



GGL DIAMOND CORP.

Consolidated Financial Statements

November 30, 2007 and 2006

Index

Auditors' Report

Consolidated Balance Sheets

Consolidated Statements of Operations and Deficit

Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statements

AUDITORS' REPORT

To the Shareholders of
GGL Diamond Corp.

We have audited the consolidated balance sheets of GGL Diamond Corp. as at November 30, 2007 and 2006 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2007 and 2006 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, B.C.
March 5, 2008

"D&H Group LLP"
Chartered Accountants

GGL DIAMOND CORP.

Consolidated Balance Sheets

November 30, 2007 and 2006

	2007	2006
ASSETS		
Current		
Cash and cash equivalents	\$ 745,148	\$ 165,676
Amounts receivable	215,465	49,032
Prepaid expenses	13,038	26,022
	973,651	240,730
Unproven mineral interests (Note 3)	15,428,331	13,870,444
Property, plant and equipment (Note 4)	450,349	273,856
	\$ 16,852,331	\$ 14,385,030
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 234,153	\$ 1,107,038
Current portion of mortgage loan (Note 5)	10,705	14,153
	244,858	1,121,191
Mortgage loan (Note 5)	-	13,288
	244,858	1,134,479
Commitments (Note 13)		
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	31,689,095	26,877,373
Contributed surplus (Note 8)	3,125,977	1,325,053
Deficit	(18,207,599)	(14,951,875)
	16,607,473	13,250,551
	\$ 16,852,331	\$ 14,385,030

On behalf of the Board:

Nature of Operations (Note 1)

Subsequent events (Note 15)

“Raymond A. Hrkac”“Nick DeMare”

The accompanying notes are an integral part of these consolidated financial statements.

GGL DIAMOND CORP.

Consolidated Statements of Operations and Deficit Years Ended November 30, 2007 and 2006

	2007	2006
		(Note 2)
Expenses		
Amortization	\$ 3,271	\$ 3,315
Consulting fees	310,725	97,203
Corporate relations	54,584	133,326
Exploration costs – general	207,583	168,557
Legal and audit	253,694	80,110
Licences, taxes, insurance and fees	51,485	48,336
Office services and expenses	183,464	146,173
Shareholders’ meetings and reports	135,137	37,907
Stock-based compensation	2,061,719	434,090
Travel	27,520	63,105
Operating loss	(3,289,182)	(1,212,122)
Other income (expenses)		
Interest income	41,063	21,275
Foreign exchange loss	(2,652)	(3,646)
Gain on sale of equipment	13,519	92
Gain on sale of marketable securities	-	5,906
Interest expense	(4,455)	(1,856)
Other tax expense	(1,481)	(53)
Write off of property, plant and equipment	-	(931)
Write off of exploration and unproven mineral interests (Note 3(b), (c))	(78,887)	(944,273)
	(32,893)	(923,486)
Loss for the year before taxes	(3,322,075)	(2,135,608)
Future income tax recovery (Note 10)	66,351	404,996
Net loss for the year	(3,255,724)	(1,730,612)
Deficit, beginning of year	(14,951,875)	(13,221,263)
Deficit, end of year	\$ (18,207,599)	\$ (14,951,875)
Loss per share - basic and diluted	\$ (0.03)	\$ (0.02)
Weighted average number of common shares outstanding		
- basic and diluted	114,307,679	97,908,423

The accompanying notes are an integral part of these consolidated financial statements.

GGL DIAMOND CORP.

