GGL DIAMOND CORP.

CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2008

(UNAUDITED)

NOTICE: The Company's auditors have not reviewed the attached Interim Consolidated Financial Statements for the period ended August 31, 2008.

GGL DIAMOND CORP.

Consolidated Balance Sheets as at
(Unaudited)

	August 31, 2008	November 30, 2007 (Audited)
ASSETS		
Current		
Cash and cash equivalents	$ 1,199,944	$ 745,148
Amounts receivable	376,469	215,465
Prepaid expenses	518,405	13,038
	2,094,818	973,651
Unproven mineral interests (Note 2)	18,863,393	15,428,331
Property, plant and equipment	441,016	450,349
	$ 21,399,227	$ 16,852,331
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 1,061,139	$ 234,153
Current portion of mortgage loan	-	10,705
	1,061,139	244,858
SHAREHOLDERS' EQUITY		
Share capital (Note 3)	35,211,782	31,689,095
Contributed surplus (Note 5)	3,822,514	3,125,977
Deficit	(18,696,208)	(18,207,599)
	20,338,088	16,607,473
	$ 21,399,227	$ 16,852,331

On behalf of the Board:

"Raymond A. Hrkac"
Raymond A. Hrkac, Director

"Nick DeMare"
Nick DeMare, Director

GGL DIAMOND CORP.

Consolidated Statements of Operations and Deficit
(Unaudited)

	For the three months ended August 31, 2008	For the three months ended August 31, 2007	For the nine months ended August 31, 2008	For the nine months ended August 31, 2007
Expenses				
Amortization	$ 657	$ 1,127	$ 1,974	$ 2,453
Consulting fees	41,347	103,992	214,709	210,355
Corporate relations	2,500	14,200	7,877	53,144
General exploration costs	62,248	38,394	153,038	135,688
Legal and audit	2,302	80,209	32,616	210,877
Licences, taxes, insurance and fees	2,193	7,513	18,171	21,169
Office services and expenses	48,104	52,477	158,688	137,554
Shareholders' meetings and reports	14,176	122,576	32,492	130,365
Stock-based compensation	5,208	1,504,411	703,037	2,054,315
Travel	1,372	13,855	4,820	19,541
Operating loss	(180,107)	(1,938,754)	(1,327,422)	(2,975,461)
Other income (loss)				
Foreign exchange loss	700	(382)	46	(1,584)
Interest income	8,440	15,893	61,867	30,777
Other tax expense (Note 6)	(10,000)	-	(65,000)	(1,534)
Write off of property, plant and equipment	-	-	(3,828)	-
Write off of unproven mineral interests	-	-	(558,417)	-
	(860)	15,511	(565,332)	27,659
Net loss before taxes	(180,967)	(1,923,243)	(1,892,754)	(2,947,802)
Future income tax recovery	540,782	-	1,404,145	66,351
Net income (loss) for the period	359,815	(1,923,243)	(488,609)	(2,881,451)
Deficit, beginning of period	(19,056,023)	(15,910,083)	(18,207,599)	(14,951,875)
Deficit, end of period	(18,696,208)	(17,833,326)	(18,696,208)	(17,833,326)
Income (loss) per share - basic and diluted	$ 0.003	$ (0.016)	$ (0.004)	$ (0.026)
Weighted average number of common shares outstanding - basic and diluted	140,670,449	119,166,655	138,573,601	111,547,631

Please see the notes accompanying these financial statements.

GGL DIAMOND CORP.

Consolidated Statements of Cash Flows
For the three months ended
(Unaudited)

	August 31, 2008	August 31, 2007
Cash flows used in operating activities		
Income (loss) for the period	$ 359,815	$ (1,923,243)
Adjustment for items not involving cash:		
- amortization of property, plant and equipment	25,062	25,655
- future income tax recovery	(540,782)	-
- stock-based compensation	5,208	1,504,411
	(150,697)	(393,177)
Change in non-cash working capital items:		
- amounts receivable	(56,722)	(68,787)
- prepaid expenses	164,202	6,065
- accounts payable and accrued liabilities	1,548,880	543,896
	1,505,663	87,997
Cash flows from financing activities		
Shares issued for cash	575,000	521,767
Shares issued for cash – flow-through shares	515,000	-
Share issuance costs	(20,861)	(4,321)
Principal reduction of mortgage loan	(2,239)	(4,345)
	1,066,900	513,101
Cash flows used in investing activities		
Acquisition of unproven mineral interests	-	(36,794)
Additions to deferred exploration costs	(2,768,209)	(1,038,567)
Purchase of property, plant and equipment	(36,094)	(114,802)
	(2,804,303)	(1,190,163)
Decrease in cash and cash equivalents	(231,740)	(589,065)
Cash and cash equivalents, beginning of period	1,431,684	1,776,626
Cash and cash equivalents, end of period	$ 1,199,944	$ 1,187,561

See Note 10 – Supplementary Cash Flow Information.

