



---

**Form 51-102F1**

***Management's Discussion & Analysis for the year ended June 30, 2015***

**DATE: October 26, 2015**

The following Management's Discussion and Analysis ("MD&A") is a review of the operations, current financial position and outlook of Gold Bullion Development Corp. ("Gold Bullion" or the "Company"), and it has been prepared by management and should be read in conjunction with the audited consolidated financial statements of Gold Bullion for the year ended June 30, 2015, and the related notes thereto, which are prepared in accordance with International Financial Reporting Standards ("IFRS"). The discussion covers the year ended June 30, 2015 and up to the date of filing of this MD&A. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. All amounts are stated in Canadian dollars unless otherwise indicated.

**FORWARD-LOOKING INFORMATION**

This MD&A contains certain forward-looking statements and information relating to the Company that are based on the beliefs of its management as well as assumptions made by and information currently available to the Company. When used in this document, the words "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration and development of the Company's exploration properties. Such statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Aside from factors identified in the annual MD&A, additional important factors, if any, are identified here.

**DESCRIPTION OF BUSINESS**

Gold Bullion Development Corp. is a junior natural resource company whose business is to seek out exploration opportunities with a focus on the Granada Gold Mine in Rouyn-Noranda, Quebec. Operations are conducted either directly or through consulting agreements with third-parties. The Company finances its properties by way of equity or debt financing or by way of joint ventures. Additional information is provided in the Company's audited consolidated financial statements for the

year ended June 30, 2015, and the Company's audited consolidated financial statements for the year ended June 30, 2014. These documents are available on SEDAR at [www.sedar.com](http://www.sedar.com). The Company also maintains a website at [www.goldbulliondevelopmentcorp.com](http://www.goldbulliondevelopmentcorp.com).

The Company is a reporting issuer in the Provinces of British Columbia and Alberta, and trades on the TSX Venture Exchange ("TSXV") under the symbol GBB, the US OTC market under the symbol GBBFF and the Frankfurt Stock Exchange under the symbol B6D-FRA.

The corporate office of the Company is located at 401 - 1231 Barclay Street, Vancouver, British Columbia, V6E 1H5.

## **CORPORATE**

### ***Financing***

On October 21, 2013, the Company closed a non-brokered private placement financing by the issuance of 13,857,200 units at a purchase price of \$0.07 per unit for gross proceeds of \$970,004. Each unit consists of one flow-through common share in the capital of the Company and one-half of a non-transferable share purchase warrant. Each whole warrant entitles the holder to purchase one non-flow-through common share in the capital of the Company on or before April 21, 2015, at a purchase price of \$0.10 per share.

On January 31, 2014, the Company closed a non-brokered private placement financing by the issuance of 15,212,700 units at a purchase price of \$0.05 per unit for gross proceeds of \$760,635. Each unit consists of one flow-through common share in the capital of the Company and one-half of a non-transferable share purchase warrant. Each whole warrant entitles the holder to purchase one non-flow-through common share in the capital of the Company on or before January 31, 2017, at a purchase price of \$0.10 per share.

On September 6, 2014, the Company closed a non-brokered private placement financing by the issuance of 18,091,019 flow-through units at a purchase price of \$0.065 per unit, and 6,952,698 non-flow-through units at a purchase price of \$0.05 per Unit, for gross proceeds of \$1,523,551.

Each flow-through unit consists of one flow-through common share in the capital of the Company and one-half of a non-transferable share purchase warrant. Each whole warrant entitles the holder to purchase one non-flow-through common share in the capital of the Company on or before September 6, 2016, at a purchase price of \$0.10 per share.

Each non-flow-through unit consists of one non-flow-through common share in the capital of the Company and one non-transferable share purchase warrant. Each whole warrant entitles the holder to purchase one non-flow-through common share in the capital of the Company on or before September 6, 2016, at a purchase price of \$0.10 per share.

On December 23, 2014, the Company closed a non-brokered private placement financing by the issuance of 19,140,000 flow-through units at a purchase price of \$0.05 per unit for gross proceeds of \$957,000. Each unit consists of one flow-through common share in the capital of the Company and one-half of a non-transferable share purchase warrant. Each whole warrant entitles the holder to purchase one non-flow-through common share in the capital of the Company on or before December 23, 2016, at a purchase price of \$0.10 per share.

On December 30, 2014, the Company closed a non-brokered private placement financing by the issuance of 7,100,000 flow-through units at a purchase price of \$0.05 per unit for gross proceeds of \$355,000. Each unit consists of one flow-through common share in the capital of the Company and

one-half of a non-transferable share purchase warrant. Each whole warrant entitles the holder to purchase one non-flow-through common share in the capital of the Company on or before December 30, 2016, at a purchase price of \$0.10 per share.

### **CORPORATE CEASE TRADE ORDERS OR BANKRUPTCIES**

Other than as described below, none of the directors, officers or promoters of the Company are, or within the past ten years prior to the date hereof have been, a director, officer, or promoter of any other issuer that, while that person was acting in that capacity:

- (a) was subject to a cease trade or similar order or an order that denied the issuer access to any statutory exemptions for a period of more than 30 consecutive days; or
- (b) was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangements or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the person.

On November 6, 2008, a cease trade order was issued by the British Columbia Securities Commission for the Company's failure to file its annual audited financial statements, and management's discussion and analysis, for the year ended June 30, 2008. The cease trade order was revoked on December 9, 2008 and the Company's shares were reinstated for trading on February 18, 2009 after the Company met TSXV requirements. Frank Basa, Jacques Monette and Roger Thomas, directors of the Company, were directors of the Company at this time.

On September 6, 2011, a cease trade order was issued by the Quebec Securities Commission for failure to file its annual audited financial statements, and management discussion and analysis, for the year ended April 30, 2011 to Excel Gold Mining Inc. ("Excel"). Jacques Monette, a director of the Company, was also a director of Excel. On September 7, 2011, a similar cease trade order was issued by the British Columbia Securities Commission and on December 20, 2011 a cease trade order was issued by the Alberta Securities Commission. Excel was subsequently delisted from the TSXV on October 11, 2012.

On August 31, 2012, Landdrill International Inc. ("Landdrill") announced that it had obtained an initial order from the New Brunswick Court of Queen's Bench under the Companies Creditor Arrangement Act and effective October 12, 2012, a cease trade order was issued against Landdrill by the New Brunswick Securities Commission for failure to file its interim financial statements, and management discussion and analysis, for the period ended June 30, 2012. In addition, effective October 12, 2012, Landdrill's securities were suspended from trading by the TSXV. On May 30, 2013 Landdrill was declared bankrupt pursuant to the Bankruptcy and Insolvency Act. Jacques Monette, a director of the Company, was also a director and an officer of Landdrill.

On May 11, 2015, a cease trade order was issued by the British Columbia Securities Commission for failure to file its annual audited financial statements, and management discussion and analysis, for the year ended December 31, 2014 to Fletcher Nickel Inc. ("Fletcher"). Jacques Monette, a director of the Company, is also a director of Fletcher. On May 20, 2015, a similar order was issued by the Ontario Securities Commission.

