



GGL DIAMOND CORP.

CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 2007

(UNAUDITED)

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

GGL DIAMOND CORP.

Consolidated Balance Sheets As At
(Unaudited)

	May 31, 2007	November 30, 2006
ASSETS		
Current		
Cash and cash equivalents	\$ 1,776,626	\$ 165,676
Amounts receivable	96,018	49,032
Prepaid expense	11,092	26,022
	1,883,736	240,730
Mineral properties and deferred exploration costs (Note 1)	14,374,242	13,870,444
Property, plant and equipment	301,237	273,856
	\$ 16,559,215	\$ 14,385,030
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 272,134	\$ 1,107,038
Current portion of mortgage loan	14,153	14,153
	286,287	1,121,191
Mortgage loan	5,337	13,288
	291,624	1,134,479
SHAREHOLDERS' EQUITY		
Share capital (Notes 2, 3)	30,227,191	26,877,373
Contributed surplus	1,950,483	1,325,053
Deficit	(15,910,083)	(14,951,875)
	16,267,591	13,250,551
	\$ 16,559,215	\$ 14,385,030

Commitments (Note 9)

Subsequent Events (Note 10)

Approved by the Board of Directors:

"Raymond A. Hrkac"

Director

"Nick DeMare"

Director

Please see notes accompanying these financial statements.

GGL DIAMOND CORP.

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

	May 31, 2007	May 31, 2006
Administration costs		
Amortization	\$ 663	\$ 837
Consulting fees	75,938	26,795
Corporate relations	20,869	33,420
Legal and audit	102,397	20,781
Licences, taxes, insurance and fees	6,313	4,972
Office services and expenses	49,942	39,162
Shareholders' meetings and reports	7,263	31,462
Stock based compensation	547,153	212,206
Travel	5,154	58,306
	<hr/>	<hr/>
Operating loss	(815,692)	(427,941)
	<hr/>	<hr/>
Other income (loss)		
Interest income	12,358	4,790
Foreign exchange adjustments	(19)	(1,172)
Gain on sale of equipment	-	92
Other Tax expense (Note 6)	(734)	-
General exploration costs	(64,300)	(41,704)
	<hr/>	<hr/>
	(52,695)	(37,994)
	<hr/>	<hr/>
Loss for the period	(868,387)	(465,935)
	<hr/>	<hr/>
Deficit, beginning of period	(15,041,696)	(13,409,771)
	<hr/>	<hr/>
Deficit, end of period	\$ (15,910,083)	\$ (13,875,706)
	<hr/>	<hr/>
Net loss per share	\$ (0.008)	\$ (0.005)
	<hr/>	<hr/>
Weighted average number of common shares outstanding	107,875,637	93,600,695
	<hr/>	<hr/>

Please see notes accompanying these financial statements.

GGL DIAMOND CORP.

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

	May 31, 2007	May 31, 2006
Administration costs		
Amortization	\$ 1,326	\$ 1,636
Consulting fees	106,363	45,095
Corporate relations	38,944	81,172
Legal and audit	130,666	38,766
Licences, taxes, insurance and fees	13,656	13,137
Office services and expenses (Note 5)	85,077	77,424
Shareholders' meetings and reports	7,789	33,300
Stock based compensation	549,905	301,792
Travel	5,687	62,695
	<hr/>	<hr/>
Operating loss	(939,413)	(655,017)
	<hr/>	<hr/>
Other income (loss)		
Interest income	14,884	14,009
Foreign exchange adjustments	(1,202)	(1,617)
Gain on sale of equipment	-	92
General exploration costs	(97,294)	(101,093)
Other Tax expense (Note 6)	(1,534)	(53)
	<hr/>	<hr/>
	(85,146)	(88,662)
	<hr/>	<hr/>
Net loss before taxes	(1,024,559)	(743,679)
Future tax recovery	66,351	89,236
	<hr/>	<hr/>
Net loss for the period	(958,208)	(654,443)
Deficit, beginning of period	(14,951,875)	(13,221,263)
	<hr/>	<hr/>
Deficit, end of period	\$ (15,910,083)	\$ (13,875,706)
	<hr/>	<hr/>
Net loss per share	\$ (0.009)	\$ (0.007)
	<hr/>	<hr/>
Weighted average number of common shares outstanding	107,875,637	93,600,695
	<hr/>	<hr/>

Please see notes accompanying these financial statements.

