated with a magnetic high anomaly with an estimated diameter of 150 metres associated with a topographic depression that measures approximately 60 metres by 50 metres. Prospecting led to the discovery of large concentrations of coarse-grained KIMs, and kimberlite cobbles and boulders on the surface. Both magmatic kimberlite and probable weathered kimberlite breccia boulders were identified. Pyrope garnet, picroilmenite and chrome diopside grains over 10 millimetres in size were observed on the surface. Clasts of limestone, shale and sandstone, interpreted to have weathered from the kimberlite are also present on the surface.

The Q2 kimberlite is located approximately four kilometres south of the Q1 kimberlite. Q2 was discovered when kimberlite boulders were identified by the field crew collecting a follow-up till sample. Subsequent prospecting led to the discovery of two kimberlite outcrops within a surface depression that is over 80 metres in diameter. At least two phases of kimberlite were identified. One phase is described as being magmatic without limestone xenoliths and the other phase has coarser grained olivine and KIMs and contains limestone xenoliths. Both phases contain olivine, picroilmenite, pyrope garnet and chrome diopside macrocrysts.

On October 6, 2010 the Company reported microdiamond results for a 62.7 kilogram surface sample from Q1 which yielded 38 diamonds larger than 0.106 mm sieve size including one diamond larger than the 0.600 mm sieve size, and a 241.5 kilogram surface sample from Q2 which yielded 253 diamonds larger than 0.106 mm, including three diamonds larger than 0.600 mm.

Aggregate exploration expenditures on the 2010 Qilaaq programme were \$944,000.

The 2011 exploration programme at Qilaq included a 3,700 line-kilometre airborne electromagnetic/magnetic survey, and ground magnetic geophysical surveys, both completed over 10 anomalies that were selected from this survey. Additionally, 122 till samples were collected and several metals prospects were evaluated. In August, 2011, the Company announced the discovery of Q3, the third kimberlite at Qilaq which was discovered by RC drilling. In addition, one RC hole was drilled into the Q1 kimberlite. Kimberlite chip samples collected from both Q1 and Q3 kimberlites were sent to the SRC for diamond analysis by caustic fusion. A 179.5 kilogram sample from Q3 yielded two diamonds larger than the 0.106 mm sieve size and results are pending for the Q1 sample.

Total 2011 programme costs at Qilaq were approximately \$1.4 million.

#### *WO property, Northwest Territories*

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 through work expenditures to 54.475%. 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 for 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 cpt (89 carats per hundred dry tonnes), confirming Peregrine's previous bulk sample estimates of 0.90 cpt in 2005 and 0.88 cpt 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, \$28 million had been spent 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, the joint venture had spent \$4.3 million 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. The valuation results and updated grade and geological information were used to complete an internal Preliminary Technical Assessment on the WO property in June 2008.

In June 2008, Peregrine reported 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 cpht. 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.

Only care and maintenance and minor reclamation work was done on the WO property in 2009. In August 2009, the Company's interest in the WO property increased to 71.95% when a joint venture partner failed to make a scheduled cash call contribution in respect of the WO property.

Care and maintenance and minor reclamation work was done on the WO property in 2010. In October 2010, the Company's interest in the WO property decreased slightly to 71.93%. This decrease resulted from the refund of WO camp costs from a third party for their use of the WO camp in 2008. This refund applied only to those WO joint venture partners who had contributed to the 2008 program and, as such, resulted in a small realignment of participating joint venture interests.

A field exploration programme was undertaken in August 2011 on the WO property in order to review and fully evaluate kimberlite exploration potential. Activities in 2011 included ground geophysics over seven anomalies, a legal survey of seven mineral claims in order to bring them to lease and a site reclamation assessment and other ongoing care and maintenance work at DO-27. Costs for the 2011 programme were approximately \$180,000 of which the Company's share is \$129,000.

Three anomalies up to 1.6 hectares were identified as priority drill targets. Preparations are in progress for a winter 2012 ground geophysical and core-drilling programme starting in March. Five airborne geophysical anomalies are scheduled to be covered by ground magnetic surveys. The budget estimate for the proposed work plan is \$450,000.

#### *Nanuq Project, Nunavut*

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 kilometres north of the town of Chesterfield Inlet and 225 kilometres east-northeast of the town of Baker Lake. In 2007, 2008 and 2009 additional mineral claims were acquired at Nanuq. The current mineral tenure consists of 241 mineral claims covering 234,563 hectares.

In 2007, 2,502 metres of diamond drilling was completed in 12 holes to test three geophysical targets. Three kimberlites, Kayuu, Naturalik and Tudlik, were discovered.

The Kayuu kimberlite 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 re-sedimented; one unit is enigmatic and displays both fragmental and coherent textures.

The Naturalik kimberlite 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.

The Tudlik kimberlite 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 through 2010, two campaigns of ground magnetic and electromagnetic surveying and two campaigns of glacial till sampling were completed. In 2010, 429 metres of drilling on three targets was

also completed. All three targets were magnetic lows and found to be fault-related alteration within host granitoid rocks.

Exploration expenditures on the 2010 Nanuq programme totalled \$2.4 million.

In 2011 field work at Nanuq was conducted in the months of June, July and August. A total of 49 heavy mineral samples was collected to further define unresolved indicator mineral dispersion trains. Six ground magnetic surveys totalling 111 line-kilometres and five ground resistivity surveys totalling seven line kilometres were completed over geophysical targets selected from existing airborne data sets. Four of these anomalies were subsequently drilled for a combined length of 585 meters. No kimberlite was intersected by drilling.

Total 2011 programme costs at Nanuq were approximately \$1.9 million.

#### *Nanuq North property, Nunavut*

In 2005, the Company entered into a letter agreement, as amended, (the “Nanuq North Agreement”) with Indicator Minerals Inc. (‘Indicator’) and Hunter Exploration Group (‘Hunter’) on the Nanuq North property (‘Nanuq North’) which consists of 51 claims covering an area of 33,100 hectares immediately north and adjacent to the Nanuq property. Under the terms of the Nanuq North Agreement, an exploration joint venture was formed with Indicator as the operator and the Company and Indicator sharing the costs of exploration on a 50/50 basis. Hunter retains a 20% property interest carried through to completion of a scoping study and holds a gross overriding royalty of 2% from a core group of 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 included an airborne geophysical survey, ground geophysical survey and a reverse circulation drill program. The Company’s share of expenditures at the Nanuq North property for 2008 was approximately \$357,000. In June 2008, an airborne geophysical survey was completed over a portion of Nanuq North. On September 3, 2008, the Company and Indicator announced the discovery of a new kimberlite, NQN-001 by drilling. On February 10, 2009, the Company and Indicator announced initial diamond results from the NQN-001 kimberlite. A total of 206 diamonds larger than the .075 mm sieve size was recovered by caustic fusion from a 152.75 kilogram sample. The sample consisted of drill cuttings collected using a reverse circulation/percussion drill.