## **EXPLORATION AND EVALUATION PROJECTS**

### **Granada Property**

In total, the Company currently retains rights to 2 mining leases and 140 mining claims for a cumulative total of 5491 hectares. The mining leases are subject to a 2% GMR, of which half may be purchased for \$1,000,000 and a 1% NSR and 23 of the mining claims are subject to a 1% NSR. Additionally, there is a 2% NSR on 4 properties optioned from the D2D3 Group ("D2D3") in 2010, half of which may be purchased for \$1,000,000. Many of these latter claims, optioned from D2D3 Group, have since been allowed to expire.

The Granada deposit is a quartz-vein mesothermal gold deposit hosted by late Achaean Timiskaming sedimentary rock and younger syenite porphyry dykes. The dykes belong to a late tectonic suite that hosts the mesothermal gold mineralization in the Kirkland Lake and Timmins gold camps in Ontario and in Duparquet, north of Rouyn-Noranda, in Quebec.

Gold mineralization is hosted by east-west trending smokey grey, fractured quartz veins and stringers. Free gold occurs at vein margins or within fractures of the quartz veins or sulphides. Late northeasterly-trending, sigmoidal faults also host high-grade gold mineralization.

As of the date of this report, mineralization at the Granada gold mine remains open in all directions. The Company processed a bulk sample of 140,000 tonnes in 2007 from an open pit at the Granada site of which 30,000 tonnes was milled using an on-site mill. The average gold grade from this large sample was 1.62 grams per tonne with a 90-per-cent rate of recovery realized. The waste from this bulk sample, along with stockpiled waste from past bulk sampling programs from previous operators at Granada, was also assayed returning a grade of 1.75 g/t gold. These results confirmed the presence of gold mineralization between the known individual east-west trending vein structures. All core drilled from 2009 through 2011 was analyzed to determine whether there is sufficient grade between the higher-grade vein structures to allow for bulk, open pit extraction.

The first four phases of the drill campaign have been completed with just under 90,000 metres drilled since December 2009. A table of highlights from all drilling can be found on the Company's website: [www.goldbulliondevelopmentcorp.com](http://www.goldbulliondevelopmentcorp.com)

An updated Resource Estimate and Preliminary Economic Assessment ("PEA") Technical Report was released February 4, 2013 (effective December 21, 2012) by SGS Geostat which outlined a preliminary resource of 934,000 ounces gold at 2.21 gram per tonne in the M & I categories and 617,000 ounces gold at 2.23 gram per tonne in the inferred category, detailed as in situ measured resource of 536,000 ounces (7.81 million tonnes grading 2.14 g/t), indicated resource of 398,000 ounces (5.35 million tonnes grading 2.32 g/t) and an inferred resource of 617,000 ounces gold (8.6 million tonnes grading 2.23 g/t Au) using a cut-off grade of 1.0 g/t. The Company is now targeting an additional 1 to 2 million ounces grading 3 to 4 grams per tonne within 10 to 15 million tonnes to this total (as press released November 26, 2012) with subsequent drill programmes.

In February 2013 (effective December 21, 2012), the Company released its first PEA with a proposed combination of open pit and underground operations. The NI 43-101 compliant PEA was prepared by SGS Canada based on the measured, indicated and inferred resource numbers released in November 2012 and updated in December 2012.

PEA Highlights are stated in the Company's press release dated December 21, 2012 and the full report is available on the Company's website as well as on SEDAR ([www.sedar.com](http://www.sedar.com)).

The Company completed and released its Prefeasibility Study ("PFS") on June 19, 2014 (effective May 6, 2014). The results from the PFS demonstrate the economic viability of the Granada Mine

Rolling Start based on the mineral reserves derived from resources that were outlined by SGS Canada Inc., as disclosed in the Company's news release dated May 6, 2014. The PFS highlights the fact that significant amounts of gold resources are present. With the next phase of drilling these additional resources have the potential to be converted to reserves and as such there remains excellent exploration likelihood to further expand the size of the existing mineral inventory. The PFS Phase 1 "Rolling Start" Open Pit plan for gold production also provides a more conservative estimate of profitability than the PEA due to the exclusion of the inferred resources in conjunction with the use of a higher cut-off grade. As such, the PFS provides estimates that have a lower risk.

The Technical Report dated June 19, 2014 is available under the Company's profile on SEDAR and on the Company's website at [www.goldbulliondevelopmentcorp.com](http://www.goldbulliondevelopmentcorp.com).

Most recently, on May 26, 2015, the Company released an updated resource estimate with a base case resource at 1 g/t range of 833,477 ounces gold in Measured category grading 0.90 g/t in 30.4 Million tonnes, 753,811 ounces gold in Indicated category grading 0.96 g/t in 26.5 million tonnes and 1.6 million ounces grading 0.99 g/t Au in 51.5 million tonnes in inferred resources using a cut-off grade of 0.30g/t. This is revised up from the previous estimate of 1.6 Million ounces in Measured and Indicated grading 1.05 g/t in 47.5 Million tonnes and 1.0 million ounces in inferred grading 1.07 g/t Au in 30.0 million using a cut-off grade of 0.40g/t released in the February 2013 PEA.

*Cautionary statement:* Mineral resources that are not Mineral Reserves do not have demonstrated economic viability.

The following table shows three global resource estimate scenarios, each with a different cut-off grade with capping at 30 g/t. This table can also be compared to the table further down showing the previous resource estimate taken from the Preliminary Resource Estimate released February 2013.

GRANADA Gold Deposit Resource Sensitivity Analysis May 2015

Cut off of 0.21 g/t			
Resource Class	g/t Au	Tonnes	Ounces
inferred	0.79	71,240,000	1,700,000
indicated	0.71	40,550,000	866,800
measured	0.70	43,740,000	941,400
<b>Indicated+Measured</b>	0.71	<b>84,298,000</b>	<b>1,808,000</b>
Cut off of 0.30 g/t (Base Case)			
Resource Class	g/t Au	Tonnes	Ounces
inferred	0.99	51,519,000	1,551,000
indicated	0.96	26,488,000	753,800
measured	0.90	30,357,000	833,500
<b>Indicated+Measured</b>	0.93	<b>56,846,000</b>	<b>1,587,300</b>
Cut off of 0.60 g/t			
Resource Class	g/t Au	Tonnes	Ounces
inferred	1.63	24,298,000	1,276,400
indicated	1.72	10,979,000	608,400
measured	1.52	13,324,500	649,400
<b>Indicated+Measured</b>	1.61	<b>24,303,400</b>	<b>1,257,800</b>
<i>Note: A constant bulk density of 2.7 t/m<sup>3</sup> has been used. Numbers may not add up due to rounding</i>			

From PEA February 4, 2013 (effective December 21, 2012)

Cut off of 0.40 g/t and capping at 30 g/t

Resource Class	g/t Au	Tonnes	Ounces
<b>inferred</b>	1.07	29,975,000	1,033,000
<b>indicated</b>	1.09	18,740,000	659,000
<b>measured</b>	1.02	28,735,000	946,000
<b>Indicated+Measured</b>			1,605,000
	1.05	47,475,000	
<i>Note: A constant bulk density of 2.7 t/m<sup>3</sup> has been used. Numbers may not add up due to rounding</i>			

The historical production of 51,476 ounces (181,744 sT @ 0.28 oz/sT) from 1930 to 1935 is included in the resource statement; they cannot be physically removed from measured, indicated or inferred categories. The mineral resources are blocks above gold cut of grade (COG) composite and have been capped at 30 g/t for the estimation of Mineral resources. The density to convert volume to tonnage is 2.7.

