



**GGL** DIAMOND CORP.

# CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2007

(UNAUDITED)

Notice to Reader: The Company's auditors have not reviewed the attached Interim Consolidated Financial Statements for the period ended August 31, 2007.

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## GGL DIAMOND CORP.

Consolidated Balance Sheets As At  
(Unaudited)

	August 31, 2007	November 30, 2006
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 1,187,561	\$ 165,676
Amounts receivable	164,805	49,032
Prepaid expense	5,027	26,022
	1,357,393	240,730
<b>Mineral properties and deferred exploration costs</b> (Note 1)	15,191,780	13,870,444
<b>Property, plant and equipment</b>	390,383	273,856
	\$ 16,939,556	\$ 14,385,030
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 535,707	\$ 1,107,038
Current portion of mortgage loan	14,153	14,153
	549,860	1,121,191
<b>Mortgage loan</b>	992	13,288
	550,852	1,134,479
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share capital</b> (Notes 2, 3)	30,800,915	26,877,373
<b>Contributed surplus</b> (Note 4)	3,421,115	1,325,053
<b>Deficit</b>	(17,833,326)	(14,951,875)
	16,388,704	13,250,551
	\$ 16,939,556	\$ 14,385,030

Commitments (Note 9)

Subsequent Event (Note 10)

**Approved by the Board of Directors:**

*“Raymond A. Hrkac”*

Director

*“Nick DeMare”*

Director

Please see notes accompanying these financial statements

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## GGL DIAMOND CORP.

Consolidated Statement of Operations and Deficit  
For the three months ended  
(Unaudited)

	August 31, 2007	August 31, 2006
<b>Administration costs</b>		
Amortization	\$ 1,127	\$ 974
Consulting fees	103,992	12,338
Corporate relations	14,200	27,367
Legal and audit	80,209	2,093
Licences, taxes, insurance and fees	7,513	2,382
Office services and expenses	52,477	33,604
Shareholders' meetings and reports	122,576	11,945
Stock-based compensation	1,504,411	27,991
Travel	13,855	410
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<b>Operating loss</b>	(1,900,360)	(119,104)
	<hr/>	<hr/>
<b>Other income (loss)</b>		
Interest income	15,893	5,538
Foreign exchange adjustments	(382)	(176)
Gain on sale of marketable securities	-	5,906
General exploration costs	(38,394)	(27,461)
Write-off of mineral property and deferred exploration costs	-	(927,206)
	<hr/>	<hr/>
	(22,883)	(943,399)
	<hr/>	<hr/>
<b>Net loss before taxes</b>	(1,923,243)	(1,062,503)
Future tax recovery	-	315,760
	<hr/>	<hr/>
<b>Net Loss for the period</b>	(1,923,243)	(746,743)
<b>Deficit, beginning of period</b>	(15,910,083)	(13,875,706)
	<hr/>	<hr/>
<b>Deficit, end of period</b>	\$ (17,833,326)	\$ (14,622,449)
	<hr/>	<hr/>
<b>Net loss per share</b>	\$ (0.016)	\$ (0.008)
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<b>Weighted average number of common shares outstanding</b>	119,166,655	94,898,595
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Please see notes accompanying these financial statements.

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## GGL DIAMOND CORP.

Consolidated Statement of Operations and Deficit  
For the nine months ended  
(Unaudited)

	August 31, 2007	August 31, 2006
<b>Administration costs</b>		
Amortization	\$ 2,453	\$ 2,610
Consulting fees	210,355	57,432
Corporate relations	53,144	108,539
Legal and audit	210,877	40,859
Licences, taxes, insurance and fees	21,169	15,519
Office services and expenses (Note 5)	137,554	111,028
Shareholders' meetings and reports	130,365	45,246
Stock-based compensation	2,054,315	329,782
Travel	19,541	63,105
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<b>Operating loss</b>	(2,839,773)	(774,120)
	<hr/>	<hr/>
<b>Other income (loss)</b>		
Interest income	30,777	19,547
Foreign exchange adjustments	(1,584)	(1,794)
Gain on sale of equipment	-	92
Gain on sale of marketable securities	-	5,906
General exploration costs	(135,688)	(128,554)
Write-off of mineral property and deferred exploration costs	-	(927,206)
Other tax expense	(1,534)	(53)
	<hr/>	<hr/>
	(108,029)	(1,032,062)
	<hr/>	<hr/>
<b>Net loss before taxes</b>	(2,947,802)	(1,806,182)
Future tax recovery	66,351	404,996
	<hr/>	<hr/>
<b>Net loss for the period</b>	(2,881,451)	(1,401,186)
<b>Deficit, beginning of period</b>	(14,951,875)	(13,221,263)
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<b>Deficit, end of period</b>	\$ (17,833,326)	(14,622,449)
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<b>Net loss per share</b>	\$ (0.026)	(0.015)
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<b>Weighted average number of common shares outstanding</b>	111,547,631	94,898,595

Please see notes accompanying these financial statements.