Consolidated Statements of Cash Flows
Years Ended November 30, 2007 and 2006

	2007	2006
Cash flows used in operating activities		
Loss for the year	\$ (3,255,724)	\$ (1,730,612)
Adjustment for items not involving cash:		
- amortization of property, plant & equipment	76,183	30,639
- future tax recovery	(66,351)	(404,996)
- gain on sale of equipment	(13,519)	(92)
- gain on sale of marketable securities	-	(5,906)
- stock-based compensation	2,061,719	434,090
- write off of property, plant and equipment	-	931
- write off of exploration and unproven mineral interests	78,887	944,273
	(1,118,805)	(731,673)
Change in non-cash working capital items:		
- amounts receivable	(166,433)	78,594
- prepaid expenses	12,984	(23,191)
- accounts payable and accrued liabilities	(1,576,582)	159,307
	(2,848,836)	(516,963)
Cash flows from financing activities		
Shares issued for cash, net of share issuance costs	4,390,455	943,143
Shares issued for cash – flow-through shares, net of share issuance costs	181,823	1,097,864
Principal reduction of mortgage loan	(16,736)	(14,821)
	4,555,542	2,026,186
Cash flows used in investing activities		
Acquisition of unproven mineral interests	(204,937)	-
Additions to deferred exploration costs	(683,140)	(1,926,792)
Proceeds from sale of equipment	16,000	100
Proceeds from sale of marketable securities	-	9,706
Purchase of property, plant and equipment	(255,157)	(19,223)
	(1,127,234)	(1,936,209)
Increase (decrease) in cash and cash equivalents	579,472	(426,986)
Cash and cash equivalents, beginning of year	165,676	592,662
Cash and cash equivalents, end of year	\$ 745,148	\$ 165,676

See also Note 14

The accompanying notes are an integral part of these consolidated financial statements.

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
November 30, 2007 and 2006

1. Nature of Operations

The Company is in the exploration stage and, on the basis of information to date, does not yet have economically recoverable reserves. The underlying value of the mineral properties and related deferred costs is entirely dependent upon the existence of such reserves, the ability of the Company to obtain the necessary financing to develop the reserves and upon future profitable production.

The Company intends to continue its exploration programs. The Company's ability to continue its exploration programs 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. Management is actively pursuing such additional sources of financing.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") applicable to a going concern which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. Realization values may be substantially different from the carrying values shown in the consolidated financial statements should the Company be unable to continue as a going concern. The ability of the Company to settle its liabilities as they come due and to fund ongoing operations is dependent upon the ability of the Company to obtain additional funding from equity financing. Failure to continue as a going concern would require restatement of assets and liabilities on a liquidation basis, which could differ materially from the going concern basis.

2. Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company, its 86.8%-owned subsidiary Rio Sonora Resources Ltd. ("Rio Sonora") and its wholly-owned U.S. subsidiary, Gerle Gold (U.S.) Inc. ("Gerle Gold"). Both Rio Sonora and Gerle Gold are presently inactive. All inter-company transactions and balances have been eliminated.

(b) Unproven Mineral Interests

The cost of unproven mineral interests and the related exploration costs are deferred until the properties to which they relate are placed into production, sold or abandoned. These costs will be amortized over the estimated useful lives of the properties following the commencement of production or written off if the properties are sold or abandoned. Management will also periodically determine when or where an exploration property is inactive and the value of such property may be impaired, whether the carrying value of the property should be written down, and the amount at which it should be carried.

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
November 30, 2007 and 2006

2. Significant Accounting Policies (continued)

(b) Unproven Mineral Interests, continued

The amounts shown for unproven mineral interests represent costs or deemed consideration, less write-offs, incurred to date, and do not necessarily reflect present or future values. The recoverability of amounts shown for unproven mineral interests is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain financing to complete development of the projects, and on future profitable production or proceeds from the disposition thereof.

Ownership in mineral interests involves certain inherent risks due to the difficulties in determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral interests. The Company has investigated ownership of its mineral interests and, to the best of its knowledge, ownership of its interests are in good standing.

(c) Property Option Agreements

From time to time, the Company may acquire or dispose of mineral interests pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as mineral interest costs or recoveries when the payments are made or received.

(d) Cash Equivalents

Cash equivalents consist of highly liquid investments, which are readily convertible into cash with maturities of three months or less when purchased.

