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**Form 51-102F1**

***Management's Discussion & Analysis for the year ended June 30, 2013***

**DATE: October 24, 2013**

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, 2013, and the related notes thereto, which are prepared in accordance with International Financial Reporting Standards ("IFRS"). The discussion covers the year-end 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, Québec. 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 annual consolidated financial statements for the year ended

June 30, 2013, and the Company's audited consolidated financial statements for the year ended June 30, 2012. 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 under the symbol GBB, the US OTC market under the symbol GBBFF and the Frankfurt Stock Exchange under the symbol B6D-FRA.

The Company's head office is located at Suite 1005, 1155 René Lévesque Blvd., West, Montreal, Quebec, H3B 2J2.

## **CORPORATE**

### ***Financing***

On May 9, 2011, pursuant to a private placement, the Company issued 7,142,770 flow-through common shares at \$0.61 per share for gross proceeds of \$4,357,090 and 833,333 units at \$0.51 per unit for gross proceeds of \$425,000 for total gross proceeds of \$4,782,090. Each unit consists of one common share and one-half of a transferable share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share for a period of one year from the date of issuance, at a purchase price of \$0.69 per share. The fair value of the warrants was determined, using the Black-Scholes option pricing model, to be \$22,083. In connection with the private placement, the Company paid total cash commissions of \$350,710.

On December 21, 2011, the Company, pursuant to a private placement, issued 19,109,957 "flow-through" units at a price of \$0.18 per unit, for gross proceeds of \$3,439,792, and 5,718,175 units at a price of \$0.16 per unit, for gross proceeds of \$914,908.

On December 29, 2011, the Company, pursuant to a private placement issued 3,405,000 "flow-through" units at a price of \$0.18 per unit, for gross proceeds of \$612,900.

Each of the 19,109,957 and 3,405,000 "flow-through" units is comprised of one common share and one-half of a common share purchase warrant. Each full warrant entitles its holder to acquire one additional common share of Gold Bullion at a price of \$0.22 for twelve months.

Each of the 5,718,175 units is comprised of one common share and one common share purchase warrant. Each warrant entitles its holder to acquire one additional common share of Gold Bullion at a price of \$0.20 for twelve months.

In connection with the private placement, Gold Bullion paid a cash commission of \$323,192 to various securities dealers and exempt market dealers, an amount equal to 8% of the gross proceeds raised through such dealers. In addition, Gold Bullion issued a finder's fee to various securities dealers and exempt market dealers entitling them to purchase a number of common shares of Gold Bullion equal to 8% of the aggregate number of "flow-through" units and units sold through such dealers in the private placement. The compensation options entitle holders to acquire 1,590,833 common shares of Gold Bullion at \$0.18 per share and 12,504 common shares of Gold Bullion at \$0.16 per share for a period of twelve months.

On April 24, 2012, pursuant to a private placement, the Company issued 8,133,227 "flow-through" units at \$0.15 per share for gross proceeds of \$1,219,984. Each unit consists of one flow-through common share and one-half of a transferable share purchase warrant. Each whole warrant entitles the holder to

purchase one additional common share for a period of twelve months from the date of issuance, at a purchase price of \$0.175 per share.

In connection with the private placement, Gold Bullion paid a finder's fee of \$87,999 and issued 586,658 non-transferable share purchase warrant to Meadowbank Asset Management Inc. Each warrant entitles the holder to purchase one common share for a period of twelve months from the date of issuance, at a purchase price of \$0.175 per share.

On November 12, 2012, the Company issued 300,000 common shares valued at \$34,500 (\$0.115 per share) pursuant to the November 22, 2010 agreement to acquire 174 mining claims in the Company's Granada property.