On July 9, 2009, the Company announced that it had commenced arbitration proceedings against Indicator and Hunter regarding a dispute which had arisen over the Nanuq North joint venture. The dispute arose when Indicator, as operator of the Nanuq North joint venture, issued notice to Peregrine that it intended to proceed with a 2009 exploration programme with a budget of \$2.34 million without the Company’s approval.

Subsequent to the initiation of the arbitration proceedings by the Company, Indicator and Hunter each filed a counterclaim against the Company claiming that the Nanuq North Agreement was unenforceable.

In April 2010 a settlement agreement was signed in which the parties agreed to jointly conduct a 2010 exploration programme and negotiate and settle a definitive and binding joint venture agreement on the Nanuq North property.

In May and June 2010, 762 metres in six holes was drilled into the NQN001 kimberlite and in August, 96 till samples were collected. The 1,008-kilogram sample from the NQN-001 kimberlite yielded 612 diamonds larger than the 0.075-millimetre sieve size and two diamonds larger than the 0.600-millimetre sieve size.

Exploration expenditures on the 2010 Nanuq North programme total \$1.7 million of which \$842,000 was incurred by the Company as its 50% share.

In 2011, field exploration consisted of one 17 line-kilometre ground magnetic survey completed over an airborne magnetic anomaly and the drilling of one magnetic anomaly. The anomaly was tested to a depth of 214 meters and no kimberlite was intersected.

Total 2011 programme costs at Nanuq North were approximately \$63,000, of which the Company's share is \$33,000. The Company has downgraded the priority of the Nanuq North property due to exploration results and has limited plans for further exploration activities.

#### *Cumberland Project*

The Cumberland project is held 100% by the Company and consists of 40 prospecting permits covering 526,729 hectares on the Cumberland Peninsula, Baffin Island. The Cumberland permit group has geologic characteristics that are considered by the Company to be similar to those at Qilaq and Chidliak. The centre of Cumberland is located approximately 200 kilometres north of Chidliak and east of the community of Pangnirtung.

In February, 2010, Peregrine acquired 119 Prospecting Permits on the Cumberland Peninsula totalling approximately 1,500,000 hectares. During July and August, 2010, the Company conducted a reconnaissance sediment sampling programme to evaluate Cumberland's diamond and metals potential. A total of 341 heavy mineral samples was collected during the programme. No kimberlite indicator minerals were recovered from any of these samples, but samples from 35 sites returned anomalous concentrations of magmatic or sulphide indicator minerals and/or anomalous geochemical signatures.

In early 2011, the Cumberland project was reduced to 40 prospecting permits totalling 526,729 hectares. Follow-up work was completed in 18 target areas that were selected after interpretation of the 2010 sample data indicated metals potential. Totals of 281 rock and 597 sediment samples were collected during July and August. Total 2011 programme costs at Cumberland were approximately \$725,000.

## DESCRIPTION OF MINERAL PROPERTIES

### CHIDLIAK PROPERTY, BAFFIN ISLAND, NUNAVUT

*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 December 9, 2011 titled “2011 Technical Report on 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 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 Technical Report)

The Chidliak project (“Chidliak”) originally consisted of 60 Prospecting Permits covering 983,833 hectares (2,431,103 acres) located on the Hall peninsula of Baffin Island, approximately 120 kilometres northeast of the city 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 were valid for 3 years (until Jan. 31, 2010 and 2011, respectively). During the summer of 2009, the 35 permits acquired in 2007 were converted to 581 mineral claims. During the summer of 2010, an additional 271 claims were staked to protect the area of interest within the permits acquired in 2008. As of November, 2010, 852 claims covering 858,887.5 hectares are held at Chidliak. The remaining area within the 2008 permits will be allowed to lapse.

On November 24, 2008, BHP Billiton Canada Inc. (“BHPB”) elected to exercise its right to earn a 51% interest in Chidliak by incurring a total of \$22.3 million in exploration expenditures on the project. This earn-in was completed in September, 2010. On November 30, 2010, BHPB notified Peregrine that it elected not to exercise its right which would have entitled BHPB to earn an additional 7% interest in Chidliak by sole-funding a feasibility study. Between November 30, 2010 and December 20, 2011, the project was held 49% by Peregrine and 51% by BHPB with each party being obligated to fund its proportionate share of costs. On December 20, 2011 Peregrine announced that it had purchased BHPB’s 51% interest in Chidliak thereby increasing its ownership interest in Chidliak to 100%. Under the terms of the purchase agreement Peregrine will pay \$9.0 million over a period of three years, and grant BHPB a two percent royalty on any future mineral production from Chidliak.

Much of the Chidliak area 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 area 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 project. The majority of the mapped Lake Harbour Group rocks on the project 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 project. Rocks of the 1.86 to 1.85 Ga Cumberland Batholith occur along the western margin of the project.

Since 2008, fifty-nine kimberlites have been discovered at Chidliak, and seven of these are considered to have economic diamond mining potential.

A 2005 reconnaissance till sampling survey of southern Baffin Island by BHPB and Peregrine encountered kimberlite indicator minerals (“KIMs”) on what would become the Chidliak project, 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 KIM 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 were outlined: a highly anomalous area in the south-central part of the project and two weaker anomalies, one to the north and one to the east of the main anomalous area.

Fugro Airborne Surveys Inc. (“Fugro”) 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 in 2008 indicated that all three kimberlites were significantly diamond bearing. The results from the CH-1 kimberlite indicated excellent potential for a population of commercial size diamonds. Of particular note was the sample of CH-1B, where six, +0.85 mm sieve size diamonds, weighing a total of 0.157 carats, were recovered from a 94.9 kg sample.

Due to the encouraging initial results from CH-1, a 2.28 tonne mini-bulk sample was collected and 168, +0.425 mm sieve size diamonds, including 34 +0.85 mm sieve size diamonds weighing a total of 3.55 carats were recovered, as reported on November 18, 2008. The largest diamond in the 2.28 tonne sample from CH-1 was a 2.01 carat gem quality white/colourless diamond.

The 2009 Chidliak exploration programme with a budget of approximately \$9.2 million, was fully funded by BHPB. Accomplishments during the programme included the discovery of 13 kimberlites, CH-4 to CH-16 (seven by drilling and six by prospecting), the collection of a surface sample of approximately 50 tonnes from CH-1, the collection of 1,273 till samples, completion of 1,100 line-kilometres of ground geophysics and completion of an initial environmental baseline study. Additionally, the original 35 Prospecting Permits that were due to expire on January 31, 2010 were converted to mineral claims.

