

# GGL DIAMOND CORP.

## Management Discussion and Analysis

### FOR THE TWELVE MONTHS ENDED NOVEMBER 30, 2005 INFORMATION AS OF MARCH 24, 2006 UNLESS OTHERWISE STATED

*The following discussion of the results and financial position of the Company for the year ended November 30, 2005 should be read in conjunction with the November 30, 2005 Consolidated Financial Statements and related notes.*

From its founding in 1981, the Company has been engaged in the acquisition and exploration of mineral properties in North America. In the years up to 1992, the exploration focus was on gold and copper-gold prospects. As a result, the Company retains ownership of a gold-copper property in British Columbia, Canada, and has a gold property under option in Nevada, USA.

Since 1992, the Company's primary focus has been on exploring for diamonds on the Slave Craton in the Northwest Territories of Canada. At present, the Company has a 100% interest in 401,896 acres of mineral claims and leases and a 40% carried interest (De Beers Canada Inc. 60%) in leases containing 15,351 acres.

#### **GENERAL**

The Company is a junior mineral exploration company listed on the TSX Venture Exchange and engaged in the acquisition, exploration and development of mineral properties. It has not yet determined whether its properties contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for resource assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposition of the properties. The Company's ability to continue its operations 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. In order to continue developing its mineral properties, management is actively pursuing such additional sources of financing; however, in the event this does not occur, there is doubt about the ability of the Company to continue as a going concern. The Financial Statements and the discussion and analysis of the financial condition, changes in financial condition and results of operations of the Company for the years ended November 30, 2005 and 2004 do not include the adjustments that would be necessary should the Company be unable to continue as a going concern.

The amount of the Company's administrative expenditures is related to the level of financing and exploration activities that are being conducted, which in turn may depend on the Company's recent exploration experience and prospects, as well as the general market conditions relating to the availability of funding for exploration-stage resource companies. Consequently, the Company does not acquire properties or conduct exploration work on them on a pre-determined basis and as a result there may not be predictable or observable trends in the Company's business activities and comparisons of financial operating results with prior years may not be meaningful.

The economics of developing mineral properties are effected by many factors, including the cost of operations, variations of grade of ore discovered, fluctuations in mineral markets, goods and services, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting goods and services and environmental regulations. Depending on the price of minerals discovered and potentially mined, the Company may determine it is neither profitable nor competitive to acquire or develop properties, or commence or continue commercial production. Diamond exploration and development is unique in the mining industry in that diamonds are substantially more difficult and expensive to find and develop than other commodities. The valuation of rough diamonds

requires specialized experience and knowledge and the distribution and sale is limited to established diamond houses and brand names for either the diamonds or jewellery retail outlets.

### Mineral Properties and Deferred Exploration Costs

	Balance November 30 2004	2005 Property Cost Additions	2005 Exploration Cost Additions	2005 Written Off	Balance November 30 2005
Doyle Lake	\$ 943,269	\$ 4,361	\$ 1,168,284	\$ -	\$ 2,115,914
Fishback Lake	743,943	-	272,373	-	1,016,316
CH	5,646,033	-	990,566	(124,270)	6,512,329
Happy Creek	917,915	-	9,005	-	926,920
McConnell Creek and other	1,428,007	170	51,223	-	1,479,400
	\$ 9,679,167	\$ 4,531	\$ 2,491,451	\$ (124,270)	\$ 12,050,879

  

	Balance November 30 2004	2005 Additions	2005 Written Off	Balance November 30 2005
Mineral property costs	\$ 536,421	\$ 4,531	\$ (4,618)	\$ 536,334
Deferred exploration costs	9,142,746	2,491,451	(119,652)	11,514,545
	\$ 9,679,167	\$ 2,495,982	\$ (124,270)	\$ 12,050,879

## **DIAMOND PROPERTIES**

### **Diamond Exploration, Slave Craton, Northwest Territories, Canada**

The Point Lake kimberlite pipe was found in 1991; since then over 300 kimberlite bodies have been discovered on the Slave Craton, an area approximately 400 km by 600 km. When compared to other cratons in the world, it is apparent that many more kimberlite bodies remain to be found. Today there are two producing diamond mines: the Ekati Mine and the Diavik Mine, which, together, have made Canada the world's third largest diamond producer by value, surpassing South Africa. In March of this year, Tahera Diamond Corp. is expected to start production, followed in 2007 by Snap Lake and several years later by Gahcho Kue, the latter two being brought into production by De Beers Canada Inc. ("De Beers"). The Slave Craton has proven to be one of the world's premier diamond-bearing cratons and a prime area to explore for diamonds.

### **Doyle Lake, Southeast Slave Craton**

The Company has three projects in the Doyle Area, including the 100%-owned mineral claims and leases containing the Doyle diamond-bearing kimberlite sill, known as The Doyle Project. A second set of leases recently acquired from De Beers, Mountain Province Diamonds Inc. ("MPV"), and Camphor Ventures Inc. (subject to a total royalty of 1.5% of net returns), are known as The New Century Project. The remaining six mineral leases from the original joint venture with De Beers are referred to as the De Beers Doyle JV; these leases adjoin the leases containing the Gahcho Kue diamond deposit.

**The Doyle Project**

The Doyle Project consists of 27 mineral leases and eight mineral claims and fractional claims that contain a total of 37,165 acres. Five mineral claims are being taken to lease this year. The Doyle Project area is adjoined by claims held by Diamondex to the west, Diamonds North/Southern Era to the south, Diamondex/Majescor to the east and the De Beers Doyle JV and the New Century Project to the north.

