

GGL DIAMOND CORP.

Management Discussion and Analysis (Form 51-102F1)

FOR THE SIX MONTHS ENDED MAY 31, 2005 INFORMATION AS OF JULY 28, 2005 UNLESS OTHERWISE STATED

The following discussion of the results and financial position of the Company for the six months ended May 31, 2005 should be read in conjunction with the information provided in the 2004 Annual Report of the Company and the Quarterly Report for the period ended February 28, 2005. The material herein, as of this 28th day of July 2005, updates the information contained in the MD&As' of those Reports.

DIAMOND EXPLORATION, SLAVE CRATON, NORTHWEST TERRITORIES, CANADA

DOYLE LAKE PROJECT, SOUTHEAST SLAVE CRATON

Doyle, GGL 100% owned

The Doyle contains the LA 1 to LA 30 mineral claims, of which the LA 4 to LA 9 mineral claims remain in the Joint Venture with De Beers Canada Inc. (40% GGL), while the remaining claims are wholly owned by the Company. Mineral claims LA 1 to LA 25 inclusive have been taken to lease. Claims LA 26 to LA 30 will be taken to lease at the appropriate time.

As of the date of this report, equipment is being mobilized to begin work on the 100%- owned claims. The work will include the taking of a 20 to 40 tonne mini bulk sample of kimberlite from the Doyle Sill for diamond analyses, drilling to better delineate the Doyle Sill, and the drill testing of one or more new targets.

(A drill program had been expected to begin in April based on sharing a drill with an unrelated company; that company, however, decided not to drill their property at that time.)

Doyle Leases, De Beers 60%, GGL 40% (carried interest)

Under an agreement dated May 25 1995, De Beers earned a 60% interest in the Doyle Lake properties. To date, De Beers has spent \$7.5 million on these claims. De Beers has retained the LA 4 to LA 9 claims inclusive and the fractional claims Extra 2 to Extra 4 inclusive (the "Doyle Leases"), while the remaining LA claims were returned 100% to GGL.

De Beers, as operator, has indicated it has no plans at this time to continue exploration of the Doyle Leases on behalf of the joint venture. Consequently the Company and De Beers have been discussing the return of all or some of the leases to GGL to allow GGL to continue exploration. The discussions are ongoing and De Beers has expressed a willingness to co-operate and find a way to resolve the matter.

PROPERTIES IN THE CENTRAL SLAVE CRATON

The following exploration work was completed this year: ground geophysical surveys on the Courageous and Seahorse properties, the field examination of 84 geophysical anomalies selected from airborne geophysical surveys on the Seahorse, Courageous, Winter Lake North, BP, Winter Lake South, and Zip properties, and the collection of 134 kimberlite indicator mineral samples.

Based on this year's work and from previous exploration work, targets are being selected for drill testing. In mid to late August, after the drill crew has completed the drill program at the Doyle property, targets on the Starfish and Zip properties will be drilled and possibly additional targets on the Courageous property. Targets on lakes, funding permitting, will be drilled this coming winter. Time will not permit the drilling of all the summer targets, selected to date, this year.

FISHBACK PROJECT, SOUTHWEST SLAVE CRATON

The alteration encountered during the spring drilling program particularly in the drill holes FB-05-11 and FB-05-12, was encouraging as in many respects it resembles alteration associated with kimberlites. To test this possibility, samples of the core have been sent out for kimberlite indicator mineral analyses and chemical analyses. Complete results are expected soon and will be evaluated and reported on by qualified persons.

NEW PROPERTY ACQUISITION, DOYLE PROJECT AREA

The Company has acquired 21 mining leases (51,109 acres) from Mountain Province Diamonds Inc. (MPV), Camphor Ventures Inc., and De Beers Canada Inc., subject to Royalty Agreements, in which royalties total 1.5%. The Company has agreed to keep the leases in good standing and submit three yearly lease rental period payments to the NWT Mining Records Office. The first lease rental payment of \$51,109 has now been made.

Seventeen of the acquired leases extend approximately 15 km west and 8 km north of the adjoining LA-1 mineral claim of GGL's 100%-owned Doyle claims. Two of the acquired leases are centred 5 km north of the Kennady Lake kimberlite pipes and adjoin the leases containing them, and two of the acquired leases are north of and adjoin the leases containing the Kelvin and Faraday kimberlite bodies.

The leases contain the MZ Lake kimberlite "sills" (shallow dipping sheet-like kimberlite bodies), four of which have been determined to be diamondiferous. One of the sills, named Sill-73, appears to extend for at least one kilometre along strike. The thickness of drill intersections varied from 7 cm to 2.19 m with the largest combined kimberlite intersection in one hole being 3.49 m, between 14.66 m and 19 m depth from surface. The largest number of micro-diamonds, 28 diamonds recovered from five kg, was recovered from drill hole MPV-01-73.

