

Grizzly Diamonds Ltd.

Financial Statements

Three and nine months ended April 30, 2007 and 2006

To the shareholders of Grizzly Diamonds Ltd:

The interim balance sheet of Grizzly Diamonds Ltd. as at April 30, 2007, and the interim statements of loss and deficit and cash flows for the period then ended have been compiled by management.

No audit or review of this information has been performed by the company's auditors.

Grizzly Diamonds Ltd.

Balance Sheets

	(unaudited) April 30, 2007	(audited) July 31, 2006
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	1,748,464	1,685,381
Prepaid expenses	4,500	-
Accounts receivable	62,344	149,169
	<hr/> 1,815,308	1,834,550
Mineral properties (note 4)	<hr/> 3,513,821	2,243,912
	<hr/> 5,329,129	4,078,462
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	19,770	123,513
Future income taxes	<hr/> 465,339	41,814
	<hr/> 485,109	165,327
Shareholders' equity		
Share capital (note 5)	5,082,589	4,081,362
Contributed surplus (note 6)	427,253	363,136
Deficit	(665,822)	(531,363)
	<hr/> 4,844,020	3,913,135
	<hr/> 5,329,129	4,078,462

Approved by the Board of Directors

Signed "Brian Testo" Director

Signed "Pam Strand" Director

See accompanying notes to financial statements

Grizzly Diamonds Ltd.
Statements of Income, Loss and Deficit
(unaudited)

	Three months ended April 30 2007 \$	Three months ended April 30 2006 \$	Nine months ended April 30 2007 \$	Nine months ended April 30 2006 \$
Revenue				
Interest	18,906	10,146	52,401	25,636
Expenses				
Advertising and promotion	(15,661)	(4,800)	(28,825)	(21,878)
Office	(12,912)	(6,724)	(22,073)	(20,126)
Conferences and corporate travel	(18,321)	(9,374)	(33,709)	(28,489)
Corporate filing and transfer fees	(8,428)	(5,952)	(15,321)	(14,981)
Professional fees	(4,172)	(763)	(18,729)	(12,006)
Consulting fees	22,159	(42,866)	(5,876)	(112,366)
Stock-based compensation (note 5)	(19,500)	-	(34,750)	(310,545)
	(37,929)	(60,333)	(106,882)	(494,755)
Other expenses				
Property write offs (note 4b)	-	-	(122,122)	-
	(37,929)	(60,333)	(229,004)	(494,755)
Future tax recovery	54,085	-	94,545	-
Net income (loss) for the period	16,156	(60,333)	(134,459)	(494,755)
Deficit - beginning of period	(681,978)	(542,329)	(531,363)	(107,907)
Deficit - end of period	(665,822)	(602,662)	(665,822)	(602,662)
Basic and diluted net loss per common share	0.00	(0.01)	(0.01)	(0.04)
Weighted average number of common shares outstanding	15,233,607	13,213,735	14,818,430	12,157,659

See accompanying notes to financial statements

Grizzly Diamonds Ltd.
Statements of Cash Flows
(unaudited)

	Three months ended April 30 2007	Three months ended April 30 2006	Nine months ended April 30 2007	Nine months ended April 30 2006
	\$	\$	\$	\$
Cash provided by (used in)				
Operating activities				
Net income (loss) for the period	16,156	(60,333)	(134,459)	(494,755)
Items not affecting cash and cash equivalents				
Future tax recovery	(54,085)	-	(94,545)	-
Property write off	-	-	122,122	-
Stock-based compensation	19,500	-	34,750	310,545
	(18,429)	(60,333)	(72,132)	(184,210)
Net change in non-cash working capital items	(240,061)	74,655	(21,418)	(55,261)
	(258,490)	14,322	(93,550)	(239,471)
Investing activities				
Mineral properties	(537,253)	(740,901)	(1,339,531)	(1,378,098)
Financing activities				
Issuance of shares	-	60,147	1,605,619	2,492,311
Cash share issuance costs	(1,686)	(2,086)	(109,455)	(74,670)
	(1,686)	58,061	1,496,164	2,417,641
Increase (decrease) in cash and cash equivalents	(797,429)	(668,518)	63,083	800,072
Cash and cash equivalents - beginning of period	2,545,893	2,104,537	1,685,381	635,947
Cash and cash equivalents - end of period	1,748,464	1,436,019	1,748,464	1,436,019
Cash and cash equivalents consist of:				
Cash on deposit with financial institutions	1,748,464	836,019	1,748,464	836,019
Guaranteed investment certificates	-	600,000	-	600,000
	1,748,464	1,436,019	1,748,464	1,436,019

See accompanying notes to financial statements

Grizzly Diamonds Ltd.

