

# **GGL DIAMOND CORP.**

## **Management Discussion and Analysis (Form 51-102F1)**

**For the Three Months ended February 29, 2004**

The following discussion of the results and financial position of the Company for the three months ended February 29, 2004 should be read in conjunction with the information provided in the 2003 Annual Report of the Company and the material herein, as of this 26<sup>th</sup> day of April 2004, updates the information as of April 7, 2004 contained in the MD&A of that report.

### **DIAMOND EXPLORATION, SLAVE CRATON, NORTHWEST TERRITORIES, CANADA**

#### **DOYLE LAKE LA 1-30 MINERAL CLAIMS, SOUTHEAST SLAVE CRATON**

De Beers Canada Exploration Inc. is currently conducting a ground gravity survey on the Doyle Lake property. A total of 4,600 gravity stations are planned – 4,000 stations on the main grid and 600 stations on three anomalies outside the main grid. At the present time, approximately 1,300 stations have been completed on the main grid. We anticipate that the ground gravity survey will be completed by mid to late May. Drill targets emerging from the data will be selected for drilling.

#### **CH PROJECT AREA, CENTRAL SLAVE CRATON**

##### **ZIP-De Project**

An airborne geophysical survey was completed late in 2003 to aid in the exploration and target selection within these claims that contain several high-count good chemistry indicator mineral trains. The survey located several anomalies north of the main indicator trains in a moderately large lake, additional claims were staked to protect this area and samples collected. The samples located two new trains that ended along the northwest shore of the lake, indicating the potential for kimberlites in the lake. Three geophysical targets were selected by consulting geophysicists and drilled over the past two weeks. Two of the targets contained sulphides of pyrrhotite, pyrite and possibly arsenopyrite, the core from these will be assayed for gold and other economic minerals. The third target was explained by the magnetite content of the rock intersected. As the lake extends for 3.5 km up ice of the samples, additional sampling within the lake may be required to locate the head of the trains.

As most of the targets for the main indicator mineral trains can be drilled from land these will be part of the summer drill program.

##### **CH Project**

Ground geophysical surveys are in progress and will continue on the Starfish, Seahorse and Courageous properties. To date, ground magnetic, electromagnetic and gravity surveys have been completed on 13 kimberlite targets on six CH properties; ZIP-De, Starfish, Seahorse, G, Mackay, and Courageous. Based on the data obtained and analyzed from these surveys, targets with indicator mineral support will be selected for drilling.

An airborne geophysical survey is scheduled to start in May on the Courageous, Seahorse, Winter Lake North and Winter Lake South properties. Nearly 8,000 line kilometres will be flown, using the new Fugro Resolve magnetic/electromagnetic system.

## **Fishback Lake Project**

A drill program for the Fishback project is scheduled to begin in June 2004. The drill contract has been signed with Connors Drilling and all land use permits have been approved. The drilling to test the area under the 'Big Hole' for the presence of kimberlite, will be collared on land and drilled at an incline. We are anticipating that this drill hole will be greater than 600 metres in length and take two to three weeks to complete

## **OVERALL PERFORMANCE/RESULTS OF OPERATIONS**

As at February 29, 2004, the Company had incurred exploration costs on mineral properties of \$177,268 (charter aircraft \$3,809; drilling, trenching and sampling \$65,531; licences and recording fees \$4,010; salaries and wages \$25,575; surveys \$5,300; technical and professional services \$55,240; transportation \$7,337 and project supplies of \$10,466). Exploration costs for the period ended February 29, 2004 are higher than 2003 by \$93,468, an increase of 112%. A majority of this increase was for assaying/geochemical sampling costs, salaries and wages and technical and professional fees. This period the Company started more preparation work during the winter than it usually does in the prior years which accounts for the increase in salaries and wages and technical and professional fees.

On a per project basis, the Company spent the \$177,268 exploration costs as follows: \$151,994 on the CH project, \$8,474 on the Doyle Lake project, \$998 on the Clinton, \$303 on the McConnell Creek, \$520 on the Happy Creek Gold/Silver Property, \$795 on Regional, and \$14,184 on the Fishback Lake and Dessert Lake Properties.

The Company reported a net loss of \$252,955 for the period ended February 29, 2004 compared to a net loss of \$100,259 for the period ended February 28, 2003 (an increase of 152% from 2003 to 2004). The increase in net loss was primarily due to the recording of stock based compensation for the stock options granted during the period.

Revenue for the period ended February 29, 2004 was \$22,250 consisting of interest income compared with \$1,121 for the period ended February 28, 2003. The increase in funds raised during the 3<sup>rd</sup> and 4<sup>th</sup> quarter of 2003 generated more interest income for the Company.

## **Acquisition and Disposition of Resource Properties and Write offs**

There were no write off of exploration and mineral property costs for the period ended February 29, 2004.

## **RELATED PARTY TRANSACTIONS**

During the period ended February 29, 2004, the Company was billed \$12,000 (\$8,000 of which is included in accounts payable in 2004) by R.A. Hrkac, the President and Chief Executive Officer for technical and professional services provided. For the same comparative period in 2003, the Company was billed \$12,000 (which is included in accounts payable in 2003) by R.A. Hrkac for technical and professional services.

## **COMMITMENTS**

The Company has entered into an operating lease agreement with respect to its office premises. Minimum payments of \$30,290 in 2004 and \$5,303 in 2005 are required under the agreement.

Pursuant to an agreement dated March 1, 2001, the Company has agreed to pay its President and Chief Executive Officer up to \$10,000 per month. Payment of the full amount of \$10,000 per month is subject to a number of conditions precedent, none of which have been satisfied as of November 30, 2003. If the conditions precedent had been satisfied at February 29, 2004, the amount owing under the agreement would be approximately \$172,350.