Please see the notes accompanying these financial statements.

GGL DIAMOND CORP.

Consolidated Statement of Cash Flows
For the nine months ended
(Unaudited)

	August 31, 2008	August 31, 2007
Cash flows used in operating activities		
Loss for the period	$ (488,609)	$ (2,881,451)
Adjustment for items not involving cash:		
- amortization of property, plant and equipment	53,722	42,942
- future income tax recovery	(1,404,145)	(66,351)
- stock-based compensation	703,037	2,054,315
- write off of property, plant and equipment	3,828	-
- write off of unproven mineral interests and deferred exploration costs	558,417	-
	(573,750)	(850,545)
Change in non-cash working capital items:		
- amounts receivable	(161,004)	(115,773)
- prepaid expenses	(505,367)	20,995
- accounts payable and accrued liabilities	1,676,831	(1,027,742)
	436,710	(1,973,065)
Cash flows from financing activities		
Shares issued for cash	655,250	3,941,883
Shares issued for cash – flow-through shares	4,529,500	189,680
Share issuance costs	(309,418)	(122,423)
Principal reduction of mortgage loan	(10,705)	(12,296)
	4,864,627	3,996,844
Cash flows used in investing activities		
Acquisition of unproven mineral interests	(66,429)	(203,888)
Additions to deferred exploration costs	(4,731,895)	(638,537)
Purchase of property, plant and equipment	(48,217)	(159,469)
	(4,846,541)	(1,001,894)
Increase in cash and cash equivalents	454,796	1,021,885
Cash and cash equivalents, beginning of period	745,148	165,676
Cash and cash equivalents, end of period	$ 1,199,944	$ 1,187,561

See Note 10 – Supplementary Cash Flow Information.

Please see the notes accompanying these financial statements.

These notes should be read in conjunction with the Audited Consolidated Financial Statements for the year ended November 30, 2007.

1. Nature of Operations

The Company is in the exploration stage and, on the basis of information to date, does not yet have economically recoverable reserves. The underlying value of the mineral properties and related deferred costs is entirely dependent upon the existence of such reserves, the ability of the Company to obtain the necessary financing to develop the reserves and upon future profitable production.

The Company intends to continue its exploration programs. The Company's ability to continue its exploration programs is dependent on its ability to secure additional financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. Management is actively pursuing such additional sources of financing.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") applicable to a going concern which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. Realization values may be substantially different from the carrying values shown in the consolidated financial statements should the Company be unable to continue as a going concern. The ability of the Company to settle its liabilities as they come due and to fund ongoing operations is dependent upon the ability of the Company to obtain additional funding from equity financing. Failure to continue as a going concern would require restatement of assets and liabilities on a liquidation basis, which could differ materially from the going concern basis.

2. Unproven Mineral Interests

	Balance November 30, 2007	2008 mineral interests additions	2008 exploration cost additions	2008 written off	Balance August 31, 2008
Doyle Lake	$ 3,835,843	$ -	$ 106,073	$(477,654)	$ 3,464,262
Fishback Lake	1,285,995	-	21,448	(80,763)	1,226,680
CH	7,580,214	-	128,804	-	7,709,018
Providence Greenstone Belt	1,131,239	66,429	2,929,775	-	4,127,443
McConnell Creek	1,595,040	-	740,950	-	2,335,990
	$ 15,428,331	**$ 66,429**	**$ 3,927,050**	**$(558,417)**	**$ 18,863,393**

2. Unproven Mineral Interests, continued

	Balance November 30, 2007	2008 Additions	2008 written off	Balance August 31, 2008
Unproven mineral interests	$ 579,921	$ 66,429	$ (15,096)	$ 631,254
Deferred exploration costs	14,848,410	3,927,050	(543,321)	18,232,139
	$ 15,428,331	**$ 3,993,479**	**$(558,417)**	**$ 18,863,393**

(a) Providence Greenstone Belt, Northwest Territories, Canada.