The Company plans to review the exploration results from the leases and to continue exploration.

Limited Operating History: Losses

The Company has experienced, on a consolidated basis, losses in all years of its operations. There can be no assurance that the Company will operate profitably in the future, if at all. As at May 31, 2005, the Company's deficit was approximately \$12,545,893.

Shares Reserved for Future Issuance: Dilution

As at May 31, 2005, there were 6,375,000 stock options outstanding pursuant to which shares may be issued in the future, all of which will result in further dilution to the Company's shareholders and pose a dilutive risk to potential investors.

Overall performance/results of operations

As at May 31, 2005, the Company had incurred exploration costs on mineral properties of \$749,558 (drilling, trenching and sampling \$167,743; licences and recording fees \$38,303; salaries and wages \$34,937; surveys \$76,465; technical and professional services \$161,018; transportation \$41,352 and project supplies of \$99,072). Exploration costs for the period ended May 31, 2005 are lower than 2004 by 43%. The majority of this decrease was for lower expenditures on chartered aircraft, salaries and wages and surveys. The increase in licences and recording fees was for the filing of assessment work for some of our CH claims. Project supplies also increased significantly due to advance purchases of aviation fuel in preparation for the exploration program.

On a per project basis, the Company spent the \$749,558 exploration costs as follows: \$380,658 on the CH project, \$135,184 on the Doyle Lake project, \$7,505 on the McConnell Creek, \$1,393 on the Happy Creek Gold/Silver Property, and \$224,818 on the Fishback Lake Property.

The Company reported a net loss of \$294,279 for the period ended May 31, 2005 compared to a net loss of \$689,165 for the period ended May 31, 2004 (a decrease of 58% from 2004 to 2005). A majority of the decrease is due to a decrease in stock based compensation (2005 - \$36,027; 2004 - \$442,482). Fewer options were granted during the period ended May 31, 2005 compared to 1,100,000 options granted during the period ended May 31, 2004.

Revenue for the period ended May 31, 2005 was \$9,621 consisting of interest income compared with \$23,034 for the period ended May 31, 2004. The funds from 2004 were raised in the first quarter of the period and the funds from 2005 were raised towards the end of the second quarter.

Related Party Transactions

During the period ended May 31, 2005 the Company was billed a total of \$ 46,612 (\$4,488 of which is included in accounts payable in 2005) by two directors for consulting fees and technical and professional services provided. For the period ended May 31, 2004 the Company was billed \$41,180 for technical and professional services by one of the directors.

Commitments

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 May 31, 2005. If the conditions precedent had been satisfied at May 31, 2005, the amount owing under the agreement would be approximately \$191,295.

The Company has a mortgage loan on its Yellowknife house of approximately \$49,668 (\$35,515 is recorded as a long term debt), which becomes due on December 3, 2006.

The Company signed an one year lease for its head office in Vancouver, BC to February 2006. The balance of the commitment is approximately \$13,617.

Change in Accounting Policy

Income Taxes

During the six months ended May 31, 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 May 31, 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.

Subsequent Events

Subsequent to May 31, 2005:

- 1) the Company completed a private placement of \$300,000 by way of a non-brokered placement of 1,666,666 units at \$0.18 per unit. Each unit consists of one common share and one non transferable warrant. One warrant entitles the holder to purchase one common share for a term of two years at \$0.20 per share in the first year and at \$0.22 per share in the second year. The Company paid an 8.2% finder's fee in connection with this private placement. The securities have a hold period expiring on November 28, 2005.
- 2) The Company granted 520,000 stock options to employees, consultants and officers exercisable for a period of five years.
- 3) The Company signed an agreement with Ascenta Capital Partners Inc. for investor relation services. Ascenta will receive a monthly retainer of \$5,000 and was granted a stock option to purchase 200,000 common shares at \$0.20 per share.
- 4) The Company acquired 21 mining leases from Mountain Province Diamonds Inc. Camphor Ventures Inc. and De Beers Canada Inc. These leases are on property which, in part, adjoins the LA-1 claim on the Company's 100% owned Doyle Lake property. See "New Property Acquisition, Doyle Project Area" for further details.
- 5) 1,039,000 stock options expired unexercised.

Summary of Quarterly Information

The following table sets forth a comparison of revenues and earnings for the previous eight quarters ending with May 31, 2005. Financial information is prepared according to GAAP and is reported in Canadian \$.