Notes to Financial Statements

Three and nine months ended April 30, 2007 and 2006

1. Nature of operations

Grizzly Diamonds Ltd. (the “Company” or “Grizzly”) was incorporated in Alberta on May 31, 2002 and commenced operations on January 1, 2004.

Grizzly is in the business of acquiring and exploring mineral properties located in Canada. The Company has not yet determined whether these properties contain precious mineral reserves that are economically recoverable and the Company is not presently carrying on active exploration efforts on certain of its mineral properties. To date, the Company has not earned significant revenues and is considered to be in the development stage. The recoverability of the amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain necessary financing to complete the development, and ultimately upon future profitable production or proceeds from disposition of the mineral properties. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets should the Company be unable to continue as a going concern.

2. Basis of presentation

These unaudited interim financial statements should be read in conjunction with the Company’s July 31, 2006 audited annual financial statements and the notes thereto. These unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles by the Company and follow the same accounting policies and method of application as the Company’s financial statements for the year ended July 31, 2006.

Certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in Canada have been omitted. In the opinion of management, all adjustments of a normal and recurring nature that are necessary for a fair presentation of the balance sheet, results of operations, and cash flows of the interim period have been included.

3. Commitments

The Company has pledged \$25,000 (2006 – nil) to its financial institution as security for corporate credit card liabilities. The Company has provided two letters of guarantee for \$28,200 in aggregate for reclamation work in order to facilitate exploration in certain mineral property areas. These amounts are presented on the balance sheet as components of cash and cash equivalents.

Grizzly Diamonds Ltd.

Notes to Financial Statements

Three and nine months ended April 30, 2007 and 2006

4. Mineral properties

	Ownership interest %	July 31, 2006 balance \$	Acquisition costs \$	Exploration costs \$	Property write offs \$	April 30, 2007 balance \$
Alberta						
White Bear	90-100	180,451	-	4,624	-	185,075
Smoky the Bear (a)	90	261,549	20,542	310,183	-	592,274
Grand Cub Aidan	90-100	255,648	-	7,706	-	263,354
Legend	85-100	445,972	-	458,014	-	903,986
Call of the Wild	100	56,220	-	5,585	-	61,805
Preston upon the Wolverine	90	478,394	-	42,957	-	521,351
Kodiak	90-100	16,217	-	1,798	-	18,015
Bear Paw (a)	90-100	5,245	13,646	2,412	-	21,303
Grand Cub Parker	90-100	17,488	-	2,412	-	19,900
British Columbia						
Goat Mine (b)	-	122,044	-	78	(122,122)	-
Ant (c)	51	-	13,160	149	-	13,309
Peak	100	239,972	-	429,449	-	669,421
French	100	55,358	-	3,731	-	59,089
Silver Bear (d)	100	109,354	54,166	21,419	-	184,939
		2,243,912	101,514	1,290,518	(122,122)	3,513,821
Alberta						
	Ownership interest %	July 31, 2005 balance \$	Acquisition costs \$	Exploration costs \$	Property write offs \$	April 30, 2006 balance \$
White Bear	90-100	161,666	6,875	9,564	-	178,105
Smoky the Bear(a)	90	105,030	9,350	137,539	-	251,919
Grand Cub Aidan	90-100	9,365	10,758	232,660	-	252,783
Legend	85-100	26,088	101,737	262,803	-	390,628
New Buffalo Head Hills	90	51,833	(51,833)	-	-	-
Call of the Wild	100	10,400	21,250	8,843	-	40,493
Preston upon the Wolverine	90	-	23,125	439,817	-	462,942
Whitefish	100	-	5,600	-	-	5,600
Kodiak	90-100	-	14,650	-	-	14,650
Bear Paw (a)	90-100	-	4,350	-	-	4,350
Grand Cub Parker	90-100	-	15,250	-	-	15,250
British Columbia						
Goat Mine (b)	100	56,793	53,886	11,490	-	122,169
Peak	100	87,215	5,810	152,498	-	245,523
French	100	40,034	411	14,669	-	55,114
Silver Bear	100	24,841	67,990	16,856	-	109,687
		573,265	289,209	1,286,739	-	2,149,213

Grizzly Diamonds Ltd.