During the period, the Company staked an additional 76,020 acres in the Providence Greenstone Belt area of the Northwest Territories. These claims lie within an extensive belt of rocks previously identified by a mapping project funded by the Geological Survey of Canada and reported as having the potential for hosting magmatic nickel mineralization. These claims are pending acceptance from the Mining Recorder.

(b) Fishback Lake, Northwest Territories, Canada

Three claims were allowed to lapse during the period.

(c) Doyle Lake, Northwest Territories, Canada

The Company returned ten mining leases to Mountain Province Diamonds Inc., Camphor Ventures Inc. and De Beers Canada Inc.

Exploration costs incurred during the nine months ended:

	August 31, 2008	August 31, 2007
Chartered aircraft	$ 664,134	$ 5,225
Drilling and sampling	295,375	39,947
Land use permits and reclamation bonds	71,400	-
Licences, recording fees and lease payments	110,209	73,165
Project supplies	369,504	21,629
Salaries and wages	255,477	89,852
Surveying	1,386,620	-
Technical and professional services	685,983	98,941
Transportation	88,348	7,945
	$ 3,927,050	**$ $ 336,704**

3. Share Capital

(a) Authorized: unlimited common shares without par value.

(b) Issued:

	# shares	$
Balance, November 30, 2007	**122,731,670**	**31,689,095**
Private placement - flow-through share agreements	18,118,000	4,529,500
Shares issued for cash	2,875,000	575,000
Share issuance costs	-	(355,418)
Shares issued as commission	190,000	46,000
Shares issued for services	247,355	45,000
Exercise of stock options	135,000	31,250
Exercise of warrants	310,000	49,000
Reallocation from contributed surplus on exercise of stock options	-	6,500
Less: Flow-through share renunciation	-	(1,404,145)
Balance, August 31, 2008	**144,607,025**	**35,211,782**

(c) During the period ended August 31, 2008:

(i) the Company completed a private placement of 16,058,000 flow-through shares at $0.25 per common share for gross proceeds of $4,014,500. The proceeds from these flow-through shares will be spent on Canadian Exploration Expenditures on the Company's unproven mineral interests. The Company paid cash finder's fees of $236,800 and issued 160,000 common shares (at a value of $40,000) on a portion of the proceeds;

(ii) the Company completed a private placement of 2,060,000 flow-through shares at $0.25 per common share for gross proceeds of $515,000. The proceeds from these flow-through shares will be spent on Canadian Exploration Expenses ("CEE") on the Company's Northwest Territories properties.

In addition the Company issued 2,875,000 units at $0.20 per unit for gross proceeds of $575,000. Each unit consists of one common share and one share purchase warrant. One share purchase warrant is exercisable at $0.30 per common share during the first year and at $0.40 per common share during the second year. The Company paid cash finder's fees of $8,160 and issued 30,000 common shares (at a value of $6,000) on a portion of the proceeds;

(iii) the Company issued 247,355 common shares in payment of $45,000 owed pursuant to a financial advisory agreement;

3. Share Capital, continued

(c) During the period ended August 31, 2008:

(iv) the Company issued 135,000 common shares upon the exercise of stock options at $0.20 and $0.25 per common share for gross proceeds of $31,250. In addition 555,000 stock options expired unexercised; and

(v) the Company issued 310,000 common shares upon the exercise of warrants at $0.15 and $0.175 per common share for gross proceeds of $49,000.

(d) At August 31, 2008, the Company had the following share purchase warrants outstanding:

Number of warrants	Exercise Price	Expiry Date
2,400,000	$0.175	Dec. 21, 2008
100,000	$0.25	Jan. 3, 2009
230,000	$0.175	Mar. 7, 2009
2,855,000	$0.30/$0.40	Aug. 13, 2010
20,000	$0.30/$0.40	Aug. 18, 2010
5,605,000		

Changes in warrants during the period ended August 31, 2008 are as follows:

	Number of warrants	Weighted average exercise price
Outstanding, beginning of period	3,248,000	$0.16
Exercised	(310,000)	$0.16
Expired	(208,000)	$0.45
Issued	2,875,000	$0.30
Outstanding, end of period	5,605,000	$0.24

4. Stock Options

The Company has a 10% rolling Stock Option Plan whereby the Company may grant stock options to purchase up to 10% of the issued capital of the Company at the time of the grant of any option. Under the policies of the TSX Venture Exchange, options granted under the 10% rolling plan will not be required to include the mandatory vesting provisions required by the Exchange for fixed number stock option plans, except for stock options granted to investor relations consultants which vest over one year. Under the 10% rolling plan, the number of shares available for grant increases as the issued capital of the Company increases.

