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**Form 51-102F1**

***Management's Discussion & Analysis for the three months ended September 30, 2012***

**DATE: November 28, 2012**

This Management's Discussion and Analysis ("MD&A") of Gold Bullion Development Corp. (the "Company") has been prepared by management and should be read in conjunction with the Interim Condensed Financial Statements for the three months ended September 30, 2012 and related notes thereto and the Annual Consolidated Financial Statements for the year ended June 30, 2012 and related notes thereto, which are prepared in accordance with International Financial Reporting Standards ("IFRS"). 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**

The Company 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 interim condensed financial statements for the three months ended September 30, 2012, and the Company's audited annual 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 Rene Leveque Blvd., West, Montreal, Quebec H3B 2J2.

## **CORPORATE**

### ***Financing***

On September 13, 2010 the Company issued 750,000 common shares pursuant to the July 14, 2010 amendment to the March 20, 2008 agreement to acquire the 26 mineral claims attached to the Company's two mining leases.

On October 28, 2010, pursuant to a non-brokered private placement, the Company issued 14,814,814 units at \$0.54 per unit to raise gross proceeds of \$8,000,000. 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 \$0.75 per share. The fair value of the warrants was determined, using the Black-Scholes option pricing model, to be \$1,703,704. In connection with the Private Placement, the Company paid finder's fees of \$645,857 and issued 1,056,641 non-transferable broker warrants to the respective finder. Each broker warrant will entitle the holder to purchase an additional common share for a period of one year from the date of issuance, at a purchase price of \$0.75 per share. The fair value of the broker warrants was determined, using the Black-Scholes option pricing model, to be \$243,027.

On December 20, 2010 the Company issued 1,700,000 common shares pursuant to the November 22, 2010 agreement to acquire 174 mining claims in the Company's Granada property.

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 November 14, 2011 the Company issued 900,000 common shares pursuant to the November 22, 2010 agreement to acquire 174 mining claims in the Company's Granada property.

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 to Gold Bullion of \$3,439,792, and 5,718,175 units at a price of \$0.16 per unit, for gross proceeds to Gold Bullion 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 to Gold Bullion 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 compensation options 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 their 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.

### **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 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.

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. Jacques Monette and Ronald Goguen directors of the Company are directors and officers of Landdrill.

### **LITIGATION**

- (1) On September 10, 2008, the Company received 48 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 relate to the period from November 1, 2006 to November 14, 2007. The statements of offence include fines in an aggregate amount of \$97,000. The Company pleaded not guilty to all of these statements of offence. In the event the Company is declared guilty to all of these statements of offences, additional fees in the aggregate amount of \$51,098 will be

charged to the Company pursuant to the Regulation respecting the rate to determine the costs of sampling, analysis, inspection or investigation included in the costs of civil or penal proceedings instituted for the purposes of the environment Quality Act. The trial is scheduled for April 2013.

The Company has vigorously contested all of the statements of offence, accordingly, no provision of the claim has been made in the financial statements. Any amounts if paid, resulting from the claim will be recorded in the period in which they are paid.

- (2) 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 no examinations have yet to take place. The facts reviewed by the Company's legal counsel indicate that the Company has a strong defense to the claim asserted by the supplier and has serious grounds supporting its counter-claim

## **EXPLORATION AND EVALUATION PROJECTS**

### **Granada Property**

Since 2009, the Company has increased its land position in the Granada area from 77 hectares to a current footprint of over 11,000 hectares. The Company entered into an agreement dated November 22, 2010 wherein it retained the right to earn a 100% interest in an additional 174 claims totaling 6201.94ha by making a cash payment of \$200,000 (paid), issuing an aggregate of 2.9 million common shares over a two-year period and incurring exploration expenditures on the properties totaling at least \$200,000 (incurred) within one year of the agreement. A 2% net smelter royalty (NSR) is attached to each of the newly acquired properties with Gold Bullion holding the right to purchase 50% of the NSR at any time for \$1,000,000.

In total, the Company currently retains rights to 1 mining patent, 2 mining leases and 277 mining claims for a cumulative total of 11,598.03 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.