(e) Property, Plant and Equipment

Property, plant and equipment are carried at cost. Amortization of the property, plant and equipment is provided on a declining-balance basis, unless otherwise noted, at the following annual rates:

Furniture and fixtures	20%
Exploration equipment	20%
Vehicle	30%
Yellowknife House	25 years straight line

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
November 30, 2007 and 2006

2. Significant Accounting Policies (continued)

(f) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the year. Diluted loss per share amounts, if applicable, are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. The treasury stock method assumes that proceeds received from the exercise of stock options and warrants are used to repurchase common shares at the prevailing market rate. Shares held in escrow are excluded in the computation of loss per share until the conditions for their release are satisfied.

(g) Foreign Exchange Translation

The Company uses the temporal method for translating its U.S. operations from U.S. dollars to Canadian dollars. Under this method, monetary assets and liabilities have been converted at the exchange rate prevailing at the balance sheet dates. Income and expenses are translated at the rates prevailing at dates of the related transactions. Non-monetary assets, liabilities and equity are translated at historical rates. Gains and losses on foreign exchange are included in earnings for the year.

(h) Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements and the amount of expenses reported during the reporting period. Examples of significant estimates include depreciation, the provision for future income tax recoveries and composition of future income tax assets and liabilities, valuation of unproven mineral interests and the fair value of stock-based compensation. Actual results could differ from those reported.

(i) Income Taxes

Income taxes are recorded on a tax allocation basis. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for the estimated income tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are recognized using substantively enacted income tax rates. The effect of changes in effective income tax rates is recognized in income in the period in which the change is substantively enacted. Future income tax assets are recognized with respect to deductible temporary differences and loss carryforwards only to the extent their realization is considered more likely than not.

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
November 30, 2007 and 2006

2. Significant Accounting Policies (continued)

(j) Stock-Based Compensation

The fair value of stock options and share purchase warrants issued as compensation 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 common shares is determined by the quoted market price of the Company's stock.

(k) Asset Retirement Obligations

The fair value of a liability for an asset retirement obligation is recognized when a reasonable estimate of fair value can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is allocated to expenses using a systematic and rational method and is adjusted to reflect revision to either timing or the amount of the original estimate of the undiscounted cash flow. As at November 30, 2007, the Company does not have any asset retirement obligations.

(l) Long-lived Assets Impairment

Long-lived assets are reviewed when changes in circumstances suggest their carrying value has become impaired. Management considers assets to be impaired if the carrying value exceeds the estimated undiscounted future projected cash flows to result from the use of the asset and its eventual disposition. If impairment is determined to exist, the assets will be written down to fair value. Fair value is generally determined using a discounted cash flow analysis.

(m) Adoption of New Accounting Policies

On December 1, 2006, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530, Comprehensive Income, Section 3251, Equity, Section 3855, Financial Instruments - Recognition and Measurement, Section 3861, Financial Instruments - Disclosure and Presentation, and Section 3865, Hedges on a prospective basis with no restatement of prior period financial statements. These new accounting standards, which apply to fiscal years beginning on or after October 1, 2006, provide comprehensive requirements for the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied. Section 1530 establishes standards for reporting and presenting comprehensive income or loss, which is defined as the change in equity from transactions and other events from sources other than the Company's shareholders. Other comprehensive income or loss refers to items recognized in comprehensive income or loss that are excluded from net income calculated in accordance with generally accepted accounting principles such as unrealized gains or losses on available-for-sale investments. Amounts initially recorded to other comprehensive income or loss are reclassified to earnings when the financial instrument is derecognized or impaired.

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
November 30, 2007 and 2006

2. Significant Accounting Policies (continued)

(m) Adoption of New Accounting Policies, continued

Under these new standards, financial instruments are classified as one of the following: loans and receivables, held-to-maturity, held-for-trading, available-for-sale and other financial liabilities. Financial instruments will be measured on the balance sheet at amortized cost or fair value depending on the classification. Loans and receivables, held-to-maturity and other financial liabilities are accounted for at amortized cost. Held for trading and available-for-sale financial instruments are recorded at fair value on the balance sheet. Changes in fair value of held-for-trading financial instruments are recognized in earnings while changes in fair value of available-for sale financial instruments are initially recorded in other comprehensive income or loss.