4. Stock Options, continued

During the period, the Company's Board of Directors approved and granted 4,292,500 stock options (August 31, 2007 – 3,835,000) to the directors, officers, employees and consultants. Each option entitles its holder to acquire one common share of the Company at $0.20 per common share. The options expire on May 1, 2013, May 23, 2013 and July 31, 2013. During the period, the Company recorded $703,037 (August 31, 2007 – $2,045,315) of stock-based compensation expense for the stock options granted.

Stock options outstanding as at August 31, 2008:

	Shares	Weighted Average Exercise Price
Options outstanding as at Nov. 30, 2007	7,420,833	$0.43
Exercised	(135,000)	$0.23
Expired	(555,000)	$0.27
Granted	4,292,500	$0.20
Options outstanding as at August 31, 2008	**11,023,333**	**$0.35**
August 31, 2008 options exercisable	11,023,333	$0.35
August 31, 2007 options exercisable	5,163,333	$0.26

	2008	2007
Weighted average remaining contractual life	3.64 years	3.11 years
Weighted average fair value of options granted during the period	$0.19	$0.63

5. Contributed Surplus

Contributed surplus for 2008 and 2007 is comprised of:

Balance, November 30, 2007 and 2006	**$ 3,125,977**	**$ 1,325,053**
Stock-based compensation on stock options	703,037	2,751
Stock options exercised	(6,500)	-
Fair value of warrants	-	316,818
Warrants exercised	-	(1,166)
Balance, August 31, 2008 and 2007	**$ 3,822,514**	**$1,643,456**

6. Other Tax Expense

During the period ended August 31, 2008, the Company incurred a tax expense on the monthly unspent balance of flow-through funds from the December 2007 private placement. This Part XII.6 tax expense was calculated by multiplying the unspent CEE at the end of each month (starting with February, 2008) by the prescribed interest rate (divided by 12) set by Canada Revenue Agency. This prescribed interest rate for the period ended August 31, 2008 has not been disclosed on the CRA website, therefore an estimate was made using the prescribed interest rate of 7% from December 2007. The tax expense will continue until all of the flow-through funds have been spent. At August 31, 2008 $814,747 remains unspent.

Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian income tax legislation. The renunciation of such expenditures is accounted for as a financing cost related to the flow-through issuance and results in a reduction in share capital with a corresponding increase in the Company's future tax liability.

As at August 31, 2008, the Company renounced $4,014,500 flow-through related resource expenditures to the investors. A further $515,000 of flow-through related resource expenditures will be renounced before December 31, 2008.

7. Related Party Transactions

During the nine months ended August 31, 2008, the Company was billed $74,769 (August 31, 2007 – $98,325) by a director for consulting fees and $32,731 (August 31, 2007 - nil) for technical and professional services. As at August 31, 2008, $45,166 was included in accounts payable (August 31, 2007 - nil).

8. Segmented Information

The Company is involved in mineral exploration and development activities, which are conducted in Canada. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating results for each of the nine months ended August 31, 2008 and August 31, 2007.

9. Commitment

(a) In 2006, the Company entered into a three year operating lease agreement with respect to its office premises and acquired additional office space for three years. Both leases end June 30, 2009 and the minimum payments required under the agreement are:

Year	Minimum payment per year
2008	$63,248
2009	$37,184

10. Supplementary Cash flow Information

Non-cash operating, financing, and investing activities were conducted by the Company during fiscal periods ended August 31, 2008 and 2007 as follows:

	2008	2007
Operating activities		
Accounts payable for deferred exploration costs	$ 928,362	$ 393,303
Financing activities		
Issuance of common shares as finder's fee	$ 46,000	$ 4,221
Investing activities		
Accounts payable for deferred exploration costs	$ (928,362)	$ (393,303)
Other supplementary cash flow information:		
Cash paid for interest charges	$ 197	$ 989
Cash paid for income taxes	$ -	$ -

11. Comparative Figures

Certain 2007 figures have been reclassified to conform to the presentation used in the current period.