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.

The Granada area rocks are intruded by northerly-trending Proterozoic diabase dykes, felsic dykes, sills and stocks. Sill-like syenitic bodies are concentrated throughout the immediate area

of the mine property. The principal structural feature in the region is a penetrative schistosity affecting all lithologies. This fabric is usually parallel to stratigraphy. The flattening intensity of pebbles and cobbles increases from south to north towards the Cadillac Fault.

Locally, the intensity of the regional schistosity strengthens into discrete shear zones that are emphasized by hydrothermal alteration. In the area of the existing mine workings, there is a prominent zone of deformation, hydrothermal alteration and quartz veining which extends for over 5 kilometres.

The Cadillac Fault traverses the northern part of the property. Within the existing Granada mine site a parallel set of shears known as the Granada Shear Zone occurs over a width of approximately 500 metres. The shears are characterized by intense sericite, iron carbonate plus minor chlorite alteration with disseminated pyrite and arsenopyrite and host quartz veins and stringers. The veins comprise boudinaged or en-echelon quartz lenses in the sediments and more continuous veins in the syenite intrusive bodies. A series of northeasterly-trending sigmoidal faults occur between the Cadillac Fault and the Granada Shear Zone due to late shearing.

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. Accessory minerals include tourmaline, carbonate, chlorite and disseminated sulphides. Pyrite is the dominant sulphide typically occurring within the immediate wall rock to the quartz veins. Minor pyrite does occur within the veins themselves. Additional sulphides such as chalcopyrite, arsenopyrite sphalerite and galena are also present in trace amounts. Fuchsite (chromium mica) is present in the immediate wall rock adjacent to the quartz veins.

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 a total of 89,320 metres drilled since December 2009.

The Phase 1 program, of near 3000m in 25 holes, was planned to confirm historical grades on the property as well as step out from previous drilling. All holes intersected intervals of intense alteration and all returned gold values. All holes were sampled in their entirety to identify grades not only in the vein structures but in the material between major veins.

Highlights of Phase 1 include:

| Drill Hole      | From (m) | To (m) | Interval (m) | Weighted Gold grade g/t Au |
|-----------------|----------|--------|--------------|----------------------------|
| <b>GR-09-02</b> | 15.50    | 48.00  | 32.50        | 1.78                       |
| including       | 40.70    | 41.00  | 0.30         | 96.60                      |
| <b>GR-09-05</b> | 92.00    | 123.00 | 31.00        | 0.92                       |

| Drill Hole | From (m) | To (m) | Interval (m) | Weighted Gold grade g/t Au |
|------------|----------|--------|--------------|----------------------------|
| GR-09-06   | 36.00    | 52.50  | 16.50        | 1.22                       |
| GR-09-08   | 17.00    | 68.00  | 51.00        | 0.93                       |
| GR-10-12   | 4.30     | 87.00  | 82.70        | 0.90                       |
| GR-10-13   | 32.20    | 59.95  | 27.75        | 1.27                       |
| GR-09-15   | 73.20    | 147.00 | 73.80        | 0.88                       |
| GR-10-17   | 3.50     | 102.70 | 99.20        | 0.95                       |
| including  | 3.50     | 69.00  | 65.50        | 1.21                       |
| GR-10-18   | 37.50    | 56.50  | 19.00        | 1.02                       |
| GR-10-21   | 3.50     | 69.00  | 65.50        | 0.72                       |

GR-10-17 was the northeastern most hole drilled to that point and returned significant values with very long intervals of intense alteration. Based on this hole, the 25,000 metre Phase 2 drill program initially focused on extending the known mineralization to the north and east. Based on the excellent results obtained, the program was expanded to include infill drilling as well.