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## GGL DIAMOND CORP.

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

	August 31, 2007	August 31, 2006
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<b>Cash flows from (used in) operating activities</b>		
Loss for the period	\$ (1,923,243)	\$ (746,743)
Adjustment for items not involving cash:		
- amortization of property, plant and equipment	25,655	9,787
- stock-based compensation	1,504,411	27,991
- gain on sale of marketable securities	-	(5,906)
- write-off of mineral property and deferred exploration costs	-	927,206
- future tax recovery	-	(315,760)
	<hr/>	<hr/>
	(393,177)	(103,425)
Change in non-cash working capital items:		
- amounts receivable	(68,787)	149,099
- prepaid expenses	6,065	459
- accounts payable and accrued liabilities	263,573	522,617
	<hr/>	<hr/>
	(192,326)	568,750
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<b>Cash flows from (used in) financing activities</b>		
Shares issued for cash	521,767	10,904
Shares issued for cash – flow-through shares	-	903,096
Shares issued for debt (Note 2(c)(iv), 9(c))	22,500	-
Share issuance costs	(4,321)	(58,235)
Principal reduction of mortgage loan	(4,345)	(3,982)
	<hr/>	<hr/>
	535,601	851,783
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<b>Cash flows from (used in) investing activities</b>		
Mineral property costs	(36,794)	-
Deferred exploration costs	(780,744)	(1,217,091)
Proceeds from sale of marketable securities	-	9,706
Purchase of equipment	(114,802)	(16,832)
	<hr/>	<hr/>
	(932,340)	(1,224,217)
	<hr/>	<hr/>
<b>(Decrease) increase in cash and cash equivalents</b>	(589,065)	196,316
<b>Cash and cash equivalents, beginning of period</b>	1,776,626	309,951
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<b>Cash and cash equivalents, end of period</b>	\$ 1,187,561	\$ 506,267
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<b>Supplementary cash flow information</b>		
Cash paid for interest charges	\$ 605	\$ 1,915
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Please see notes accompanying these financial statements.

## GGL DIAMOND CORP.

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

	August 31, 2007	August 31, 2006
<b>Cash flows from (used in) operating activities</b>		
Loss for the period	\$ (2,881,451)	\$ (1,401,186)
Adjustment for items not involving cash:		
- amortization of property, plant and equipment	42,942	22,991
- stock-based compensation	2,054,315	329,782
- gain on sale of marketable securities	-	(5,906)
- gain on sale of equipment	-	(92)
- write-off of mineral property and deferred exploration	-	927,206
- future tax recovery	(66,351)	(404,996)
	(850,545)	(532,201)
Change in non-cash working capital items:		
- amounts receivable	(115,773)	56,454
- prepaid expenses	20,995	(1,169)
- accounts payable and accrued liabilities	(571,331)	874,608
	(1,516,654)	397,692
<b>Cash flows from (used in) financing activities</b>		
Shares issued for cash	3,941,883	956,029
Shares issued for cash – flow-through shares	189,680	1,158,056
Shares issued for debt (Note 2(c)(iv), 9(c))	22,500	-
Share issuance costs	(122,423)	(132,148)
Principal reduction of mortgage loan	(12,296)	(11,363)
	4,019,344	1,970,574
<b>Cash flows from (used in) investing activities</b>		
Mineral property costs	(203,888)	-
Deferred exploration costs	(1,117,448)	(2,445,245)
Proceeds from sale of marketable securities	-	9,706
Proceeds from sale of equipment	-	100
Purchase of equipment	(159,469)	(19,222)
	(1,480,805)	(2,454,661)
<b>Increase (decrease) in cash and cash equivalents</b>	1,021,885	(86,395)
<b>Cash and cash equivalents, beginning of period</b>	165,676	592,662
<b>Cash and cash equivalents, end of period</b>	\$ 1,187,561	\$ 506,267
<b>Supplementary cash flow information</b>		
Cash paid for interest charges	\$ 5,348	\$ 2,928