Effective December 1, 2006, the Company has classified its cash and cash equivalents as held-for-trading, which are measured at fair value with changes in fair value recognized in earnings. Amounts receivable is classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and mortgage loan are classified as other financial liabilities, which are measured at amortized cost. Equity instruments issued by the Company are excluded from the scope of this new accounting standard. As a result the Company will no longer separately account for the estimated fair value of share purchase warrants sold with units.

(n) Comparative Figures

Certain 2006 figures have been reclassified to conform to the presentation used in the current year.

3. Unproven Mineral Interests

	Balance November 30, 2006	2007 Mineral Interests Additions	2007 Exploration Cost Additions	2007 Written Off	Balance November 30, 2007
Doyle Lake	\$ 3,719,235	\$ -	\$ 116,608	\$ -	\$ 3,835,843
Fishback Lake	1,289,976	-	10,500	(14,481)	1,285,995
CH	7,335,349	-	309,271	(64,406)	7,580,214
Providence Greenstone Belt	-	204,937	926,302	-	1,131,239
McConnell Creek	1,525,884	-	69,156	-	1,595,040
	\$ 13,870,444	\$ 204,937	\$ 1,431,837	\$ (78,887)	\$ 15,428,331

	Balance November 30, 2006	2007 Additions	2007 Written Off	Balance November 30, 2007
Unproven Mineral Interests	\$ 376,116	\$ 204,937	\$ (1,132)	\$ 579,921
Deferred exploration costs	13,494,328	1,431,837	(77,755)	14,848,410
	\$ 13,870,444	\$ 1,636,774	\$ (78,887)	\$ 15,428,331

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
November 30, 2007 and 2006

3. Unproven Mineral Interests (continued)

Exploration costs incurred during the year are as follows:

	2007	2006
Chartered aircraft	\$ 374,674	\$ 636,504
Drilling, sampling	127,560	733,395
Licences, recording fees, lease payments	155,916	129,544
Project supplies	104,458	165,195
Salaries and wages	223,740	206,779
Surveys	64,190	429,417
Technical and professional services	303,466	340,562
Transportation	77,833	122,442
	<u>\$ 1,431,837</u>	<u>\$ 2,763,838</u>

(a) Doyle Lake, Northwest Territories, Canada

Under the De Beers Agreement (“the Agreement”) dated May 25, 1995, De Beers has earned a 60% interest in the Doyle Lake Properties (“the Properties”), which consist of 5 claims and 3 fractional claims (12,972 acres) (2006 – 5 claims and 3 fractional claims, 12,972 acres), by completing exploration expenditures of \$4.65 million. To November 30, 2007, De Beers has spent over \$7.5 million. All of the Company’s 40% share of costs and expenses of prospecting, exploration, development and construction incurred preproduction and financed by De Beers or by way of third party borrowings will be recovered by De Beers out of 90% of annual available cash flow (i.e. cash flow after provision for ongoing operating and non-operating costs) from any mine constructed on the Properties with interest at a rate equal to LIBOR plus 3% or the actual interest rates agreed to be paid, whichever is applicable, and the remaining 10% of such available cash flow will be distributed to the members in the Agreement in proportion to their interests in the Properties. If after the completion of a feasibility study and prior to the commencement of commercial production from the first mine, the members in the Agreement cease to carry on development work on the Properties otherwise than by reason of force majeure for a period of more than two years, interest other than interest on third party borrowings, shall cease to accrue during the portion of such period exceeding two years. When development work resumes, interest will continue to accrue.

In 2005, the Company acquired 21 mining leases (51,109 acres) in the Northwest Territories from Mountain Province Diamonds Inc. (MPV), Camphor Ventures Inc., and De Beers Canada Inc., subject to Royalty Agreements which 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. All three payments have been submitted.

