



**GGL** DIAMOND CORP.

*CONSOLIDATED FINANCIAL STATEMENTS*

*MAY 31, 2008*

*(UNAUDITED)*

*NOTICE: The Company's auditors have not reviewed the attached Interim Consolidated Financial Statements for the period ended May 31, 2008.*

# GGL DIAMOND CORP.

Consolidated Balance Sheets as at  
(Unaudited)

	May 31, 2008	November 30, 2007
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 1,431,684	\$ 745,148
Amounts receivable	319,747	215,465
Prepaid expenses	682,607	13,038
	2,434,038	973,651
<b>Unproven mineral interests (Note 2)</b>	16,904,076	15,428,331
<b>Property, plant and equipment</b>	429,984	450,349
	\$ 19,768,098	\$ 16,852,331
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 321,151	\$ 234,153
Current portion of mortgage loan	2,239	10,705
	323,390	244,858
<b>FUTURE INCOME TAX LIABILITIES</b>	381,132	-
	704,522	244,858
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share capital (Note 3)</b>	34,302,293	31,689,095
<b>Contributed surplus (Note 5)</b>	3,817,306	3,125,977
<b>Deficit</b>	(19,056,023)	(18,207,599)
	19,063,576	16,607,473
	\$ 19,768,098	\$ 16,852,331
<b>Subsequent events (Note 12)</b>		

**On behalf of the Board:**

*“Raymond A. Hrkac”*

Raymond A. Hrkac, Director

*“Nick DeMare”*

Nick DeMare, Director

# GGL DIAMOND CORP.

## Consolidated Statements of Operations and Deficit (Unaudited)

	For the three months ended		For the six months ended	
	May 31, 2008	May 31, 2007	May 31, 2008	May 31, 2007
<b>Expenses</b>				
Amortization	\$ 710	\$ 663	\$ 1,316	\$ 1,326
Consulting fees	76,102	75,938	173,361	106,363
Corporate relations	2,822	20,869	5,377	38,944
General exploration costs	36,297	64,300	90,790	97,294
Legal and audit	14,195	102,397	30,314	130,666
Licences, taxes, insurance and fees	1,841	6,313	15,978	13,656
Office services and expenses	52,885	49,942	110,585	85,077
Shareholders' meetings and reports	15,391	7,263	18,316	7,789
Stock-based compensation	690,425	547,153	697,829	549,905
Travel	1,352	5,154	3,448	5,687
<b>Operating loss</b>	(892,020)	(879,992)	(1,147,314)	(1,036,707)
<b>Other income (loss)</b>				
Foreign exchange loss	(585)	(19)	(655)	(1,202)
Interest income	21,144	12,358	53,427	14,884
Other tax expense (Note 6)	(37,719)	(734)	(55,000)	(1,534)
Write off of property, plant and equipment	-	-	(3,828)	-
Write off of unproven mineral interests	(558,417)	-	(558,417)	-
	(575,577)	11,605	(564,473)	12,148
<b>Net loss before taxes</b>	(1,467,597)	(868,387)	(1,711,787)	(1,024,559)
Future income tax recovery (Note 10)	4,152	-	863,363	66,351
<b>Net loss for the period</b>	(1,463,445)	(868,387)	(848,424)	(958,208)
<b>Deficit, beginning of period</b>	(17,592,578)	(15,041,696)	(18,207,599)	(14,951,875)
<b>Deficit, end of period</b>	\$ (19,056,023)	\$ (15,910,083)	\$ (19,056,023)	\$ (15,910,083)
<b>Loss per share - basic and diluted</b>	\$ (0.011)	\$ (0.008)	\$ (0.006)	\$ (0.009)
<b>Weighted average number of common shares outstanding</b>				
- basic and diluted	139,447,668	111,569,583	137,519,448	107,875,637

Please see the notes accompanying these financial statements.

