



GGL DIAMOND CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FEBRUARY 28, 2006

(UNAUDITED)

NOTICE: The Company's auditors have not reviewed the attached Interim Consolidated Financial Statements for the period ended February 28, 2006.

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

	February 28, 2006	November 30, 2005
ASSETS		
Current		
Cash and cash equivalents	\$ 1,038,659	\$ 592,662
Marketable securities	3,800	3,800
Accounts receivable	97,678	127,626
Prepaid expenses	500	2,831
	1,140,637	726,919
Mineral properties and deferred exploration costs (Note 1)	12,513,453	12,050,879
Property, plant and equipment	279,896	286,211
	\$ 13,933,986	\$ 13,064,009
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 160,774	\$ 110,685
Current portion of mortgage loan	14,153	14,153
	174,927	124,838
Mortgage loan	24,132	28,109
	199,059	152,947
SHAREHOLDERS' EQUITY		
Share capital (Note 2)	26,231,784	25,308,996
Contributed surplus	912,914	823,329
Deficit	(13,409,771)	(13,221,263)
	13,734,927	12,911,062
	\$ 13,933,986	\$ 13,064,009

Subsequent events (Note 7)**On behalf of the Board:***"Raymond A. Hrkac"*

Raymond A. Hrkac, Director

"Nick DeMare"

Nick DeMare, Director

GGL DIAMOND CORP.

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

	February 28, 2006	February 28, 2005
Administration costs		
Amortization	\$ 799	\$ 665
Consulting fees	18,300	58,700
Corporate relations	47,752	3,995
Interest expense	507	-
Legal and audit	17,985	14,612
Licences, taxes, insurance and fees	8,165	5,220
Office services and expenses	37,755	46,745
Shareholders' meetings and reports	1,839	5,889
Stock based compensation	89,585	23,385
Travel	4,388	9,797
Operating loss	(227,075)	(169,008)
Other income (loss)		
Foreign exchange adjustments	(446)	-
Interest income	9,219	3,205
Other Tax expense	(53)	(330)
General Exploration costs	(59,389)	(36,920)
	(50,669)	(34,045)
Net loss before tax	(277,744)	(203,053)
Future tax recovery	89,236	82,000
Net loss for the period	(188,508)	(121,053)
Deficit, beginning of period	(13,221,263)	(12,251,614)
Deficit, end of period	\$ (13,409,771)	\$ (12,372,667)
Loss per share - basic and diluted	\$ (0.002)	\$ (0.002)
Weighted average number of common shares outstanding		
- basic and diluted	92,342,124	75,475,242

Please see the notes accompanying these financial statements.

GGL DIAMOND CORP.

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

	February 28, 2006	February 28, 2005
Cash flows from (used in) operating activities		
Loss for the period	\$ (188,508)	\$ (121,053)
Adjustment for items not involving cash:		
- amortization of property, plant and equipment	6,493	6,183
- stock based compensation	89,585	23,385
- future tax recovery	(89,236)	(82,000)
	(181,666)	(173,485)
Change in non-cash working capital items:		
- accounts receivable	29,948	6,988
- prepaid expenses	2,331	(493)
- accounts payable and accrued liabilities	50,089	3,493
	(99,298)	(163,497)
Cash flows from (used in) financing activities		
Shares issued for cash	822,625	-
Shares issued for cash - flow-through shares	254,960	230,000
Share issuance cost	(65,561)	(9,116)
Principal reduction of mortgage loan	(3,977)	(3,905)
	1,008,047	216,979
Cash flows from (used in) investing activities		
Mineral property costs	-	-
Deferred exploration costs	(462,574)	(261,697)
Purchase of capital assets	(178)	(1,398)
	(462,752)	(263,095)
Increase (decrease) in cash and cash equivalents	445,997	(209,613)
Cash and cash equivalents, beginning of period	592,662	882,400
Cash and cash equivalents, end of period	\$ 1,038,659	\$ 672,787
Supplementary cash flow information		
Cash paid for interest charges	\$ 507	\$ 595

Please see the notes accompanying these financial statements.

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
February 28, 2006

These notes should be read in conjunction with the Audited Consolidated Financial Statements for the year ended November 30, 2005.

