



GGL DIAMOND CORP.

Consolidated Financial Statements

November 30, 2006 and 2005

Index

Auditors' Report

Consolidated Balance Sheets

Consolidated Statements of Operations and Deficit

Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statements

GGL DIAMOND CORP.

Consolidated Balance Sheets

November 30, 2006 and 2005

	2006	2005
ASSETS		
Current		
Cash and cash equivalents	\$ 165,676	\$ 592,662
Marketable securities	-	3,800
Amounts receivable	49,032	127,626
Prepaid expenses	26,022	2,831
	240,730	726,919
Mineral properties and deferred exploration costs (Note 3)	13,870,444	12,050,879
Property, plant and equipment (Note 4)	273,856	286,211
	\$ 14,385,030	\$ 13,064,009
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 1,107,038	\$ 110,685
Current portion of mortgage loan (Note 5)	14,153	14,153
	1,121,191	124,838
Mortgage loan (Note 5)	13,288	28,109
	1,134,479	152,947
Commitments (Note 14)		
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	26,877,373	25,308,996
Contributed surplus (Note 8)	1,325,053	823,329
Deficit	(14,951,875)	(13,221,263)
	13,250,551	12,911,062
	\$ 14,385,030	\$ 13,064,009

On behalf of the Board:

Nature of Operations (Note 1)

Subsequent events (Note 16)

“Raymond A. Hrkac”

Raymond A. Hrkac

“Nick DeMare”

Nick DeMare

GGL DIAMOND CORP.

Consolidated Statements of Operations and Deficit
Years Ended November 30, 2006 and 2005

	2006	2005
Administration costs		
Amortization	\$ 3,315	\$ 7,839
Consulting fees	97,203	117,440
Corporate relations	133,326	66,719
Legal and audit	80,110	70,587
Licences, taxes, insurance and fees	48,336	64,459
Office services and expenses	148,029	160,231
Shareholders' meetings and reports	37,907	35,376
Stock based compensation	434,090	250,957
Travel	63,105	35,449
Operating loss	(1,045,421)	(809,057)
Other income (expenses)		
Interest income	21,275	24,975
Foreign exchange loss	(3,646)	(768)
Gain on sale of equipment	92	-
Gain on sale of marketable securities	5,906	-
Other tax expense (Note 12)	(53)	(347)
Exploration costs – general	(168,557)	(142,182)
Write off of property, plant and equipment	(931)	-
Write off of exploration and mineral property costs (Note 3(c), (d))	(944,273)	(124,270)
	(1,090,187)	(242,592)
Loss for the year before taxes	(2,135,608)	(1,051,649)
Future tax recovery	404,996	82,000
Net loss for the year	(1,730,612)	(969,649)
Deficit, beginning of year	(13,221,263)	(12,251,614)
Deficit, end of year	\$ (14,951,875)	\$ (13,221,263)
Loss per share - basic and diluted	\$ (0.02)	\$ (0.01)
Weighted average number of common shares outstanding		
- basic and diluted	97,908,423	84,383,171

GGL DIAMOND CORP.

Consolidated Statements of Cash Flows
Years Ended November 30, 2006 and 2005

	2006	2005
Cash flows used in operating activities		
Loss for the year	\$ (1,730,612)	\$ (969,649)
Adjustment for items not involving cash:		
- amortization of property, plant & equipment	30,639	38,664
- future tax recovery	(404,996)	(82,000)
- gain on sale of equipment	(92)	-
- gain on sale of marketable securities	(5,906)	-
- stock based compensation	434,090	250,957
- write off of property, plant and equipment	931	-
- write off of exploration and mineral property costs	944,273	124,270
	(731,673)	(637,758)
Change in non-cash working capital items:		
- amounts receivable	78,594	(61,978)
- prepaid expenses	(23,191)	(2,608)
- accounts payable and accrued liabilities	159,307	(35,390)
	(516,963)	(737,734)
Cash flows from financing activities		
Shares issued for cash, net of share issuance cost	943,143	2,772,799
Shares issued for cash – flow-through shares, net of share issuance costs	1,097,864	224,658
Principal reduction of mortgage loan	(14,821)	(14,697)
	2,026,186	2,982,760
Cash flows used in investing activities		
Mineral properties	-	(4,531)
Deferred exploration costs	(1,926,792)	(2,491,451)
Proceeds from sale of equipment	100	-
Proceeds from sale of marketable securities	9,706	-
Purchase of property, plant and equipment	(19,223)	(38,782)
	(1,936,209)	(2,534,764)
Decrease in cash and cash equivalents	(426,986)	(289,738)
Cash and cash equivalents, beginning of year	592,662	882,400
Cash and cash equivalents, end of year	\$ 165,676	\$ 592,662