**GGL DIAMOND CORP.**

## Consolidated Statements of Cash Flows

For the three months ended

(Unaudited)

	May 31, 2008	May 31, 2007
<b>Cash flows used in operating activities</b>		
Loss for the period	\$ (1,463,445)	\$ (868,387)
Adjustment for items not involving cash:		
- amortization of property, plant and equipment	11,872	10,875
- future income tax recovery	(4,152)	-
- stock-based compensation	690,425	547,153
- write off of unproven mineral interests	558,417	-
	(206,883)	(310,359)
Change in non-cash working capital items:		
- amounts receivable	(71,187)	(8,987)
- prepaid expenses	(2,271)	(4,718)
- accounts payable and accrued liabilities	44,603	(851,963)
	(235,738)	(1,176,027)
<b>Cash flows from financing activities</b>		
Shares issued for cash	27,500	2,789,867
Share issuance costs	(3,414)	(9,457)
Principal reduction of mortgage loan	(4,594)	(3,695)
	19,492	2,776,715
<b>Cash flows used in investing activities</b>		
Acquisition of unproven mineral interests	-	(167,094)
Additions to deferred exploration costs	(1,465,034)	126,527
Purchase of property, plant and equipment	(12,127)	(44,668)
	(1,477,161)	(85,235)
<b>(Decrease) increase in cash and cash equivalents</b>	(1,693,407)	1,515,453
<b>Cash and cash equivalents, beginning of period</b>	3,125,091	261,173
<b>Cash and cash equivalents, end of period</b>	\$ 1,431,684	\$ 1,776,626

See Note 10 – Supplementary Cash Flow Information.

Please see the notes accompanying these financial statements.

## GGL DIAMOND CORP.

Consolidated Statement of Cash Flows  
For the six months ended  
(Unaudited)

	May 31, 2008	May 31, 2007
<b>Cash flows used in operating activities</b>		
Loss for the period	\$ (848,424)	\$ (958,208)
Adjustment for items not involving cash:		
- amortization of property, plant and equipment	28,660	17,287
- future income tax recovery	(863,363)	(66,351)
- stock based compensation	697,829	549,905
- write off of property, plant and equipment	3,828	-
- write off of unproven mineral interests	558,417	-
	(423,053)	(457,367)
Change in non-cash working capital items:		
- amounts receivable	(104,282)	(46,986)
- prepaid expenses	(669,569)	14,930
- accounts payable and accrued liabilities	127,951	(1,571,638)
	(1,068,953)	(2,061,061)
<b>Cash flows from financing activities</b>		
Shares issued for cash	80,250	3,420,116
Shares issued for cash – flow-through shares	4,014,500	189,680
Share issuance costs	(288,557)	(118,102)
Principal reduction of mortgage loan	(8,466)	(7,951)
	3,797,727	3,483,743
<b>Cash flows used in investing activities</b>		
Acquisition of unproven mineral interests	(66,429)	(167,094)
Additions to deferred exploration costs	(1,963,686)	400,030
Purchase of property, plant and equipment	(12,123)	(44,668)
	(2,042,238)	188,268
<b>Increase in cash and cash equivalents</b>	686,536	1,610,950
<b>Cash and cash equivalents, beginning of period</b>	745,148	165,676
<b>Cash and cash equivalents, end of period</b>	\$ 1,431,684	\$ 1,776,626

See Note 10 – Supplementary Cash Flow Information.

Please see the notes accompanying these financial statements.

# GGL DIAMOND CORP.

Notes to Consolidated Financial Statements  
May 31, 2008

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These notes should be read in conjunction with the Audited Consolidated Financial Statements for the year ended November 30, 2007.

## 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. Unproven Mineral Interests

	Balance November 30, 2007	2008 mineral interests additions	2008 exploration cost additions	2008 written off	Balance May 31, 2008
Doyle Lake	\$ 3,835,843	\$ -	\$ 73,770	\$(477,654)	\$ 3,431,959
Fishback Lake	1,285,995	-	21,130	(80,763)	1,226,362
CH	7,580,214	-	116,966	-	7,697,180
Providence Greenstone Belt	1,131,239	66,429	1,681,812	-	2,879,480
McConnell Creek	1,595,040	-	74,055	-	1,669,095
	<b>\$ 15,428,331</b>	<b>\$ 66,429</b>	<b>\$ 1,967,733</b>	<b>\$(558,417)</b>	<b>\$ 16,904,076</b>

# GGL DIAMOND CORP.

Notes to Consolidated Financial Statements  
May 31, 2008

## 2. Unproven Mineral Interests, continued

	Balance November 30, 2007	2008 Additions	2008 written off	Balance May 31, 2008
Unproven mineral interests	\$ 579,921	\$ 66,429	\$ (15,096)	\$ 631,254
Deferred exploration costs	14,848,410	1,967,733	(543,321)	16,272,822
	<b>\$ 15,428,331</b>	<b>\$ 2,034,162</b>	<b>\$(558,417)</b>	<b>\$ 16,904,076</b>

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

During the period, the Company staked an additional 76,020 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. These claims are pending acceptance from the Mining Recorder.