GGL DIAMOND CORP.

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

	May 31, 2007	May 31, 2006
Cash flows from (used in) operating activities		
Loss for the period	\$ (868,387)	\$ (465,935)
Adjustment for items not involving cash:		
- amortization of property, plant and equipment	10,875	6,711
- stock based compensation	547,153	212,206
- gain on sale of equipment	-	(92)
	(310,359)	(247,110)
Change in non-cash working capital items:		
- amounts receivable	(8,987)	(122,593)
- prepaid expenses	(4,718)	(4,303)
- accounts payable and accrued liabilities	(512,349)	302,246
	(836,413)	(71,760)
Cash flows from (used in) financing activities		
Shares issued for cash	2,789,867	122,500
Share issuance cost	(9,457)	(8,352)
Principal reduction of mortgage loan	(3,695)	(3,404)
	2,776,715	110,744
Cash flows from (used in) investing activities		
Mineral property costs	(167,094)	-
Deferred exploration costs	(213,087)	(765,580)
Proceeds from sale of equipment	-	100
Purchase of capital assets	(44,668)	(2,212)
	(424,849)	(767,692)
Increase (decrease) in cash and cash equivalents	1,515,453	(728,708)
Cash and cash equivalents, beginning of period	261,173	1,038,659
Cash and cash equivalents, end of period	\$ 1,776,626	\$ 309,951
Supplementary cash flow information		
Cash paid for mortgage interest charges	\$ 301	\$ 427
Cash paid for other interest charges	3,880	506

Please see notes accompanying these financial statements.

GGL DIAMOND CORP.

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

	May 31, 2007	May 31, 2006
Cash flows from (used in) operating activities		
Loss for the period	\$ (958,208)	\$ (654,443)
Adjustment for items not involving cash:		
- amortization of property, plant and equipment	17,287	13,204
- stock based compensation	549,905	301,792
- gain on sale of equipment	-	(92)
- future tax recovery	(66,351)	(89,236)
	(457,367)	(428,775)
Change in non-cash working capital items:		
- amounts receivable	(46,986)	(92,645)
- prepaid expenses	14,930	(1,628)
- accounts payable and accrued liabilities	(834,904)	351,991
	(1,324,327)	(171,057)
Cash flows from (used in) financing activities		
Shares issued for cash	3,420,116	945,125
Shares issued for cash – flow-through shares	189,680	254,960
Share issuance costs	(118,102)	(73,913)
Principal reduction of mortgage loan	(7,951)	(7,381)
	3,483,743	1,118,791
Cash flows from (used in) investing activities		
Mineral property costs	(167,094)	-
Deferred exploration costs	(336,704)	(1,228,155)
Proceeds from sale of equipment	-	100
Purchase of equipment	(44,668)	(2,390)
	(548,466)	(1,230,445)
Increase (decrease) in cash and cash equivalents	1,610,950	(282,711)
Cash and cash equivalents, beginning of period	165,676	592,662
Cash and cash equivalents, end of period	\$ 1,776,626	\$ 309,951
Supplementary cash flow information		
Cash paid for mortgage interest charges	\$ 671	\$ 919
Cash paid for other interest charges	4,072	1,013

Please see notes accompanying these financial statements.

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
May 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 May 31, 2007-]

	Balance November 30, 2006	2007 property cost additions	2007 exploration cost additions	2007 written off	Balance May 31, 2007
Doyle Lake	\$ 3,719,235	\$ -	\$ 55,089	\$ -	\$ 3,774,324
Fishback Lake	1,289,976	-	9,462	-	1,299,438
CH	7,335,349	-	175,380	-	7,510,729
Ni	-	167,094	51,145	-	218,239
McConnell Creek	1,525,884	-	45,628	-	1,571,512
	\$ 13,870,444	\$ 167,094	\$ 336,704	\$ -	\$ 14,374,242

	Balance November 30, 2006	2007 Additions	2007 written off	Balance May 31, 2007
Mineral property costs	\$ 376,116	\$ 167,094	\$ -	\$ 543,210
Deferred exploration costs	13,494,328	336,704	-	13,831,032
	\$ 13,870,444	\$ 503,798	\$ -	\$ 14,374,242

Exploration costs incurred during the six months ended:

	May 31, 2007	May 31, 2006
Charter Aircraft	\$ 5,225	\$ 243,598
Drilling, sampling	39,947	328,530
Licences, recording fees and lease payments	73,165	62,689
Project supplies	21,629	26,396
Salaries and wages	89,852	64,036
Survey	-	314,928
Technical and professional services	98,941	146,357
Transportation	7,945	41,621
	\$ 336,704	\$ 1,228,155

Ni Claims – The Company staked 89 claims, 196,730.32 acres in the Winter Lake 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
May 31, 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)	4,170,000	296,998
Share issuance costs		(122,323)
Shares Issued as Commission	28,140	4,221
Exercise of stock options	1,145,167	252,567
Exercise of share purchase warrants	11,094,167	2,542,049
Reallocation from contributed surplus on exercise of		
Share purchase warrants		133,485
Stock options		119,597
Flow through share renunciation		(66,351)
Balance, May 31, 2007	118,132,697	30,227,191

- (c) During the period ended May 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) Issued 11,094,167 common shares upon the exercise of warrants ranging in exercise price from \$0.15 to \$0.35 per common share for gross proceeds of \$2,542,049;

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
May 31, 2007

2. Share Capital, continued

- (iii) issued 1,145,167 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 \$252,567;
 - (iv) 4,507,727 warrants expired unexercised; and
 - (v) 150,000 stock options expired unexercised.
- (d) At May 31, 2007, the Company had the following share purchase warrants outstanding:

<u>Number of warrants</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
1,666,666	\$0.22	July 27, 2007
1,916,461	\$0.26	Sept. 28, 2007
290,000	\$0.35/\$0.45	June 12, 2008
98,000	\$0.35/\$0.45	June 27, 2008
2,400,000	\$0.15/\$0.175	Dec. 21, 2008
100,000	\$0.15/\$0.175	Dec. 27, 2008
128,000	\$0.20/\$0.22	Jan. 3, 2009
210,000	\$0.15/\$0.175	Feb. 20, 2009
260,000	\$0.15/\$0.175	Mar. 7, 2009
<u>7,069,127</u>		

Changes in warrants during the period ended May 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	(11,094,167)	\$0.23
Expired	(4,507,727)	\$0.18
Outstanding, May 31, 2007	<u>7,069,127</u>	<u>\$0.21</u>

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
May 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.

960,000 stock options were granted to employees, consultants and investor relations during the period, exercisable at \$0.63 per common share for five years expiring on May 1, 2012.

	Shares	Weighted Average Exercise Price
Options outstanding at Nov. 30, 2006	5,536,000	\$0.26
Expired	(150,000)	\$0.00
Granted	960,000	\$0.63
Exercised	(1,145,167)	\$0.22
Options outstanding at May 31, 2007	5,200,833	\$0.34
2007 options exercisable	5,163,333	\$0.26
2006 options exercisable	5,510,167	\$0.26
	2007	2006
Weighted average remaining contractual life	3.11 years	3.27 years
Weighted average fair value of options granted during the period	\$0.63	\$0.22

4. Contributed Surplus

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

	2007
Balance, November 30, 2006	\$ 1,325,053
Stock-based compensation on stock options	549,905
Fair value of warrants issued	328,607
Share purchase warrants exercised	(133,485)
Stock options exercised	(119,597)
Balance, May 31, 2007	<u>\$ 1,950,483</u>

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
May 31, 2007

5. Loan from shareholder

During the second period, 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 six months ended May 31, 2007, the Company was billed \$60,000 (May 31, 2006 – \$48,000) by one director for consulting fees and nil (May 31, 2006 - \$4,000) 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.

8. 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 six months ended May 31, 2007 and 2006.

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
May 31, 2007

8. Segmented information, continued

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

	May 31, 2007	May 31, 2006
Canada	\$ 16,559,215	\$ 13,165,788
United States	-	927,115
	\$ 16,559,215	\$ 14,092,903

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 up to \$10,000 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 and project financing. 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.

10. Subsequent Events:

Subsequent to May 31, 2007, the Company:

- (a) issued 1,904,666 common shares upon the exercise of warrants ranging in exercise price from \$0.15 to \$0.35 per common share, for gross proceeds of \$439,766 and
- (b) issued 35,000 common shares upon the exercise of stock options at \$0.20 per common share for gross proceeds of \$7,000.