On November 30, 2012, pursuant to a non-brokered private placement, the Company issued 16,231,066 units at \$0.15 per unit and on December 27, 2012, 3,333,334 units at \$0.15 to raise gross proceeds of \$2,934,660. Each unit consists of one common share and one-half of a transferable share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share for a period of one year from the date of issuance, at a purchase price of \$0.18 per share. The fair value of the warrants was determined, using the Black-Scholes option pricing model, to be \$152,910. In connection with the Private Placement, the Company paid finder's fees of \$235,813 and issued 1,511,818 non-transferable broker warrants to the respective finder. Of these broker warrants, 266,666 will entitle the holder to purchase 266,666 common shares for a period of one year from the date of issuance, at a purchase price of \$0.15 per share and 1,245,152 broker warrants will entitle the holder to purchase 1,245,152 units for a period of one year from the date of issuance, at a price of \$0.15 per unit. Each unit consists of one common share and one-half of a warrant. Each whole warrant will entitle its holder to acquire one common share at a price of \$0.18. The fair value of the broker warrants was determined, using the Black-Scholes option pricing model, to be \$54,427.

### **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 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 TSX Venture Exchange 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, is 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 TSX Venture Exchange 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 TSX Venture Exchange. Jacque Monette and Ronald Goguen, directors of the Company, are also directors and officers of Landdrill.

Annemette Jorgensen, a director of the Company, filed a consumer proposal under Section 66.38 of the *Bankruptcy and Insolvency Act* (Canada) on February 13, 2001. The proposal was discharged and a Certificate of Full Performance of Consumer Proposal was granted on January 19, 2004.

## **EXPLORATION AND EVALUATION PROJECTS**

### **Granada Property**

In total, the Company currently retains rights to certain mining patent, leases and claims for a cumulative total of 11,598.03 hectares on the Granada property. 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.

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 Québec.

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.

To date, 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 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 at the Granada site from previous operators, 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 is being 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)

SGS Geostat has reviewed and confirmed all existing data for the Granada property and has released an updated 43-101 Resource Estimate Technical Report. The highlighted resource numbers released on November 15, 2012 are as follows:

<b>Cut-off 0.4 g/t</b>	Tonnage	Au g/t	Au Oz
Measured	28,735,000	1.02	946,000
Indicated	18,740,000	1.09	659,000
<b>Total M+I</b>	<b>47,475,000</b>	<b>1.05</b>	<b>1,605,000</b>
<b>Inferred</b>	<b>29,975,400</b>	<b>1.07</b>	<b>1,033,000</b>
<b>Cut-off 1.0 g/t</b>			
Measured	7,810,000	2.14	536,000
Indicated	5,347,000	2.32	398,000
Total M+I	13,157,000	2.21	934,000
Inferred	8,600,000	2.23	617,000
<b>Cut-off 2.0 g/t</b>			
Measured	2,533,000	3.76	306,000
Indicated	1,869,000	4.07	245,000
Total M+I	4,402,000	3.89	551,000
Inferred	3,030,000	3.89	379,000

**Note: rounded numbers, base case cut-off >0.4 g/t in bold**

In December, 2012, the Company released its first economic assessment with a proposed combination of open pit and underground operations. The 43-101 compliant Preliminary Economic Assessment (PEA) was prepared by SGS Canada based on the measured, indicated and inferred resource numbers released in November 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 (<http://www.goldbulliondevelopmentcorp.com>) as well as on SEDAR ([www.sedar.com](http://www.sedar.com)).

The Company is currently working on completing a Pre-feasibility Study (PFS). The PFS is being managed and completed by SGS Canada with several independent consultants hired. SGS Mineral Services - Lakefield in Canada and Gekko Systems based in Australia will conduct metallurgical test work for process plant flow sheet optimization. Roche Ltée, Groupe-conseil has also been retained and will be responsible for all aspects of environmental and permitting work while C.C. Consultants will be advising on matters pertaining to social responsibility and local community communications. SGS Geostat's role is to over see management of the entire project.

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, leave 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.

Cumulative exploration and evaluation expenditures made by the Company on this project as at June 30, 2013 totaled \$22,932,353 (June 30, 2012 – \$21,896,440).

## Castle Silver Mine Property

The Castle Silver Mine Property (“CSM Property”) encompasses a 100% interest to 34 claims and 2 parcels located in the Haultain and Nicol townships of Ontario covering a total of 564.41 hectares. The property is subject to a sliding scale royalty on silver production which will start from 3% when the price of silver is US\$15 or lower per troy ounce and up to 5% when the price of silver is greater than US\$30 per troy ounce and a 5% gross overriding royalty 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.