The Company has a mortgage loan on its Yellowknife house of approximately \$67,142 which becomes due on January 1, 2005

## **SUMMARY OF QUARTERLY INFORMATION**

The following table sets forth a comparison of revenues and earnings for the previous eight quarters ending with February 29, 2004. Financial information is prepared according to GAAP and is reported in Canadian \$.

<b>Quarter Ended:</b>	<b>February 29, 2004</b>	<b>November 30, 2003</b>	<b>August 31, 2003</b>	<b>May 31, 2003</b>	<b>February 28, 2003</b>	<b>November 30, 2002</b>	<b>August 31, 2002</b>	<b>May 31, 2002</b>
	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
Total Revenues	22,250	9,203	5,027	3,975	1,121	1,646	1,285	148
Net Income (Loss)	(252,955)	(635,294)	(111,314)	(107,262)	(100,259)	(432,471)	(170,754)	(70,909)
Net income (loss) per share	(0.004)	(0.01)	(0.002)	(0.002)	(0.002)	(0.009)	(0.004)	(0.001)

Note:

(1) Income (loss) before discontinued operations and extraordinary items is the same as Net Income (Loss) as there are no discontinued operations or extraordinary items in 2002, 2003 or 2004. Fully diluted earnings (loss) per share are not presented as the exercise of warrants and stock options would be anti-dilutive.

## **LIQUIDITY AND CAPITAL RESOURCES**

For the period ended February 29, 2004, the Company experienced a negative cash flow of \$79,942 (before allowing for changes in non-cash operating working capital balances) from operating activities. Changes in operating activities resulted primarily from a decrease in overall administration costs such as legal and audit, and corporate relations.

The Company's cash position as at February 29, 2004 was \$2,325,708. The increase in cash position compared to November 30, 2003 was due principally to the completion of a flow-through share private placement during the period ended February 29, 2004. Approximately \$950,000 of these funds as at February 29, 2004 must be spent on Canadian Exploration Expenses. See Note 2 – Share Capital in the Notes to the Consolidated Financial Statements.

During the period ended February 29, 2004, the Company:

- (i) completed a private placement of 2,232,222 common shares at \$0.45 per share for gross proceeds of \$1,004,500. The proceeds from these flow-through shares must be spent on Canadian Exploration Expenses (“CEE”) by December 31, 2004;

**LIQUIDITY AND CAPITAL RESOURCES, continued**

- (ii) Issued 100,000 common shares pursuant to the exercise of share purchase warrants at \$0.20 per common share for gross proceeds of \$20,000.
- (iii) Issued 325,000 common shares pursuant to the exercise of stock options at \$0.30 per common share for gross proceeds of \$97,500.

See Notes 2 and 3 of the Consolidated Financial Statements for February 29, 2004.

**SUBSEQUENT EVENTS**

Subsequent to February 29, 2004, the following occurred:

- (a) 750,000 stock options expired unexercised.
- (b) 515,000 stock options were exercised at \$0.30 per common share for gross proceeds of \$154,500
- (d) 270,000 share purchase warrants were exercised at \$0.20 per common share for gross proceeds \$54,000.
- (e) 330,000 stock options were granted at an exercise price of \$0.50 per common share to a director of the Company. The shares are exercisable for 5 years and vest over 18 months.

**OUTSTANDING SHARE DATA AS OF APRIL 27, 2004:**

- (a) Authorized and issued share capital:

Class	Par Value	Authorized	Issued	
			Number	Value
Common	No par value	250,000,000	68,970,242	\$21,225,539

- (b) Summary of options outstanding:

Security	Number	Exercise Price	Expiry Date
Options	594,000	\$0.25	June 29, 2005
Options	100,000	\$0.25	Aug. 8, 2005
Options	100,000	\$0.30	Sept. 5, 2005
Options	120,000	\$0.25	Nov. 14, 2005
Options	145,000	\$0.30	Jan. 16, 2006
Options	600,000	\$0.30	March 1, 2006
Options	305,000	\$0.20	July 16, 2006
Options	984,333	\$0.20	July 18, 2007
Options	736,667	\$0.25	Feb. 06, 2008
Options	430,000	\$0.30	April 25, 2008
Options	50,000	\$0.45	Aug. 15, 2008
Options	400,000	\$0.30	Oct. 31, 2008
Options	1,100,000	\$0.50	Jan. 15, 2009
Options	<u>330,000</u>	\$0.50	March 19, 2009
<b>Total</b>	<b><u>5,995,000</u></b>		

(c) Summary of warrants outstanding:

<b>Security</b>	<b>Number</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
Warrants	300,000	\$0.20	May 31, 2004
Warrants	400,000	\$0.20	June 24, 2004
Warrants	<u>5,120,000</u>	\$0.20	July 11, 2004
<b>Total</b>	<b><u>5,820,000</u></b>		

(d) There are no escrowed or pooled shares.

#### **OTHER INFORMATION**

The Company's web site address is [www.ggldiamond.com](http://www.ggldiamond.com). Other information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

#### **FORWARD LOOKING STATEMENTS**

This discussion includes certain statements that may be deemed "forward-looking statements." All statements in this discussion, other than statements of historical facts, that address future production, reserve potential, exploration drilling, exploration activities and events or developments that the Company expects, are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing, and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.

BY ORDER OF THE BOARD

*"Raymond A. Hrkac"*

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Raymond A. Hrkac  
President & CEO

*"J. Haig deB. Farris"*

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J. Haig deB. Farris  
Director