The diamond results for the thirteen kimberlites discovered in 2009 showed that fifteen of the 16 kimberlites discovered at Chidliak in 2008 and 2009 were diamond-bearing. The diamond counts in seven kimberlites indicated further work was required to assess their size, geology and diamond grade potential. Three of these kimberlites, CH-1, CH-6, and CH-7, were shown to have diamond size frequency characteristics that are consistent with economic diamond mining potential.

As reported on September 21, 2009, a 398.8 kilogram sample collected from the CH-6 kimberlite yielded 2,730 +0.075 mm sieve size diamonds, including 2.50 carats of +0.85 mm sieve size diamonds. The largest diamond recovered from the sample was a 0.62 carat white, transparent aggregate. Results from an additional 170.3 kg sample of drill core collected from a coherent phase of CH-6 were reported on November 12, 2009.

This phase returned a total of 2,007 +0.075 mm sieve size diamonds, including 2.08 carats of +0.85 mm sieve size diamonds. The two largest diamonds in that sample were a 0.420 carat white, translucent aggregate and a 0.361 carat yellow, transparent distorted crystal.

The initial results from the CH-7 kimberlite also indicated excellent potential for a population of commercial sized diamonds; as reported on October 5, 2009, 664, +0.075 mm sieve size diamonds, including 0.70 carats of +0.85 mm sieve size diamonds were recovered from a 220.9 kilogram. The largest diamond from this sample of CH-7 was described as a 0.64 carat off-white, translucent octahedron.

As reported on January 28, 2010, a 49.6 tonne sample from the CH-1A phase of CH-1, processed by dense media separation (“DMS”) returned 20.26 carats of +0.85 mm sieve size diamonds for a diamond content of 0.41 carats per tonne (“cpt”). The sample was collected from a small, easily accessible outcrop of the CH-1A phase near the north end of the CH-1 kimberlite and is not representative of the entire kimberlite. The largest diamonds recovered were 1.35 and 0.71 carats in size.

The 2010 exploration programme began in March. A total of 19,824 line-kilometres was flown as extensions to the existing 11,700 line-kilometre 2008 aeromagnetic survey. Approximately 1,800 line-kilometres of ground geophysical surveys were completed over approximately 100 geophysical anomalies. During the summer, 403 KIM samples were collected and the second year of work on an environmental baseline study was completed and a weather station commissioned.

In 2010, 112 geophysical anomalies were evaluated by prospecting, resulting in the discovery of fifteen kimberlites: CH-19, 21, 23, 24, 25, 26, 27, 28, 31, 33, 35, 36, 47, 49 & 50. The prospecting highlights include the discovery of the CH-31 kimberlite, which, at an estimated 4 hectares in size, is one of the largest kimberlites discovered to date at Chidliak, and the CH-28 kimberlite, the northernmost kimberlite discovered at that time. Caustic fusion results from eight of the fifteen kimberlites discovered by prospecting indicate that all eight are diamondiferous. The other seven prospecting discoveries were not tested as they were deemed to be of low interest. Three of the bodies, CH-28, CH-31 and CH-33, returned significant results.

At the CH-28 kimberlite, abundant kimberlite boulders and cobbles were discovered at surface within a depression having a diameter of 160 metres that corresponds with a magnetic-high geophysical anomaly. Kimberlite boulders over one metre in size are present. The observed kimberlite is volcanoclastic with limestone xenoliths and abundant coarse-grained KIMs including pyrope garnet, ilmenite and chrome diopside. A 238.9 kg sample of CH-28 had a coarse diamond distribution and yielded 174, +0.106 mm sieve size diamonds, including five +0.850 mm sieve size diamonds which weighed a total of 0.196 carats. Of the five +0.850 mm sieve size diamonds, three were classified as having an off-white color, one was grey and one was yellow. The largest diamond was a 0.11 carat off-white, transparent tetrahedron.

The CH-31 kimberlite was discovered when kimberlite boulders and cobbles were found within a subtle magnetic-low anomaly that is associated with an electromagnetic anomaly. Subsequently, this kimberlite was drilled and 410 metres of kimberlite was intersected in a core hole inclined at a 45 degree angle, which equates to an estimated horizontal width of at least 290 metres. CH-31 is comprised of volcanoclastic kimberlite with varying amounts of Paleozoic carbonate and basement xenoliths. Occasional mantle xenoliths were recognized including peridotites and eclogites. On preliminary inspection, CH-31 appears to be a uniform kimberlite body and distinct kimberlite phases are not recognizable. A total of 840 kilograms of kimberlite (core and surface samples) were processed and yielded a total of 233 +0.106 mm sieve size diamonds, including five +0.850 mm sieve size diamonds which weighed a total of 1.39 carats. Of the five +0.850 mm sieve size diamonds, one was classified as being white/colourless, one was off-white and three were grey. The largest diamond is a 1.15 carat off-white tetrahedron that was recovered from the fourth sample.

As announced on August 23, 2010, the CH-33 kimberlite was discovered when abundant kimberlite boulders and cobbles were identified associated with a magnetic-low anomaly having an estimated surface expression of at least five hectares as determined by airborne geophysics. The anomaly representing the kimberlite is partially covered by a lake. Both coherent and volcanoclastic kimberlite with limestone xenoliths are present on surface at CH-33. A 473.8 kilogram surface sample was collected from the two different kimberlites phases at two separate locations and a total of 150 +0.106 mm sieve size diamonds were recovered including one +1.18 mm sieve size diamond, which was classified as being an off-white, transparent tetrahedron weighing 0.024 carats.

A total of 7,672 metres of core was drilled in 48 holes: eleven kimberlites were discovered (CH-17, 18, 20, 22, 29, 30, 32, 34, 37, 38 & 41), nineteen holes were drilled into four of the known kimberlites (CH-6, 7, 12 & 31) to collect a mini-bulk sample of CH-6 and gain a better understanding of the others, and eight anomalies were drilled without intersecting kimberlite. Six of the eleven discoveries were tested by caustic fusion and all proved diamondiferous. Four of the eleven were not tested as they were deemed to be low interest and one, the CH-17 kimberlite, was not tested as only three metres of kimberlite drill core was recovered before the hole was terminated due to drilling difficulties. CH-17 was discovered by drilling a vertical core hole from lake-ice into the centre of the high-priority magnetic anomaly and kimberlite was intersected underneath 41 metres of water and 2.5 metres of overburden. A second hole was not attempted in 2010 as unseasonably warm local weather conditions led to the formation of slush on the lake hosting CH-17 and after a comprehensive analysis by an independent ice engineer, Peregrine decided to postpone further drilling on the lake-ice at this particular locality until the spring of 2011.

A Hornet reverse circulation (“RC”) rig was utilized to test lower priority geophysical anomalies and a total of 1,507 metres was drilled in 50 holes in 35 days. Thirty-four new anomalies were drilled, eight kimberlites (CH-39, 40, 42, 43, 44, 45, 46 & 48), and an unnamed kimberlite dyke were discovered. RC drilling was also completed on five known kimberlites. Four of these kimberlites were tested for diamonds by caustic fusion and all were diamondiferous. The other bodies were not tested as they were deemed to be low interest. Of the four tested, two, CH-44 and CH-45, returned significant results.