Significant intervals from the Phase 2 drill program are as follows:

| Drill Hole | From (m) | To (m) | Interval (m) | Weighted Gold Grade (g/t Au) |
|------------|----------|--------|--------------|------------------------------|
| GR-10-33   | 23.00    | 146.50 | 123.50       | 1.07                         |
| GR-10-41   | 3.65     | 153.00 | 149.35       | 0.83                         |
| including  | 54.90    | 130.00 | 75.10        | 1.50                         |
| GR-10-53   | 5.00     | 112.50 | 107.50       | 1.37                         |
| including  | 8.00     | 73.30  | 65.30        | 2.14                         |
| GR-10-55   | 86.64    | 304.14 | 217.50       | 0.95                         |
| including  | 86.64    | 271.43 | 184.79       | 1.06                         |
| GR-10-79   | 22.50    | 185.00 | 162.50       | 0.88                         |
| GR-10-99   | 3.50     | 87.00  | 83.50        | 0.98                         |
| GR-10-104  | 3.00     | 231.00 | 228.00       | 0.51                         |
| GR-10-108  | 117.58   | 259.28 | 141.70       | 0.70                         |
| including  | 184.84   | 259.28 | 74.44        | 1.06                         |
| GR-10-113  | 22.97    | 252.92 | 229.95       | 0.93                         |
| including  | 232.50   | 233.59 | 1.09         | 162.75                       |
| GR-10-117  | 3.00     | 201.00 | 198.00       | 0.74                         |
| including  | 4.60     | 77.50  | 72.90        | 1.02                         |
| GR-10-126  | 29.10    | 85.05  | 55.95        | 1.01                         |
| GR-10-128  | 3.00     | 116.5  | 113.50       | 0.55                         |
| including  | 55.5     | 116.5  | 61.00        | 0.81                         |
| including  | 60.00    | 61.5   | 1.50         | 15.7                         |
| GR-10-130  | 2.00     | 96.00  | 94.00        | 1.03                         |
| GR-10-138  | 116.00   | 171.50 | 55.50        | 0.77                         |
| including  | 116.00   | 125.00 | 9.00         | 2.16                         |
| GR-10-141  | 3.00     | 279.00 | 276.00       | 0.52                         |

The results to date, along with historical data and Gold Bullion's 30,000 tonne (2007) bulk sample with an average grade of 1.62 g/t Au, confirmed that gold at Granada is not confined to the vein network but is also present in significant amounts in the wallrock and stringer veins between the stronger veins. Therefore, Gold Bullion Development is examining the potential for shallow open pit mining with the potential for higher-grade underground mining operations at depth along the vein structures.

The 50,000 metre Phase 3 drill program has also been completed. This program consisted of infill drilling and some deeper drilling to the north of previously defined area of mineralization used to prepare a preliminary resource calculation. Significant intervals are shown below.