Please see notes accompanying these financial statements

# GGL DIAMOND CORP.

Notes to Consolidated Financial Statements  
August 31, 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

[-December 1, 2006 to August 31, 2007-]

	Balance November 30, 2006	2007 property cost additions	2007 exploration cost additions	2007 written off	Balance August 31, 2007
Doyle Lake	\$ 3,719,235	\$ -	\$ 60,934	\$ -	\$ 3,780,169
Fishback Lake	1,289,976	-	9,556	-	1,299,532
CH	7,335,349	-	244,146	-	7,579,495
Ni	-	203,888	742,486	-	946,374
McConnell Creek	1,525,884	-	60,326	-	1,586,210
	<b>\$ 13,870,444</b>	<b>\$ 203,888</b>	<b>\$ 1,117,448</b>	<b>\$ -</b>	<b>\$ 15,191,780</b>

	Balance November 30, 2006	2007 Additions	2007 written off	Balance August 31, 2007
Mineral property costs	\$ 376,116	\$ 203,888	\$ -	\$ 580,004
Deferred exploration costs	13,494,328	1,117,448	-	14,611,776
	<b>\$ 13,870,444</b>	<b>\$ 1,321,336</b>	<b>\$ -</b>	<b>\$ 15,191,780</b>

Exploration costs incurred during the nine months ended:

	August 31, 2007	August 31, 2006
Charter aircraft	\$ 296,437	\$ 516,685
Drilling, sampling	86,484	689,033
Licenses, recording fees and lease payments	151,158	115,963
Project supplies	87,337	162,066
Salaries and wages	167,803	162,258
Survey	36,796	390,002
Technical and professional services	231,160	291,100
Transportation	60,273	118,138
	<b>\$ 1,117,448</b>	<b>\$ 2,445,245</b>

Ni Claims – The Company staked 116 claims covering 256,489.77 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.

## GGL DIAMOND CORP.

Notes to Consolidated Financial Statements

August 31, 2007

### 2. Share Capital

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

(b) Issued:

	# of shares	\$
<b>Balance, November 30, 2006</b>	<b>100,641,445</b>	<b>26,877,373</b>
Private placement – flow-through share agreements, net of allocation for warrants	1,053,778	189,575
Private placement, net of allocation for warrants (see Note 4)	4,170,000	296,998
Share issuance costs		(122,423)
Shares issued as commission	28,140	4,221
Shares issued for debt	49,149	22,500
Exercise of stock options	1,400,167	303,567
Exercise of share purchase warrants	13,101,833	3,008,595
Reallocation from contributed surplus on exercise of		
Share purchase warrants		135,030
Stock options		151,830
Flow-through share renunciation		(66,351)
<b>Balance, August 31, 2007</b>	<b>120,444,512</b>	<b>30,800,915</b>

(c) During the period ended August 31, 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 4,170,000 units at \$0.15 per unit for gross proceeds of \$625,500. 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 \$42,520 and issued 28,140 common shares on a portion of the proceeds;

(ii) the Company issued 13,101,833 common shares upon the exercise of warrants ranging in exercise price from \$0.15 to \$0.35 per common share for gross proceeds of \$3,008,595;



## GGL DIAMOND CORP.

Notes to Consolidated Financial Statements

August 31, 2007

### 2. Share Capital, continued

- (iii) the Company issued 1,400,167 common shares upon the exercise of stock options ranging in exercise price from \$0.20 to \$0.50 per common share for gross proceeds of \$303,567;
  - (iv) the Company issued 49,149 common shares, in payment of \$22,500 owed pursuant to a financial advisory agreement (Note 9(c)), and;
  - (v) 4,507,727 warrants expired unexercised; and
  - (vi) 150,000 stock options expired unexercised.
- (d) At August 31, 2007, the Company had the following share purchase warrants outstanding:

<u>Number of warrants</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
1,813,461	\$0.26	Sept. 28, 2007
190,000	\$0.45	June 12, 2008
18,000	\$0.45	June 27, 2008
2,400,000	\$0.15/\$0.175	Dec. 21, 2008
100,000	\$0.15/\$0.175	Dec. 27, 2008
100,000	\$0.20/\$0.25	Jan. 3, 2009
210,000	\$0.15/\$0.175	Feb. 20, 2009
230,000	\$0.15/\$0.175	Mar. 7, 2009
<b><u>5,061,461</u></b>		

