



GGL DIAMOND CORP.

CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 2006

(UNAUDITED)

Notice to Reader: The Company's auditors have not reviewed the attached Interim Consolidated Financial Statements for the period ended May 31, 2006.

GGL DIAMOND CORP.

Consolidated Balance Sheets As At
(Unaudited)

	May 31, 2006	November 30, 2005
ASSETS		
Current		
Cash and cash equivalents	\$ 309,951	\$ 592,662
Marketable securities	3,800	3,800
Accounts receivable	220,271	127,626
Prepaid expense	4,459	2,831
	538,481	726,919
Mineral properties and deferred exploration costs (Note 1)	13,279,034	12,050,879
Property, plant and equipment	275,388	286,211
	\$ 14,092,903	\$ 13,064,009
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 462,676	\$ 110,685
Current portion of mortgage loan	14,153	14,153
	476,829	124,838
Mortgage loan	20,728	28,109
	497,557	152,947
SHAREHOLDERS' EQUITY		
Share capital (Notes 2, 3)	26,345,932	25,308,996
Contributed surplus	1,125,120	823,329
Deficit	(13,875,706)	(13,221,263)
	13,595,346	12,911,062
	\$ 14,092,903	\$ 13,064,009

Commitments (Note 6)

Subsequent Events (Note 7)

Approved by the Board of Directors:

"Raymond A. Hrkac"

Director

"Nick DeMare"

Director

Please see notes accompanying these financial statements.

GGL DIAMOND CORP.

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

	May 31, 2006	May 31, 2005
Administration costs		
Amortization	\$ 837	\$ 665
Consulting fees	26,795	23,050
Corporate relations	33,420	4,173
Interest expense	507	-
Legal and audit	20,781	20,983
Licences, taxes, insurance and fees	4,972	6,130
Office services and expenses	38,655	32,080
Shareholders' meetings and reports	31,462	22,901
Stock based compensation	212,206	12,642
Travel	58,306	13,285
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Operating loss	(427,941)	(135,909)
	<hr/>	<hr/>
Other income (loss)		
Interest income	4,790	6,415
Foreign exchange adjustments	(1,172)	274
Gain on sale of equipment	92	-
Other Tax expense	-	(18)
General exploration costs	(41,704)	(43,988)
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	(37,994)	(37,317)
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Net loss for the period	(465,935)	(173,226)
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Deficit, beginning of period	(13,409,771)	(12,372,667)
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Deficit, end of period	\$ (13,875,706)	\$ (12,545,893)
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Net loss per share	\$ (0.005)	\$ (0.002)
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Weighted average number of common shares outstanding	93,600,695	78,990,279
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Please see notes accompanying these financial statements.

GGL DIAMOND CORP.

Consolidated Statement of Operations and Deficit
For the six months ended
(Unaudited)

	May 31, 2006	May 31, 2005
Administration costs		
Amortization	\$ 1,636	\$ 1,330
Consulting fees	45,095	81,750
Corporate relations	81,172	8,168
Interest expense	1,013	-
Legal and audit	38,766	35,596
Licences, taxes, insurance and fees	13,137	11,350
Office services and expenses	76,411	78,825
Shareholders' meetings and reports	33,300	28,789
Stock based compensation	301,792	36,027
Travel	62,695	23,083
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Operating loss	(655,017)	(304,918)
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Other income (loss)		
Interest income	14,009	9,621
Foreign exchange adjustments	(1,617)	274
Gain on sale of equipment	92	-
General exploration costs	(101,093)	(80,908)
Other Tax expense	(53)	(348)
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	(88,662)	(71,361)
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Net loss before taxes	(743,679)	(376,279)
Future tax recovery	89,236	82,000
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Net loss for the period	(654,443)	(294,279)
Deficit, beginning of period	(13,221,263)	(12,251,614)
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Deficit, end of period	\$ (13,875,706)	\$ (12,545,893)
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Net loss per share	\$ (0.007)	\$ (0.004)
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Weighted average number of common shares outstanding	93,600,695	78,990,279
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Please see notes accompanying these financial statements.

GGL DIAMOND CORP.