| <b>Drill Hole</b> | <b>From (m)</b> | <b>To (m)</b> | <b>Interval (m)</b> | <b>Weighted Gold grade g/t Au</b> |
|-------------------|-----------------|---------------|---------------------|-----------------------------------|
| <b>GR-10-153</b>  | 3.9             | 139.0         | 135.1               | 0.62                              |
| including         | 3.9             | 80.1          | 76.2                | 0.99                              |
| including         | 3.9             | 4.9           | 1.0                 | 54.98                             |
| <b>GR-10-157</b>  | 45.5            | 116.5         | 71.0                | 1.06                              |
| including         | 69.0            | 70.0          | 1.0                 | 44.8                              |
| <b>GR-10-173</b>  | 117.75          | 356.0         | 238.25              | 0.52                              |
| including         | 253.5           | 333.5         | 80.0                | 1.36                              |
| <b>GR-10-189</b>  | 99.5            | 170.4         | 70.9                | 1.06                              |
| <b>GR-11-199</b>  | 60.0            | 146.0         | 86.0                | 1.2                               |
| including         | 60.0            | 61.0          | 1.0                 | 63.5                              |
| and including     | 129.75          | 146.0         | 16.25               | 1.86                              |
| <b>GR-11-200</b>  | 50.5            | 156.5         | 106.0               | 0.81                              |
| <b>GR-11-256</b>  | 75.0            | 173           | 98.0                | 1.21                              |
| including         | 139.0           | 168.5         | 29.5                | 2.34                              |
| <b>GR-11-271</b>  | 24.55           | 207.5         | 182.95              | 1.11                              |
| including         | 24.55           | 25.3          | 0.75                | 207.27                            |
| <b>GR-11-284</b>  | 18.7            | 186.0         | 167.3               | 0.68                              |
| including         | 154.8           | 186.0         | 31.2                | 2.85                              |
| <b>GR-11-287</b>  | 104.0           | 173.5         | 69.5                | 1.05                              |
| Including         | 110.4           | 111.3         | 0.9                 | 30.03                             |
| and including     | 122.5           | 123.0         | 0.5                 | 38.75                             |
| and including     | 129.75          | 146.0         | 16.25               | 1.86                              |
| and including     | 172.6           | 173.5         | 0.9                 | 15.79                             |
| <b>GR-11-294</b>  | 19.0            | 130.0         | 111.0               | 0.87                              |
| including         | 73.5            | 109.5         | 36.0                | 2.42                              |
| <b>GR-11-358</b>  | 149.0           | 339.65        | 190.65              | 0.39                              |
| including         | 149.0           | 150.5         | 1.5                 | 6.38                              |
| and including     | 165.5           | 167.0         | 1.5                 | 3.86                              |
| and including     | 237.0           | 246.0         | 9.0                 | 0.86                              |
| and including     | 271.5           | 279.0         | 7.5                 | 2.61                              |
| and including     | 328.0           | 339.65        | 11.65               | 0.80                              |
| <b>GR-11-390</b>  | 285.0           | 541.5         | 256.5               | 0.44                              |
| including         | 340.0           | 350.5         | 10.5                | 2.92                              |



| Drill Hole        | From (m) | To (m) | Interval (m) | Weighted Gold grade g/t Au |
|-------------------|----------|--------|--------------|----------------------------|
| and including     | 480.0    | 541.5  | 61.5         | 0.86                       |
| including         | 480.0    | 484.5  | 4.5          | 4.52                       |
| and including     | 532.5    | 541.5  | 9.0          | 2.81                       |
| <b>GR-11-260</b>  | 382.50   | 386.39 | 3.89         | 4.87                       |
| <b>GR-11-350</b>  | 16.5     | 114.0  | 97.5         | 0.86                       |
| and               | 207.5    | 300.0  | 92.5         | 0.56                       |
| including         | 236.0    | 239.0  | 3.0          | 9.62                       |
| and including     | 297.0    | 300.0  | 3.0          | 2.97                       |
| <b>GR-11-393</b>  | 164.5    | 465.5  | 301.0        | 0.31                       |
| including         | 164.5    | 167.5  | 3.0          | 2.52                       |
| and including     | 273.5    | 278.0  | 4.5          | 2.10                       |
| and including     | 296.0    | 299.5  | 3.5          | 2.05                       |
| and including     | 318.0    | 321.8  | 3.8          | 2.81                       |
| and including     | 427.5    | 433.0  | 5.5          | 3.62                       |
| <b>GR-11-257</b>  | 165.5    | 211.5  | 46.0         | 2.25                       |
| including         | 189.5    | 211.5  | 22.0         | 4.42                       |
| and               | 312.0    | 323.5  | 11.5         | 0.41                       |
| <b>GR-11-264</b>  | 347.0    | 353.0  | 6.0          | 3.31                       |
| <b>GR-11-303</b>  | 9.5      | 137.0  | 127.5        | 0.66                       |
| including         | 9.5      | 43.0   | 33.5         | 1.77                       |
| and including     | 68.5     | 98.0   | 29.5         | 0.57                       |
| <b>GR-11-304A</b> | 229.5    | 240.0  | 10.5         | 0.60                       |
| and               | 290.0    | 300.0  | 10.0         | 1.30                       |
| and               | 316.5    | 326.0  | 9.5          | 0.64                       |
| <b>GR-11-310</b>  | 15.0     | 44.23  | 29.23        | 15.61                      |
| including         | 21.0     | 26.0   | 5.0          | 88.97                      |
| including         | 22.0     | 23.0   | 1.0          | 443.78                     |
| <b>GR-11-311</b>  | 54.5     | 86.5   | 32.0         | 2.49                       |
| including         | 65.5     | 73.0   | 7.5          | 9.44                       |
| and               | 157.0    | 180.5  | 23.5         | 0.74                       |
| including         | 157.0    | 169.0  | 12.0         | 1.17                       |
| <b>GR-11-326</b>  | 4.5      | 22.0   | 17.5         | 2.78                       |
| including         | 11.4     | 15.5   | 4.1          | 11.16                      |
| <b>GR-11-345</b>  | 227.5    | 243.0  | 15.5         | 0.45                       |
| and               | 333.5    | 336.5  | 3.0          | 4.45                       |
| <b>GR-11-368</b>  | 184.0    | 205.15 | 21.15        | 1.72                       |
| including         | 201.0    | 205.15 | 4.15         | 7.89                       |
| <b>GR-11-377</b>  | 261.0    | 349.5  | 88.5         | 0.62                       |
| including         | 261.0    | 267.0  | 6.0          | 1.79                       |
| and including     | 325.0    | 331.5  | 6.5          | 3.56                       |
| and including     | 345.0    | 349.5  | 4.5          | 1.05                       |
| <b>GR-11-377</b>  | 427.5    | 431.0  | 3.5          | 3.72                       |
| <b>GR-11-384</b>  | 309.0    | 351.0  | 42.0         | 0.44                       |