See also Note 15

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
November 30, 2006 and 2005

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) Mineral Properties and Related Deferred Costs

The cost of mineral properties 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, 2006 and 2005

2. Significant Accounting Policies (continued)

(b) Mineral Properties and Related Deferred Costs (continued)

The amounts shown for mineral property 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 mineral property 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 property 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 Agreement

From time to time, the Company may acquire or dispose of mineral properties 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 property costs or recoveries when the payments are made or received.

(d) Cash Equivalents

Cash equivalents usually 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 at the following annual rates:

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

(f) Marketable Securities

Marketable securities are stated at the lower of cost or market value.

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
November 30, 2006 and 2005

2. Significant Accounting Policies (continued)

(g) 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.

(h) 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 income and expenses.

(i) Use of Estimates

The preparation of financial statements 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 mineral properties and stock-based compensation. Actual results could differ from those reported.

(j) Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, measured using substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

(k) 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.

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
November 30, 2006 and 2005

2. Significant Accounting Policies (continued)

(l) 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, 2006, the Company does not have any asset retirement obligations.

(m) 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 deemed to exist, the assets will be written down to fair value. Fair value is generally determined using a discounted cash flow analysis.

3. Mineral Properties and Deferred Exploration Costs

	Balance November 30, 2005	2006 Property Cost Additions	2006 Exploration Cost Additions	2006 Written Off	Balance November 30, 2006
Doyle Lake	\$ 2,115,914	\$ -	\$ 1,603,321	\$ -	\$ 3,719,235
Fishback Lake	1,016,316	-	273,660	-	1,289,976
CH	6,512,329	-	839,992	(16,972)	7,335,349
Happy Creek	926,920	-	381	(927,301)	-
McConnell Creek	1,479,400	-	46,484	-	1,525,884
	\$ 12,050,879	\$ -	\$ 2,763,838	\$ (944,273)	\$ 13,870,444

	Balance November 30, 2005	2006 Additions	2006 Written Off	Balance November 30, 2006
Mineral property costs	\$ 536,334	\$ -	\$ (160,218)	\$ 376,116
Deferred exploration costs	11,514,545	2,763,838	(784,055)	13,494,328
	\$ 12,050,879	\$ 2,763,838	\$ (944,273)	\$ 13,870,444

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
November 30, 2006 and 2005

3. Mineral Properties and Deferred Exploration Costs (continued)

Exploration costs incurred during the year are as follows:

	2006	2005
Chartered aircraft	\$ 636,504	\$ 663,436
Drilling, excavating, sampling	733,395	736,003
Licences, recording fees, lease payments	129,544	116,107
Project supplies	165,195	276,973
Salaries and wages	206,779	131,597
Surveys	429,417	76,672
Technical and professional services	340,562	371,260
Transportation	122,442	119,403
	<u>\$ 2,763,838</u>	<u>\$ 2,491,451</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 consists of 5 claims (12,960 acres) (2005 – 6 claims, 15,351 acres), by completing exploration expenditures of \$4,650,000. To November 30, 2006, 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. Two yearly lease rental payments of \$51,109 each have been made.

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
November 30, 2006 and 2005

3. Properties and Deferred Exploration Costs (continued)

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

In addition, the Company holds 36 claims (39,963 acres) (2005 - 35 claims; 37,165 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 2006 the Company had six claims go to lease. A total 33 claims are now leases. Subsequent to year end, the Company applied to have two more claims taken to lease.

(b) Fishback Lake, Northwest Territories, Canada

The Company owns 19 claims (36,664 acres) (2005 - 19 claims; 36,834 acres). Three of these claims have gone to lease.

(c) CH, Northwest Territories, Canada

The Company owns 123 claims (272,929 acres) (2005 - 125 claims; 276,958 acres), north-northeast of Yellowknife, acquired by staking during the years 2000 to 2003. In 2006, GM3 and CH35 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) Happy Creek, Nevada, U.S.A.

On June 1, 1985, the Company entered into an agreement through which it has the option to purchase an undivided 100% interest in certain mineral claims located in Humboldt County, Nevada (the Happy Creek property). In August 2006, the Company decided to terminate the agreement and all costs spent to date have been written off.