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
November 30, 2007 and 2006

3. Unproven Mineral Interests (continued)

(a) Doyle Lake, Northwest Territories, Canada, continued

In addition, the Company holds 36 claims (39,726 acres) (2006 - 36 claims; 39,963 acres) in the Doyle Lake area that are not subject to the Agreement. 35 of these claims were originally part of the Agreement and were returned to the Company between 2004 and 2006. In 2007 two claims were taken to lease; bringing the total number of leases to 35.

(b) Fishback Lake, Northwest Territories, Canada

The Company owns 18 claims (36,199 acres) (2006 - 19 claims; 36,664 acres). Three of these claims are leases. In 2007 one claim was allowed to lapse and the related costs were written off.

(c) CH, Northwest Territories, Canada

The Company owns 121 claims (269,792 acres) (2006 - 123 claims; 272,929 acres), north-northeast of Yellowknife, acquired by staking during the years 2000 to 2003. For financial statement purposes, these claims include the Courageous, Mackay, Seahorse, Starfish, Winterlake North, GDC, Winterlake South, BP, Zip, G and Mill claims. In 2007, two claims expired and as the Company was no longer interested in any further work on these claims, they were allowed to lapse and the related costs written off.

(d) Providence Greenstone Belt, Northwest Territories, Canada.

During 2007, the Company staked 116 claims (256,490 acres) in the Providence Greenstone Belt area of the Northwest Territories. These claims lie within an extensive belt of rocks previously identified by a mapping project funded by the Geological Survey of Canada and reported as having the potential for hosting magmatic nickel mineralization.

Subsequent to year end, the Company staked an additional 76,020 acres which are pending acceptance from the Mining Recorder.

(e) McConnell Creek, British Columbia, Canada

The Company owns 2 mineral tenures (4,878 hectares) (2006 - 2 mineral tenures; 4,878 hectares) in the Omineca Mining Division of British Columbia.

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
November 30, 2007 and 2006

4. Property, Plant and Equipment

	2007		
	Cost	Accumulated Amortization	Net book Value
Yellowknife land	\$ 98,500	\$ -	\$ 98,500
Yellowknife house	186,687	102,641	84,046
Exploration equipment	593,267	364,211	229,056
Vehicle	10,500	5,355	5,145
Office furniture and fixture	86,583	52,981	33,602
	<u>\$ 975,537</u>	<u>\$ 525,188</u>	<u>\$ 450,349</u>

	2006		
	Cost	Accumulated Amortization	Net book Value
Yellowknife land	\$ 98,500	\$ -	\$ 98,500
Yellowknife house	181,400	94,328	87,072
Exploration equipment	402,977	336,351	66,626
Vehicle	10,500	3,150	7,350
Office furniture and fixture	58,889	44,581	14,308
	<u>\$ 752,266</u>	<u>\$ 478,410</u>	<u>\$ 273,856</u>

5. Mortgage Loan

	2007	2006
Mortgage loan bearing varying interest at the prime rate per annum (Prime rate of 6.25% at November 30, 2007) repayable in blended bi-weekly payments of principal and interest of \$666, collateralised by land and building	\$ 10,705	\$ 27,441
Less: Principal due within one year	(10,705)	(14,153)
	<u>\$ -</u>	<u>\$ 13,288</u>

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
November 30, 2007 and 2006

6. Share Capital

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

(b) Issued:

	Number of Shares	Amount
Balance, November 30, 2005	91,574,647	\$ 25,308,996
Private placement, net of share issuance costs	3,160,227	489,539
Private placement – flow-through shares, net of share issuance costs	4,526,571	1,060,960
Exercise of warrants	702,500	157,400
Exercise of stock options	677,500	155,500
Reallocation from contributed surplus on exercise of stock options	-	106,857
Reallocation from contributed surplus on exercise of share purchase warrants	-	9,794
Less: flow-through share renunciation	-	(404,996)
Other share issue costs		(6,677)
Balance, November 30, 2006	100,641,445	\$ 26,877,373
Private placement, net of share issuance costs (see Note 6(c))	4,170,000	515,254
Private placement – flow-through shares, net of share issuance costs	1,053,778	177,603
Shares issued as finder’s fees	28,140	4,221
Shares issued for services	122,846	45,000
Exercise of stock options	1,800,167	392,567
Exercise of share purchase warrants	14,915,294	3,480,095
Reallocation from contributed surplus on exercise of stock options	-	222,029
Reallocation from contributed surplus on exercise of share purchase warrants	-	38,766
Less: flow-through share renunciation	-	(66,351)
Other share issue costs	-	2,538
Balance, November 30, 2007	122,731,670	\$ 31,689,095