(b) Fishback Lake, Northwest Territories, Canada

Three claims were allowed to lapse during the period.

(c) Doyle Lake, Northwest Territories, Canada

The Company returned ten mining leases to Mountain Province Diamonds Inc., Camphor Ventures Inc. and De Beers Canada Inc. subsequent to period end.

Exploration costs incurred during the six months ended:

	May 31, 2008	May 31, 2007
Chartered aircraft	\$ 205,333	\$ 5,225
Sampling	87,745	39,947
Land use permits and reclamation bonds	76,400	-
Licences, recording fees and lease payments	81,786	73,165
Project supplies	220,264	21,629
Salaries and wages	122,663	89,852
Surveying	919,026	-
Technical and professional services	223,903	98,941
Transportation	30,613	7,945
	<b>\$1,967,733</b>	<b>\$ 336,704</b>

# GGL DIAMOND CORP.

Notes to Consolidated Financial Statements  
May 31, 2008

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## 3. Share Capital

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

	# shares	\$
<b>Balance, November 30, 2007</b>	<b>122,731,670</b>	<b>31,689,095</b>
Private placement - flow-through share agreements	16,058,000	4,014,500
Share issuance costs	-	(328,557)
Shares issued as commission	160,000	40,000
Shares issued for services	247,355	45,000
Exercise of stock options	135,000	31,250
Exercise of warrants	310,000	49,000
Reallocation from contributed surplus on exercise of stock options	-	6,500
Less: Flow-through share renunciation	-	(1,244,495)
<b>Balance, May 31, 2008</b>	<b>139,642,025</b>	<b>34,302,293</b>

- (c) During the quarter ended May 31, 2008:
  - (i) 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;
  - (ii) the Company issued 247,355 common shares in payment of \$45,000 owed pursuant to a financial advisory agreement (see Commitments);
  - (iii) the Company issued 135,000 common shares upon the exercise of stock options at \$0.20 and \$0.25 per common share for gross proceeds of \$31,250. In addition 505,000 stock options expired unexercised; and
  - (iv) the Company issued 310,000 common shares upon the exercise of warrants at \$0.15 and \$0.175 per common share for gross proceeds of \$49,000.



# GGL DIAMOND CORP.

Notes to Consolidated Financial Statements  
May 31, 2008

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## 3. Share Capital, continued

(d) At May 31, 2008, the Company had the following share purchase warrants outstanding:

<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	\$0.175	Dec. 21, 2008
100,000	\$0.25	Jan. 3, 2009
230,000	\$0.175	Mar. 07, 2009
<b><u>2,938,000</u></b>		

Changes in warrants during the period ended May 31, 2008 are as follows:

	<u>Number of warrants</u>	<u>Weighted average exercise price</u>
Outstanding, beginning of period	3,248,000	\$0.16
Exercised	(310,000)	\$0.16
Outstanding, end of period	<b><u>2,938,000</u></b>	<b><u>\$0.17</u></b>

## 4. Stock Options

The Company has a 10% rolling Stock Option 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 which vest over one year. Under the 10% rolling plan, the number of shares available for grant increases as the issued capital of the Company increases.

During the period, the Company's Board of Directors approved and granted 4,267,500 stock options (May 31, 2007 – 960,000) to the directors, officers, employees and consultants. Each option entitles its holder to acquire one common share of the Company at \$0.20 per common share. The options expire between May 1, 2013 and May 23, 2013. During the period the Company recorded \$690,425 (May 31, 2007 – \$549,905) of stock based compensation expense for the stock options granted.