1. Mineral Properties and Deferred Exploration Costs

	Balance November 30, 2005	2006 property cost additions	2006 exploration cost additions	2006 written off	Balance February 28, 2006
Doyle Lake	\$ 2,115,914	\$ -	\$ 186,935	\$ -	\$ 2,302,849
Fishback Lake	1,016,316	-	231,293	-	1,247,609
CH	6,512,329	-	43,379	-	6,555,708
Happy Creek	926,920	-	97	-	927,017
McConnell Creek	1,479,400	-	870	-	1,480,270
	\$12,050,879	\$ -	\$ 462,574	\$ -	\$ 12,513,453

	Balance November 30, 2005	2006 Additions	2006 written off	Balance February 28, 2006
Mineral property costs	\$ 536,334	\$ -	\$ -	\$ 536,334
Deferred exploration costs	11,514,545	462,574	-	11,977,119
	\$12,050,879	\$ 462,574	\$ -	\$ 12,513,453

Exploration costs incurred during the three months ended:

	February 28, 2006	February 28, 2005
Chartered Aircraft	\$ 8,024	\$ -
Drilling, trenching, sampling	122,559	69,326
Licences and recording fees	56,364	30,248
Project supplies	9,884	61,005
Salaries and wages	9,161	9,104
Surveys	199,970	13,418
Technical and professional services	51,026	71,389
Transportation	5,586	7,207
	\$ 462,574	\$ 261,697

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Notes to Consolidated Financial Statements
February 28, 2006

2. Share Capital

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

(b) Issued:

	# of shares	\$
Balance, November 30, 2005	91,574,647	\$25,308,996
Private placement - flow-through share agreements	910,571	254,960
Private placement	3,160,227	695,250
Share issuance costs	-	(65,561)
Exercise of stock options	115,000	23,000
Exercise of warrants	417,500	104,375
Flow-through share renunciation		(89,236)
Balance, February 28, 2006	96,177,945	\$26,231,784

(c) During the period ended February 28, 2006:

(i) 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 have been 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.

(ii) the Company issued 115,000 common shares upon the exercise of stock options at \$0.20 per common share, for gross proceeds of \$23,000;

(iii) the Company granted 120,000 stock options to employees for a period of five years. These options are exercisable at \$0.20 per common share and will expire on December 7, 2010.;

(iv) issued 417,500 common shares upon the exercise of warrants at \$0.25 per common share for gross proceeds of \$104,375; and

(v) the Company amended and restated its Shareholders Rights Plan Agreement which has been accepted by the TSX Venture Exchange and will be voted on by the Shareholders at the Company's Annual and Special General Meeting

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Notes to Consolidated Financial Statements
February 28, 2006

2. Share Capital, continued

(d) At February 28, 2006, the Company had the following share purchase warrants outstanding:

<u>Number of warrants</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
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
16,307,132		

3. Stock Options

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.

During the period, the Company's Board of Directors approved and granted 120,000 stock options. Each option entitles its holder to acquire one common share of the Company at \$0.20 per common share. These options expire on December 7, 2010.

Stock options outstanding as at February 28, 2006:

	<u>Shares</u>	<u>Weighted Average Exercise Price</u>
Options outstanding at November 30, 2005	5,366,000	\$0.29
Expired	(95,000)	\$0.30
Granted	120,000	\$0.20
Exercised	(115,000)	\$0.20
Options outstanding at February 28, 2006	5,276,000	\$0.29

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Notes to Consolidated Financial Statements
February 28, 2006

3. Stock Options, continued

Options Outstanding				Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (yr)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$0.20 - \$0.50	5,276,000	2.29	\$0.29	5,101,000	\$0.29

4. Income Taxes

During the three months ended February 28, 2006, the Company issued 910,571 flow-through shares for gross proceeds of \$254,960. Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian income tax legislation. The renunciation of such expenditures is accounted for as a financing cost related to the flow-through issuance and results in a reduction in share capital with a corresponding increase in the Company's future tax liability.

As at February 28, 2006, the Company renounced the \$254,960 flow-through related resource expenditures to investors. All of the funds were spent by February 28, 2006.

5. Related Party Transactions

During the three months ended February 28, 2006, the Company was billed \$22,000 (February 28, 2005 – \$24,125) by one director, including \$18,000 (February 28, 2005 - \$18,000) for consulting fees and \$4,000 (February 28, 2005 - \$6,125) for technical and professional services. As at February 28, 2006, \$4,000 was included in accounts payable (February 28, 2005 - \$3,875).

6. Segmented information

The Company is involved in mineral exploration and development activities, which are conducted principally in Canada and the United States. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating results for each of the three months ended February 28, 2006 and February 28, 2005.

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

	February 28, 2006	February 28, 2005
Canada	\$ 13,006,969	\$ 10,040,119
United States	927,017	918,016
	\$ 13,933,986	\$ 10,958,135

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Notes to Consolidated Financial Statements
February 28, 2006

7. Subsequent Events:

Subsequent to February 28, 2006, the Company:

- (a) granted 860,000 stock options to employees, consultants and directors for a period of five years. These options are exercisable at \$0.20 per common share and will expire on March 23, 2011;
- (b) issued 512,500 common shares upon the exercise of stock options at \$0.20 and \$0.30 per common share, for gross proceeds of \$122,500; and
- (c) had 662,500 stock options expire unexercised.