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
November 30, 2007 and 2006

6. Share Capital (continued)

(c) During the year ended November 30, 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 Expenditures (“CEE”) on the Company’s Northwest Territories properties. The Company issued 28,140 common shares (at a value of \$4,221) as a finder’s fee on a portion of the proceeds. The Company also incurred other share issue costs of \$7,856.

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 finder’s fees and commission of \$42,520 on a portion of the proceeds. The Company also incurred other share issue costs of \$67,726;

- (ii) the Company issued 14,915,294 common shares upon the exercise of warrants ranging in exercise price from \$0.15 to \$0.35 per common share for gross proceeds of \$3,480,095;
- (iii) the Company issued 1,800,167 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 \$392,567;
- (iv) the Company issued 122,864 common shares, in payment of \$45,000 owed pursuant to a financial advisory agreement (Note 13(b));
- (v) 4,507,727 warrants expired unexercised; and
- (vi) 150,000 stock options expired unexercised.

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
November 30, 2007 and 2006

6. Share Capital (continued)

(d) Changes in warrants during the years ended November 30, 2007 and 2006 are as follows:

	2007		2006	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding, beginning of year	17,974,132	\$0.23	13,564,405	\$0.22
Issued	4,696,889	\$0.16	5,112,227	\$0.32
Exercised	(14,915,294)	\$0.23	(702,500)	\$0.22
Expired	(4,507,727)	\$0.27	-	-
Outstanding, end of year	<u>3,248,000</u>	<u>\$0.16</u>	<u>17,974,132</u>	<u>\$0.23</u>

The Company has the following share purchase warrants outstanding as at November 30, 2007:

<u>Number of warrants</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
190,000	\$0.45	June 12, 2008
18,000	\$0.45	June 27, 2008
2,400,000	\$0.15/\$0.175	Dec. 21, 2008
100,000	\$0.15/\$0.175	Dec. 28, 2008
100,000	\$0.20/\$0.25	Jan. 3, 2009
210,000	\$0.15/\$0.175	Feb. 21, 2009
230,000	\$0.15/\$0.175	Mar. 7, 2009
<u>3,248,000</u>		

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
November 30, 2007 and 2006

7. Stock Options

In 2006, the Company 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.

In 2007, the Company's Board of Directors approved and granted 3,835,000 stock options (2006 – 1,875,000) to the directors, officers, employees, and consultants. Each option entitles its holder to acquire one common share of the Company at a price varying between \$0.56 to \$0.63 per common share. These options vested immediately for all optionees, except the investor relations consultant who has options that vest over one year on May 1, 2008. The options expire between May 1, 2012 and July 31, 2012. In 2007 the Company recorded \$2,061,719 (2006 - \$434,090) of stock based compensation expense for the stock options granted.

	Shares	Weighted Average Exercise Price
Options outstanding as at November 30, 2005	5,366,000	\$0.29
Granted	1,875,000	\$0.22
Exercised	(677,500)	\$0.23
Expired	(1,027,500)	\$0.27
Options outstanding as at November 30, 2006	5,536,000	\$0.26
Granted	3,835,000	\$0.58
Exercised	(1,800,167)	\$0.22
Expired	(150,000)	\$0.25
Options outstanding as at November 30, 2007	7,420,833	\$0.43
2007 options exercisable	7,408,333	\$0.43
2006 options exercisable	5,523,500	\$0.26
	2007	2006
Weighted average remaining contractual life	3.39 years	2.97 years
Weighted average fair value of options granted during the year	\$0.58	\$0.22

