

GGL DIAMOND CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FEBRUARY 28, 2005

(UNAUDITED)

NOTICE: The Company's auditors have not reviewed the attached Interim Consolidated Financial Statements for the period ended February 28, 2005.

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

	February 28, 2005	November 30, 2004
ASSETS		
Current		
Cash and cash equivalents (Note 7, 8)	\$ 672,787	\$ 882,400
Marketable securities	3,800	3,800
Sundry receivable	58,660	65,648
Prepaid expenses	716	223
	735,963	952,071
Mineral properties and deferred exploration costs (Note 1)	9,940,864	9,679,167
Property, plant and equipment	281,308	286,093
	\$ 10,958,135	\$ 10,917,331
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 149,568	\$ 146,075
Current portion of mortgage loan	14,153	14,153
	163,721	160,228
Mortgage loan	38,901	42,806
	202,622	203,034
SHAREHOLDERS' EQUITY		
Share capital (Note 2)	22,532,423	22,393,539
Contributed surplus	595,757	572,372
Deficit	(12,372,667)	(12,251,614)
	10,755,513	10,714,297
	\$ 10,958,135	\$ 10,917,331

Commitment (Note 7)**Subsequent events** (Note 8)**Approved by the Board of Directors:***"Raymond A. Hrkac"*

Raymond A. Hrkac, Director

"William Meyer"

William Meyer, Director

GGL DIAMOND CORP.

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

	February 28, 2005	February 29, 2004
Administration costs		
Amortization	\$ 665	\$ 831
Consulting fees	58,700	12,000
Corporate relations	3,995	7,388
Interest expense	-	360
Legal and audit	14,612	2,710
Licences, taxes, insurance and fees	5,220	10,888
Office services and expenses	46,745	32,505
Shareholders' meetings and reports	5,889	1,825
Stock based compensation	23,385	172,182
Travel	9,797	6,873
Operating loss	(169,008)	(247,562)
Other income (loss)		
Interest income	3,205	22,250
Part XII.6 Tax expense	(330)	-
General Exploration costs	(36,920)	(27,643)
	(34,045)	(5,393)
Net loss before tax	(203,053)	(252,955)
Future tax recovery	82,000	-
Net loss for the period	(121,053)	(252,995)
Deficit, beginning of period	(12,251,614)	(11,007,350)
Deficit, end of period	\$ (12,372,667)	\$ (11,260,305)
Loss per share - basic and diluted	\$ (0.002)	\$ (0.004)
Weighted average number of common shares outstanding		
- basic and diluted	75,475,242	65,948,650

Please see the notes accompanying these financial statements.

GGL DIAMOND CORP.

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

	February 28, 2005	February 29, 2004
Cash flows from (used in) operating activities		
Loss for the period	\$ (121,053)	\$ (252,955)
Adjustment for items not involving cash:		
- amortization of property, plant and equipment	6,183	7,942
- stock based compensation	23,385	172,182
- future tax recovery	(82,000)	-
	(173,485)	(72,831)
Change in non-cash working capital items:		
- sundry receivable	6,988	(34,908)
- prepaid expenses	(493)	(5,381)
- accounts payable and accrued liabilities	3,493	(41,895)
	(163,497)	(155,015)
Cash flows from (used in) financing activities		
Shares issued for cash	-	117,500
Shares issued for cash - flow-through shares	230,000	1,004,500
Share issuance cost	(9,116)	(14,685)
Principal reduction of mortgage loan	(3,905)	(3,658)
	216,979	1,103,657
Cash flows from (used in) investing activities		
Mineral property costs	-	(279)
Deferred exploration costs	(261,697)	(177,268)
Purchase of capital assets	(1,398)	(20,516)
	(263,095)	(198,063)
(Decrease) increase in cash and cash equivalents	(209,613)	750,579
Cash and cash equivalents, beginning of period	882,400	1,575,129
Cash and cash equivalents, end of period	\$ 672,787	\$ 2,325,708
Supplementary cash flow information		
Cash paid for interest charges	\$ 595	\$ 1,295

Please see the notes accompanying these financial statements.

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Notes to Consolidated Financial Statements
February 28, 2005

These notes should be read in conjunction with the Audited Consolidated Financial Statements for the year ended November 30, 2004.