(e) McConnell Creek, British Columbia, Canada

The Company owns 4,878 hectares (2005 - 4,878 hectares) in the Omineca Mining Division of British Columbia.

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
November 30, 2006 and 2005

4. Property, Plant and Equipment

	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>

	2005		
	Cost	Accumulated amortization	Net book Value
Yellowknife land	\$ 98,500	\$ -	\$ 98,500
Yellowknife house	181,400	87,072	94,328
Exploration equipment	397,170	321,068	76,102
Office furniture and fixture	59,978	42,697	17,281
	<u>\$ 737,048</u>	<u>\$ 450,837</u>	<u>\$ 286,211</u>

5. Mortgage Loan

	2006	2005
Mortgage loan bearing varying interest at the prime rate per annum (Prime rate of 6% at November 30, 2006) repayable in blended bi-weekly payments of principal and interest of \$666, due December 3, 2008, collateralized by land and building	\$ 27,441	\$ 42,262
Less: Principal due within one year	(14,153)	(14,153)
	<u>\$ 13,288</u>	<u>\$ 28,109</u>

Required blended payments on the loan are as follows:

Year ending November 30, 2007	\$ 17,317
2008 (mortgage paid off)	11,425
	<u>28,742</u>
Less: Interest	(1,301)
	<u>27,441</u>
Less: Principal due within one year	(14,153)
	<u>\$ 13,288</u>

The carrying amount of the mortgage loan approximates its fair market value.

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
November 30, 2006 and 2005

6. Share Capital

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

(b) Issued:

	Number of Shares	Amount
Balance, November 30, 2004	74,785,242	\$ 22,393,539
Private placement - flow-through shares, net of share issuance costs	1,150,000	224,658
Private placement, net of share issuance costs	15,639,405	2,772,799
Less Flow through share renunciation	-	(82,000)
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 Common shares	100,641,445	\$ 26,877,373

(c) During the period ended November 30, 2006, the Company:

(i) completed a private placement of 910,571 flow through shares at \$0.28 per share for gross proceeds of \$254,960 with share issues costs of \$2,803. The proceeds from these flow through shares were 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 other share issue costs of \$18,330. The Company attributed \$147,381 to the warrants using the Black-Scholes option pricing model using the following assumptions: dividend yield of 0%; expected volatility of 99.87%; a risk-free interest rate of 3.72%; and an expected life of one year.;

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
November 30, 2006 and 2005

6. Share Capital (continued)

- (ii) the Company completed a flow - through private placement of 3,616,000 units at \$0.25 per unit for gross proceeds of \$904,000. The proceeds from these flow through shares are being spent on Canadian Exploration Expenses on the Company's Northwest Territories properties. Each unit consists of one common share and one-half share purchase warrant. The one-half share purchase warrants were allocated a value of \$904. One whole share purchase warrant is exercisable at \$0.35 per common share during the first year and at \$0.45 per common share during the second year. The Company paid a total of \$37,900 in cash and issued 144,000 warrants (at a value of \$36,000) to agents as finders fees. The Company also incurred other share issue costs of \$20,393. All of the proceeds have been spent subsequent to August 31, 2006.;
 - (iii) issued 677,500 common shares upon the exercise of stock options at \$0.20 and \$0.30 per common share, for gross proceeds of \$155,500;
 - (iv) granted 1,875,000 stock options to employees for a period of five years. These options are priced at \$0.20 and \$0.26 per common share and will expire between December 7, 2010 and August 15, 2011.;
 - (v) repriced 500,000 stock options that were granted to employees and consultants (excluding insiders) to \$0.26 per common share from an exercise price of \$0.45 and \$0.50. These options have expiry dates of August 29, 2006 to June 29, 2009. All of the August 29, 2006 options expired unexercised.;
 - (vi) issued 702,500 common shares upon the exercise of warrants at \$0.175 to \$0.25 per common share for gross proceeds of \$157,400; and
 - (vii) the Company amended and restated its Shareholders Rights Plan Agreement which has been accepted by the TSX Venture Exchange and the Shareholders at the Company's Annual General and Special Meeting held on May 12, 2006.
- (d) During the year, the exercise price for 2,950,227 warrants expiring December 23, 2006 were repriced from \$0.30 per share to \$0.19 per share and 1,657,500 warrants expiring on March 7 and March 15, 2007 were repriced from \$0.30 per share to \$0.175 per share.