Changes in warrants during the period ended August 31, 2007 are as follows:

	<u>Number of warrants</u>	<u>Weighted average exercise price</u>
Outstanding, Nov. 30, 2006	17,974,132	\$0.23
Issued	4,696,889	\$0.16
Exercised	(13,101,833)	\$0.23
Expired	(4,507,727)	\$0.18
Outstanding, August 31, 2007	<b><u>5,061,461</u></b>	<b><u>\$0.20</u></b>

## GGL DIAMOND CORP.

Notes to Consolidated Financial Statements

August 31, 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.

3,835,000 stock options were granted to employees, consultants and investor relations consultants during the period, exercisable at \$0.56 and \$0.63 per common share for five years.

	Shares	Weighted Average Exercise Price
Options outstanding at Nov. 30, 2006	5,536,000	\$0.26
Expired	(150,000)	\$0.00
Granted	3,835,000	\$0.58
Exercised	(1,400,167)	\$0.22
Options outstanding at August 31, 2007	7,820,833	\$0.42
2007 options exercisable	7,815,833	\$0.42
2006 options exercisable	5,446,000	\$0.26
		2007
		2006
Weighted average remaining contractual life	3.47 years	3.21 years
Weighted average fair value of options granted during the period	\$0.58	\$0.22

The fair value of each option granted was estimated as of the date of grant using the *Black-Scholes option pricing model* with the following assumptions:

	August 31, 2007	August 31, 2006
Risk-free interest rate	4.06 to 4.50%	3.88 to 4.28%
Dividend yield	0%	0%
Volatility	157.31 to 164.31%	93.96 to 120.94%
Approximate expected lives	5 years	0.63 to 5 years

Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and therefore, in management's opinion, existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

# GGL DIAMOND CORP.

Notes to Consolidated Financial Statements  
August 31, 2007

## 4. Contributed Surplus

Contributed surplus for the period ended August 31, 2007 is comprised of:

	<u>2007</u>
Balance, November 30, 2006	\$ 1,325,053
Stock-based compensation on stock options	2,054,315
Fair value of warrants issued	328,607
Share purchase warrants exercised	(135,030)
Stock options exercised	<u>(151,830)</u>
Balance, August 31, 2007	<u>\$ 3,421,115</u>

## 5. Loan from shareholder

During the second quarter, the Company received a \$250,000 shareholder loan which was secured by a promissory note against the Yellowknife house. Interest on the loan was 8% per annum, compounded annually. Interest expense of \$3,397 is recorded in office services and expenses. The loan, including the interest accrued was repaid during the period and the loan has been discharged from the Yellowknife house.

## 6. Other Tax Expense

During the period ended May 31, 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 May 31, 2007 has not been disclosed on the CRA website, therefore an estimate was made using the prescribed interest rate of 7% from December 2006. All of the flow-through funds have been spent by May 31, 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.

The Company renounced the \$189,575 flow-through related resource expenditures to the investors during the first quarter.

## 7. Related Party Transactions

During the nine months ended August 31, 2007, the Company was billed \$98,325 (August 31, 2006 – \$67,000) by a director and an officer for consulting fees and nil (August 31, 2006 - \$11,000) for technical and professional services. In addition \$30,600 was paid to a company owned by a director for consulting fees in 2007; no payments were previously made to this director or his company.

# GGL DIAMOND CORP.

Notes to Consolidated Financial Statements

August 31, 2007

## 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, 2007 and 2006. The Company's total assets are \$16,939,556 at August 31, 2007 (\$14,432,791 at August 31, 2006).

## 9. 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 \$10,000 per month and the Vice-President of Administration \$8,325 per month.
- (c) The Company signed an Agreement with Roman Friedrich & Company Ltd. ("RFC") for a term of 12 months to provide financial and advisory services to the Company with respect to the raising of equity capital, project financing and strategic planning. RFC receives a retainer of \$15,000 per month paid as to \$7,500 in cash and \$7,500 in common shares of the Company. On July 26, 2007, 49,149 common shares were issued in payment of \$22,500 owing under the agreement for the three month period ended July 15, 2007.

## 10. Subsequent Event:

Subsequent to August 31, 2007, the Company issued 1,813,461 common shares upon the exercise of warrants at \$0.26 per common share, for gross proceeds of \$471,500.