Quarter Ended:	May 31, 2005 (\$)	February 28, 2005 (\$)	November 30, 2004 (\$)	August 31, 2004 (\$)	May 31, 2004 (\$)	February 29, 2004 (\$)	November 30, 2003 (\$)	August 31, 2003 (\$)
Total Revenues	6,415	3,205	6,919	265	784	22,250	9,203	5,027
Net Income (Loss)	(173,226)	(121,053)	(459,963)	(95,136)	(436,210)	(252,955)	(635,294)	(111,314)
Net income (loss) per share	(0.002)	(0.002)	(0.008)	(0.001)	(0.007)	(0.004)	(0.01)	(0.002)

Note:

- (1) Income (loss) before discontinued operations and extraordinary items is the same as Net Income (Loss) as there are no discontinued operations or extraordinary items in 2004 or 2005. Fully diluted earnings (loss) per share are not presented as the exercise of warrants and stock options would be anti-dilutive.

Liquidity and Capital Resources

The Company had working capital at May 31, 2005 of \$2,067,604 compared with \$1,121,411 as at May 31, 2004. The Company has no material income from operations and any improvement in working capital results primarily from the issuance of share capital. During the period ended May 31, 2005, the Company raised more funds than the same period in the prior year.

As at May 31, 2005 the Company had \$35,515 of long-term debt (mortgage loan) outstanding.

For the period ended May 31, 2005, the Company experienced a negative cash flow of \$327,492 (before allowing for changes in non-cash operating working capital balances) from operating activities. Changes in operating activities resulted primarily from an increase in administration costs such as shareholders' meetings and reports, consulting fees, legal and audit and office services and expenses (See Exploration and General and Administrative Expenditures for further information.)

The Company's cash position as at May 31, 2005 was \$2,217,678. The increase in cash position compared to May 31, 2004 was due principally to more financing raised during the period ended May 31, 2005. See Note 2 – Share Capital in the Notes to the Consolidated Financial Statements.

During the period ended May 31, 2005, the Company:

- (i) completed a private placement of 1,150,000 common shares at \$0.20 per common share for gross proceeds of \$230,000. All of the proceeds from these flow-through shares have been spent on Canadian Exploration Expenses ("CEE").
- (ii) completed a private placement 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 of a share purchase warrant. One whole share purchase warrant is exercisable at \$0.25 per common share the first year and at \$0.30 per common share during the second year.
- (iii) completed a private placement of 7,777,778 units at \$0.18 per unit for gross proceeds of \$1,400,000. Each unit consists of one common share and one share purchase warrant. One share purchase warrant is exercisable at \$0.20 per common share during the first year and at \$0.22 per common share during the second year.

See Notes 2 and 3 of the Consolidated Financial Statements for the period ended May 31, 2005 for more information regarding Share Capital and funds raised and Subsequent Events section regarding a private placement completed after the end of the quarter.

Outstanding Share data as at July 28, 2005 (See Subsequent Events):

- (a) Authorized and issued share capital:

Class	Par Value	Authorized	Issued Number
Common	No par value	250,000,000	89,529,686

- (b) Summary of options outstanding:

Security	Number	Exercise Price	Expiry Date
Options	100,000	\$0.25	Aug. 8, 2005
Options	120,000	\$0.25	Nov. 14, 2005
Options	120,000	\$0.30	Jan. 16, 2006
Options	600,000	\$0.30	March 1, 2006
Options	255,000	\$0.20	July 16, 2006
Options	894,333	\$0.20	July 18, 2007
Options	536,667	\$0.25	Feb. 06, 2008
Options	320,000	\$0.30	April 25, 2008
Options	50,000	\$0.45	Aug. 15, 2008
Options	400,000	\$0.30	Oct. 31, 2008
Options	915,000	\$0.50	Jan. 15, 2009
Options	330,000	\$0.50	March 19, 2009
Options	45,000	\$0.50	June 29, 2009
Options	650,000	\$0.20	May 12, 2010
Options	100,000	\$0.20	June 7, 2010
Options	420,000	\$0.20	July 8, 2010
Options	<u>200,000</u>	\$0.20	July 12, 2010
Total	<u>6,056,000</u>		

(c)

Security	Number	Exercise Price	Expiry Date
Warrants	1,075,000	\$0.25/\$0.30	March 8, 2007
Warrants	1,000,000	\$0.25/\$0.30	March 15, 2007
Warrants	7,777,778	\$0.20/\$0.22	April 29, 2007
Warrants	<u>1,666,666</u>	\$0.20/\$0.22	July 27, 2007
Total	<u>11,519,444</u>		

(d) There are no escrowed or pooled shares.

Other Information

The Company's web site address is www.ggldiamond.com. Other information relating to the Company may be found on SEDAR at www.sedar.com.

Forward Looking Statements

This discussion includes certain statements that may be deemed "forward-looking statements." All statements in this discussion, other than statements of historical facts, that address future production, reserve potential, exploration drilling, exploration activities and events or developments that the Company expects, are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing, and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.

BY ORDER OF THE BOARD

"Raymond A. Hrkac"

Raymond A. Hrkac
President and CEO

"Nick DeMare"

Nick DeMare
Director and CFO