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
November 30, 2006 and 2005

6. Share Capital (continued)

Changes in warrants during the years ended November 30, 2006 and 2005 are as follows:

	2006		2005	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding, beginning of year	13,564,405	\$0.22	-	-
Issued	5,112,227	\$0.32	13,564,405	\$0.22
Exercised	(702,500)	\$0.22	-	-
Outstanding, end of year	17,974,132	\$0.23	13,564,405	\$0.22

The Company has the following share purchase warrants outstanding as at November 30, 2006:

<u>Number of warrants</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
2,950,227	\$0.19	Dec. 23, 2006
1,000,000	\$0.175	March 7, 2007
582,500	\$0.175	March 14, 2007
7,777,778	\$0.22	April 29, 2007
1,666,666	\$0.22	July 27, 2007
2,044,961	\$0.26	Sept. 28, 2007
130,000	\$0.25	Dec. 12, 2007
14,000	\$0.25	Dec. 27, 2007
1,610,000	\$0.35/\$0.45	June 12, 2008
<u>198,000</u>	<u>\$0.35/\$0.45</u>	<u>June 27, 2008</u>
<u>17,974,132</u>		

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
November 30, 2006 and 2005

7. Stock Options

During the year, 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 2006, the Company's Board of Directors ("the Board") approved and granted 1,875,000 stock options (2005 – 1,570,000) to the directors, officers, employees, consultants and an investor relations company. Each option entitles its holder to acquire one common share of the Company at a price varying between \$0.20 to \$0.26 per common share. These options vested immediately for all optionees except the investor relations company which has options that vest over one year on March 23, 2007. The options expire between December 7, 2010 and August 15, 2011. In 2006 the Company recorded \$434,090 (2005 - \$250,957) of stock based compensation expense for the stock options granted.

	Shares	Weighted Average Exercise Price
Options outstanding as at November 30, 2004	5,805,000	\$0.32
Granted	1,570,000	\$0.20
Expired	(2,009,000)	\$0.30
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
2006 options exercisable	5,523,500	\$0.26
2005 options exercisable	4,369,333	\$0.31
	2006	2005
Weighted average remaining contractual life	2.97 years	2.44 years
Weighted average fair value of options granted during the year	\$0.22	\$0.11

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
November 30, 2006 and 2005

7. Stock Options (continued)

The following table sets forth information relating to stock options outstanding as at November 30, 2006:

Expiry	Range of exercise prices	Number outstanding at Nov. 30, 2006	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at Nov. 30, 2006	Weighted average exercise price
March 6/07	\$0.25	150,000	0.27	\$0.25	150,000	\$0.25
July 18/07	\$0.20	394,333	0.63	\$0.20	394,333	\$0.20
Feb. 6/08	\$0.25	436,667	1.19	\$0.25	436,667	\$0.25
Apr. 25/08	\$0.30	245,000	1.41	\$0.30	245,000	\$0.30
Aug. 15/08	\$0.26	50,000	1.71	\$0.26	50,000	\$0.26
Jan. 15/09	\$0.26	405,000	2.13	\$0.26	405,000	\$0.26
Jan. 15/09	\$0.50	340,000	2.13	\$0.50	340,000	\$0.50
Mar. 19/09	\$0.50	330,000	2.3	\$0.50	330,000	\$0.50
June 29/09	\$0.26	15,000	2.58	\$0.26	15,000	\$0.26
May 12/10	\$0.20	650,000	3.45	\$0.20	650,000	\$0.20
June 7/10	\$0.20	100,000	3.52	\$0.20	100,000	\$0.20
July 8/10	\$0.20	350,000	3.61	\$0.20	350,000	\$0.20
July 12/10	\$0.20	150,000	3.62	\$0.20	150,000	\$0.20
Oct. 28/10	\$0.20	50,000	3.92	\$0.20	50,000	\$0.20
Dec. 7/10	\$0.20	120,000	4.02	\$0.20	120,000	\$0.20
Mar. 23/11	\$0.20	855,000	4.32	\$0.20	842,500	\$0.20
May 12/11	\$0.26	695,000	4.45	\$0.26	695,000	\$0.26
Aug. 15/11	\$0.20	200,000	4.71	\$0.20	200,000	\$0.20
		<u>5,536,000</u>			<u>5,523,500</u>	

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
November 30, 2006 and 2005

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:

	2006	2005
Risk-free interest rate	3.88 to 4.28%	3.16 to 3.87%
Dividend yield	0%	0%
Volatility	93.96 to 120.94%	92.6%
Approximate expected lives	0.63 to 4.75 years	1.5 to 5 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 2006 is comprised of:

	2006
Balance, beginning of year	\$ 823,329
Stock-based compensation on stock options	434,090
Stock options exercised	(106,857)
Fair value of warrants and agents' warrants	184,285
Warrants exercised	(9,794)
Balance, end of year	<u>\$ 1,325,053</u>

9. Related Party Transactions

During the year, the Company was billed \$108,000 by a director, (2005 - \$91,238 by two directors) including \$97,000 (2005 - \$72,000) for consulting fees, \$11,000 (2005 - \$17,688) for technical and professional services and \$nil (2005 - \$1,550) for Office Services. As at November 30, 2006, the Company owed \$43,000 which is included in accounts payable (2005 - \$nil). 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, 2006 and 2005

10. Income Taxes

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

	2006	2005
Loss before income taxes	\$ 2,135,608	\$ 1,050,980
Combined federal and provincial income tax rate	34.12%	35.00%
Expected provision (recovery) for income taxes	728,669	367,790
Permanent differences	(455,186)	(135,326)
Loss expiry	(60,144)	(65,549)
Tax rate changes	(10,316)	(4,136)
Change in valuation allowance	(201,973)	(80,779)
	\$ 404,996	\$ 82,000
Future income tax assets and liabilities are as follows:	2006	2005
Property, plant and equipment	\$ 198,715	\$ 158,584
Mineral properties	117,471	413,087
Non-capital losses carry-forwards	649,145	595,633
Capital losses	4,934	4,934
Total gross future income tax assets	\$ 970,265	\$ 1,172,238
Valuation allowance	\$ (970,265)	\$(1,172,238)
	-	-

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
November 30, 2006 and 2005

10. Income Taxes (continued)

Canadian federal non-capital losses totaling approximately \$1,902,537 are carried forward for tax purposes and are available to reduce taxable income of future years. These losses expire as follows:

Year	Non Capital Losses
2007	\$ 204,557
2008	98,698
2009	236,598
2010	274,405
2014	229,883
2015	547,542
2016	310,854
	<hr/>
	\$1,902,537

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, 2006 and 2005.

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

	2006	2005
Canada	\$ 14,385,030	\$ 12,137,089
United States	-	926,920
	<hr/>	<hr/>
	\$ 14,835,030	\$ 13,064,009

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
November 30, 2006 and 2005

12. Other Tax Expense

During 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. This prescribed interest rate between February 1 and May 31, 2005 was 5%. All the flow through funds were spent by May 31, 2005.

13. 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, accounts receivable and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

The fair value of mortgage loan is approximated by the carrying amount as the mortgage loan bears a fair market rate of interest.

14. Commitments

- (a) During the year, 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. The balance owing of \$43,000 (2005 – nil) is included in accounts payable at November 30, 2006.

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
November 30, 2006 and 2005

15. Supplementary Cash flow information

Non-cash operating and investing activities were conducted by the Company during fiscal year 2006 and 2005 as follows:

	2006	2005
Operating activities		
Accounts payable for deferred exploration costs	\$ <u>872,214</u>	\$ <u>-</u>
Investing activities		
Accounts payable for deferred exploration costs	\$ <u>(872,214)</u>	\$ <u>-</u>
Other supplementary cash flow information:		
Cash paid for interest charges	\$ <u>1,781</u>	\$ <u>1,936</u>
Cash paid for income taxes	\$ <u>-</u>	\$ <u>-</u>

16. Subsequent Events

Subsequent to November 30, 2006, the following occurred:

- (a) 3,925,227 warrants expired unexercised;
- (b) 150,000 stock options expired unexercised;
- (c) 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 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 \$42,240 and issued 28,140 common shares on a portion of the proceeds. \$30,600 of the proceeds from the units private placement remains outstanding.;

- (d) the Company issued 25,000 common shares upon the exercise of warrants at \$0.19 per common share, for gross proceeds of \$4,750;
- (e) the Company applied to have two of the Doyle claims be taken to lease, and

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
November 30, 2006 and 2005

16. Subsequent Events (continued)

- (f) the Company received a \$250,000 shareholder loan which is secured by a promissory note against the Yellowknife house. Interest on the loan is 8% per annum, compounded annually. The loan and interest accrued become payable no later than ten days from the date of a written demand for payment on or after September 1, 2007.