Notes to Financial Statements

Three and nine months ended April 30, 2007 and 2006

4. Mineral Properties, cont.

a) Smoky the Bear and Bear Paw

During the period ended April 30, 2007, Grizzly was successful in acquiring by bid process additional townships adjacent to the existing Smoky the Bear and Bear Paw properties in the Province of Alberta. The townships were previously held by the Buffalo Head Hills joint venture comprised of Ashton Mining of Canada Inc, Encana Corp. and Pure Gold Minerals Ltd.

b) Goat Mine

During the nine months ended April 30, 2007, management determined that the Goat Mine property lacked merit relative to other opportunities. The Company has forfeited its option to acquire a 100% interest in the property, and consequently, ownership of the related mineral claims has reverted to the vendor of the property. As a result, the Company has recorded a write-off in the statement of loss and deficit representing the carrying value of the property.

c) Ant

During the nine months ended April 30, 2007, Grizzly entered into an option agreement to acquire an undivided 51% interest in a number of mineral claims situated in the Similkameen Mining District of British Columbia. To earn this interest, Grizzly has made a cash payment of \$10,000 to the optionor, and in addition, must meet the following commitments:

- Incur a minimum of \$50,000 in exploration expenditures on the property by March 1, 2008.
- A cash payment of \$10,000 to the optionor by March 1, 2009.
- Incur a cumulative minimum of \$100,000 in exploration expenditures on the property by March 1, 2009.

d) Silver Bear

On February 3, 2007, as part of an option agreement signed February 3, 2005 to acquire a 100% interest in the property, the Company has issued 50,000 common shares to two arm's length individuals at a deemed value of \$52,500. To satisfy the terms of the agreement, Grizzly must issue a final payment of 50,000 common shares and incur sufficient exploration expenditures on the property to satisfy assessment requirements until February 3, 2008.

Grizzly Diamonds Ltd.

Notes to Financial Statements

Three and nine months ended April 30, 2007 and 2006

5. Share capital

Shares

Authorized:

Unlimited number of common shares

Unlimited number of preferred shares

Issued:

	Nine months ended April 30, 2007		Year ended July 31, 2006	
	Common Shares #	Amount \$	Common Shares #	Amount \$
Balance – beginning of period	13,756,876	4,081,362	10,010,001	1,104,440
Shares issued for cash	1,954,830	1,605,619	3,561,875	2,992,311
Shares issued for other consideration (note 4)	50,000	52,500	185,000	197,850
Reclassified from contributed surplus	-	5,733	-	41,409
Share issuance costs	-	(144,555)	-	(89,014)
Future income taxes	-	(518,070)	-	(165,634)
Balance – end of period	15,761,706	5,082,589	13,756,876	4,081,362

On December 22, 2006, Grizzly closed a non-brokered private placement of 900,000 units ("Units") at a price of \$1.10 per Unit for gross proceeds of \$990,000. Each Unit consisted of one flow-through common share of the Corporation ("FT Share") and one-half of a transferable common share purchase warrant (a "Warrant"). Each whole Warrant may be exercised for one additional non-flow through common share of the Corporation ("Common Share") at a price of \$1.50 per Common Share until December 22, 2007.

In connection with the offering, Grizzly also issued non-transferable agent's options to acquire up to 90,000 units of the Corporation ("Agent's Units") at a price of \$1.10 per Agent's Unit until December 22, 2007. The Agent's Units are on the same terms as the Units except that they consist of one non-flow-through Common Share and one-half of a Warrant.

On October 12, 2006, Grizzly closed a non-brokered private placement to one arm's length purchaser of 200,000 flow-through common shares of Grizzly ("FT Shares") at a price of \$1.00 per Share for aggregate proceeds of \$200,000.

Grizzly Diamonds Ltd.

