



GGL DIAMOND CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FEBRUARY 28, 2007

(UNAUDITED)

NOTICE: The Company's auditors have not reviewed the attached Interim Consolidated Financial Statements for the period ended February 28, 2007.

GGL DIAMOND CORP.Consolidated Balance Sheets as at
(Unaudited)

	February 28, 2007	November 30, 2006
ASSETS		
Current		
Cash and cash equivalents	\$ 261,173	\$ 165,676
Amounts receivable	87,031	49,032
Prepaid expenses	6,374	26,022
	<u>354,578</u>	<u>240,730</u>
Mineral properties and deferred exploration costs (Note 1)	13,994,061	13,870,444
Property, plant and equipment	267,444	273,856
	<u>\$ 14,616,083</u>	<u>\$ 14,385,030</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 784,483	\$ 1,107,038
Current portion of mortgage loan	14,153	14,153
	<u>798,636</u>	<u>1,121,191</u>
Mortgage loan	9,032	13,288
	<u>807,668</u>	<u>1,134,479</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 2)	27,167,655	26,877,373
Shares to be Issued (Note 9(e))	39,000	-
Contributed surplus (Note 4)	1,643,456	1,325,053
Deficit	(15,041,696)	(14,951,875)
	<u>13,808,415</u>	<u>13,250,551</u>
	<u>\$ 14,616,083</u>	<u>\$ 14,385,030</u>
Subsequent events (Note 9)		

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
For the three months ended
(Unaudited)

	February 28, 2007	February 28, 2006
Administration costs		
Amortization	\$ 663	\$ 799
Consulting fees	30,426	18,300
Corporate relations	18,075	47,752
Interest expense	192	507
Legal and audit	28,271	17,985
Licences, taxes, insurance and fees	7,342	8,165
Office services and expenses	34,943	37,755
Shareholders' meetings and reports	525	1,839
Stock based compensation	2,751	89,585
Travel	534	4,388
Operating loss	(123,722)	(227,075)
Other income (loss)		
Foreign exchange adjustments	(1,183)	(446)
Interest income	2,526	9,219
Other Tax expense	(800)	(53)
General Exploration costs	(32,993)	(59,389)
	(32,450)	(50,669)
Net loss before tax	(156,172)	(277,744)
Future tax recovery	66,351	89,236
Net loss for the period	(89,821)	(188,508)
Deficit, beginning of period	(14,951,875)	(13,221,263)
Deficit, end of period	\$ (15,041,696)	\$ (13,409,771)
Loss per share - basic and diluted	\$ (0.001)	\$ (0.002)
Weighted average number of common shares outstanding		
- basic and diluted	104,078,893	92,342,124

Please see the notes accompanying these financial statements.

GGL DIAMOND CORP.

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

	February 28, 2007	February 28, 2006
Cash flows from (used in) operating activities		
Loss for the period	\$ (89,821)	\$ (188,508)
Adjustment for items not involving cash:		
- amortization of property, plant and equipment	6,412	6,493
- stock based compensation	2,751	89,585
- future tax recovery	(66,351)	(89,236)
	(147,009)	(181,666)
Change in non-cash working capital items:		
- amounts receivable	(37,999)	29,948
- prepaid expenses	19,648	2,331
- accounts payable and accrued liabilities	(322,555)	50,089
	(487,915)	(99,298)
Cash flows from (used in) financing activities		
Shares issued for cash	591,250	822,625
Shares issued for cash - flow-through shares	189,680	254,960
Shares to be issued	39,000	-
Share issuance cost	(108,645)	(65,561)
Principal reduction of mortgage loan	(4,256)	(3,977)
	707,029	1,008,047
Cash flows from (used in) investing activities		
Mineral property costs	-	-
Deferred exploration costs	(123,617)	(462,574)
Purchase of capital assets	-	(178)
	(123,617)	(462,752)
Increase in cash and cash equivalents	95,497	445,997
Cash and cash equivalents, beginning of period	165,676	592,662
Cash and cash equivalents, end of period	\$ 261,173	\$ 1,038,659
Supplementary cash flow information		
Cash paid for interest charges	\$ 371	\$ 507

Please see the notes accompanying these financial statements.