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
November 30, 2007 and 2006

7. Stock Options (continued)

The following table sets forth information relating to stock options outstanding as at November 30, 2007:

Expiry	Range of exercise prices	Number outstanding at Nov. 30, 2007	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable at Nov. 30, 2007	Weighted average exercise price
Feb. 6/08	\$0.25	370,000	0.19	\$0.25	370,000	\$0.25
Apr. 25/08	\$0.30	220,000	0.41	\$0.30	220,000	\$0.30
Aug. 15/08	\$0.26	50,000	0.71	\$0.26	50,000	\$0.26
Jan. 15/09	\$0.26	325,000	1.13	\$0.26	325,000	\$0.26
Jan. 15/09	\$0.50	310,000	1.13	\$0.50	310,000	\$0.50
Mar. 19/09	\$0.50	330,000	1.30	\$0.50	330,000	\$0.50
May 12/10	\$0.20	350,000	2.45	\$0.20	350,000	\$0.20
June 7/10	\$0.20	50,000	2.52	\$0.20	50,000	\$0.20
July 8/10	\$0.20	210,000	2.61	\$0.20	210,000	\$0.20
Oct. 28/10	\$0.20	25,000	2.92	\$0.20	25,000	\$0.20
Mar. 23/11	\$0.20	775,000	3.32	\$0.20	775,500	\$0.20
May 12/11	\$0.26	495,000	3.45	\$0.26	495,000	\$0.26
Aug. 15/11	\$0.20	75,833	3.71	\$0.20	75,833	\$0.20
May 1/12	\$0.63	960,000	4.42	\$0.63	947,000	\$0.63
July 31/12	\$0.56	2,875,000	4.67	\$0.56	2,875,000	\$0.56
		<u>7,420,833</u>			<u>7,408,333</u>	

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
November 30, 2007 and 2006

7. Stock Options (continued)

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

	2007	2006
Risk-free interest rate	3.974 to 4.50%	3.88 to 4.28%
Dividend yield	0%	0%
Volatility	157.31 to 164.31%	93.96 to 120.94%
Approximate expected lives	5 Years	0.63 to 4.75 years

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

8. Contributed Surplus

Contributed surplus for 2007 and 2006 is comprised of:

	2007	2006
Balance, beginning of year	\$ 1,325,053	\$ 823,329
Stock-based compensation on stock options	2,061,719	434,090
Stock options exercised	(222,029)	(106,857)
Fair value of warrants and agents' warrants	-	184,285
Warrants exercised	(38,766)	(9,794)
Balance, end of year	\$ 3,125,977	\$1,325,053

9. Related Party Transactions

During the year, the Company was billed \$120,000 by a director, (2006 - \$108,000) including \$120,000 (2006 - \$97,000) for consulting fees, \$nil (2006 - \$11,000) for technical and professional services. Included in the November 30, 2007 accounts payable is \$nil (2006 - \$43,000) owed by the Company to the director. Transactions with related parties are measured on the basis of amounts agreed to by transacting parties.

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
November 30, 2007 and 2006

10. Income Taxes

	2007	2006
Loss before income taxes	\$ 3,322,075	\$ 2,135,608
Combined federal and provincial income tax rate	34.12%	34.12%
Expected (provision) recovery for income taxes	1,133,492	728,669
Permanent differences	(685,297)	(455,186)
Loss expiry	(69,795)	(60,144)
Tax rate changes	-	(10,316)
Change in valuation allowance	(312,049)	201,973
	\$ 66,351	\$ 404,996

The income tax effects of temporary timing differences that give rise to significant components of future income tax assets and liabilities are as follows:

Future income tax assets and liabilities are as follows:	<u>2007</u>	<u>2006</u>
Property, plant and equipment	\$ 228,924	\$ 198,715
Unproven Mineral Interests	125,205	117,471
Non-capital losses carry-forwards	933,635	649,145
Capital losses	4,934	4,934
Total gross future income tax assets	1,292,698	970,265
Valuation allowance	\$ (1,292,698)	\$ (970,265)
	-	-