Notes to Financial Statements

Three and nine months ended April 30, 2007 and 2006

5. Share capital, cont.

Stock options

The following table summarizes activity related to stock options:

	Nine months ended April 30, 2007		Year ended July 31, 2006	
	Number of options #	Weighted average exercise price \$	Number of options #	Weighted average exercise price \$
Balance – beginning of period	1,108,980	0.65	1,085,000	0.33
Granted	265,000	1.02	475,000	1.06
Cancelled	(150,000)	0.70	-	-
Exercised	(58,980)	0.30	(451,020)	0.32
Balance – end of period	1,165,000	0.75	1,108,980	0.65

The following table summarizes information about the Company's stock options outstanding:

Nine months ended April 30, 2007			Year ended July 31, 2006		
Number of options outstanding #	Weighted average exercise price \$	Weighted average remaining contractual life Years	Number of options outstanding #	Weighted Average exercise price \$	Weighted average remaining contractual life Years
575,000	0.35	2.7	58,980	0.30	0.4
325,000	1.22	3.7	575,000	0.35	3.4
25,000	0.89	4.5	150,000	0.70	4.1
150,000	1.00	2.5	325,000	1.22	4.5
90,000	1.10	0.6	-	-	-
1,165,000	0.75	2.8	1,108,980	0.65	3.7

Of the Company's outstanding options as at April 30, 2007, 1,052,500 were exercisable (2006 – 1,108,980).

The Company accounts for options granted under this plan and the stock option agreement with the agent in accordance with the fair value based method of accounting for stock-based compensation. The application of the fair value based method requires the use of certain assumptions regarding the risk-free market interest rate, expected volatility of the underlying stock and the life of the options.

Grizzly Diamonds Ltd.

Notes to Financial Statements

Three and nine months ended April 30, 2007 and 2006

5. Share capital, cont.

The Company recorded stock-based compensation expense in the amount of \$34,750 (2006 – \$310,545) in the statement of loss and deficit for options vesting in the period. The stock-based compensation expense has been determined based on the fair value of 62,500 (2006 – 475,000) options at the grant date, with a weighted average fair value of \$0.56 per option (2006 – \$0.65 per option).

The Company has recorded share issuance costs in the amount of \$35,100 (2006 – nil) relating to the options issued to the agents on the Company's private placement on December 22, 2006. The fair value of each option granted has been determined based on the fair value of 90,000 (2006 – nil) options at the grant date, with a fair value of \$0.39 per option (2006 – nil). All of the Company's options were issued with an exercise price equal to the market price on the grant date.

The fair value of each option granted is estimated on the date of grant, using the Black-Scholes option-pricing model with the following weighted average assumptions:

	Nine months ended April 30, 2007	Year ended July 31, 2006
Risk-free interest rate	3.92%	3.67%
Expected volatility	80.0%	91.3%
Annual dividend yield	0.0%	0.0%
Expected life of options	2.5 years	4 years

c) Warrants

The following table summarizes activity related to warrants:

	Nine months ended April 30, 2007		Year ended July 31, 2006	
	Number of warrants #	Weighted average exercise price \$	Number of warrants #	Weighted average exercise price \$
Balance – beginning of year	1,596,427	1.00	1,325,050	0.50
Issued	450,000	1.50	794,077	1.50
Exercised	(795,850)	0.50	(522,700)	0.50
Expired	(6,500)	0.50	-	-
Balance – end of year	1,244,077	1.50	1,596,427	1.00

Grizzly Diamonds Ltd.

Notes to Financial Statements

Three and nine months ended April 30, 2007 and 2006

5. Share capital, cont.

The following table summarizes information about the Company's warrants outstanding:

Number of warrants outstanding #	Weighted average exercise price \$	Nine months ended April 30, 2007		Number of warrants outstanding #	Weighted average exercise price \$	Year ended July 31, 2006	
		Weighted average remaining contractual life Years	Weighted average remaining contractual life Years				
794,077	1.50	0.5		802,350	0.50	0.4	
450,000	1.50	0.6		794,077	1.50	0.2	
1,244,077	1.50	0.5		1,596,427	1.00	0.3	

During the period ended April 30, 2007, the expiry date of the 794,077 warrants outstanding was extended by an additional year to October 24, 2007.

6. Contributed Surplus

Contributed surplus arises from the recognition of estimated fair value of stock options and agents options as follows:

	Nine months ended April 30, 2007		Year ended July 31, 2006	
		\$		\$
Balance – beginning of period		363,136		94,000
Stock options granted		69,850		310,545
Exercise of options		(5,733)		(41,409)
Balance – end of period		427,253		363,136

7. Related party transactions

During the period ended April 30, 2007, consulting fees of \$36,000 (2006 - \$24,250) were paid to a companies controlled by current officers of the Company (2006 - former officer of the Company); consulting fees of \$3,125 (2006 - 2,500) were paid to a company controlled by a director. All amounts were fully paid as at April 30, 2007 and 2006.

These transactions were in the normal course of operations and were measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.