Between 1993 and 1995, two main kimberlite indicator mineral trains and several minor trains were located. One of the trains, which contained high indicator mineral counts per sample (up to 750 grains), was termed the “Gravy Train”. In 1996, an evaluation of garnets recovered from heavy mineral surface sampling determined that the source of the garnets should be significantly diamondiferous, and hence worth finding (School of Earth Sciences, Macquarie University, Australia). A similar evaluation of garnets was made by Monopros (De Beers) in 1997, but at that time, the garnets were obtained from the kimberlite itself, which had been located by drilling in late August of 1996 (the Doyle kimberlite sill). This evaluation concluded that the garnets indicate high economic potential for the kimberlite (The Ni-Thermometry and Trace Element Geochemistry of the Garnets from the GGL sill).

In late 2003, De Beers undertook a mineral chemistry analysis of garnets obtained by the 2003 drilling program, and concluded “that the current samples contain garnets and spinels whose chemistries indicate significant sampling of a depleted and potentially diamond-bearing mantle. Ilmenite (a kimberlite indicator mineral) chemistry from the current samples suggests an environment conducive to diamond preservation (reducing conditions) whereas previous ilmenite mineral chemistry indicates a more oxidizing environment, suggesting “internal variation in the chemical character of the melt”. This latter conclusion is important as it suggests that the diamond grade within the kimberlite could vary within the kimberlite itself, where variations in texture and appearance and microdiamond counts per kilogram also varied from drill hole to drill hole. All of these factors forewarned that an evaluation of diamond grade would require a number of sample sites from the kimberlite.

In August and September of 2005, a 45.5 tonne mini-bulk sample was taken from a single surface pit located at the northeastern edge of the kimberlite at the sub-outcrop of the sill. As this was to be a summer sample, it was important that the site chosen be relatively dry, and for budget considerations, that the kimberlite was close to the surface. Although there are no lakes in the area, other potential sites near the sub-outcrop of the kimberlite would best be done in the frozen conditions of winter. The site chosen had a total of 4 metres of overburden and granite before reaching the kimberlite, which at this location is 3.8 metres thick.

The sample was analysed by Ashton Mining of Canada Inc. at its North Vancouver laboratory where it underwent standard crushing, washing, dense media separation (DMS) and recovery of commercial-sized diamonds.

The 45.5 tonne kimberlite sample was divided into three sub-samples. The following Table was provided by Ashton’s laboratory and summarizes the DMS diamond results by sub-sample, expressed in Tyler Sieve distribution.

DMS Sample	Measured Weight (kg)	Number of Diamonds						Total No. of Diamonds +1.18-6.7 mm	Total Carat Wt. +1.18-6.7 mm	Est. Diamond Content (+1.18) (cph)
		+0.85-1.18 mm	+1.18-1.7 mm	+1.7-2.36 mm	+2.36-3.35 mm	+3.35-4.75 mm	+4.75-6.7 mm			
11104	16142.5	6	19	6	0	1	0	26	2.355	14.59
11105	15740.5	2	14	9	0	1	0	24	2.020	12.83
11106	13643.5	3	20	7	2	0	0	29	1.780	13.05
<b>TOTAL</b>	<b>45526.5</b>	<b>11</b>	<b>53</b>	<b>22</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>79</b>	<b>6.155</b>	<b>13.52</b>

Howard Coopersmith, P. Geol., a diamond consultant and Qualified Person observed portions of each DMS treatment and diamond recovery procedure. He stated that the sample results reported are of high integrity and are believed to accurately represent the sampled kimberlite. Diamond recovery results returned a composite total of approximately 6.2 carats of commercially sized diamonds from 45.5 tonnes of sample material, for a calculated grade of 0.135 carats per tonne. Mr. Coopersmith described the largest diamonds as a 1.25 carat off-white industrial stone and a 0.83 carat colourless clean crystal of high gem value. He reported that the sample produced a modest grade of diamonds and significant commercial stones from a small tonnage.

Felix Kaminsky, Ph.D., P. Geo., has reviewed the results of the mini-bulk sample, and in his preliminary interpretation, has made the following observations. The initial diamond grade of the kimberlite was probably high. The grade of the sample is low due to resorption of the diamonds and consequent loss of mass. There are a larger proportion of gem quality stones than is usually found in diamond deposits and the quality of the Doyle diamonds is high.

Kimberlite sheets, either vertical or inclined, often contain “blows” where thickness and thus tonnage potential increases. At Snap Lake, for example, this thickening was encountered at an inclined depth of 1 km surrounded by areas that tapered off to less than one metre thick. The Doyle kimberlite has been traced for 2 km along strike and remains open to further extension. We have only one section of drill holes showing that the inclined depth extends to at least 820 metres, and further drilling is required to evaluate the potential for “blows”. The thickness of drill intersections to date, average 2 metres, compares favourably with the early work at Snap Lake.

Unlike Snap Lake where the kimberlite is unusually uniform in appearance, the Doyle kimberlite varies and therefore additional drilling is also required to evaluate indicator mineral and microdiamond results. A bulk-sampling program for next winter would be guided by the drilling planned for 2006.

A possible second kimberlite sheet has been found in one drill hole close to and east of the Doyle kimberlite and will also require exploration by drilling.

The sources of the other kimberlite trains at Doyle have yet to be found and form part of the exploration program.

#### **De Beers Doyle JV, De Beers 60%, GGL 40% (carried interest)**

Under an agreement dated May 25, 1995, De Beers earned a 60% interest in the Doyle Lake properties. To date, De Beers has spent \$7.5 million on these claims. De Beers has retained the LA 4 to LA 9 claims and the fractional claims Extra 2 to Extra 4 inclusive (the “Doyle Leases”), while the remaining LA claims were returned 100% to GGL.