There is no current resource estimate for the CSM Property. The 1989 Cobalt Residents Geologist’s Office reported that the Castle Silver Mine Inc. (“CSM”), in operation at various times from 1917 to 1989, produced a total of 763,127,010 grams of silver from the No. 3 shaft. This included production by Agnico-Eagle Mines Ltd. (“Agnico-Eagle”) 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.

Gold Bullion carried out a total of 6,842.38 m of diamond drilling on the CSM 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 technical report dated August 15, 2011 with respect to the CSM Property is available on SEDAR at [www.sedar.com](http://www.sedar.com) under Gold Bullion’s company profile.

Below is a table of the most significant assays for holes CA11-01 to CA11-11. Interval widths do not represent true width.

Hole	Sample	From	to	Length	Au ppb	Pt ppb	Pd ppb	Ag ppm	As ppm	Co ppm	Cu ppm	Pb ppm	Zn ppm
CA11-03	44253	570.00	573.90	0.90	12	0	0	12.2	736	521	3255	15504	22982
CA11-03	44254	573.90	575.00	1.10	7	0	0	5	68	74	1209	2468	2468
CA11-04	44356	214.83	215.83	1.00	76	0	0	2.49	107	91	13782	17	59
CA11-04	44450	393.07	393.86	0.79	9	<15	<10	10.17	871	130	1149	4382	7795
CA11-04	44454	412.00	412.14	0.14	21	0	0	5	425	244	236	7024	17999
CA11-05	44465	37.15	37.73	0.58	<5	0	0	1.24	5	17	5609	11	20
CA11-07	44593	132.07	132.29	0.22	139	0	0	1.59	3	212	8494	4	108
CA11-07	44659	211.52	211.72	0.20	5	0	0	3.48	<2	38	6931	10	46
CA11-07	44873	841.21	842.29	1.08	<5	0	0	9	45	13	318	3954	1660
CA11-07	44874	842.29	843.32	1.03	6	29	<10	18	94	23	342	10053	13049
CA11-07	44876	843.32	843.97	0.65	<5	0	0	9	103	20	286	4439	4691
CA11-08	45119	379.72	380.41	0.69	367	34	16	12	37	90	3635	104	691
CA11-08	45182	563.54	564.34	0.80	<5	<15	<10	386.3	684	160	322	153	343

Hole	Sample	From	to	Length	Au ppb	Pt ppb	Pd ppb	Ag ppm	As ppm	Co ppm	Cu ppm	Pb ppm	Zn ppm
CA11-08	45183	564.34	564.79	0.45	<5	<15	210	947.8	51862	9107	453	39	282
CA11-08	45184	564.79	565.68	0.89	8	<15	12	269.3	155	57	340	50	280
CA11-08	45184	564.79	565.68	0.89	<5	<15	<10	168.3	101	91	360	50	300
CA11-08	45185	565.68	566.28	0.60	8	24	15	311.2	121	47	450	28	299
CA11-08	45186	566.28	566.63	0.35	6	45	11	220.2	103	40	316	24	285
CA11-09	45290	343.47	343.59	0.12	560	<15	<10	19.32	20746	1445	4631	1598	475
CA11-09	45298	350.17	351.44	1.27	287	16	11	10.46	16	96	191	121	50

Underground workings at the CSM Property have not been accessed since 1989 when the low price of silver forced Agnico-Eagle 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. CSM 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 IP geophysical survey based on the success of drilling IP-defined targets last spring. 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.

Cumulative exploration and evaluation expenditures made by the Company on this project as at June 30, 2013 totaled \$2,886,375 (June 30, 2012 – \$2,552,988).

### **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 recently released results of a high definition mineralogy study and some scoping level flotation and gravity separation tests done at SGS Lakefield on samples from its Beaver Silver Property, located 15 kilometres east of the historic silver camp in Cobalt, Ontario. See press release of 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. The Company plans, at this stage, 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.

As at June 30, 2013, the Company paid \$20,000 and incurred exploration expenditures in the amount of \$131,725 (June 30, 2012 - \$110,585).