These upgraded Resource Estimates encompass data from surface to a depth of 1.0 km within the mineralized envelope.

*Cautionary statement:* Mineral resources that are not Mineral Reserves do not have demonstrated economic viability.

The estimation of 10mx10mx10m blocks was made with capped to 30 g/t composites of 1.5 meters. Estimation and classification are similar to previous 2012 estimation with the exception of increase in ellipsoid search as historical holes and underground drift workings show a more continuous mineralization.

The database used for this potential Granada resource estimate includes drill results obtained from the Company's drill programs in 2009, 2010, 2011, and 2012 plus many of the historic holes where sufficiently long sections of the core had been analyzed.

As announced in the May 7, 2015 press release, metallurgical test work showed an increase of 33% from assayed to calculated head grades demonstrating a significant potential for an increase that concurs with historical documentation of a 30% increase in grade and resource during production at Granada back in the 1930's.

The Company completed a 450-metre trenching program during the summer of 2013 that was undertaken to further evaluate the near-surface mineralized zones of the potential open pit at the Granada Gold Mine. Assays from channel samples taken from the trenched areas varied from 22.42 grams per tonne Au over 1.04 metres to 0.01 grams per tonne Au over 0.82 metres. The higher grades were from samples in the eastern section of the extended LONG Bars zone. Significant visible gold was also encountered very near surface at a depth of 10 centimetres in the western area of trenching.

On August 13, 2014 the Company announced a permit to allow limited trenching in order to more precisely define the location to commence mining the Mousseau Pit (the easternmost pit as outlined in the Press Release found on the Company's website <http://goldbulliondevelopmentcorp.com>). The Mousseau Pit has an estimated 32,144 ounces gold at a grade of 4.37 grams per tonne gold in 229,000 tonnes of ore in the Probable Reserve Category. These newly released numbers form part of a subset of data prepared for the PFS report released June 19, 2014 effective May 6, 2014. This pit

will commence in Year 1 of the Rolling Start and will be completed in Year 2. The Granada Rolling Start has been developed by the Company as a model to de-risk the project while optimizing exploration, mining, and processing parameters for best fit under current economic conditions. The model is sufficiently dynamic and has been developed to anticipate future market changes.

In September 2014, approximately 600m of additional trenching in 6 trenches was completed immediately east of Pit 2A. Bedrock was uncovered with the majority of the work conducted as continuous channel sampling. The program was carried out by Technominex and supervised by L. Caron, Géo. GoldMinds Geoservices Inc.

A total of 334 channel samples were assayed for Au by Accurassay Laboratory in Rouyn-Noranda with fire assay SAA/PCI method on 30 gram samples and by gravimetric method on 50 gram samples for those samples with more than 10g/t Au. QA/QC: samples were 1m long with a standard inserted every 20 samples, and a blank inserted every 40 samples.

Gold mineralization was identified within the quartz veinlets through the syenite porphyry and the conglomerate of the Granada Formation in the Temiskaming Group. The conglomerate shows a chlorite alteration in the footwall of the mineralized zone that is rather sericitic and ankeritic. Trenching work outlined the mineralization zones that were cut by the previous diamond drill holes and provided important information in terms of where to commence upcoming surface mining operations within the context of the PFS issued earlier in the year.

In trench T14-6, located 36 m to the east of the Pit 2A limit, two mineralized zones were outlined by the channel sampling. The first zone is from 18 to 23 m and returned 5.0 m @ 1.638 g/t Au while the second zone, between 28 and 32 meters returned 3.0 m @1.2 g/t Au. This data indicates there is a strong possibility to extend the mineralized zone from Pit 2A, but additional surface work is needed prior to confirming this.

Trench T14-3 cut three mineralized zones. The main zone is seen in a wide sericite and silica alteration zone with quartz veinlet net concentrate between 29.0 and 33.0 m which returned 4.0 m @ 2.947 g/t Au. This zone included a very high value of 108.6 g/t Au on a 1 m channel cutting a quartz veinlet inside the altered conglomerate.

Trench T14-5 also cut a mineralized zone of interest between 22.0 and 28.0 m which returned 5 m @ 2.303 g/t Au. In trench T14-1, from 17.0 to 21.0 m returned 4.0 m @1.931 g/t Au with another mineralized zone from 96.0 to 99.0 m @ 1.535 g/t Au. The trenching work also permitted the observation of the senestral N-E shearing of the E-W veinlet system. These results from this trenching can be seen in the Company Press Release of November 18, 2014.

**Results of channel sampling in the trenches at the Granada Gold  
Bullion Property (Assay cut to 10 g/t Au)**

<b>No Trench</b>	<b>From</b>	<b>To</b>	<b>Length</b>	<b>g/t Au</b>
T14-1	17.0	21.0	4.0	1.931
T14-1	96.0	99.0	3.0	1.535
T14-2	2.7	4.0	1.3	0.859
T14-3	18.0	21.0	3.0	1.699
T14-3	29.0	33.0	4.0	2.947
T14-3	61.0	66.0	3.0	1.660
T14-4	29.0	32.5	3.5	1.538
T14-5	22.0	28.0	6.0	2.303
T14-6	18.0	23.0	5.0	1.638
T14-6	28.0	31.0	3.0	1.200



So far in 2015, three trenches have been completed in the area covering the smallest proposed pit located furthest west with channel sampling from the middle trench, TR15-11, returning 6.05 g/t Au over 8 m including 14.98 g/t Au over 3 m (Press Release April 22, 2015). To date, surface channel sampling grades confirm the continuity of the near-surface drill-intersected mineralization over a potential strike length of 3.5 kilometers from the western to the eastern trenches – this is a very positive development within the rolling start mining plan.

Gold Bullion's management is extremely pleased with the exploration results to date. The expansion of mineralized zones through drilling, coupled with the positive results from bulk sampling, leaves the company confident its objective of defining an economic, bulk-tonnage gold deposit amenable to open-pit mining is increasingly probable with each step forward.

The Company is making steady progress on its environmental studies and tests in preparation for its rolling start to production in anticipation of receiving its Certificate of Authorization ("CA").