De Beers is required to maintain responsibility for a portion of the surface occupied by the leases under its permits for the development of the Gahcho Kue diamond deposit and does not plan to proceed with exploration on the Doyle Leases. However, GGL believes there is room for exploration without detriment to the permit areas.

As the De Beers JV area contains a number of drill-ready targets, the Company has approached De Beers to see if one or more of these can be made available for drilling this spring. At this time, an agreement is being prepared, under which De Beers will return the LA 4 mineral lease to GGL, but will retain a 1% royalty on any discovery made by GGL. De Beers will also have access to surface areas required for the Gahcho Kue development. Two drill-ready targets are on LA 4 and the Company plans to drill the targets this spring. A drill is nearby on the Doyle Project and arrangements under way to obtain drill crews for the project. The targets are called the T Bone and the Quail.

### **The New Century Project**

GGL's exploration team has been evaluating the digital data received to date from De Beers for the exploration work completed on the 51,109 acres that comprise the "New Century Project". This Project includes 21 mining leases acquired from MPV, Camphor Ventures Inc., and De Beers. The leases are subject to Royalty Agreements, in which royalties total 1.5% of net returns (gross revenues less permissible deductions). The Company has agreed to keep the leases in good standing and submit three yearly lease rental period payments to the NWT Mining Recorders Office; the first lease rental payment of \$51,109 has been made.

Seventeen of the acquired leases extend approximately 15 km west and 8 km north of the adjoining LA 1 mineral lease of The Doyle Project. Two of the acquired leases are centered 5 km north of the Gahcho Kue diamond deposit currently being prepared for production by De Beers, and adjoin the leases containing them. The last two acquired leases are north of and adjoin the leases containing the diamondiferous Kelvin and Faraday kimberlite bodies. A preliminary view of the data received to date indicates that all of the acquired leases have exploration potential to find new kimberlites.

The acquired leases contain the MZ Lake Kimberlite sheets (shallow dipping sheet-like kimberlite bodies). Four separate kimberlite sheets have been discovered by drilling and all are diamondiferous. One of the kimberlite sheets has been traced for 1 km along strike, although at this time, little is known about the extensions to depth. The kimberlite intersected in drill holes varies from 7 cm to 2.19 m with the largest combined kimberlite intersection of 3.49 m in one drill hole. In drill hole MPV-01-73, 27 microdiamonds and 1 macrodiamond were recovered from just 5 kg, a most encouraging result. The MZ system of kimberlite sheets is being evaluated as information is received from De Beers. Once all the information is obtained, a drill program to continue the evaluation of the MZ area will be formulated.

A geophysical software program designed to assist in the interpretation of EM surveys, has modeled a kimberlite target 200 m in diameter in New Century Lake. The target is supported by kimberlite indicator minerals and a drill program is being planned to test this target this spring. A number of areas have been identified for follow up exploration.

In the Doyle area, up to eight ground geophysical surveys are planned to further evaluate targets for the planned spring drill program. These surveys are directed to finding kimberlite pipes.

### **Fishback Project, Southwest Slave Craton**

The Fishback property, consisting of claims and leases that together contain 36,664 acres, is located 65 km northwest of Yellowknife.

Beginning at the end of January, the 2006 exploration program consisted of a ground gravity survey over an area of the lake containing the "Big Hole", which had not been covered by the previous ground gravity survey, and an airborne geophysical survey over all of the claims and leases. Both surveys were completed in February and results are awaited.

The previous ground gravity survey outlined a gravity low, the center of which will be drilled this spring if contractors can deliver the required drill and crews and if ice conditions permit. Drill hole FB-05-11 drilled in 2005 on a portion of the gravity low and coincident EM conductor encountered alteration containing kimberlite indicator minerals. The planned drill program will target the kimberlite indicated by the alteration.

Additional drill targets may be identified when the results of the 2006 geophysical surveys are received.

### **Properties In The Central Slave Craton**

On the basis of results from indicator mineral sampling, drill targets have been identified on the Courageous, Seahorse/Shoe, Starfish, Zip, Winter Lake North, Winter Lake South and BP claim areas within the CH Project Area. The Company plans to continue drilling as funds permit and expects the next drill program to begin on or before May 2006. The diamond drill has remained on the Zip property in anticipation of spring drilling.

Between August 27<sup>th</sup> and September 17, 2005, five targets were selected for drilling on the basis of indicator mineral trains and geophysical anomalies. One target was drilled on the Starfish properties and four targets drilled on the Zip property. The Starfish and Zip properties are part of the larger CH Project area, located 270 kilometers north northeast of Yellowknife.

On the Starfish property, vertical drill hole CH 05-013, testing a land-based magnetic anomaly, encountered mafic magnetic gneissic rocks within a rock assemblage of granites, gneisses and pegmatites. The magnetite content of the rocks explains the magnetic anomaly drilled.

On the Zip property, four targets were tested. The first was target ZI 03-A018, a geophysical anomaly in a lake up ice from a strong indicator mineral train. It was tested by a 45 degree-angle hole drilled from the shore of the lake to a depth of 161 m. The hole encountered metavolcanic rocks containing up to 25% of sulphides consisting of magnetic pyrrhotite, the likely cause of the geophysical anomaly.

The second target drilled on the Zip property was a large, approximately 250 m x 250 m, resistivity low anomaly within a deep lake, with good indicator mineral support leading to the lake shore. The attempt to drill this target, ZI 05-A181, with a 45 degree drill hole from shore was not successful as the drill was unable to deal with the thick amount of overburden and the hole was abandoned at 42.7 m without entering bedrock. A second attempt to drill this target, but with a vertical hole from the ice is planned for the winter season and the drill has been left near the site for this purpose.