The discovery of the CH-44 kimberlite was announced on September 16, 2010. CH-44 is located one kilometre west of CH-31 and 2.5 kilometres south of CH-7. One vertical RC hole was drilled into a magnetic-high geophysical anomaly with an estimated surface expression of 0.4 hectares and kimberlite was intersected from two to 35 metres, with the hole being terminated in kimberlite. Dry RC cuttings of kimberlite were collected directly into 20 litre pails without screening and were security-sealed prior to shipment to the lab. CH-44 is described as an olivine macrocrystic kimberlite (macrocrysts to 1.4 cm) with abundant fresh kimberlite indicator minerals including garnet, chrome-diopside and ilmenite. Paleozoic carbonate rock fragments and basement xenoliths were observed in the drill cuttings. A 312.2 kg sample yielded 910 +0.106 mm sieve size diamonds, including nine +0.850 mm sieve size diamonds which weighed a total of 0.45 carats. Of the nine +0.850 mm sieve size diamonds, two were classified as being white/colourless, five were off-white and two were brown. The largest diamond was a 0.325 carat off-white, transparent octahedron.

The discovery of the CH-45 kimberlite was announced on September 16, 2010. One vertical RC hole was drilled into a magnetic-high geophysical anomaly with an estimated surface expression of 0.3 hectares and was terminated in kimberlite at a depth of 18 metres. Dry RC cuttings of kimberlite were collected directly into 20 litre pails without screening and were security-sealed prior to shipment to the lab. The CH-45 cuttings were described as olivine macrocrystal kimberlite with abundant kimberlite indicator minerals. In total, a 173.6 kg sample was processed by caustic fusion and yielded 158 +0.106 mm sieve size diamonds, including two +0.850 mm sieve size diamonds which weigh a total of 0.091 carats. The two +0.850 mm sieve size diamonds were classified as being an off-white, transparent octahedron weighing 0.081 carats and a yellow, translucent cubic weighing 0.010 carats.

Due to the encouraging exploration sample results from CH-7 in 2009, a mini-bulk sample was collected from surface in 2010. The 47.19 dry tonnes returned 502 +0.85 mm sieve size diamonds which weighed 49.07 carats, for a diamond content of 1.04 cpt. Fifteen of these diamonds weighed 0.50 carat or more, including three diamonds larger than one carat. The largest four diamonds were a 6.53 carat grey, translucent distorted crystal, a 2.18 carat white/colorless, transparent octahedron, a 1.24 carat off-white, transparent aggregate and a 0.98 carat off-white, transparent octahedron. To audit the DMS results, a representative 467.3 kilogram audit sample was processed by caustic fusion for +0.425 mm sieve size diamonds and 0.78 carats of +0.85 mm sieve size diamonds were recovered. The largest stone in the caustic audit sample was a 0.56 carat off-white, translucent fragment.

Encouraging results obtained from CH-6 drilling in 2009 prompted Peregrine to collect a mini-bulk sample of this kimberlite by core drilling. On December 6, 2010, Peregrine reported that the 14.11 tonne mini-bulk sample of drill core collected from the CH-6 kimberlite returned 40.04 carats of +0.85 mm sieve size diamonds. The mini-bulk sample was divided into four sub-samples, based on geology. The sub-samples, which were processed separately and ranged in size from 1.03 to 7.56 tonnes, returned diamond grades of 6.81, 3.49, 2.82, and 2.03 cpt. The sub-sample with the highest grade was collected from the upper portion of the pipe. Overall, the 14.11 tonne sample yielded 523 +0.85 mm sieve size diamonds, nine of which weighed 0.50 carat or more, including two diamonds larger than one carat. The largest three diamonds were a 1.29 carat off-white, transparent macle, a 1.02 carat off-white, transparent octahedron, and a 0.99 carat white/colorless, transparent, tetrahedron. To exercise control over the DMS results, a representative 465.3 kilogram control sample was processed by caustic fusion for +0.425 mm sieve size diamonds. A total of 133 diamonds were recovered from the audit sample and 2.24 carats of +0.85 mm sieve size diamonds were recovered, including a 0.99 carat white/colourless, transparent octahedron with no inclusions.

In 2011, 448 till samples were collected, 11,323 line-kilometres of helicopter-borne RESOLVE electromagnetic/resistivity/magnetic surveys were flown at 100 metre line spacing, approximately 1,940 line-kilometres of ground magnetic surveys were completed on 59 grids and 74 line-kilometres of capacitively-coupled resistivity (OhmMapper) geophysics were completed on 22 grids. As well, 84 geophysical anomalies were evaluated by prospecting, resulting in the discovery of one additional kimberlite, CH-59.

In 2011, Peregrine completed 8865 m of diamond drilling utilizing two LM-55 drill rigs. In total, 45 NQ holes and 10 HQ holes were completed. Six new kimberlites (CH-51, 53, 54, 55, 56 & 58) were discovered. In addition, 1529.8 m of RC drilling utilizing the Hornet drill rig in 34, 9 cm diameter holes were completed and two new kimberlites (CH-52 & 57) discovered.

Seven of the nine kimberlites discovered in 2011 were tested for diamonds by caustic fusion and five of them were diamondiferous and returned significant results. The other two bodies were not tested as they were deemed to be low interest.

As announced on April 20, 2011, the CH-51 kimberlite was discovered by drilling one vertical core hole and is located under a lake. A 228 kilogram sample of drill core yielded 76 +0.106 mm sieve size diamonds including three +0.85 mm sieve size stones weighing a total of 0.04 carats.

As announced on June 2, 2011, the CH-52 kimberlite was discovered with the drilling of one vertical RC hole. Due to the presence of abundant kimberlite indicator minerals in the drill cuttings, two angle core holes were subsequently drilled across the body. A 208.4 kilogram sample collected by core drilling from CH-52 yielded 252 +0.106 mm sieve size diamonds, including four +0.850 mm sieve size diamonds which weigh a total of 0.045 carats. Three of the four +0.850 mm sieve size diamonds in the CH-52 sample were characterized as being white/colourless and one was off-white.

As announced on June 2, 2011, the CH-55 kimberlite was discovered when two angled holes were drilled from the same setup across a magnetic-low geophysical anomaly. CH-55 is currently estimated to be 0.8 hectares in size. A 195.6 kilogram sample was submitted to caustic fusion analysis and 214 +0.106 mm sieve size diamonds were recovered, including one +1.18 mm sieve size diamond that weighed 0.03 carats.