Studies include water well measurements on near-by wells and noise-monitoring studies which have been completed and submitted along with the application for a Certificate of Authorization. These are all studies to comply with Ministry Guidelines, the Mining Act and community concerns. Public Consultation is continuing with the communities of Granada and Rouyn-Noranda to address their concerns in a positive and respectful manner for the mutual benefit of all. A number of questions and concerns have been put forward and the Company is committed to answering and dealing with any issues while maintaining a commitment to the environment and while moving forward within the confines of legislation and regulations mandated by both Federal and Provincial Governments.

Sound studies completed in 2014 measured average noise levels at three stations 700 to 900 metres from the proposed Mousseau Pit at 40db to 50db during the night and at 45db to 55db during the day with no mining activity taking place.

The 480,000 tonne historic waste rock dump material was processed and screened three years ago for valorization as part of the Company's Voluntary Rehabilitation initiative. The third party CA permit called for screening at 2.0 mm but was screened by the Company at 20.0 mm to remove any potential

contaminants. This screening exceeded CA safety factor requirements by a magnitude of 10. This process commenced in 2010 as preliminary work for sound barrier construction that will proceed when the area is cleared and the CA has been received from the MDDELCC (Le Ministère du Développement Durable, Environnement et Lutte Contre les Changements Climatiques). The sound barrier will contain and reduce noise from mining activity to shield the nearest neighbours approximately 700 metres south of the initial pit. The rest of the land between these neighbours and the pit is a dense boreal forest that will also buffer noise and act as a natural dust filter.

Some of this screened material has since been used to stabilize drill trails, minimize soil damage and to improve recreational trails on the property. As part of the preparation for production and in consideration of the changes to long-standing trail permissions, the Company voluntarily moved the trails to allow local long-term recreational users affected by the changes to continue using Granada land for leisure pursuits.

On April 10, 2015, the Company announced it had recently received a wood cutting permit and has begun timber removal and ground clearing for the first proposed open pit in the Rolling Start to gold production at the Granada Gold Mine. In addition, ground preparation for the construction of a sound barrier south of the Mousseau Pit has also commenced as well as work in the polishing pond area.

A Communication Protocol Agreement has been signed between the Company and Temiskaming First Nations ("TFN") to facilitate and ensure timely, effective and transparent communications moving forward (see Company Press Release August 26, 2014). This Communications Protocol is for the purposes of establishing a positive working relationship based on mutual respect concerning the Granada Mine project and any other Company mining activities located on the TFN's traditional territory. The Communications Protocol Agreement is intended to serve as a framework to develop a more specific agreement over the next several months.

More recently, a Memorandum of Understanding ("MOU") was signed between the Temiskaming First Nations and Gold Bullion Development Corp. to work together moving forward towards a rolling production start at Granada (see Company Press Release January 30, 2015).

In preparation for the Rolling Start, Gold Bullion has signed a custom milling agreement with IAMGOLD Corp ("IAMGOLD") to process ore from the Granada gold property at their Westwood Mill facilities. The officers of both companies have approved this agreement, the terms of which were press released July 14, 2014 <http://goldbulliondevelopmentcorp.com>. The signing of this agreement is a significant milestone for the Company and its shareholders as an efficient, direct, well-defined path to commercial gold production using Granada ore via implementation of the "rolling start" concept. The annual target is set at 192,000 tonnes. The agreement anticipates that gold doré bars will be poured at the IAMGOLD mill, then transported by secure service to the Royal Canadian Mint for refining, with the finished product then sold as bullion to Scotia Mocatta, a division of Scotiabank Global Banking and Markets (Bank of Nova Scotia). The commencement of this process is contingent upon the receipt of Certificates of Authorization for both IAMGOLD and Gold Bullion. As press released by the Company on January 16, 2015, IAMGOLD has received its amended Certificate of Authorization to process Gold Bullion's LONG Bars Zone ore at the Westwood Mill.

### **Castle Silver Mine Property**

The Castle Silver Mine Property encompasses a 100% interest in 34 Mining Leases and 2 Mining Licenses of Occupation located in the Haultain and Nicol Townships of Ontario covering a total of 564.41 hectares. This core property is subject to a sliding scale royalty on silver production. This starts at 3% when the price of silver is US\$15 or lower per troy ounce and rises up to 5% when the price of silver is greater than US\$30 per troy ounce. There is also a 5% gross overriding royalty ("GOR") on the sale of products derived from the property with a minimum annual payment of \$15,000 in the form

of royalties on all future production from the property. The Company staked, in 2013, an additional 16 claims consisting of 169 16-ha claim units adding significantly to the existing land package with holdings now up to 3,252 ha – a nearly six-fold increase from the original 564 ha acquired in 2006.

The former-producing mine was operated at various times since 1917, producing a total of 692,302,483 grams (22,257,871 oz) silver from the No. 3 shaft as reported in a press release dated April 11, 2011. This included production by Agnico-Eagle Mines Ltd. from 1979 to 1989, which came to 101,024 tonnes milled; 91,421,294 grams silver; 34,597 kilograms cobalt; and 10,180 kilograms copper. Operations were shut down in 1989 due to low silver prices.

As part of their 2011 drill program, and as reported in a press release dated August 25, 2011, Castle Silver drilled a significant intersection of 3.09m grading 6476 g/tonne Ag in hole CA1108; one of 12 holes forming part of the 6000m winter drill program in 2011.

As part of the recent staking in Haultain Township, two existing geological trends were targeted:

- A potential north-south trending Nipissing diabase intrusive - the typical host rock for Ag-Co-Ni deposits of Gowganda mining camp. The staking of this diabase trend includes two north-south trending faults: the McRae Fault and the Mire Lake Fault.
- A potential gold trend along the east-west-trending Bloom Lake Fault to follow up on a recent, significant gold discovery located approximately 7 km south of the Bloom Lake Fault.

Potentially significant quartz float northwest of Castle adit was identified south of the Bloom Lake Fault within the Montreal River Provincial Park. This float supports the potential of a quartz vein system in the staked ground east of the Montreal River Provincial Park along the Bloom Lake Fault.

In Nicol Township, an additional 2 claims consisting of 3 claim units were staked as part of the 2013 staking. These claims are in close proximity to the historic O'Brien Mine (1,267,059,144 g (40,736,585 ounces) Ag production to the end of 1969 as reported in a 1978 Ontario Geological Survey Report 175) and incorporate the Castle #1 shaft. The workings of the O'Brien Mine and the Castle #1 Mine are interconnected. These new claims fill gaps within Castle Silver's mining lease fabric making exploration of these isolated claims more practical.

Gold Bullion carried out a total of 6,842.38 m of diamond drilling on the Castle Silver Mine Property between February and July 2011. A total of twelve holes, NQ size core, were drilled. The program successfully identified multiple new vein structures, the most significant being a silver-cobalt vein in hole CA11-08 with a weighted average of 6,476 g/t Ag over 3.09m. Additional surface and down-the-hole geophysical work is planned prior to further follow-up diamond drilling.