The third target drilled, ZI 03-A062 at -45 degrees from shore under a lake encountered clay and massive pyrrhotite, explaining the geophysical anomaly but leaving the source of the indicator minerals open for further exploration

The fourth and last target drilled, ZI 05-A179, was targeted on a resistivity conductor at a break in a diabase dike; 27 metres of overburden was encountered in a vertical drill hole after the first attempt to drill an angle hole was abandoned in overburden due to the limitations of the drill. Bedrock consisted of dolomite overlying aplite. The clay rich overburden was the likely cause of the resistivity anomaly.

The Zip property has yielded samples containing large numbers of kimberlite indicator minerals with diamond stability field chemistry. The presence of sulphides within the metasediment and metavolcanic rocks in the area produces many geophysical anomalies. To determine the source of the indicator mineral samples, more detailed sampling is required. An additional 37 samples were collected from the CH project area in the fall of 2005.

### **GOLD PROPERTIES**

#### **McConnell Creek Gold/Copper Property, British Columbia, Canada**

This 100% owned property was the first property acquired by the Company in 1981. Since that time the property has been explored by the Company and by two major mining companies. The last of these was Placer Dome in 1990. At that time the commodity markets were not strong and in 1992, the new NDP government discouraged the development of resources. Now times and politics have changed for the better, and a fresh look at this property is warranted.

The property contains significant gold values within a favourable structure and geological setting. Gold indications along the shear structure in basic rocks flanked by granitic intrusives extend for 10 km. The mineral property, including a new mineral tenure staked in 2005, consists of 4,878 hectares.

In 1991, Stan Hoffman, an experienced and well known consulting geochemist, recognized the significant copper potential of the McConnell property that was defined by soil geochemical surveys completed by Placer Dome in 1990. At that time, the low price of copper precluded a follow up program. Now the demand for copper has increased and with it the value of copper, to such an extent that the copper potential of the property, which is separate from the gold potential, deserves a second look. The Company had archived the pulps from the Placer Dome soil samples which had been analyzed for only six elements.

During the last quarter of 2005, 1,596 of these samples were re-run at Acme Analytical Laboratories Ltd. The analytical results, compiled by consultant Paul W. Richardson, Ph.D., P. Eng., has substantiated the significant copper potential of the McConnell property and Dr. Richardson has recommended that the remaining archived samples be submitted for analysis and that the area of the soil geochemical surveys be extended.

The McConnell property is located 15 km southeast of the Kemess South operating open pit copper mine.

### **Happy Creek Project, Nevada, USA**

The Happy Creek epithermal gold-silver prospect is under option by the Company. In 1998 Meridian Gold Company completed a drill program on the property and returned the claims to GGL. Meridian had optioned the property on the basis of a fluid inclusion study completed on surface samples. The results of the fluid inclusion studies were highly favourable for gold deposition. The holes drilled by Meridian intersected the quartz zone at depth but as gold was not found, ended the program. Fluid inclusion studies of the quartz zones intersected in the drill holes were not done. This quarter the drill samples were taken from storage and sent out for fluid inclusion studies.

If the results from these studies continue to support gold deposition a deeper drill program will be required.

### **Trends**

The Company's financial success is dependent upon the discovery of properties which could be economically viable to develop. Such development could take years to complete and the resulting income, if any, is difficult to determine. The sales value of any mineralization discovered by the Company is largely dependent upon factors beyond the Company's control, such as the market value of the products produced.

Other than as disclosed herein, the Company is not aware of any trends, uncertainties, demands, commitments or events which are reasonably likely to have a material effect on the Company's sales or revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition.

### **Competitive Conditions**

The resource industry is intensively competitive in all of its phases. The Company competes with other mining companies for the acquisition of mineral claims and other mining interests as well as for the recruitment and retention of qualified employees and contractors. There is significant and increasing competition for a limited number of gold and other resource acquisition opportunities and as a result, the Company may be unable to acquire suitable producing properties or prospects for exploration in the future on terms it considers acceptable. The Company competes with many other companies that have substantially greater financial resources than the Company.

The Company may, in the future, be unable to meet its obligations under agreements to which it is a party and the Company may have its interest in the properties subject to such agreements reduced as a result.

### **Environmental Factors and Protection Requirements**

The Company conducts exploration and development activities in the Northwest Territories, Nevada and British Columbia. All phases of the Company's operations are subject to environmental regulation in the jurisdictions in which it operates. Environmental legislation is evolving in a manner which requires 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. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. There is no assurance that regulatory and environmental approvals will be obtained on a timely basis or at all. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations or to preclude entirely the economic development of a property. Environmental hazards may exist on the properties which are unknown to the Company at present which have been caused by previous or existing owners or operators of the properties.

The approval of new mines on federal lands in Canada is subject to detailed review through a clearly established public hearing process, pursuant to the Federal Canadian Environmental Assessment Act. In addition, lands under federal jurisdiction are subject to the preparation of a costly environmental impact assessment report prior to the commencement of any mining operations. These reports entail a detailed technical and scientific assessment as well as a prediction of the impact on the environment and proposed development. Further, under such review process, there is no assurance that regulatory and environmental approvals will be obtained on a timely basis or at all.

Provincial mining legislation establishes requirements for the decommissioning, reclamation and rehabilitation of mining properties in a state of temporary or permanent closure. Such closure requirements relate to the protection and restoration of the environment and the protection of public safety. Some former mining properties must be managed for long periods of time following closure in order to fulfill closure requirements. The cost of closure of mining properties and, in particular, the cost of long-term management of mining properties can be substantial. The Company intends to progressively rehabilitate its mining properties during their period of operation, should any properties become operational, so as to reduce the cost of fulfilling closure requirements after the termination or suspension of production.