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

	May 31, 2006	May 31, 2005
Cash flows from (used in) operating activities		
Loss for the period	\$ (465,935)	\$ (173,226)
Adjustment for items not involving cash:		
- amortization of property, plant and equipment	6,711	6,577
- stock based compensation	212,206	12,642
- gain on sale of equipment	(92)	-
	(247,110)	(154,007)
Change in non-cash working capital items:		
- accounts receivable	(122,593)	(108,786)
- prepaid expenses	(4,303)	(1,403)
- accounts payable and accrued liabilities	302,246	159,718
	(71,760)	(104,478)
Cash flows from (used in) financing activities		
Shares issued for cash	122,500	2,230,000
Share issuance cost	(8,352)	(85,150)
Principal reduction of mortgage loan	(3,404)	(3,386)
	110,744	2,141,464
Cash flows from (used in) investing activities		
Mineral property costs	-	(316)
Deferred exploration costs	(765,580)	(487,861)
Proceeds from sale of equipment	100	-
Purchase of equipment	(2,212)	(3,918)
	(767,692)	(492,095)
(Decrease) increase in cash and cash equivalents	(728,708)	1,544,891
Cash and cash equivalents, beginning of period	1,038,659	672,787
Cash and cash equivalents, end of period	\$ 309,951	\$ 2,217,678
Supplementary cash flow information		
Cash paid for interest charges	\$ 506	\$ 446

Please see notes accompanying these financial statements.

GGL DIAMOND CORP.

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

	May 31, 2006	May 31, 2005
Cash flows from (used in) operating activities		
Loss for the period	\$ (654,443)	\$ (294,279)
Adjustment for items not involving cash:		
- amortization of property, plant and equipment	13,204	12,760
- stock based compensation	301,792	36,027
- gain on sale of equipment	(92)	-
- future tax recovery	(89,236)	(82,000)
	(428,775)	(327,492)
Change in non-cash working capital items:		
- accounts receivable	(92,645)	(101,798)
- prepaid expenses	(1,628)	(1,896)
- accounts payable and accrued liabilities	351,991	163,211
	(171,057)	(267,975)
Cash flows from (used in) financing activities		
Shares issued for cash	945,125	2,230,000
Shares issued for cash – flow-through shares	254,960	230,000
Share issuance costs	(73,913)	(94,266)
Principal reduction of mortgage loan	(7,381)	(7,291)
	1,118,791	2,358,443
Cash flows from (used in) investing activities		
Mineral property costs	-	(316)
Deferred exploration costs	(1,228,155)	(749,558)
Proceeds from sale of equipment	100	-
Purchase of equipment	(2,390)	(5,316)
	(1,230,445)	(755,190)
(Decrease) increase in cash and cash equivalents	(282,711)	1,335,278
Cash and cash equivalents, beginning of period	592,662	882,400
Cash and cash equivalents, end of period	\$ 309,951	\$ 2,217,678
Supplementary cash flow information		
Cash paid for interest charges	\$ 1,013	\$ 1,041

Please see notes accompanying these financial statements.

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
May 31, 2006

These notes should be read in conjunction with the Audited Consolidated Financial Statements for the year ended November 30, 2005.

1. Mineral Properties and Deferred Exploration Costs

[-----December 1, 2005 to May 31, 2006-----]

	Balance November 30, 2005	2006 property cost additions	2006 exploration cost additions	2006 written off	Balance May 31, 2006
Doyle Lake	\$ 2,115,914	\$ -	\$ 789,666	\$ -	\$ 2,905,580
Fishback Lake	1,016,316	-	263,475	-	1,279,791
CH	6,512,329	-	171,569	-	6,683,898
Happy Creek	926,920	-	195	-	927,115
McConnell Creek	1,479,400	-	3,250	-	1,482,650
	\$12,050,879	\$ -	\$1,228,155	\$ -	\$ 13,279,034

	Balance November 30, 2005	2006 Additions	2006 written off	Balance May 31, 2006
Mineral property costs	\$ 536,334	\$ -	\$ -	\$ 536,334
Deferred exploration costs	11,514,545	1,228,155	-	12,742,700
	\$ 12,050,879	\$1,228,155	\$ -	\$ 13,279,034

Exploration costs incurred during the six months ended:

	May 31, 2006	May 31, 2005
Charter Aircraft	\$ 243,598	\$ 130,668
Drilling, sampling	328,530	167,743
Licences, recording fees, lease payments	62,689	38,303
Project supplies	26,396	99,072
Salaries and wages	64,036	34,937
Survey	314,928	76,465
Technical and professional services	146,357	161,018
Transportation	41,621	41,352
	\$ 1,228,155	\$ 749,558

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
May 31, 2006

2. Share Capital

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

	Number of Shares	Amount
Balance, November 30, 2005	91,574,647	\$24,713,996
Private placement - flow-through share agreements	910,571	254,960
Private placement	3,160,227	556,642
Share issuance costs	-	(73,913)
Exercise of stock options	627,500	145,500
Exercise of warrants - proceeds	417,500	104,375
Re-allocation from share purchase warranty relating to the exercise of share purchase warrants	-	18,312
Flow-through share renunciation	-	(89,236)
Balance, May 31, 2006	96,690,445	\$ 25,630,636

	Number of Warrants	Amount
Balance, November 30, 2005	13,564,405	\$ 595,000
Private placement	3,160,227	138,608
Exercise of warrants	(417,500)	(18,312)
Balance, May 31, 2006	16,307,132	\$ 715,296

Share Capital **\$ 26,345,932**

- (c) During the period ended May 31, 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. 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.;
- (ii) issued 627,500 common shares upon the exercise of stock options at \$0.20 and \$0.30 per common share, for gross proceeds of \$145,500;

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
May 31, 2006

2. Share Capital, continued

- (iii) granted 1,675,000 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 May 12, 2011.;
 - (iv) 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.;
 - (v) issued 417,500 common shares upon the exercise of warrants at \$0.25 per common share for gross proceeds of \$104,375; and
 - (vi) 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) At May 31, 2006, the following share purchase warrants remained unexercised:

<u>Number of warrants</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
3,160,227	\$0.30	Dec. 23, 2006
1,075,000	\$0.30	March 8, 2007
582,500	\$0.30	March 15, 2007
7,777,778	\$0.22	April 29, 2007
1,666,666	\$0.20/\$0.22	July 27, 2007
2,044,961	\$0.26	Sept. 28, 2007
16,307,132		

3. Stock Options

The Company has 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 share 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. This amendment was approved by the Shareholders at the Company's Annual General and Special Meeting held on May 12, 2006.

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
May 31, 2006

3. Stock Options, continued

Stock options outstanding as at May 31, 2006:

	Shares	Weighted Average Exercise Price
Options outstanding at November 30, 2005	5,366,000	\$0.29
Expired	(757,500)	\$0.29
Granted	1,675,000	\$0.22
Exercised	(627,500)	\$0.23
Options outstanding at May 31, 2006	5,656,000	\$0.26

Options Outstanding				Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (yr)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$0.20 - \$0.50	5,656,000	3.27	\$0.26	5,510,167	\$0.26

4. Related Party Transactions

During the six months ended May 31, 2006, the Company was billed \$48,000 by a director (May 31, 2005 - \$46,612 by two directors) for consulting fees and technical and professional services.

5. Segmented information

The Company is involved in mineral exploration and development activities, which are conducted principally in Canada and the United States. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating results for each of the six months ended May 31, 2006 and May 31, 2005.

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

	May 31, 2006	May 31, 2005
Canada	\$ 13,165,788	\$ 12,179,425
United States	927,115	919,308
	\$ 14,092,903	\$ 13,098,733

GGL DIAMOND CORP.

Notes to Consolidated Financial Statements
May 31, 2006

6. Commitments

Pursuant to an agreement dated 2001, the Company had agreed to pay its President and Chief Executive Officer \$10,000 per month. This agreement has now been dissolved and a new agreement is being prepared. The Company will not be required to make any back payments pursuant to the 2001 agreement.

The Company signed a three-year lease for its head office, including some additional space, in Vancouver until June 30, 2009. The commitment is approximately \$49,000; \$62,000; \$62,500; and \$26,400 in each of the years 2006, 2007, 2008 and 2009, respectively.

7. Subsequent Events

Subsequent to May 31, 2006:

- i) the Company has raised \$904,000 pursuant to a flow - through private placement of units at \$0.25 per unit. 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. 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 to agents as finders fees.;
- ii) 180,000 stock options expired unexercised; and
- iii) the Company issued 50,000 common shares pursuant to the exercise of stock options for gross proceeds of \$20,000.