As announced on June 22, 2011, the CH-58 kimberlite was discovered by drilling two angled core holes across the body. A 194.9 kilogram sample from CH-58 yielded 428 +0.106 mm sieve size diamonds, including one +0.850 mm sieve size diamond which was described as being white/colourless.

As announced on September 12, 2011, the CH-59 kimberlite was confirmed by RC drilling of a magnetic-high anomaly with kimberlite float near the southern edge of the anomaly. The kimberlite is located approximately two kilometres north of CH-52. Based on the RC drilling and its geophysical signature, CH-59 has an estimated surface area of 0.1 hectares. A 169.2 kilogram sample of kimberlite that was found at surface proximal to CH-59 was submitted for caustic fusion analysis and yielded 174 +0.106 mm sieve size diamonds, including four +0.850 mm sieve size diamonds which weigh a total of 0.047 carats. One of the four +0.850 mm sieve size diamonds in the CH-59 sample was characterized by the SRC as being white/colourless and three were off-white.

In 2011, drilling was completed on 8 kimberlites that had been discovered in previous years, CH-6, 7, 17, 28, 31, 33, 44 and 45. Caustic fusion results have been received for five of them.

The CH-17 kimberlite was discovered in May, 2010 and is located 200 metres north of the CH-51 kimberlite, under the same lake. Insufficient drill core was recovered in 2010 from this kimberlite to process for diamonds. As announced on June 2, 2011, a vertical hole was drilled into CH-17 this year. As announced on September 12, 2011, a 143 kilogram sample from this hole yielded 41 +0.106 mm sieve size diamonds, including two +0.85 mm sieve size stones. A second sample from the same hole, weighing 183 kilograms, returned 68 +0.106 mm sieve size diamonds, including two +0.85 mm sieve size stones.

As reported on September 23, 2010, the CH-28 kimberlite, estimated at two hectares in size, was discovered at surface and a 239 kilogram kimberlite sample returned encouraging microdiamond results. As reported on June 2, 2011, a core hole was drilled across CH-28 this year. A 393.1 kilogram sample of drill core yielded 251 +0.106 mm sieve size diamonds including five +0.85 mm sieve size diamonds weighing 0.15 carats.

As announced on August 23, 2010, the CH-33 kimberlite was discovered by prospecting in an area of abundant kimberlite boulders and cobbles. A 397.7 kilogram sample was collected from three angle core holes that were drilled across the kimberlite this year and 55 +0.106 mm sieve size diamonds were recovered. Based on the interpretation of drill and geophysical data, CH-33 has an estimated surface expression of five hectares.

The discovery of the CH-44 kimberlite by RC drilling was announced on September 16, 2010. A 535.1 kilogram sample collected by core drilling in 2011 at CH-44 yielded 766 +0.106 mm sieve size diamonds, including 13 +0.850 mm sieve size diamonds which weigh a total of 0.197 carats. The three largest diamonds in the CH-44 sample were described as a 0.05 carat off-white octahedron, a 0.03 carat white/colourless octahedron, and a 0.04 carat off-white fragment.

The discovery of the CH-45 kimberlite by RC drilling was announced on September 16, 2010. CH-45 is estimated to be 0.3 hectares in size and is interpreted to consist of at least two phases of kimberlite. A 374.8 kilogram sample of drill core collected from CH-45 in 2011 yielded 170 +0.106 mm sieve size diamonds, including two +0.850 mm sieve size diamonds weighing 0.268 carats. These two diamonds were recovered from the volcanoclastic kimberlite sample and were described as a 0.06 carat white/colourless octahedron and a 0.21 carat gray cubic crystal.

In addition to drilling the CH-28 kimberlite, on October 25th, 2011, Peregrine announced that a 32.54 tonne mini-bulk sample of in-situ surface material (subcrop) over an area measuring approximately 50 by 50 metres collected from CH-28 returned 8.94 carats of +0.85 mm sieve size diamonds, for a diamond grade of 0.27 cpt. The four largest diamonds were described as a 0.98 carat brown tetrahexahedroid, a 0.44 carat white/colourless distorted crystal, a 0.37 carat off-white cubic diamond and a 0.37 carat white/colourless tetrahexahedroid. The remaining nine diamonds in the +2.36 mm sieve size range in weight from 0.15 to 0.35 carats, with one being white/colourless, another grey and the remaining seven off-white.

The fifty-nine kimberlite discoveries made by Peregrine at Chidliak between 2008 and 2011 have established a new Canadian diamond district. It is still early in the cycle of evaluation of the district; however, even at this juncture seven kimberlites are considered to have economic diamond mining potential. Based on the information derived from project-wide exploration data, including unresolved indicator mineral trains and kimberlite float, the author believes that the project has good exploration potential and that there may be undiscovered kimberlites on the project. As well, some of the known bodies have favourable combinations of grade and tonnage to warrant further economic evaluation.

Significant base and precious metal anomalies have also been identified at Chidliak. In 1996 & 1997, an area of the Hall Peninsula, including some the ground now covered by the Chidliak project, 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.

Future exploration should focus on assessing the kimberlites discovered between 2008 and 2011 that have characteristics consistent with economic diamond mining potential and on identifying new kimberlites and evaluating their diamond potential. As well, the exploration potential for Ni-Cu-PGE mineralization and other precious and base metals should be evaluated.

## **QILAQ PROPERTY, BAFFIN ISLAND, NUNAVUT**

*Jennifer Pell, Ph.D, P. Geo. prepared a technical report on the Qilaaq property in accordance with National Instrument 43-101 - Standards of Disclosure for Mineral Projects (“NI 43-101”) dated November 28, 2010 titled “2010 Technical Report on the Qilaaq 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. The following text comes from that report and the text has been updated in November, 2011 to reflect work done through 2011.*

### Incorporation of Information by Reference

The summary from the 2010 Qilaaq Property Technical Report is reproduced herein, for the purposes of the disclosure of the Qilaaq 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. Information in this summary has been updated to reflect the work done in 2011.

## Summary of Qilaq property (updated from the 2010 Qilaq Property Technical Report)

The Qilaq property currently consists of 33 Prospecting Permits covering 449,042 hectares located on the Hall peninsula of Baffin Island, approximately 140 km east of the city of Iqaluit at 63° 56' 81" N latitude and 65° 37' 26" W longitude. Thirty of the Permits were acquired by Peregrine in February of 2009 and are valid for 3 years (until Jan. 31, 2012). The other 3 were acquired in February of 2010 and are valid until Jan. 31, 2013. In June of 2011, Peregrine staked 86 claims covering 58,752.30 hectares to protect the key area with kimberlite and diamond potential at Qilaq that currently is covered by Prospecting Permits that will lapse in January of 2012; these claims are currently pending registration.