The Company has adopted an environmental policy designed to ensure that it continues to comply with or exceeds all environmental regulations currently applicable to it. All of the Company's activities are in compliance in all material respects with applicable environmental legislation. The Company is engaged in exploration with nil to minimal environmental impact.

### **Risk Factors**

The Company is subject to a number of risk factors due to the nature of its business and the present stage of development. The following risk factors should be considered:

### **Mineral Exploration and Development**

The Company's properties are in the exploration stage. Development of the Company's properties will only proceed upon obtaining satisfactory exploration results. Mineral exploration and development involve a high degree of risk and few properties which are explored are ultimately developed into producing mines. There is no assurance that mineral exploration and development activities will result in the discovery of a body of commercial diamonds on any of the Company's properties. Several years may pass between the discovery of a deposit and its exploitation. Most exploration projects do not result in the discovery of commercially mineralized deposits.

### **Operating Hazards and Risks**

Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of resources, any of which could result in work stoppages and damage to persons or property or the environment and possible legal liability for any and all damage. Fires, power outages, labour disruptions, flooding, explosions, cave-ins, land slides and the inability to obtain suitable or adequate machinery, equipment or labour are some of the risks involved in the operation of mines and the conduct of exploration programs. Although the Company will, when appropriate, secure liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liability and hazards might not be insurable, or the Company might elect not to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that could have a material adverse effect upon its financial condition.

### **Economics of Developing Mineral Properties**

Substantial expenditures are required to establish reserves through drilling, to develop processes to extract diamonds and gold and 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 the funds required for development can be obtained on a timely basis.

The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection. Depending on the price of minerals produced, the Company may determine that it is impractical to commence or continue commercial production.

### **Commodity Prices**

The Company's revenues, if any, are expected to be in large part derived from the mining and sale of diamonds and gold or interests related thereto. The price of diamonds has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond the Company's control including international economic and political conditions, expectations of inflation, international currency exchange rates, interest rates, global or regional consumptive patterns, speculative activities, levels of supply and demand, increased production due to new mine developments and improved mining and production methods, availability and costs of diamond substitutes, diamond stock levels maintained by producers and others and inventory carrying costs. The effect of these factors on the price of diamonds, and therefore the economic viability of the Company's operations cannot accurately be predicted.

### **Title**

There is no guarantee that title to properties in which the Company has a material interest will not be challenged or impugned. The Company's mineral property interests may be subject to prior unregistered agreements or transfers or native land claims, and title may be affected by undetected defects.

### **Governmental Regulation**

Operations, development and exploration on the Company's properties are affected to varying degrees by: (i) government regulations relating to such matters as environmental protection, health, safety and labour; (ii) mining law reform; (iii) restrictions on production, price controls, and tax increases; (iv) maintenance of claims; (v) tenure; and (vi) expropriation of property. There is no assurance that future changes in such

regulations, if any, will not adversely affect the Company's operations. Changes in such regulations could result in additional expenses and capital expenditures, availability of capital, competition, reserve uncertainty, potential conflicts of interest, title risks, dilution, and restrictions and delays in operations, the extent of which cannot be predicted.

Exploration on the Company's properties requires responsible best exploration practices to comply with Corporation policy, government regulations, maintenance of claims and tenure. The Company is required to be registered to do business and have a valid prospecting license (required to prospect or explore for minerals on Crown Mineral Land or to stake a claim) in any Canadian province or territory in which it is carrying out work. Mineral exploration primarily falls under provincial and territorial jurisdiction. However, the Company is also required to follow the regulations pertaining to the mineral exploration industry that fall under federal jurisdiction, such as the Fish and Wildlife Act.

If any of the Company's projects are advanced to the development stage, those operations will also be subject to various laws and regulations concerning development, production, taxes, labour standards, environmental protection, mine safety and other matters. In addition, new laws or regulations governing operations and activities of mining companies could have a material adverse impact on any project in the mine development stage that the Company may possess.

### **Aboriginal Rights**

Aboriginal rights may be claimed on Crown properties or other types of tenure with respect to which mining rights have been conferred. The Company is not aware of any aboriginal land claims having been asserted or any legal actions relating to native issues having been instituted with respect to any of the mineral claims in which the Company has an interest. The Company is aware of the mutual benefits afforded by co-operative relationships with indigenous people in conducting exploration activity and is supportive of measures established to achieve such co-operation.

### **Management**

The success of the Company depends to a large extent on its ability to retain the services of its senior management and key personnel. The loss of their services may have a material, adverse effect on the Company.

### **Conflicts of Interest**

Certain officers and directors of the Company are officers and/or directors of, or are associated with, other natural resource companies that acquire interests in mineral properties. Such associations may give rise to conflicts of interest from time to time. The directors are required by law, however, to act honestly and in good faith with a view to the best interests of the Company and its shareholders and to disclose any personal interest which they may have in any material transaction which is proposed to be entered into with the Company and to abstain from voting as a director for the approval of any such transaction.

### **Limited Operating History: Losses**

The Company has experienced, on a consolidated basis, losses in all years of its operations. There can be no assurance that the Company will operate profitably in the future, if at all. As at November 30, 2005, the Company's deficit was approximately \$13,057,138.

### **Price Fluctuations: Share Price Volatility**

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market price of securities of many mineral exploration companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance,

underlying asset values or prospects of such companies. In particular, during the financial year ended November 30, 2005, the per share price of the Company's shares fluctuated from a high of \$0.28 to a low of \$0.14. There can be no assurance that continual fluctuations in price will not occur.