## GGL DIAMOND CORP.

Notes to Consolidated Financial Statements  
May 31, 2008

### 4. Stock Options, continued

Stock options outstanding as at May 31, 2008:

	Shares	Weighted Average Exercise Price	
Options outstanding as at Nov. 30, 2007	7,420,833	\$0.43	
Exercised	(135,000)	\$0.23	
Expired	(505,000)	\$0.27	
Granted	4,267,500	\$0.20	
<b>Options outstanding as at May 31, 2008</b>	<b>11,048,333</b>	<b>\$0.35</b>	
2008 options exercisable	11,048,333	\$0.35	
2007 options exercisable	5,163,333	\$0.26	
		2008	2007
Weighted average remaining contractual life	3.87 years	3.11 years	
Weighted average fair value of options granted during the period	\$0.19	\$0.63	

### 5. Contributed Surplus

Contributed surplus for 2008 and 2007 is comprised of:

<b>Balance, November 30, 2007 and 2006</b>	<b>\$ 3,125,977</b>	<b>\$ 1,325,053</b>
Stock-based compensation on stock options	697,829	2,751
Stock options exercised	(6,500)	-
Fair value of warrants	-	316,818
Warrants exercised	-	(1,166)
<b>Balance, May 31, 2008 and 2007</b>	<b>\$ 3,817,306</b>	<b>\$1,643,456</b>

# GGL DIAMOND CORP.

Notes to Consolidated Financial Statements  
May 31, 2008

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## 6. Other Tax Expense

During the period ended May 31, 2008, the Company incurred a tax expense on the monthly unspent balance of flow-through funds from the December 2007 private placement. This Part XII.6 tax expense was calculated by multiplying the unspent CEE at the end of each month (starting with February, 2008) by the prescribed interest rate (divided by 12) set by Canada Revenue Agency. This prescribed interest rate for the period ended May 31, 2008 has not been disclosed on the CRA website, therefore an estimate was made using the prescribed interest rate of 7% from December 2007. The tax expense will continue until all of the flow-through funds have been spent. At May 31, 2008 \$1,548,473 remains unspent.

Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian income tax legislation. The renunciation of such expenditures is accounted for as a financing cost related to the flow-through issuance and results in a reduction in share capital with a corresponding increase in the Company's future tax liability.

As at May 31, 2008, the Company renounced the \$4,014,500 flow-through related resource expenditures to the investors.

## 7. Related Party Transactions

During the six months ended May 31, 2008, the Company was billed \$53,821 (May 31, 2007 – \$96,600) by one director for consulting fees and \$16,179 (May 31, 2007 - nil) for technical and professional services. As at May 31, 2008, \$45,117 was included in accounts payable (May 31, 2007 - nil).

## 8. Segmented Information

The Company is involved in mineral exploration and development activities, which are conducted in Canada. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating results for each of the three months ended May 31, 2008 and May 31, 2007.

## 9. 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

# GGL DIAMOND CORP.

Notes to Consolidated Financial Statements  
May 31, 2008

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## 9. Commitments, continued

- (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 received 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 247,355 common shares in payment of \$45,000 owed for the six months ended April 15, 2008.

## 10. Supplementary Cash flow Information

Non-cash operating, financing, and investing activities were conducted by the Company during fiscal periods ended May 31, 2008 and 2007 as follows:

	<u>2008</u>	<u>2007</u>
Operating activities		
Accounts payable for deferred exploration costs	\$ <u>119,470</u>	\$ <u>135,480</u>
Financing activities		
Issuance of common shares as finder’s fee	<u>40,000</u>	<u>4,221</u>
Investing activities		
Accounts payable for deferred exploration costs	\$ <u>(119,470)</u>	\$ <u>(135,480)</u>
Other supplementary cash flow information:		
Cash paid for interest charges	\$ <u>192</u>	\$ <u>671</u>
Cash paid for income taxes	\$ <u>-</u>	\$ <u>-</u>

## 11. Comparative Figures

Certain 2007 figures have been reclassified to conform to the presentation used in the current period.

## 12. Subsequent Events:

Subsequent to May 31, 2008:

- (a) the Company returned ten mining leases to Mountain Province Diamonds Inc., Camphor Ventures Inc. and De Beers Canada Inc. and
- (b) 208,000 warrants expired unexercised.