1. Mineral Properties and Deferred Exploration Costs

	Balance November 30, 2004	2005 property cost additions	2005 exploration cost additions	2005 written off	Balance February 28, 2005
Doyle Lake	\$ 943,269	\$ -	\$ 65,543	\$ -	\$1,008,812
Fishback Lake	743,943	-	8,712	-	752,655
CH	5,646,033	-	180,771	-	5,826,804
Happy Creek	917,915	-	101	-	918,016
McConnell Creek	1,428,007	-	6,570	-	1,434,577
	\$9,679,167	\$ -	\$ 261,697	\$ -	\$9,940,864

	Balance November 30, 2004	2005 Additions	2005 written off	Balance February 28, 2005
Mineral property costs	\$ 536,421	\$ -	\$ -	\$ 536,421
Deferred exploration costs	9,142,746	\$ 261,697	-	9,404,443
	\$ 9,679,167	\$ 261,697	\$ -	\$ 9,940,864

Exploration costs incurred during the three months ended:

	February 28, 2005	February 29, 2004
Chartered Aircraft	\$ -	\$ 3,809
Drilling, trenching, sampling	69,326	65,531
Licences and recording fees	30,248	4,010
Project supplies	61,005	10,466
Salaries and wages	9,104	25,575
Surveys	13,418	5,300
Technical and professional services	71,389	55,240
Transportation	7,207	7,337
	\$ 261,697	\$ 177,268

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
February 28, 2005

2. Share Capital

- (a) Authorized: 250,000,000 common shares without par value.
(b) Issued:

	# of shares	\$
Balance, November 30, 2004	74,785,242	\$22,393,539
Issued pursuant to flow-through share agreements less share issuance costs of \$9,116	1,150,000	220,884
Flow-through share renunciation	-	(82,000)
Balance, February 28, 2005	75,935,242	\$22,532,423

- (c) During the period ended February 28, 2005:
- (i) the Company completed a private placement of 1,150,000 common shares at \$0.20 per share for gross proceeds of \$230,000 (see Note 4). The proceeds from these flow-through shares must be spent on Canadian Exploration Expenses ("CEE") by December 31, 2005 and
- (ii) 80,000 stock options expired unexercised.
- (d) At February 28, 2005, there were no share purchase warrants.

3. Stock Options

Stock options outstanding as at February 28, 2005:

	Shares	Weighted Average Exercise Price
Options outstanding at November 30, 2004	5,805,000	\$ 0.32
Expired	(80,000)	\$ 0.42
Options outstanding at February 28, 2005	5,725,000	\$ 0.32

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	5,725,000	2.27	\$ 0.32	5,594,167	\$0.31

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Notes to Consolidated Financial Statements
February 28, 2005

4. Income Taxes

During the three months ended February 28, 2005, the Company issued 1,150,000 flow-through shares for gross proceeds of \$230,000. 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 is permitted under Canadian income tax legislation to renounce flow-through related exploration expenditures to investors in advance of the Company incurring the expenditure. In accordance with this legislation the Company has twelve months following the effective date of renunciation to incur the expenditures. The Company begins incurring interest charges for unspent funds one month after the end of the calendar year following the effective date of renunciation and until all of the funds are fully expended.

As at February 28, 2005, the Company renounced the \$230,000 flow-through related resource expenditures to investors. Monthly interest charges began to accrue on unspent funds at February 28, 2005. Interest charges incurred by the Company as a result of this income tax legislation are charged to income in the period incurred.

During the three months ended February 28, 2005, the Company incurred a tax expense on the monthly unspent balance of flow-through funds from the December, 2004 private placement. This Part XII.6 tax expense was calculated by multiplying the unspent CEE at the end of each month (starting with February 2005) by the prescribed interest rate (divided by 12) set by Canada Revenue Agency. The prescribed rate for the period is 5%. Approximately \$80,000 of flow-through funds were unspent as of February 28, 2005.

5. Related Party Transactions

During the three months ended February 28, 2005, the Company was billed \$24,125 (\$3,875 of which is included in accounts payable) by one director (February 28, 2004 – \$12,000) for technical and professional services. The fees for 2005 and 2004 are recorded as Consulting fees and technical and professional services in the financial statements. See Note 7 – Commitment.

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, 2005 and February 29, 2004.

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Notes to Consolidated Financial Statements
February 28, 2005

6. Segmented information (continued)

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

	February 28, 2005	February 29, 2004
Canada	\$10,040,119	\$ 9,399,702
United States	918,016	907,549
	<u>\$10,958,135</u>	<u>\$10,307,251</u>

7. Commitment

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 February 28, 2005. If the conditions precedent had been satisfied at February 28, 2005, the amount owing under the agreement would be \$182,233 in addition to the \$3,875 owing at February 28, 2005 (see Note 5 – Related Party Transactions).

The Company is required to spend the balance of CEE funds remaining at February 28, 2005 of approximately \$80,000 by December 31, 2005 on qualified exploration expenditures.

8. Subsequent Event:

The Company completed a private replacement 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 share purchase warrant. One whole share purchase warrant is exercisable at \$0.25 per share during the first year and at \$0.30 per share during the second year. The Company paid an 8% finder's fee on part of the private placement.