#### **Shares Reserved for Future Issuance: Dilution**

As at November 30, 2005, there were 5,366,000 stock options outstanding pursuant to which shares may be issued in the future, all of which will result in further dilution to the Company's shareholders and pose a dilutive risk to potential investors.

#### **Overall performance/results of operations**

As at November 30, 2005, the Company had incurred exploration costs on mineral properties of \$2,491,451 (charter aircraft \$663,436; drilling, excavating and sampling \$736,003; licences, recording fees and lease payments \$116,107; salaries and wages \$131,597; surveys \$76,672; technical and professional services \$371,260; transportation \$119,403 and project supplies of \$276,973). Exploration costs for the year ended November 30, 2005 are higher than 2004 by \$38,591, an increase of 1.57%. All exploration costs were higher in 2005 than 2004 except for surveys and transportation. A large airborne and ground survey was completed in 2004, therefore a smaller survey was performed in 2005. Transportation costs decreased due to personnel staying at the Company owned camp site instead of paying third parties for camp rentals. The cost for drilling, excavating and sampling and project supplies increased in 2005 due to the Doyle mini bulk sample program which collected approximately 45 tonnes of samples. The increase in licences, recording fees and lease payments was for lease rental payments paid for the Doyle (including the New Century leases) and Fishback Lake claims that have gone to lease in 2004 and 2005.

On a per project basis, the Company spent the \$2,491,451 exploration costs as follows: \$990,566 on the CH project, \$1,168,284 on the Doyle Lake project, \$51,223 on the McConnell Creek, \$9,005 on the Happy Creek Gold/Silver Property, and \$273,373 on the Fishback Lake Property.

The Company reported a net loss of \$969,649 for the year ended November 30, 2005 compared to a net loss of \$1,244,264 for the year ended November 30, 2004 (a decrease of 22% from 2004 to 2005). General administration expenses for the year ended November 30, 2005 were \$809,057 compared to \$848,219 for the year ended November 30, 2004 (a decrease of 4.6% from 2004 to 2005). The decrease in general administration expenses was primarily due to a decrease in stock based compensation (2005 - \$250,957; 2004 - \$430,744). Stock based compensation decreased due to a change in the risk free rate and a shorter exercise period for one of the options granted. Both consulting fees and office expenses increased in 2005 due to an increase in office of personnel, creation of new corporate logo and stationery and fees paid to a consultant for finding prospective investors. Revenue for the year ended November 30, 2005 was \$24,975 consisting of interest income compared with \$30,218 for the year ended November 30, 2004. The funds for the beginning of the year 2004 were carried forward from 2003 and funds raised during the year generated more interest income for the Company.

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

Two claims were staked during the year ended November 30, 2005 (a McConnell Creek claim in British Columbia and a Doyle Lake claim in the Northwest Territories).

The Company acquired 21 mining leases under an agreement with De Beers, MPV and Camphor (see The New Century Project: Recent Property Acquisition section).

Eight claims were allowed to lapse in 2005.

The write off of exploration and mineral property costs for the year ended November 30, 2005 was \$124,270 for the CH project.

### **Related Party Transactions**

During the year ended November 30, 2005, the Company was billed a total of \$91,238 (2004 - \$97,993) by R.A. Hrkac, the President and CEO, and a management company owned by Nick DeMare, CFO. Included in the \$91,238 are \$72,000 (2004 - \$68,000) for consulting fees, \$17,688 (2004- \$28,993) for technical and professional services and \$1,550 (2004 - \$nil) for Office Services. As at November 30, 2005, no amounts were owing to any related parties (2004 - \$3,688 unpaid and included in accounts payable). Transactions with related parties are measured on the basis of amounts agreed to by transacting parties.

### **Commitments**

The Company has entered into an operating lease agreement with respect to its office premises. Minimum payments of \$40,902, \$42,589, \$42,589 and \$10,647 are required in the years 2006, 2007, 2008 and 2009, respectively, under the agreement. See Subsequent events.

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, 2005. If the conditions precedent had been satisfied at November 30, 2005, the amount owing under the agreement would be approximately \$206,670.

The Company has a mortgage loan on its Yellowknife house of approximately \$42,262 which becomes due on December 3, 2006.

### **Critical Accounting Policies**

#### **Stock Based Compensation**

The fair value of stock options is determined by the widely used Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's common shares and the expected life of the options. The fair value of direct awards of stock is determined by the quoted market price of the Company's stock.

### **Auditors**

Since the Company's last audit, the Company's auditors, Ellis Foster Chartered Accountants, have entered into a transaction with Ernst & Young LLP, under which certain assets of Ellis Foster were sold to Ernst & Young and the professional staff and partners of Ellis Foster joined Ernst & Young either as employees or partners of Ernst & Young and carried on their practice as members of Ernst & Young and as a result Ernst & Young will appear as the Company's auditor of record on a going-forward basis.

### **Subsequent Events**

Subsequent to November 30, 2005, the following occurred:

- (a) 495,000 stock options expired unexercised;
- (b) the Company completed a private placement of 910,571 flow through shares at \$0.28 per share for gross proceeds of \$254,960. The proceeds from these flow through shares will be spent on Canadian Exploration Expenses on the Company's Northwest Territories properties. In addition the Company issued 3,160,227 units at \$0.22 per unit for gross proceeds of \$695,250. Each unit consists of one common share and one share purchase warrant. One share purchase warrant is exercisable for one year at \$0.30 per common share.