A new technical report on the Castle Silver Property has been completed dated August 21, 2015 with an effective date of July 9, 2015. The Technical Report is titled: "Takara Resources Inc. Castle Silver Property, Gowganda, Ontario, Canada NI 43-101 Technical Report" and is available on SEDAR at under Gold Bullion's company profile. The report was prepared by Claude Duplessis, PEO of GoldMinds Geoservices Inc. The technical report was completed in conjunction with the acquisition by Takara Resources Inc of Gold Bullion's wholly owned subsidiary, Castle Silver Mines Inc. (Press Release August 24, 2015).

Underground workings at the Castle Silver Mine have not been accessed since 1989 when the low price of silver forced Agnico-Eagle Mines to shut down operations. The first level, at 70 feet below the collar at the shaft, is accessible by way of an adit. Because the adit level is above the water table, the workings are dry and therefore do not require any dewatering for initial inspection. The company has applied for and received an Advanced Exploration Permit to allow the opening of the adit for mapping

and sampling purposes. The adit has been opened and fenced and is awaiting proposals for work to allow safe access to the workings to comply with current safety and labour practices and regulations.

On surface, the property boundary has been surveyed and lines cut in preparation for a follow-up geophysical IP survey based on the success of drilling IP-defined targets in 2011. A small amount of stripping (approximately 1,200m<sup>2</sup>) of minimal overburden was completed during the summer of 2012 to enable the successful definition and mapping of a series of structures causing the electrical anomalies identified from creating a continuous link from the vein at the entrance to the adit.

Late in 2014, a small trenching program was initiated to follow up on significant results based on a boulder train of rusty, highly-altered, angular boulders with 3-5% sulphides and substantial quartz veining originally identified in late 2012. Assay results included grab samples in one trench of up to 0.37 g/t Au and another of 0.26 g/t Au with 1.032% Cu.

Further results from the late 2014 trenching include channel sample assays in trench D3 grading 2.24 g/t Au over 2.20 metres including one sample of 3.77 g/t Au over 1.27 metres. In trench D1, channel sampling grading 0.77 g/t Au over 3.98 metres including a sample of 1.25 g/t over 0.83 metres (Press Release April 2, 2015).

Of significance is that this boulder train of altered, mineralized boulders extends to the north beyond the trenches indicating the potential for other similarly altered zones north of the current trenching.

### **Beaver Property, Ontario, Canada**

The Company holds a 7-year option to acquire a 100% interest to an area of approximately 20 acres in Coleman Township, Ontario. The property is subject to a 3% net smelter return royalty, and the Company may purchase each 1% of the NSR royalty for \$1.5 million.

The Company has released results of a high definition mineralogy study and some scoping level flotation and gravity separation tests done by SGS Lakefield on samples from its Beaver Silver Property, located 15 kilometres east of the historic silver camp in Cobalt, Ontario. See Press Release dated February 14, 2013 on the Company's website ([www.goldbulliondevelopmentcorp.com](http://www.goldbulliondevelopmentcorp.com)).

The test work above was based on a 20-kilogram sample from 400 kilograms of cobalt-nickel sulfide material hand cobbled from the historic waste pile at the Beaver Silver Mine. The sample used in this test program, has an average calculated assay of 7.98 percent Cobalt, 3.98 percent Nickel and 1246 grams per tonne silver. Combined gravity-flotation recoveries from the limited test program yielded 64.2 percent for Cobalt, 61.2 percent for Nickel and 92.0 percent for Silver. No real effort was made to produce a sellable concentrate.

The Company is encouraged by these test results and is extending the test program by doing further gravity concentration of the material followed by pressure leaching. At this stage, the Company plans to produce a bulk metal hydroxide cake with the long-term objective of producing a Cobalt product for the Lithium-Ion battery market. The present test program will examine Silver and Cobalt-Nickel sulfides only.

### **SHAREHOLDERS GOLD PURCHASE PROGRAM**

Gold Bullion intends to implement a Shareholder Gold Royalty Program, if and when the Granada Gold Mine enters into production. The Shareholder Gold Royalty Program will be for the life of the Granada Gold Mine for all current resources, and for other resources that may be discovered through further exploration. Gold Bullion cannot guarantee that the Granada Gold Mine will enter into production or that the proposed Shareholder Gold Royalty will be implemented. The proposed

Shareholder Gold Royalty Program is part of the Company's forward-looking policy of ensuring shareholder value.

Subject to shareholder and TSXV approval, the Company is proposing to grant an net smelter return ("NSR") of 1 percent per 1 million ounces of the resource, to be attached to existing common shares of the Company, pro-rated to the current shareholdings. It has been determined that attaching a gold dividend to the existing shares with the same parameters is the best option for shareholders. The Company plans to cap the NSR at 3 percent, but should the resource exceed 3 million gold ounces in all categories, a windfall clause will be added whereby shareholders will be entitled to exceed the 3 percent NSR cap depending on future conditions pertaining to the eventual resource size or if market conditions warrant under any circumstance.

## **RISK FACTORS**

### **Financial Risk Management**

#### **Overview**

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk, including commodity price risk and foreign currency exchange risk;
- Interest rate risk; and
- Operational risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

#### **Risk Management Framework**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board fulfills its responsibility through the Audit Committee, which is responsible for overseeing the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management practices are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company has an established code of conduct which sets out the control environment within which framework all directors' and employees' roles and obligations are outlined.

The Company's risk and control framework is facilitated by the small-sized and hands-on executive team. There have been no changes in the risks, objectives, policies and procedures during 2015 and 2014.

#### **Credit Risk**

Credit risk is the risk of an unexpected financial loss to the Company if a customer or third-party to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash and receivables.

#### **a) Cash and cash equivalents**

The Company's cash is held through large Canadian financial institutions. The Company has a

corporate policy of investing its available cash in Canadian government instruments and certificates of deposit or other direct obligations of major Canadian banks, unless otherwise specifically approved by the Board. The Company does not own asset-backed commercial paper. Management believes the risk of loss to be minimal.

**b) Receivables**

When necessary, the Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures. Further, when the Company engages in corporate transactions, it seeks to manage its exposure by ensuring that appropriate recourse is included in such agreements upon the counterparty's failure to meet contractual obligations. Management believes that the credit risk with respect to financial instruments included in amounts receivable is minimal.

**Liquidity Risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking undue damage to the Company's reputation. The Company generates cash flow primarily from its financing activities. As at June 30, 2015, the Company had cash of \$35,157 (June 30, 2014 - \$152,227) to settle current liabilities of \$3,751,918 (2014 - \$3,371,114).

The Company's objective is to maintain sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. This is accomplished by budgets and forecasts which are updated on a periodic basis to understand future cash needs and sources. Spending plans are adjusted accordingly when possible to provide for liquidity.

The Company manages its liquidity risk through the mechanisms described above and as part of Capital Disclosures below. The Company has historically relied on issuances of shares to develop projects and to finance day-to-day operations and may do so again in the future.