## **SHAREHOLDERS GOLD PURCHASE PROGRAM**

Gold Bullion intends to implement the 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 replaces the Shareholder Gold Purchase Program outlined in Gold Bullion's news release dated June 4, 2008, and is part of the Company's forward-looking policy of ensuring shareholder value. Gold Bullion will inform shareholders of the details of the Shareholder Gold Royalty Program as it is developed.

The Company will file a formal application with the TSX Venture Exchange before going ahead with the gold program. The Company will make available the amount of ounces and costs to the shareholders at such time as an updated 43-101 report is completed.

On June 4, 2008, the Company announced confirmation was received from the TSX Venture Exchange that they will not object to the gold program if it is within certain conditions.

On April 11, 2012, the Company provided an update with respect to its proposed Shareholder Gold Royalty Program, as reported above.

On February 15, 2013, the Company provided an update with respect to its proposed Shareholder Gold Royalty Program. The Company intends to file a formal application with the TSX Venture Exchange with the objective of going ahead with the gold program, and it anticipates that this will occur during fiscal 2014. The Company is preparing plans for the Granada Gold Mine to enter into production. The Company will make available the amount of ounces and costs to the shareholders based upon the Pre-Feasibility Study expected later this year.

## **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, foreign currency exchange risk and 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 2012 and 2013.

### **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, 2013, the Company had cash of \$52,449 (2012 - \$854,829) to settle current liabilities of \$1,365,639 (2012 - \$2,766,559).

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, 2013, the Company did not have any financial assets or liabilities measured at fair value. As at June 30, 2012, the Company's only financial instrument that was carried at fair value was cash equivalents, which has been classified as Level 2 within the fair value hierarchy.

### **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.

#### c) 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, 2013 and 2012, the Company's exposure to interest rate risk is summarized as follows:

Cash and cash equivalents	Interest 0 to 1.2%
Receivables	Non-interest bearing
Trade and other payables	Non-interest bearing
Term loan payable	Prime rate plus 1.45%

### **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, share based payments reserves and deficit, which as at June 30, 2013 totalled \$1,344,300 (June 30, 2012 – \$2,019,578).

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 years ended June 30, 2013. The Company is not subject to external imposed capital requirements.

### **SELECTED ANNUAL INFORMATION**

The following table provides a brief summary of the Company's financial operations for the last three fiscal years. (Data for fiscal 2011 and 2010 have been recalculated to comply with IFRS.)

	<b>Year-Ended June 30, 2013</b>	<b>Year-Ended June 30, 2012</b>	<b>Year-Ended June 30, 2011</b>
Net Sales or Total Revenues	-	-	-
Total Net Loss	(\$2,637,283)	(\$10,884,182)	(\$16,741,619)
Net Loss per share	(\$0.01)	(\$0.06)	(\$0.11)
Total Assets	\$2,709,939	\$7,136,137	\$9,684,029
Total long-term financial Liabilities	-	-	-
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, 2013 and 2012.

	2013	2012
Administrative and general expenses	142,355	156,277
Consulting fees	500,648	280,565
Financing charges	17,764	116,605
Management fees	433,245	444,718
Professional fees	268,280	430,315
Filing costs and shareholders' information	227,515	577,655
Travel	189,533	271,168
	<b>1,779,340</b>	<b>2,277,303</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, 2013 and 2012.

	June 30, 2013				June 30, 2012			
	Granada	Castle	Beaver	Total	Granada	Castle	Beaver	Total
Acquisition	\$ 34,500	\$ 2,210	\$ -	\$ 36,710	\$ 211,500	\$ -	\$20,000	\$ 231,500
Assaying and testing	247,651	7,480	-	255,131	958,377	57,690	127	1,016,194
Core analysis	15,535	-	-	15,535	818,824	81,603	-	900,427
Depreciation	54,576	-	-	54,576	89,424	-	-	89,424
Drilling	(52,581)	-	-	(52,581)	2,970,216	77,431	-	3,047,647
Equipment	16,115	17,088	-	33,203	742,650	117,438	29,277	889,365
Facility expenses	98,028	93,089	450	191,567	238,843	91,961	1,100	331,904
Geology, geophysics and surveys	22,560	-	-	22,560	100,000	47,573	-	147,573
Personnel costs	275,985	38,306	3,393	317,684	862,750	120,387	16,954	1,000,091
Program management and engineering	716,184	110,207	16,936	843,327	2,489,221	234,328	42,684	2,766,233
Royalty	-	15,000	-	15,000	-	15,000	-	15,000
Security	54,106	29,878	-	83,984	191,101	-	-	191,101
Staking	-	17,872	-	17,872	-	-	-	-
Taxes, permits and licensing	41,553	3,047	361	44,961	94,702	3,376	443	98,521
Mining tax credits	(488,299)	-	-	(488,299)	(892,606)	-	-	(892,606)
	<b>\$ 1,035,913</b>	<b>\$334,177</b>	<b>\$ 21,140</b>	<b>\$ 1,391,230</b>	<b>\$8,875,002</b>	<b>\$846,787</b>	<b>\$110,585</b>	<b>\$9,832,374</b>