Much of the Qilaq 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 property is believed to be underlain by Archean and Proterozoic Ramsay River Orthogneisses which consists of orthopyroxene-biotite±hornblende monzogranite-tonalite orthogneiss, hornblende-clinopyroxene±orthopyroxene quartz diorite and orthopyroxene-biotite±hornblende monzogranite to syenite veins. These rocks may be part of the North Atlantic Craton or correlative with rocks in the Torngat Orogen. Inliers of Paleoproterozoic strata occur in north-south trending, discontinuously mapped belts in the project area, particularly in the northwestern and southwestern permits.

During the 2009 field season, a total of 516 sediment samples were collected and shipped for heavy mineral processing from the Qilaq permits – 484 till samples and 32 drainage samples. At each of these sample sites, a small sediment sample was taken for geochemical analysis. In total 515 till samples were submitted for geochemical analyses. In addition, two extra samples were taken solely for geochemical analysis. During the 2010 field season, a total of 389 sediment samples were collected and shipped for heavy mineral processing; 352 till samples and 37 drainage samples. At all but two of these sample sites, a small sediment sample was taken for geochemical analysis. Anomalous concentration of kimberlite indicator minerals, gold and sperrylite were recovered from some of the samples collected.

A RESOLVE electromagnetic/resistivity/magnetic survey was flown over a portion of the Qilaq property in 2010 and a single ground magnetic survey was completed.

Limited prospecting was completed in 2010, leading to the discovery of two kimberlites at surface. Samples of both kimberlites were taken for caustic fusion for microdiamonds and heavy mineral analysis and both kimberlites have proven to be significantly diamondiferous. A 62.7 kilogram sample from Q1 yielded 38 diamonds larger than 0.106 mm sieve size including one diamond larger than the 0.600 mm sieve size, and a 241.5 kilogram sample from Q2 yielded 253 diamonds larger than 0.106 mm, including three diamonds larger than 0.600 mm. The diamond in the Q2 sample that is larger than the 1.180 mm sieve size is classified by the SRC as a 0.05 carat white/colourless, transparent distorted crystal.

During the 2011 field season, a total of 169 sediment samples was collected and shipped for kimberlite indicator mineral processing. A 3,866 line-kilometre helicopter-borne RESOLVE electromagnetic/resistivity/magnetic survey was completed, 89.7 line-kilometres of ground geophysics were completed on 9 grids and 183 metres of reverse circulation (“RC”) drilling was completed in 6 holes to test 2 geophysical anomalies and collect a sample from the Q-1 kimberlite that was discovered in 2010. One kimberlite, Q-3, was discovered. A total of 179.45 kg of RC chips from Q-3 were submitted for caustic fusion analyses and only two diamonds were recovered, both of which were on the 0.106 mm square mesh sieve.

From June 23rd to August 22nd 2011, five sites on Qilaq were assessed for metals potential by Peregrine staff and contractors. 382 soil samples were collected in geochemical surveys, 21 till samples were taken for heavy mineral analysis focussing on metals indicators, 25 rocks were collected during prospecting, and 45.7 line-km of ground magnetic surveying were completed.

There is the potential for additional kimberlites to be found on the property and further diamond exploration is recommended. The exploration potential for precious metals, base metals and magmatic Ni-Cu-PGE mineralization is being evaluated.

## **NANUQ PROPERTY, NUNAVUT**

*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. The following text comes from that report and the text has been updated in November, 2011 to reflect work done from 2009 to 2011.*

### 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. Information in this summary has been updated to reflect the work done in 2009, 2010 and 2011.

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

The Nanuq property consists of 241 mineral claims covering 234,563 hectares (579,563 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 62% of the area of the property. BHP Billiton also retains all marketing rights in respect of all rough diamonds extracted from such 62% 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 (“HLEM”) 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.

In July 2009, 1288 till samples were collected on the Nanuq property both on detail areas of established mineral trains and on areas previously not sampled. Results from the sampling program showed little interest on the western and eastern margins with minor anomalies recommended to be followed up.

In 2010, 1503 line kilometres (47 grid locations) of ground geophysics magnetometer survey, 41 line kilometres (9 grid locations) of ground geophysics Horizontal Loop Electromagnetic (“HLEM”) survey, 493 till samples and 429 metres of core drilling were completed. Geophysical surveys were used to prioritize drill targets and till sampling completed to follow up 2009 anomalies. The three drill targets tested did not intersect kimberlite bodies.

In 2011 a field work on the Nanuq Project was conducted in the months of July and August. A total of 49 heavy mineral samples were collected to further define unresolved indicator mineral dispersion trains. Six ground magnetic surveys totalling 111 line kilometres and five ground resistivity surveys totalling

seven line kilometres were conducted over geophysical targets interpreted from existing airborne data sets. Four of these anomalies were subsequently drilled for a combined length of 585 meters. No kimberlite was intersected by drilling.

On December 20, 2011 the Company entered into an agreement with BHP whereby the 2% gross production royalty on 62% of the area on this property and related marketing rights will be extinguished in January 2012.

## **NANUQ NORTH PROPERTY, NUNAVUT**

The Nanuq North Project (“Nanuq North”), in joint venture agreement with Indicator Minerals Inc. (‘Indicator’) and Hunter Exploration Group (‘Hunter’) consists of 51 claims covering an area of 33,100 hectares immediately north and adjacent to the Nanuq project. The project is located just south of Wager Bay on the southern border of Ukkusiksalik National Park in the Kivalliq Region of Nunavut.

In 2007 Peregrine conducted an initial fixed-wing airborne magnetic and electromagnetic survey over the east and west “wings” of the property totaling 14,264 kilometres. In the spring of 2008, Indicator conducted 2774.2 line kilometers helicopter borne magnetic and electromagnetic survey of the property’s “core” area. Follow up 152.3 line kilometres of ground magnetic surveys were completed of eight anomalies identified from the airborne surveys.

Subsequent to the collection of the detailed ground geophysical information, Indicator conducted a reverse circulation drilling program testing five targets in six drill holes for a total of 405.5 metres drilling. The NQN-001 kimberlite was discovered and caustic fusion results produced 206 diamonds, larger than the 0.075 millimetre sieve size, from a 152.75 kilogram sample.

In May and June 2010, 762 metres NQ core in six holes was drilled into the NQN001 kimberlite to test the extents of the kimberlite body, evaluate internal lithology and diamond grade. In August 96 till samples were collected on the “wing” portions of the property where little detail had been collected to date. Diamond results from the 1,008-kilogram sample from the NQN-001 kimberlite yielded 612 diamonds larger than the 0.075-millimetre sieve size and two diamonds larger than the 0.600-millimetre sieve size.

In 2011 field exploration consisted of one 17 line kilometre ground magnetic survey and the drilling of one magnetic anomaly to a depth of 214 meters, no kimberlite was intersected.