The Company has no significant long-term liabilities. All other contractually obligated cash flows are payable within the next fiscal year.

**Classification of Financial Instruments**

As at June 30, 2015 and June 30, 2014 the Company did not have any financial assets or liabilities measured at fair value.

**Market Risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate risk, and commodity prices will affect the Company's income, the value of its Evaluation and Exploration properties or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

a) Commodity price risk

The Company is exposed to price risk with respect to fluctuation in gold and silver prices which impacts the future economic feasibility of its mining interests. Gold and silver prices are affected by numerous factors such as the sale or purchase of gold and silver by various institutions, interest rates, exchange rates, inflations in the value of the US dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major gold and silver producing countries throughout the world. As the Company is still in the exploration and evaluation stage, the fluctuation of gold and silver prices does not have a significant impact on the Company.

b) Foreign currency exchange risk

The Company is exposed to foreign currency exchange risk with respect to future gold and silver sales, since gold and silver sales are denominated in US dollars and the Company's functional and reporting currency is the Canadian dollar. The movement on US rates related to the Canadian dollar may impact the future economic feasibility of the Company's mining interests. As the Company is still in the exploration and evaluation stage, the fluctuation of the US dollar does not have a significant impact on the Company.

### Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company has not entered into any derivative contracts to manage this risk. The Company's policy as it relates to its cash balance is to invest excess cash in financial instruments guaranteed by and held with a Canadian chartered bank.

As at June 30, 2015 and June 30, 2014 the Company's exposure to interest rate risk is summarized as follows:

Receivables	Non-interest bearing
Trade and other payables	Non-interest bearing

### Sensitivity Analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve month period:

- i) The Company receives low interest rates on its cash balances and, as such, the Company does not have significant interest rate risk.
- ii) The Company does not hold balances in foreign currencies to give rise to exposure to foreign currency risk.

### Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. The Company has a small but hands-on and experienced executive team which facilitates communication across the Company. This expertise is supplemented, when necessary, by the use of experienced

consultants in legal, compliance and industry-related specialties. The Company also has standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Development of contingency plans;
- Ethical and business standards; and
- Risk mitigation, including insurance when this is effective and available.

### **CAPITAL MANAGEMENT DISCLOSURES**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of exploration and evaluation projects. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company considers its capital to be equity, which is comprised of common shares, reserves and deficit, which as at June 30, 2015 totalled \$3,307,117 (June 30, 2014 – \$(2,730,500)).

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

The Company currently has no source of revenues, and therefore is dependent on external financing to fund activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended June 30, 2015 and the year ended June 30, 2014. The Company is not subject to external imposed capital requirements.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSXV which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

As of June 30, 2015, the Company may not be compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

### **SELECTED ANNUAL INFORMATION**

The following table provides a brief summary of the Company's financial operations for the last three fiscal years.

	Year Ended June 30, 2015	Year Ended June 30, 2014	Year Ended June 30, 2013
Total Net Loss	\$(3,133,899)	(\$5,510,025)	(\$2,637,283)
Net Loss per share	(\$0.01)	(\$0.02)	(\$0.01)
Total Assets	\$444,801	\$640,614	\$2,709,939
Cash dividends declared per share	N/A	N/A	N/A

## **RESULTS OF OPERATIONS**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may be different from those estimates.

The following schedule provides the details of the Company's corporate operating expenditures for the years ended June 30, 2015 and 2014.

	2015	2014
Administrative and general expenses	\$ 86,014	\$ 84,610
Consulting fees	356,413	256,270
Management fees	230,560	213,510
Professional fees	236,149	211,448
Filing costs and shareholders' information	285,218	234,116
Travel	128,344	88,353
	<b>\$ 1,332,698</b>	<b>\$ 1,088,307</b>

The following schedule provides the details of the Company's expenditures, by project, on its exploration and evaluation projects for the years ended June 30, 2015 and 2014.

	June 30, 2015				June 30, 2014			
	Granada	Castle	Beaver	Total	Granada	Castle	Beaver	Total
Acquisition costs	\$ -	\$ -	\$15,000	\$ 15,000	\$ -	\$ -	\$20,000	\$ 20,000
Assaying and testing	46,179	4,772	-	50,951	14,856	-	-	14,856
Core analysis	-	-	-	-	44,901	-	-	44,901
Depreciation	18,762	-	-	18,762	26,028	-	-	26,028
Drilling	17,054	-	-	17,054	-	-	-	-
Equipment costs	105,932	88,580	-	194,512	52,074	138,231	2,500	192,805
Facility expense	72,388	12,026	-	84,414	91,793	39,589	-	131,382
Geology and geophysics	141,220	-	-	141,220	138,983	9,369	1,600	149,952
Personnel	101,130	-	-	101,130	157,007	60,088	-	217,095
Project management	954,629	146,844	-	1,101,473	1,250,580	144,453	-	1,395,033
Royalty	-	-	-	-	-	15,000	-	15,000
Security costs	394	-	-	394	300	7,349	-	7,649
Taxes permits and licensing	38,742	-	567	39,309	37,756	991	621	39,368
	<b>\$1,496,430</b>	<b>\$252,222</b>	<b>\$15,567</b>	<b>\$1,764,219</b>	<b>\$1,814,278</b>	<b>\$415,070</b>	<b>\$24,721</b>	<b>\$2,254,069</b>

## Summary of Quarterly Results

The following table sets forth selected financial information for each of the most recently completed quarters.

	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net (Profit) Loss	442,999	889,840	822,386	978,674	2,559,743	713,940	1,565,247	671,096
Loss per share	-	0.005	0.005	0.005	0.015	0.005	0.01	0.005

## LIQUIDITY

The Company has financed its operations to date primarily through the issuance of common shares and the exercise of warrants and stock options. The Company will continue to seek capital through various means including the issuance of capital stock.

The Company is in the exploration stage. These financial statements are prepared in accordance with accounting principles to a going concern, which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent upon the continued support from its directors, the ability to continue to raise the necessary financing to meet its obligations, and to achieve profitable operations in the future. The outcome of these matters cannot be predicted at this time. These financial statements do not reflect any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

The Company has no history of profitable operations and its mineral projects are at an early stage. Therefore, it is subject to many risks common to comparable junior venture resource companies, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources as well as a lack of revenues.

As at June 30, 2015, the Company had not yet achieved profitable operations, has accumulated losses of \$60,231,899 (June 30, 2014 - \$60,740,775) since its inception, has a working capital deficiency of \$3,529,930 (June 30, 2014 - \$2,972,075) and expects to incur further losses in the development of its business.

## RELATED PARTY TRANSACTIONS

The Company determined that key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The Board of Directors (executive and non-executive), President and Chief Executive Officer and Chief Financial officer are key management personnel.

The remuneration to key management personnel during the years ended June 30, 2015 and 2014 is as follows.