## Summary of Quarterly Results

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

	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
	2013	2013	2012	2012	2012	2012	2011	2011
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net (Profit) Loss	811,059	(9,920)	638,862	1,197,282	2,950,680	2,062,526	2,253,866	4,399,284
Loss per share	-	-	-	0.01	0.01	0.01	0.01	0.03

## **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.

At as June 30, 2013 the Company had working capital of \$1,076,697 (June 30, 2012 - \$1,016,186), cumulative losses of \$55,745,800 (June 30, 2012 - \$53,154,119) and expects to incur further losses in the development of its business. Included in receivables is approximately \$1,867,119 in Quebec refundable exploration tax credits and \$122,125 in HST/QST refund. The Company received an exploration credit of \$1,395,467 (including interest) subsequent to year-end.

## **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.

All related party transactions are in the normal course of operations and are measured at the exchange amounts.

	<b>June 30, 2013</b>	<b>June 30, 2012</b>
Key management compensation	\$ 733,600	\$ 839,748
Stock-based compensation	-	600,000
	<u>\$ 733,600</u>	<u>\$1,439,748</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, 2013, the total amount for such services provided was \$414,064 (2012- \$562,628), of which \$212,912 (2012 - \$331,314) was recorded in exploration expenses and \$201,152 (2012 - \$231,314) in management fees. As at June 30, 2013, an amount of \$63,339 (2012 - \$136,984) was included in trade and other payables.
- b) During the year ended June 30, 2012, the Company acquired the Beaver property from the same related company and reimbursed an amount of \$58,577 for exploration and evaluation expenditures incurred by the related company prior to its acquisition.

- c) The Company retains the services of two directors and an officer to carry out administrative services. During the year ended June 30, 2013, the total amount for such services provided was of \$319,536 (2012 - \$277,120) which was recorded in management and consulting fees. As at June 30, 2013, \$nil (2012 – \$8,612) was included in trade and other payables.
- d) During the year ended June 30, 2012, the Company incurred drilling expenditures of \$2,761,411 to Landdrill International Inc. (“Landdrill”) on its resource properties. Two directors of the Company are also directors and officers of Landdrill. As at June 30, 2013, \$nil (2012 - \$965,427) was included in trade and other payables.
- e) The Company has advanced and paid expenses in the amount of \$1,486,049 (2012 - \$948,093) to and on behalf of its sole subsidiary, CSM. The balance is not interest bearing with no specific terms of repayments. The amount was eliminated in preparing the consolidated financial statements.

## **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. At the date of the financial statements and to the best knowledge of its management, the Company is, at the present, in conformity with the laws and regulations. On September 10, 2008, the Company received 40 statements of offence pursuant to the *Environment Quality Act* (Québec) (the “Act”) for allegedly failing to comply with certain conditions of its permit for a current project on the Company's Granada property and for non-respect of the Act. The statements of offence related to the period from October 6, 2006 to November 14, 2007. The prosecution was requiring fines amounting to \$72,000 plus the cost of the penal proceeding amounting to \$69,498 for a total of \$141,498. On March 15, 2013 the Company settled the case by pleading guilty to 18 of the statements of offence. The remaining 22 statements of offence were withdrawn by the prosecution. The Company agreed to pay the minimum fine on each of the 18 statements as well as fees at the rate established by regulation of the Minister pursuant to section 116.1.1 of the Act relating to the costs of sampling, analysis, inspection and investigation for the penal proceedings instituted for the purposes of the Act. The aggregate amount of \$54,380 was charged to the Company for said fines and fees. The Company paid this amount on April 25, 2013.
- 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.
  - i) Moreover, tax rules regarding flow-through investments set deadlines for carrying out the exploration work no later than the first of the following dates:
    - ii) Two years following the flow-through investment;
    - iii) One year after the Company has renounced the tax deductions relating to the exploration work.