The Company paid a cash finders fee of \$40,000 on a portion of the proceeds and incurred additional share issue costs of \$14,520.;

- (c) The Company issued 627,500 common shares upon the exercise of stock options at \$0.20 and \$0.30 per common share, for gross proceeds of \$145,500;
- (d) The Company issued 417,500 common shares upon the exercise of warrants at \$0.25 per common share, for gross proceeds of \$104,375;
- (e) The Company signed a three year operating lease agreement on its office premises. See Note 13(a) for required yearly payments;
- (f) The Company granted 980,000 stock options to employees for a period of five years. These options are exercisable at \$0.20 per common share; 120,000 options will expire on December 7, 2010 and 860,000 options will expire on March 23, 2011.
- (g) The Company has amended its Stock Option Plan to a 10% rolling 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. Under the 10% rolling plan, the number of shares available for grant increases as the issued capital of the Company increases.
- (h) The Company received the final signed lease agreements from the Northwest Territories Mining Recorder for it's 27 Doyle claims that went to lease in 2005. The lease period is 21 years commencing in December 2004. The Company paid the 2004 lease rental payments when it first applied for the leases in 2005 and has paid for the 2005 lease rental payments in 2006. Also, the Company has applied to have five other Doyle claims be taken to lease.
- (i) The Company adopted a Corporate Disclosure Policy, an Insider Trading Policy and a Whistle Blower Policy and
- (j) The Company has submitted a draft Shareholders' Rights Plan to the TSX Venture Exchange for comment.

### **Selected Annual Information**

The following table sets forth selected consolidated financial information of the Company for, and as at the end of, each of the last three financial years of the Company up to and including November 30, 2005. This financial information is derived from the consolidated financial statements of the Company which were audited by Ernst & Young LLP for 2005, Ellis Foster for 2004 and 2003. The Company prepares financial information according to Generally Accepted Accounting Principles ("GAAP") and all information is reported in Canadian \$.

	<b>November 30</b>		
	<b>(Audited)</b>		
	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>
Total Revenues	\$24,975	\$30,218	\$19,326
Income from continuing operations	-	-	-
Net loss for the year	\$(969,649)	\$(1,244,264)	\$(954,129)
Net loss per share (basic and diluted)	\$(0.01)	\$(0.02)	\$(0.02)

Total Assets	\$13,064,009	\$10,917,331	\$9,326,262
Total Long-term financial liabilities	\$28,109	\$42,806	\$57,676

No Cash dividends have been declared or paid since the date of incorporation and the Company has no present intention of paying dividends on its common shares. The Company anticipates that all available funds will be invested to finance the growth of its business.

The Net Loss number is affected mainly by the administration costs and write off of exploration and mineral property costs incurred for each year. Revenues from 2003 to 2005 are interest income.

Interest income is dependent upon interest rates and the amount of financing raised each year by the Company. Interest rates will vary due to market conditions and the Company has no control over the fluctuation of rates.

Expenses are mainly composed of administration costs, general exploration costs and write off of exploration and mineral costs. The amount of a write off in each year is dependent upon the costs spent to date on the project(s) that is (are) being abandoned. Write offs of exploration and mineral property costs will vary from year to year and affect the Net Loss.

All of the above factors must be taken into consideration when comparing Total Revenues and Net Loss for each year.

### **Summary of Quarterly Information**

The following table sets forth a comparison of revenues and earnings for the previous eight quarters ending with November 30, 2005. Financial information is prepared according to GAAP and is reported in Canadian \$.

<b>Quarter Ended:</b>	<b>November 30, 2005</b>	<b>August 31, 2005</b>	<b>May 31, 2005</b>	<b>February 28, 2005</b>	<b>November 30, 2004</b>	<b>August 31, 2004</b>	<b>May 31, 2004</b>	<b>February 29, 2004</b>
	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
Total Revenues	7,599	7,756	6,415	3,205	6,919	265	784	22,250
Net Income (Loss)	(537,439)	(137,931)	(173,226)	(121,053)	(459,963)	(95,136)	(436,210)	(252,955)
Net income (loss) per share	(0.004)	(0.002)	(0.002)	(0.002)	(0.008)	(0.001)	(0.007)	(0.004)

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 2004 or 2005. Fully diluted earnings (loss) per share are not presented as the exercise of warrants and stock options would be anti-dilutive.

During the third and fourth quarters, management decides which properties will be retained and which properties will be abandoned based on results from work performed during the field season. Properties that will be abandoned are written off in the third and fourth quarter and increase the Net Loss.

## **Liquidity and Capital Resources**

The exploration and subsequent development of the Company's properties depends on the Company's ability to obtain required financing. The Company has limited financial resources and there is no assurance that additional funding will be available to allow the Company to fully explore its existing properties. Failure to obtain financing could result in delay or indefinite postponement of further exploration and the possible, partial or total loss of the Company's interest in certain properties. The Company may, in the future, be unable to meet its obligations under agreements to which it is a party and the Company may consequently have its interest in the properties subject to such agreements jeopardised. Furthermore, if other parties to such agreements do not meet their share of such costs, the Company may be unable to finance the cost required to complete recommended programs.

The Company is dependent on raising funds by the issuance of shares or disposing of interests in its mineral properties (by options, joint ventures or outright sales) in order to finance further acquisitions, undertake exploration and development of mineral properties and meet general and administrative expenses in the immediate and long term. There can be no assurance that the Company will be successful in raising their required financing.

The Company's financial performance is dependent on many external factors. The Company expects that any revenues it may earn from its operations in the future will be from the sale of minerals. Both prices and markets for metals and minerals are cyclical, difficult to predict, volatile, subject to government price fixing and controls and respond to changes in domestic and international, political, social and economic environments. In addition, the availability and cost of funds for exploration, development and production costs are difficult to predict. These changes in events could materially affect the financial performance of the Company.