	June 30, 2015	June 30, 2014
Key management compensation	\$ 766,753	\$ 746,946
Stock-based compensation	139,650	-
	<u>\$ 906,403</u>	<u>\$ 746,946</u>

- a) The Company retains the services of a company owned by an officer and director of the Company to carry out exploration work on its resource properties and for management services. During the year ended June 30, 2015, the total amount for such services provided was \$440,001 (2014 – \$451,167) of which \$440,000 (2014 – \$418,367) was recorded in exploration expenses and \$1 (2014 - \$32,800) in management fees. As at June 30, 2015, an amount of \$60,266 (2014 – \$nil) was included in trade and other payables, and an amount of \$nil (2014 - \$70,000) was included in prepaid expenses. The amount included in trade and other payables is unsecured, non interest-bearing, and generally due by 30 days.
- b) The Company retains the services of two directors and an officer to carry out administrative services. During the year ended June 30, 2015, the total amount for such services provided was \$326,753 (2014 – \$295,780) which was recorded in management and consulting fees. As at June 30, 2015, an amount of \$69,286 (2014 – \$1,622) was included in trade and other payables. The amount is unsecured, non interest-bearing, and generally due by 30 days.
- c) As part of the October 21, 2013 private placement, a corporation controlled by an officer and director of the Company subscribed for 1,000,000 flow-through units.
- d) As part of the January 31, 2014 private placement, a corporation controlled by an officer and director of the Company subscribed for 2,800,000 flow-through units, and two directors of the Company subscribed for 570,000 and 480,000 flow-through units, respectively.
- e) As part of the September 6, 2014 private placement, a director of the Company subscribed for 438,461 flow-through units and as part of the December 2014 private placement, a director of the Company subscribed for 1,140,000 flow-through units.

## **CONTINGENCIES**

- a) The Company's operations are subject to governmental laws and regulations regarding environmental protection. The environmental consequences are hardly identifiable, whether with the outcomes, the impacts or the deadline. As at June 30, 2015 and to the best knowledge of its management, the Company is, at the present, in conformity with the laws and regulations.
- b) The Company is partly financed by the issuance of flow-through shares. However, there are no guarantees that the funds spent by the Company will qualify as Canadian exploration expenditures, even if the Company has taken all the necessary measures for this purpose. Refusal of certain expenses by the tax authorities would have a negative tax impact for investors.

Moreover, tax rules regarding flow-through investments set deadlines for carrying out the exploration work no later than the first of the following dates:

- i) Two years following the flow-through investment;
- ii) One year after the Company has renounced the tax deductions relating to the exploration work.

During the year ended June 30, 2015, the Company received \$2,835,551 (2014 – \$1,730,639) from flow-through share issuances. According to the tax rules, the Company has until December 31, 2015 to spend this amount on qualified exploration expenditures. As at June 30, 2015, the Company had an unspent amount of \$1,616,106.

The Company has indemnified the subscribers of current and previous flow-through offerings against any tax related amounts that become payable by shareholders in the event the

Company does not meet its expenditure commitment. As at June 30, 2015, in relations to renunciation shortfalls from fiscal years 2006 to 2008, the Company has accrued \$385,852 (2014 – \$367,478) for Part XII.6 taxes and penalties on the \$1,759,590 shortfall. In addition, \$1,045,718 has been accrued for potential claims which may arise as a result of possible reassessments denying personal tax deductions to the investors. The Company had reviewed the reassessment proposed by the CRA, and had filed objections on certain of the claims. In relations to renunciation shortfall from fiscal year 2012, the Company has accrued \$113,732 (2014 – \$108,316) for Part XII.6 taxes and penalties on the \$765,495 shortfall. In addition, \$350,000 has been accrued for potential claims which may arise as a result of possible reassessments denying personal tax deductions to the investors.

- c) On March 15, 2012, Genivar Inc. (“Genivar”) instituted a lawsuit against the Company in the Quebec Superior Court, claiming approximately \$785,000 in unpaid fees. The action relates to work which Genivar performed for Gold Bullion, primarily with respect to its Granada gold property in northwestern Quebec.

Gold Bullion will vigorously defend the action and has instituted a counter-claim against Genivar, under which Gold Bullion has claimed damages from Genivar, claiming poor quality of the work performed by Genivar and the costs incurred by Gold Bullion to have portions of the work redone.

Examinations on the claim and counter-claim began to take place on May 23, 2013. As at June 30, 2015, the outcome of these procedures cannot be reasonably determined. The Company had accrued an amount of \$815,772 as part of the trade and other payables balance.

## **COMMITMENTS**

### **Consulting service agreements**

The Company has consulting service agreements with related parties (certain officers and directors).

- i) Effective January 1, 2007, and amended December 1, 2010, May 16, 2013 and March 1, 2015, the Company entered into a management agreement with Grupo Moje Limited (“Grupo”), a company owned by a director and officer of the Company to provide management services of Frank Basa in consideration for a nominal annual fee of \$1. This agreement also requires that if the agreement is terminated by the Company upon or following a change in control or change of management the Company shall make a payment to Grupo equal to 480 ounces of gold with the dollar amounts to be calculated based on the price of gold on the date of termination of the agreement.
- ii) Effective January 1, 2014, the Company entered into a management agreement with Mineral Recovery Management Systems Corp. (“MRMSC”), a company controlled by Frank Basa and Elaine Basa, to provide project management, engineering and geological services to the Company in consideration of \$25,000 per month for the services of Frank Basa and \$11,666.67 per month for the services of Elaine Basa. Either party may terminate this agreement by giving a four months’ notice to the other, subject to certain provisions of the agreement. Either party may terminate this agreement by giving a four months’ notice to the other, subject to certain provisions of the agreement.

- iii) Effective July 1, 2010 and amended January 1, 2012, and March 1, 2015, the Company entered into a consulting agreement with a director and officer of the Company. The fee for consulting services was \$9,500 per month. Either party may terminate this engagement by giving four months' notice to the other, subject to certain provisions of the agreement. This agreement also requires that if the agreement is terminated by the Company upon or following a change in control or change of management the Company shall make a payment to the consultant of \$228,000.
- iv) Effective December 1, 2010 and amended October 1, 2011 and March 1, 2015, the Company entered into an agreement with a director of the Company. The fee for consulting services was \$8,000 per month. Either party may terminate this engagement by giving four months' notice to the other subject to certain provisions of the agreement. The agreement also requires that if the agreement is terminated by the Company upon or following a change in control or change of management the Company shall make a payment to the consultant in the amount of \$192,000.
- v) Effective March 1, 2011 and amended February 1, 2012 and March 1, 2015, the Company entered into a consulting agreement with an officer of the Company. The fee for consulting services is USD \$8,000 per month. Either party may terminate this engagement by giving four months' notice to the other subject to certain provisions of the agreement. This agreement also requires that if the agreement is terminated by the Company upon or following a change in control or change of management The Company shall make a payment to the consultant of USD \$192,000.