Commitments to carry out exploration work that are not respected are subject to a combined tax rate of 26.9% (Federal and Provincial).

During the year ended June 30, 2013, the Company received \$2,934,660 from flow-through share issuances. According to the tax rules, the Company has until December 31, 2013 to spend this amount on qualified exploration expenditures. As at June 30, 2013, the Company has expended \$823,367 of this amount.

- c) As at June 30, 2011, the Company was assessed \$550,562 for Quebec Sales Tax and Goods and Services Tax, which has been paid. The Company has filed a notice of objection with the Ministère du Revenu du Québec for these assessments. The proceedings are currently at the objection stage but will most likely be confirmed. The Company will have to determine at that time whether it wants to proceed to an appeal to the Tax Court.
- d) On March 15, 2012, Genivar Inc. instituted a lawsuit against the Company in the Québec 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 Québec.

Gold Bullion will vigorously defend the action and has instituted a counter-claim against Genivar, under which Gold Bullion has claimed damages from Genivar, due to the poor quality of the work performed by it and the costs incurred by Gold Bullion to have portions of the work done a second time, in the amount of \$25,431,906.

Gold Bullion paid approximately \$1.7 million to Genivar in connection with this work over a period of three years, but stopped making payments in May 2011 due to Gold Bullion's dissatisfaction with the quality of the work.

The claim and counter-claim are presently in their infancy in that examinations began to take place on May 23, 2013. The facts reviewed by the Company's legal counsel indicate that the Company has a strong defense to the claim asserted by the supplier, but the legal counsel also indicate that it is too early to make a definitive assessment on the counter-claim.

## **COMMITMENTS**

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

- 1) Effective January 1, 2007, the Company entered into a management agreement with Grupo Moje Limited ("Grupo"), a company owned by a director and officer of the Company. The fee for management services was 20 ounces of gold per month. The dollar amount calculated is based on the price of gold which is quoted in U.S. dollars convert into Canadian dollars on the same date as at the end of each quarter. Either party may terminate this engagement by giving four months notice to the other subject to certain provisions of the agreement. Effective December 1, 2010 this agreement was amended to require 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 240 ounces of gold with the dollar amounts to be calculated based on the price of gold on the date of termination of the agreement. Effective May 16, 2012 this agreement was amended to change the management fee from 20 ounces of gold per month to \$200 per hour.
- 2) Effective July 1, 2010 and amended January 1, 2012 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 \$114,000. Effective July 1, 2013 this agreement was amended to change the fee for consulting services to \$60 per hour. Effective September 16, 2013, the director agreed to forgive 50% of the fee for a period of six months.
- 3) Effective December 1, 2010 and amended October 1, 2011 the Company entered into an agreement with a director of the Company. The fee for consulting services was \$8000 per month. Either party may terminate this engagement by giving four months notice to the other subject to certain provisions



of the agreement. The agreements 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 payments to the consultant in the amounts of \$96,000. Effective July 1, 2013 this agreement was amended to change the fee for consulting services to \$50 per hour. Effective September 16, 2013, the director agreed to forgive 50% of the fee for a period of six months.

- 4) Effective March 1, 2011 and amended February 1, 2012 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 \$96,000.

#### Consulting service agreement with non-related party

- 5) Effective December 1, 2010 and amended January 1, 2012 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 payments to the consultant in the amounts of \$96,000.
- 6) The Company's subsidiary, Castle Silver Mines Inc. is committed through the Purchase and Sale Agreement with Gold Bullion to pay an annual royalty payment in amount of \$15,000 to Milner Consolidated.
- 7) The Company's subsidiary, Castle Silver Mines Inc. has entered into a Memorandum of Understanding (MOU) with the Matachewan First Nations in connection with certain exploration and development programs in their area in return for contributions towards education and environmental activities and the improvement of community facilities. Under this agreement, the Company must pay 2% of all costs of the exploration program incurred to date and thereafter. As at June 30, 2013 the company has prepaid \$14,000 of this amount.