The Company's subsidiary, Gerle Gold (U.S.) Inc., has no source of financings and relies on the Company for advances to fund its work on the Happy Creek property.

The Company had working capital at November 30, 2005 of \$602,081 compared with \$791,843 as at November 30, 2004. The Company has no material income from operations and any improvement in working capital results primarily from the issuance of share capital.

As at November 30, 2005 the Company had \$28,109 (2004 - \$42,806) of long-term debt (mortgage loan) outstanding.

For the year ended November 30, 2005, the Company experienced a negative cash flow of \$637,758 (2004 - \$495,969) (before allowing for changes in non-cash operating working capital balances) from operating activities. Changes in operating activities resulted primarily from an increase in administration costs such as consulting fees, office services and expenses and corporate relations. (See Exploration and General and Administrative Expenditures for further information.)

The Company's cash position as at November 30, 2005 was \$592,662 (2004 - \$882,400). The decrease in cash position compared to November 30, 2004 was due principally to less funds raised and carried over from 2004 in comparison to the financing raised in 2003. In 2003 \$3,552,084 was raised and \$1,575,129 was carried forward for spending in 2004. In 2004, \$2,483,815 was raised, but only \$882,400 was available for spending in 2005. See Note 6 – Share Capital in the Notes to the Consolidated Financial Statements.

During the year ended November 30, 2005, the Company:

- (a) completed a private placement of 1,150,000 common shares at \$0.20 per share for gross proceeds of \$230,000. The Company incurred share issue costs of \$5,342 in respect of this private placement. All of the proceeds from these flow-through shares have been spent on Canadian Exploration Expenses ("CEE") on the Company's Northwest Territories properties.;

- (b) completed a private placement of 4,150,000 units at \$0.20 per unit for gross proceeds of \$830,000. Each unit consists of one common share and one-half of a share purchase warrant. One whole share purchase warrant is exercisable at \$0.25 per common share during the first year and at \$0.30 per share during the second year. The Company paid a cash finders fee of \$32,000 and incurred additional share issue costs of \$13,875 in respect of this private placement.;
- (c) completed a private placement of 7,777,778 units at \$0.18 per unit for gross proceeds of \$1,400,000. Each unit consists of one common share and one share purchase warrant. One share purchase warrant is exercisable at \$0.20 per common share during the first year and at \$0.22 per share during the second year. The funds from this placement were used for drilling on the Fishback property, delineation drilling and mini bulk-sampling of the Doyle Sill and ground geophysics and drilling on other areas within the Doyle claims. The Company incurred share issue costs of \$42,549 in respect of this private placement;
- (d) completed a private placement of 1,666,666 units at \$0.18 per unit for gross proceeds of \$300,000. Each unit consists of one common share and one share purchase warrant. One share purchase warrant is exercisable at \$0.20 per common share during the first year and at \$0.22 per share during the second year. The Company paid a cash finders fee of \$24,600 and incurred additional share issue costs of \$5,090 in respect of this private placement and;
- (e) completed a private placement of 2,044,961 units at \$0.195 per unit for gross proceeds of \$398,767. Each unit consists of one common share and one share purchase warrant. One share purchase warrant is exercisable for two years at \$0.26 per common share. The Company paid a cash finders fee of \$24,600 and a commission of \$400 on a portion of the proceeds and incurred additional share issue costs of \$11,424 in respect of this private placement.

At November 30, 2005 the Company has the following share purchase warrants outstanding:

Number of warrants	Exercise Price	Expiry Date
1,075,000	\$0.25/\$0.30	March 8, 2007
1,000,000	\$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
<b>13,564,405</b>		

See Notes 6 and 7 of the Consolidated Financial Statements for November 30, 2005.

See Subsequent Events section regarding two private placements completed after year-end.

### **Financial Instruments**

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matter of significant judgement, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of cash and cash equivalents, marketable securities, other receivables, and accounts payable and accrued liabilities and mortgage loans approximate their fair value because of the short-term nature of these instruments.

**Outstanding Share data as at March 24, 2006:**

(a) Authorized and issued share capital:

<b>Class</b>	<b>Par Value</b>	<b>Authorized</b>	<b>Issued Number</b>
Common	No par value	Unlimited	96,690,445

(b) Summary of options outstanding:

<b>Security</b>	<b>Number</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
Options	200,000	\$0.30	March 29, 2006
Options	62,500	\$0.20	March 29, 2006
Options	205,000	\$0.20	July 16, 2006
Options	419,333	\$0.20	July 18, 2007
Options	150,000	\$0.30	March 6, 2007
Options	436,667	\$0.25	Feb. 06, 2008
Options	245,000	\$0.30	April 25, 2008
Options	50,000	\$0.45	Aug. 15, 2008
Options	745,000	\$0.50	Jan. 15, 2009
Options	330,000	\$0.50	March 19, 2009
Options	45,000	\$0.50	June 29, 2009
Options	650,000	\$0.20	May 12, 2010
Options	100,000	\$0.20	June 7, 2010
Options	405,000	\$0.20	July 8, 2010
Options	150,000	\$0.20	July 12, 2010
Options	50,000	\$0.20	October 28, 2010
Options	120,000	\$0.20	December 7, 2010
Options	860,000	\$0.20	March 23, 2011
<b>Total</b>	<b>5,223,500</b>		

(c) Summary of warrants outstanding.

<b>Security</b>	<b>Number</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
Warrants	3,160,227	\$0.30	Dec. 23, 2006
	1,075,000	\$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
<b>Total</b>	<b>16,307,132</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”*

---

Raymond A. Hrkac  
President and CEO

*“Nick DeMare”*

---

Nick DeMare  
Director and CFO