**Consulting service agreement with non-related parties:**

- vi) Effective December 1, 2010 and amended January 1, 2012 and March 11, 2015, the Company entered into an agreement with a consultant of the Company. The fee for consulting services is \$8,000 per month. Either party may terminate this engagement by giving four months' notice to the other subject to certain provisions of the agreement. The agreement also requires that if the agreement is terminated by the Company upon or following a change in control or change of management the Company shall make a payments to the consultant in the amount of \$192,000.
- vii) The Company is committed to pay an annual royalty payment in the amount of \$15,000 to Jubilee Gold Exploration Ltd.
- viii) The Company has entered into a Memorandum of Understanding ("MOU") with the Mattagami First Nation community in connection with certain exploration and evaluation programs in their area in return for contributions towards education and environmental activities and the improvement of community facilities. Also, the Company will pay 2% of all costs of the exploration program incurred to date and thereafter to the First Nation community. As at June 30, 2014, the Company had prepaid \$14,000 of this amount.

In addition, the Company issued 50,000 common shares and 50,000 warrants to the First Nation community during the year ended June 30, 2014. The fair value of these warrants estimated on the date of the issuance using the Black-Scholes option pricing model was \$1,650.

The MOU also includes terms outlining environmental protection, employment, training and business opportunities, and mitigation of impacts on the traditional pursuits of the members of the Mattagami First Nation community.

- x) As the triggering event disclosed in Note i), iii), iv) v) and vi) has not taken place, the contingent payments have not been reflected in these consolidated financial statements.

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions based on currently available information that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the year. Actual results may differ from these estimates.

It is reasonably possible that, on the basis of existing knowledge, outcomes in the next financial year that are different from the assumptions used could require a material adjustment to the carrying amount of the asset or liability affected.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The accompanying financial statements include all adjustments that are, in the opinion of management, necessary for fair presentation.

Management has made a number of significant estimates and valuation assumptions based on present conditions and management's planned course of action as well as assumptions about future business and economic conditions which include, but are not limited to, the following:

### *Income taxes*

Assessing the recoverability of deferred income tax assets requires the Company to make significant estimates related to the expectations of future cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the deferred tax assets and liabilities recorded at the yearend date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

### *Decommissioning and restoration costs*

Decommissioning and restoration costs will be incurred by the Company at the end of the operating life of certain of the Company's assets. The ultimate decommissioning and restoration costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal and regulatory requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change, for example in response to changes in reserves or changes in laws and regulations or their interpretation. In determining the amount of the provision, assumptions and estimates are required in relation to discount rates. As a result, there could be significant adjustments to the provisions established which would affect future financial results. In the Company's judgment, the most appropriate discount rate to use is one that reflects current market assessments and the risks specific to the liability.

### *Share-based payments*

The Company uses the fair value method of valuing compensation expense associated with the Company's stock option plan. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, expected forfeitures and distribution yield. Such judgements

and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

#### *Premium on Flow-through shares*

At the time of issue, the Company estimates the proportion of proceeds attributed to the flow-through share, the common share and the warrant with reference to closing market prices and such techniques as the Black-Scholes option-pricing model. The Flow-through Premium is estimated as the excess of the subscription price over the market value of the share and is recorded in trade and other payables on the statement of financial position.

### **CHANGES IN ACCOUNTING STANDARDS**

The Company has adopted the following new standards, along with any consequential amendments, effective July 1, 2014. These changes were made in accordance with the applicable transitional provisions.

**IAS 32 – Financial Instruments: Presentation** (“IAS 32”) was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The adoption of this amended standard did not result in any material change to the Company’s consolidated financial statements.

### **NEW ACCOUNTING STANDARDS AND INTERPRETATIONS**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after July 1, 2014 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

**IFRS 9 – Financial Instruments** (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity’s own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

**IAS 1 – Presentation of Financial Statements** (“IAS 1”) was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted.

**IAS 24 – Related Party Disclosures** (“IAS 24”) was amended to clarify that an entity providing key management services to the reporting entity or the parent of the reporting entity is a related party of

the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. The amendments to IAS 24 are effective for annual periods beginning on or after July 1, 2014.

### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not utilize off-balance sheet arrangements

### **OUTSTANDING SHARE DATA**

The Company's authorized capital is an unlimited number of common shares without par value. As at the date of this report there were 308,890,591 shares issued and outstanding. The Company had 39,282,558 share purchase warrants outstanding. Each warrant entitles the holder to purchase one common share at a price of \$0.10 per share until August 19, 2018. Stock options outstanding total 13,650,000 are exercisable for common shares at \$0.05 to \$0.65 per share until January 4, 2022.

### **SUBSEQUENT EVENTS**

Subsequent to June 30, 2015, the following transactions occurred:

- a) On August 4, 2015, the Company entered into two loan agreements and a Supply and Services agreement for proceeds totaling \$800,000.

The first loan agreement is with an existing shareholder a demand loan for proceeds of \$200,000 over a three-year term at an interest rate of 8% calculated monthly and payable annually. The loan will automatically renew for an additional three-year term until such time as the lender agrees to terminate the agreement. The lender also has the option to obtain interest and principal loan repayments in gold rather than cash should that option become feasible while the loan remains in place. In that event, the gold is to be valued at US \$800 per ounce. The lender also has the option to participate in future financings but is not obliged to do so. The outstanding loan balance is subject to repayment in full at any time at the discretion of the lender.

The second loan is from a company owned by a director of the Company and comprises a \$100,000 demand loan also with a three-year term at an interest rate of 8% calculated monthly and payable annually.

The third agreement is a Supply and Services non-interest bearing loan for \$500,000 over the upcoming 12 month period from a company owned by a director of the Company. The lender has the option to obtain loan principal repayments including interest as applicable, in gold valued at US \$800 per ounce if feasible. The Supply and Services loan is to be used for specific projects on the property that will advance the Company forward.

The Granada Gold property is to be registered as security against the three loans.

- b) In September 2015, the Company received regulatory approval from the TSXV and closed the sale of its wholly-owned subsidiary Castle to Takara Resources Inc.

Takara has subsequently acquired all of the issued and outstanding common shares of Castle from the Company in exchange for 10,000,000 units of Takara to be issued in equal amounts of 2,500,000 units with the first issuance on closing of the transaction and the remaining issuances on each anniversary from the closing date for the next 3 years. Each unit comprises of one

common share in the capital of Takara and one common share purchase warrant exercisable at \$0.10.

- c) On October 8, 2015, the Company entered into an Assignment Agreement (the "Agreement") with Takara, granting Takara the right to acquire a 100% interest in the Beaver and Violet cobalt and silver properties located in the township of Coleman, in northern Ontario. Pursuant to the Agreement, Takara will pay the Company an aggregate of \$75,000, consisting of \$15,000 payable with ten days upon execution of the Agreement plus four equal instalments of \$15,000 on the first, second, third and fourth anniversary dates of the date of the Agreement.