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Notes to Consolidated Financial Statements
February 28, 2007

These notes should be read in conjunction with the Audited Consolidated Financial Statements for the year ended November 30, 2006.

1. Mineral Properties and Deferred Exploration Costs

	Balance November 30, 2006	2007 property cost additions	2007 exploration cost additions	2007 written off	Balance February 28, 2007
Doyle Lake	\$ 3,719,235	\$ -	\$ 33,247	\$ -	\$ 3,752,482
Fishback Lake	1,289,976	-	8,641	-	1,298,617
CH	7,335,349	-	58,858	-	7,394,207
McConnell Creek	1,525,884	-	22,871	-	1,548,755
	\$13,870,444	\$ -	\$ 123,617	\$ -	\$ 13,994,061

	Balance November 30, 2006	2007 Additions	2007 written off	Balance February 28, 2007
Mineral property costs	\$ 376,116	\$ -	\$ -	\$ 376,116
Deferred exploration costs	13,494,328	123,617	-	13,617,945
	\$13,870,444	\$ 123,617	\$ -	\$ 13,994,061

Exploration costs incurred during the three months ended:

	February 28, 2007	February 28, 2006
Chartered Aircraft	\$ (310)	\$ 8,024
Drilling, sampling	1,816	122,559
Licences, recording fees and lease payments	30,566	56,364
Project supplies	8,862	9,884
Salaries and wages	34,270	9,161
Surveys	-	199,970
Technical and professional services	47,649	51,026
Transportation	764	5,586
	\$ 123,617	\$ 462,574

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Notes to Consolidated Financial Statements
February 28, 2007

2. Share Capital

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

	# of shares	\$
Balance, November 30, 2006	100,641,445	26,877,373
Private placement - flow-through share agreements, net of allocation for warrants (see Note 4)	1,053,778	189,575
Private placement, net of allocation for warrants (see Note 4)	3,910,000	269,787
Share issuance costs	-	(112,866)
Shares Issued as Commission	28,140	4,221
Exercise of warrants	25,000	4,750
Reallocation from contributed surplus on exercise of share purchase warrants	-	1,166
Flow-through share renunciation		(66,351)
Balance, February 28, 2007	105,658,363	27,167,655

- (c) During the period ended February 28, 2007:
 - (i) the Company completed a private placement of 1,053,778 flow through units at \$0.18 per unit for gross proceeds of \$189,680. Each unit consists of one common share and one-half share purchase warrant. One whole share purchase warrant is exercisable at \$0.20 per common share during the first year and at \$0.25 per common share during the second year. 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 3,910,000 units at \$0.15 per unit for gross proceeds of \$586,500. Each unit consists of one common share and one share purchase warrant. One share purchase warrant is exercisable at \$0.15 per common share during the first year and at \$0.175 per common share during the second year.

The Company paid cash finders fees and commission of \$41,520 and issued 28,140 common shares on a portion of the proceeds. \$30,600 of the proceeds from the units private placement remains outstanding.;
 - (ii) issued 25,000 common shares upon the exercise of warrants at \$0.19 per common share for gross proceeds of \$4,750; and
 - (iii) 2,925,227 warrants expired unexercised.

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Notes to Consolidated Financial Statements
February 28, 2007

2. Share Capital, continued

- (d) At February 28, 2007, the Company had the following share purchase warrants outstanding:

<u>Number of warrants</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
1,000,000	\$0.25/\$0.30	March 8, 2007
582,500	\$0.25/\$0.30	March 15, 2007
7,777,778	\$0.20/\$0.22	April 29, 2007
1,666,666	\$0.20/\$0.22	July 27, 2007
2,044,961	\$0.26	Sept. 28, 2007
130,000	\$0.25	Dec. 12, 2007
14,000	\$0.25	Dec. 27, 2007
1,610,000	\$0.35/\$0.45	June 12, 2008
198,000	\$0.35/\$0.45	June 27, 2008
3,400,000	\$0.15/\$0.175	Dec. 21, 2008
100,000	\$0.15/\$0.175	Dec. 27, 2008
526,889	\$0.20/\$0.22	Jan. 3, 2009
410,000	\$0.15/\$0.175	Feb. 20, 2009
19,460,794		

Changes in warrants during the period ended February 28, 2007 are as follows:

	2007	
	<u>Number of warrants</u>	<u>Weighted average exercise price</u>
Outstanding, beginning of period	17,974,132	\$0.23
Issued	4,436,889	\$0.16
Exercised	(25,000)	\$0.19
Expired	(2,925,227)	\$0.19
Outstanding, end of period	19,460,794	\$0.22

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Notes to Consolidated Financial Statements
February 28, 2007

3. 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.