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
November 30, 2007 and 2006

10. Income Taxes (continued)

The Company has non-capital losses for income tax purposes of approximately \$2,705,894 available to reduce future years' taxable income. The benefit of these non-capital losses has not been recognized in the Company's accounts as there is no reasonable assurance such benefit will be realized. If unused, the non-capital losses become no longer available to reduce taxable income after the end of the following taxation years ending:

<u>Year</u>	<u>Non Capital Losses</u>
2008	\$ 98,698
2009	236,598
2010	274,405
2014	229,883
2015	547,542
2026	310,854
2027	1,007,914
	<u>\$ 2,705,894</u>

Certain events may result in the earlier expiry of the non-capital losses. Management, however, does not anticipate any such events.

11. Segmented Information

The Company is involved in mineral exploration and development activities, which are conducted principally in Canada. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating results for each of the years ended November 30, 2007 and 2006.

12. Financial Instruments

Fair value - The carrying values of cash and cash equivalents, receivables other than receivables from government, and accounts payable and accrued liabilities approximate their fair values due to the short terms to maturity of the instruments. The fair value of the mortgage loan is approximated by the carrying value as the mortgage loan bears a fair market rate of interest.

Interest rate risk – The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary current assets and current liabilities.

Credit risk – The Company is not exposed to significant credit risk on its financial assets as cash and cash equivalents are placed with major financial institutions and receivables are due mainly from government agencies.

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
November 30, 2007 and 2006

12. Financial Instruments (continued)

Currency risk – The Company is exposed to foreign currency fluctuations to the extent that certain expenditures incurred are not denominated in Canadian dollars. As at November 30, 2007, cash included approximately \$17,118 (2006 - \$740) denominated in United States dollars.

13. 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>
2008	\$63,248
2009	\$37,184

- (b) The Company signed an Agreement with Roman Friedrich & Company Ltd. (“RFC”) for a term of 12 months to provide financial and advisory services to the Company with respect to the raising of equity capital, project financing and strategic planning. RFC receives a retainer of \$15,000 per month paid as to \$7,500 in cash and \$7,500 in common shares of the Company. The Company issued a total of 122,846 common shares in payment of \$45,000 owed for the six months ended October 15, 2007.

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
November 30, 2007 and 2006

14. Supplementary Cash flow information

Non-cash operating, financing, and investing activities were conducted by the Company during fiscal year 2007 and 2006 as follows:

	<u>2007</u>	<u>2006</u>
Operating activities		
Accounts payable for deferred exploration costs	\$ <u>123,517</u>	\$ <u>872,214</u>
Financing activities		
Issuance of common shares as finder's fee	4,221	-
Issuance of warrants as finder's fees	-	36,000
Contributed Surplus	<u>-</u>	<u>(36,000)</u>
	<u>4,221</u>	<u>-</u>
Investing activities		
Accounts payable for deferred exploration costs	\$ <u>(123,517)</u>	\$ <u>(872,214)</u>
Other supplementary cash flow information:		
Cash paid for interest charges	\$ <u>4,608</u>	\$ <u>1,781</u>
Cash paid for income taxes	\$ <u>-</u>	\$ <u>-</u>

15. Subsequent Events

Subsequent to November 30, 2007, the following occurred:

- (a) the Company completed a private placement of 16,058,000 flow-through shares at \$0.25 per common share for gross proceeds of \$4,014,500. The proceeds from these flow-through shares will be spent on Canadian Exploration Expenditures on the Company's Unproven mineral interests. The Company paid cash finder's fees of \$236,800 and issued 160,000 common shares (at a value of \$40,000) on a portion of the proceeds;
- (b) the Company issued 117,527 common shares in settlement of services of \$22,500;
- (c) the Company issued 85,000 common shares upon the exercise of stock options at \$0.25 per common share for gross proceeds of \$21,250. In addition 285,000 stock options expired unexercised;
- (d) the Company issued 210,000 common shares upon the exercise of warrants at \$0.15 per common share for gross proceeds of \$31,500; and
- (e) see Note 3 (d).