## **WO PROPERTY, NORTHWEST TERRITORIES**

*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. The following text comes from that report which was updated in November 2011 to include work between 2008 and 2011.*

### 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](http://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) – 71.926%;
- DHK Diamonds Inc. (DHK) – 10.547%;
- Archon Minerals Inc. (Archon) – 17.527%

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. (BHP Billiton). 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  $-45^{\circ}\text{C}$  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  $1\text{ km}^2$ ), 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 Billiton 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 BHP Billiton'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  $\text{km}^2$  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 BHP Billiton. 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 BHP Billiton. 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 cph 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 “Scrub-only 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**

<b>Bulk Sampling Program</b>	<b>Weight Of Valuation Sample (Carats)<sup>(1)</sup></b>	<b>Largest Diamonds (Carats)</b>	<b>“Base Case” Diamond Price Model (US\$/Carat)<sup>(2)</sup></b>	<b>“High” Diamond Price Model (US\$/Carat)<sup>(2)</sup></b>	<b>“Low” Diamond Price Model (US\$/Carat)<sup>(2)</sup></b>
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.

On August 5, 2009, the Company's interest in the WO property increased to 71.95%, Archon's interest increased to 17.533% and DHK was diluted to a 10.517% participating interest.

In October 2010, the Company's interest in the WO property decreased slightly to 71.93% as a result of the receipt of refunded camp costs. Archon Minerals Ltd interest is 17.528% and DHK Diamonds Inc. is 10.543%

A field exploration programme was undertaken in August 2011 on the WO property in order to review and fully evaluate kimberlite exploration potential. Activities in 2011 included ground geophysics over seven anomalies, a legal survey of seven mineral claims in order to bring them to lease and a site reclamation assessment and other ongoing care and maintenance work at DO-27. Costs for the 2011 programme were approximately \$200,000 of which the Company's share is \$144,000.

Three anomalies up to 1.6 hectares were identified as priority drill targets. Preparations are in progress for a winter 2012 ground geophysical and core-drilling programme starting in March. Five airborne geophysical anomalies are scheduled to be covered by ground magnetic surveys. The budget estimate for the proposed work plan is \$450,000.

## **OTHER PROPERTIES**

In addition to its interest in the Chidliak, Nanuq and WO properties, Peregrine also holds various diamond exploration properties known as the Lac de Gras East, Lac de Gras West and TW, in the Northwest Territories, Cumberland on Baffin Island, Nunavut and the Nanuq North diamond exploration property in the Kivalliq region of 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.**

#### Lac de Gras properties, Northwest Territories

The Lac de Gras property consists of 95 mineral claims covering 87,358 hectares located 300 kilometres northeast of Yellowknife. The Company owns a 65% joint venture interest in 41 of these claims; the remaining 54 claims are wholly-owned by the Company. In addition, these properties are subject to certain gross overriding royalties of between 2% and 4%. 50% of each of these royalties can be purchased by the Company for amounts ranging from \$2.0 to \$4.0 million.

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 properties at a cost of approximately \$450,000.

There were no exploration programs undertaken on these properties in 2009 or 2010.

In August 2011, a summer ground geophysical programme and legal survey of certain claims was completed on the Lac de Gras properties at an approximate cost of \$355,000 of which the company's share is \$292,000. A reinterpretation of the airborne geophysical data identified over 20 anomalies that warranted follow-up with ground surveys. A total of seven geophysical anomalies was covered with ground magnetic surveys totalling 175 line-kms. High priority geophysical anomalies were also covered by OhmMapper electromagnetic surveys to better discriminate kimberlite-like targets. Also, 10 mineral claims were surveyed and applications for their conversion to leases were submitted.

Six geophysical anomalies up to two hectares in size were confirmed as priority drill targets. Preparations are in progress for a winter 2012 ground geophysical and core-drilling programme starting in March. Ten mainly lake-based airborne geophysical anomalies are planned to be covered by ground geophysical surveys. The budget estimate for the proposed work plan is \$1.05M, of which the company's share is \$840,000.

#### TW property, Northwest Territories

In April 2006, the Company granted Viking Exploration Inc. ('Viking') an option to acquire a 60% interest in the Company's right in five claims covering 4,772 ha that comprise 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 and incur aggregate exploration expenditures of \$1 million on the property by September 2011 and maintain all permits on the property in good standing for the duration of the agreement. In July, 2010, Viking gave notice to the Company that these work and expenditure commitments had been completed. The Company is currently awaiting a project update and analysis from Viking.

#### Cumberland, Nunavut

The Cumberland project is located on the Cumberland Peninsula of Baffin Island. It encompasses the southern half of the Peninsula and is bordered by Cumberland Sound to the south and Davis Strait to the east.

The area was identified in 2008 by Peregrine Diamonds as being prospective for kimberlite intrusions due to its proximity and similarity to the Hall Peninsula.

In 2010 Peregrine acquired 119 Prospecting Permits totaling 1,496,695 hectares on the Cumberland Peninsula. A regional reconnaissance sampling program was undertaken to evaluate the area for kimberlite indicator minerals. A total of 345 heavy mineral samples were collected along with a corresponding geochemical sample at each location. A limited prospecting program was conducted at 10 geophysical anomalies selected from regional government data sets.

In early 2011 the Cumberland project was reduced to 40 prospecting permits totaling 526,729 hectares. Though no kimberlite indicator minerals were observed in the 2011 dataset, several geochemical anomalies were noted. A total of 18 target areas were selected for follow-up based upon prospective geology and geochemical anomalies in the 2010 sample data. In July and August 2011 a sampling and prospecting program was undertaken. In total 281 rock samples and 597 soil/silt samples were collected at the 18 target areas.

## **RISK FACTORS**

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

### Price Fluctuations of Diamonds

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.

### 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.

#### No Current Revenues

The Company has not recorded any revenues to date from operations, other than interest income, and has no dividend record. The Company has not commenced commercial production on any of its properties. The Company will continue to incur exploration expenditures and there is no assurance the Company will ever generate revenue from operations or be profitable in the future. The operating expenses and capital expenditures of the Company may increase in subsequent years as consultants, personnel and equipment costs associated with advancing exploration, development and commercial production of its properties increase. The Company expects that it will continue to incur losses unless and until such time as it enters into commercial production and generates sufficient revenues to fund its continuing operations. The development of the properties of the Company will require the commitment of substantial resources to conduct time-consuming development. There can be no assurance that the Company will ever generate any revenues from operations or achieve profitability.

#### 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 on favourable terms or at all. 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.

#### Chidliak Property

Exploration of the Chidliak property in 2009 and 2010 was substantially funded by BHP Billiton through exercise of its right to earn a 51% interest in the property by spending a total of \$22.3 million in exploration expenditures. As BHP Billiton did not elect to exercise its right to earn an additional 7% interest in the Chidliak property, the property was held 49% by Peregrine and 51% by BHP Billiton. As a result, Peregrine shared funding responsibility for the Chidliak property with BHP Billiton for the period from September 2010 to December 2011. With the purchase by Peregrine of BHP Billiton's 51% interest in the property in December 2011, Peregrine will assume funding responsibility for the property commencing in January 2012. There is no assurance that Peregrine will have the required funds on hand when payments are required to be made.