In addition the Company must issue 50,000 common shares and 50,000 common share options to the Matachewan first Nations subject to approval of the TSX Venture Exchange on the following schedule:

- i) 25% on the approval of the TSX Venture Exchange
- ii) 25% six months after the date of the MOU
- iii) 25% 12 months after the date of the MOU and
- iv) 25% 18 months after the date of the MOU

### **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.

## **FUTURE ACCOUNTING CHANGES**

**IFRS 9 - Financial Instruments** (“IFRS 9”) was issued by the IASB in October 2010 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 of 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, 2015. Earlier adoption is permitted. The Company is in the process of evaluating the effect of the adoption of this standard.

**IFRS 10 – Consolidated Financial Statements** (“IFRS 10”) was issued by the IASB in May 2011 and will replace IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. IFRS 10 is a new standard which identifies the concept of control as the determining factor in assessing whether an entity should be included in the consolidated financial statements of the parent company. Control is comprised of three elements: power over an investee; exposure, or rights, to variable returns from involvement with the investee; and the ability to use power over the investee to affect returns. The Company is in the process of evaluating the effect of the adoption of this standard.

**IFRS 11 – Joint Arrangements** (“IFRS 11”) was issued by the IASB in May 2011 and will replace IAS 31 Interest in Joint Ventures and SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. IFRS 11 is a new standard which focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified into two groups: joint operations and joint ventures. A joint operation exists when the parties have rights to the assets and obligations for the liabilities of a joint arrangement. A joint venture exists when the parties have rights to the net assets of a joint arrangement. Assets, liabilities, revenues and expenses in a joint operation are accounted for in accordance with the arrangement. Joint ventures are accounted for using the equity method. The Company is in the process of evaluating the effect of the adoption of this standard.

**IFRS 12 – Disclosure of Interests in Other Entities** (“IFRS 12”) was issued by the IASB in May 2011. IFRS 12 is a new standard which provides disclosure requirements for entities reporting interests in other entities, including joint arrangements, special purpose vehicles and off balance sheet vehicles. The Company is in the process of evaluating the effect of the adoption of this standard.

**IFRS 13 – Fair Value Measurement** (“IFRS 13”) was issued by the IASB in May 2011. IFRS 13 is a new standard which provides a precise definition of fair value and a single source of fair value measurement considerations for use across IFRS. IFRS 13 clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. It also establishes disclosures about fair value measurement. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. The Company is in the process of evaluating the effect of the adoption of this standard.

**IAS 1 – Presentation of Financial Statements** (“IAS 1”) was amended by the IASB in June 2011. As a result of the amendment, items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The adoption of this standard has not resulted in any disclosure requirements as the Company’s net loss is equal to the Company’s comprehensive loss.

**IAS 27 - Separate Financial Statements** ("IAS 27") was amended during 2011 and replaces IAS 27 Consolidated and Separate Financial Statements. IAS 27 has been reissued to reflect the change of including the consolidation guidance in IFRS 10. In addition, IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when the Company prepares separate financial statements. The Company is in the process of evaluating the effect of the adoption of this standard.

**IAS 28 - Investments in Associates and Joint Ventures** ("IAS 28") was issued by the IASB in May 2011 and supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 defines significant influence as the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. IAS 28 also provides guidance on how the equity method of accounting is to be applied and also prescribes how investments in associates and joint ventures should be tested for impairment. The Company is in the process of evaluating the effect of the adoption of this standard.

**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 amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014. Earlier adoption is permitted. The Company is in the process of evaluating the effect of the adoption of this standard.

#### **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 242,394,174 shares issued and outstanding. The Company had 18,786,906 share purchase warrants outstanding. Each warrant entitles the holder to purchase one common share at prices of \$0.10 to \$0.18 per share until August 19, 2018. Stock options outstanding total 17,955,000 and are exercisable for common shares at \$0.10 to \$0.65 per share until January 4, 2022.



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