No options were granted, expired or exercised during the period.

Stock options outstanding as at February 28, 2007:

	Shares	Weighted Average Exercise Price	
Options outstanding at Nov. 30, 2006, Feb. 28, 2007	5,536,000	\$0.26	
2007 options exercisable	5,531,000	\$0.26	
2006 options exercisable	5,101,000	\$0.29	
		2007	2006
Weighted average remaining contractual life	2.72 years	2.29 years	
Weighted average fair value of options granted during the period	-	\$0.20	

4. Contributed Surplus

Contributed surplus for the period ended February 28, 2007 is comprised of:

	2007
Balance, November 30, 2006	\$ 1,325,053
Stock-based compensation on stock options	2,751
Fair value of warrants issued	316,818
Warrants exercised	(1,166)
Balance, February 28, 2007	\$ 1,643,456

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February 28, 2007

5. Other Tax Expense

During the period ended February 28, 2007, the Company incurred a tax expense on the monthly unspent balance of flow-through funds from the December 2006 private placement. This Part XII.6 tax expense was calculated by multiplying the unspent CEE at the end of each month (starting with February, 2007) by the prescribed interest rate (divided by 12) set by Canada Revenue Agency. This prescribed interest rate for the period ended February 28, 2007 has not been disclosed on the CRA website, therefore an estimate was made using the prescribed interest rate of 7% from December 2006. The tax expense will continue until all of the flow through funds have been spent. \$136,640 remains unspent at February 28, 2007.

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 February 28, 2007, the Company renounced the \$189,575 flow-through related resource expenditures to the investors.

6. Related Party Transactions

During the three months ended February 28, 2007, the Company was billed \$30,000 (February 28, 2006 – \$18,000) by one director for consulting fees and nil (February 28, 2006 - \$4,000) for technical and professional services. As at February 28, 2007, \$30,000 was included in accounts payable (February 28, 2006 - \$4,000).

7. Segmented information

The Company is involved in mineral exploration and development activities, which are conducted principally in Canada and the United States. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating results for each of the three months ended February 28, 2007 and February 28, 2006.

The Company's total assets are segmented geographically as follows:

	February 28, 2007	February 28, 2006
Canada	\$ 14,616,083	\$ 13,006,969
United States	-	927,017
	\$ 14,616,083	\$ 13,933,986

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8. Commitments

- (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:

<u>Year</u>	<u>Minimum payment per year</u>
2007	\$65,961
2008	\$66,316
2009	\$38,973

- (b) The Company has agreed to pay its President and Chief Executive Officer up to \$10,000 per month. A balance owing of \$73,000 (February 28, 2006 – \$43,000) is included in accounts payable at February 28, 2007.

9. Subsequent Events:

Subsequent to February 28, 2007, the Company:

- (a) had 1,582,500 warrants expire unexercised;
- (b) had 150,000 stock options expire unexercised;
- (c) issued 9,669,778 common shares upon the exercise of warrants ranging in exercise price between \$0.15 and \$0.35 per common share, for gross proceeds of \$2,293,111;
- (d) issued 751,000 common shares upon the exercise of stock options ranging in exercise price between \$0.20 and \$0.50 per common share for gross proceeds of \$147,783;
- (e) closed the private placement for non flow-through units mentioned in note 2 (c)(i) after issuing a further 260,000 units at \$0.15 per unit. The gross proceeds of \$39,000 were received before the end of the period February 28, 2007. A commission of \$720 in cash was paid.; and
- (f) received a \$250,000 shareholder loan which is secured by a promissory note against the Yellowknife house. Interest on the loan is 8% per annum, compounded annually. The loan and interest accrued become payable no later than ten days from the date of a written demand for payment on or after September 1, 2007.