#### 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.

### 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.

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.

### 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.

### 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.

### 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.

### Conflicts Under the CBCA

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.

### 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.

## **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 a spin-out of the Company's metals assets to Peregrine Metals Ltd. ("Peregrine Metals") completed on October 14, 2005, the Company effected a distribution of common shares of Peregrine Metals to the Company's shareholders 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 shares of Peregrine Metals so distributed).

## **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 December 21, 2011, 104,323,639 common shares and no preferred shares of the Company were issued and outstanding, 15,673,833 common shares were issuable upon the exercise of outstanding stock options and 3,578,331, common shares were issuable upon the exercise of outstanding common share purchase warrants.

## 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, 2011:

<b>Year</b>	<b>Month</b>	<b>High</b>	<b>Low</b>	<b>Volume</b>
<b>2010</b>	October	2.65	2.21	4,232,115
	November	3.32	2.45	8,686,809
	December	3.18	2.41	8,756,225
<b>2011</b>	January	2.77	2.37	4,372,685
	February	2.55	2.16	2,887,868
	March	2.29	1.91	3,811,063
	April	2.30	2.06	1,581,294
	May	2.28	1.90	1,555,605
	June	2.15	1.66	1,522,943
	July	2.14	1.60	3,008,365
	August	2.09	1.48	3,168,669
	September	1.81	1.05	3,501,250

## ESCROWED SECURITIES

As at September 30, 2011 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:

<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>
Robert T. Boyd <sup>(2)(4)</sup>	Director	Director since July 7, 2008	President, CEO and Director of Endurance Gold Corp. since April 2010; President and CEO of Athabasca Potash Inc. from August 2009 to September 2009; President and CEO of Ashton Mining of Canada Inc. from 2000 to 2006; President and CEO Cooper Jack Investments Ltd. since 1996.

<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>
Alan Carter <sup>(4)</sup> Vancouver, BC, Canada	Director	Director since March 29, 2005	CEO of Magellan Minerals Ltd. since February 2007; Chief Operating Officer of the Corporation from June 2004 to October 2006; Chief Operating Officer, Peregrine Metals Ltd. from September 2005 to October 2006. President, Dunsmuir Ventures Ltd. from February 2005 until January 2006.
Jonathan Challis <sup>(1)(2)</sup> Sevensoaks, Kent, UK	Director	Director since June 10, 2003	Executive Officer of Solex Resources Corp. from January 2004, including President and Chief Operating Officer since March 2005 until April 2010.
Brooke Clements <sup>(3)</sup> North Vancouver, BC, Canada	President	N/A	President of Peregrine since December 2007; Executive Vice President, Peregrine Metals Ltd. from March 2008 to October 2011, prior thereto, Vice President, Exploration of Ashton Mining of Canada Inc. from 1999 to 2007.
Richard Cohen Vancouver, BC, Canada	Director	Director since March 31, 2009	Managing Director, Primary Capital Inc. From January 2011; Managing Director, Investment Banking, Dundee Securities Corporation from January 2007 to November 2010; Senior Vice President of Dundee Securities from June 1998 to January 2007.
Roderick Davey Salt Lake City, Utah, USA	Chief Operating Officer	N/A	Chief Operating Officer of the Corporation from October 2006 to present; Independent Mining Consultant to the Corporation 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	Chairman, CEO of the Corporation. President from November 2002 to December 2007 and Chairman and CEO from December 2007 to present. President of Peregrine Metals Ltd. from September 2005 to October 2011.
Myron Goldstein <sup>(1)</sup> Morrison, CO, USA	Director	Director since February 23, 2009	Independent Geological Consultant
Gordon Keep <sup>(1)(2)(4)</sup> Vancouver, BC, Canada	Director	Director since February 2, 2005	Executive Vice-President, Fiore Financial since July 2007; prior thereto, Managing Director, Corporate Finance, Endeavour Financial Corporation from 2001 to July 2007.

<u>Name, Province (or State) and Country of Residence</u>	<u>Office</u>	<u>Date of Appointment as Director</u>	<u>Principal Occupation Within the Five Preceding Years</u>
Gregory Shenton <sup>(3)</sup> Vancouver, BC Canada	Chief Financial Officer	N/A	Chief Financial Officer of Peregrine since February 1, 2006; 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 Compensation Committee.  
(3) Member of the Disclosure Policy Committee.  
(4) Member of the Corporate Governance 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, 2011, the directors and executive officers of the Company in the aggregate beneficially owned, directly or indirectly, or exercised control or direction over approximately 14,439,567 common shares or 14.87% 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
Myron Goldstein	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.

**Myron Goldstein** — Dr. Goldstein has over 35 years of diversified management, exploration and development experience in precious and base metals and uranium. He has worked as a Geophysicist for Kennecott Copper Corp. in Utah, as well as for Esso Eastern Inc. in South Africa and Australia. Since 1980, Dr. Goldstein has held senior management positions with Chevron Resources Co., Lac Minerals Ltd., and Global Mining Management in North and South America, Africa and Asia. Dr. Goldstein has a B.Sc. degree in Engineering Geophysics from the Colorado School of Mines, a M.Sc. degree in Geophysics from the Massachusetts Institute of Technology and a Ph.D. degree in Physics Geophysics from the University of Toronto.

#### **Reliance on Certain Exemptions**

At no time since October 1, 2008 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, 2008 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, 2010	\$45,000	\$18,800	\$5,000	—
September 30, 2011	\$60,000	\$25,400	\$5,000	—

(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**

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.

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, 2011:

- (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 October 1, 2006.

## **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 contracts entered into in the ordinary course of business of the Company, there are no contracts that are material to the Company that were entered into during the financial year ended September 30, 2010 or prior thereto but which are still in effect.

## **INTERESTS OF EXPERTS**

This Annual Information Form incorporates by reference technical information contained in the Chidliak Property Technical Report, the Qilaq Technical Report and the Nanuq Property Technical Report, prepared by Jennifer Pell (see under “Description of Mineral Properties” – “Chidliak Property”, “Qilaq Property” and “Nanuq Property”). Dr. Pell is employed as the Chief Geoscientist of the Company and holds 30,000 common shares of the Company and options to acquire 215,000 common shares of the Company.

This Annual Information Form also incorporates by reference technical information contained in the WO Property Technical Report prepared by AMEC and co-authored by Ken Brisebois and Ted Eggleston, who are both independent qualified persons.

## **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 28, 2011, in respect of the Company’s annual general meeting of shareholders held on March 30, 2011.

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, 2011.

## 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 at 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.