| Drill Hole       | From (m) | To (m) | Interval (m) | Weighted Gold grade g/t Au |
|------------------|----------|--------|--------------|----------------------------|
| and              | 422.5    | 428.5  | 6.0          | 18.25                      |
| <b>GR-11-394</b> | 302.5    | 319.5  | 17.0         | 1.23                       |
| including        | 302.5    | 307.0  | 4.5          | 3.28                       |
| <b>GR-11-394</b> | 516.0    | 519.0  | 3.0          | 2.58                       |

Most drill holes were planned to intercept the north-dipping, vein structures at high angles. No intersections shown in the above three tables are actual true width.

SGS Canada Inc. - Geostat replaced the previous geological consultant in November 2011 and has since worked diligently to complete the logging and sampling left from Phase 3 drilling while also running a new deep hole drill program at the north end of the Granada property.

Phase 4 drilling, including the Northern Deep Hole program and the western extension holes, totalled 10,906 metres in 17 holes. Two deep holes with several wedges were collared near the northern extent of the property to allow multiple pierce points through the mineralized structures at depth and to the north of previously defined mineralization. In addition, another 15 shorter holes were drilled to the west of the known mineralized LONG Bars zone resulting in extending the zone another 175 metres to the west.

| Drill Hole          | From (m) | To (m) | Interval (m) | Weighted Gold grade g/t Au |
|---------------------|----------|--------|--------------|----------------------------|
| <b>GR-12-400</b>    | 30.0     | 115.5  | 85.5         | 0.45                       |
| including           | 30.0     | 31.5   | 1.5          | 6.39                       |
| and                 | 61.5     | 64.5   | 3.0          | 3.41                       |
| and                 | 114.0    | 115.5  | 1.5          | 2.49                       |
| <b>GR-12-412</b>    | 15.0     | 97.5   | 82.5         | 0.58                       |
| including           | 15.0     | 19.5   | 4.5          | 8.39                       |
| and                 | 94.5     | 97.5   | 3.0          | 1.46                       |
| <b>GR-12-413</b>    | 4.5      | 114.0  | 109.5        | 0.55                       |
| <b>GR-12-414-R</b>  | 7.5      | 36.0   | 28.5         | 0.92                       |
| <b>GR-12-436</b>    | 264.0    | 267.0  | 3.0          | 4.01                       |
| <b>GR-12-438</b>    | 10.0     | 12.0   | 2.0          | 0.57                       |
| and                 | 57.0     | 60.0   | 3.0          | 0.80                       |
| and                 | 85.5     | 88.5   | 3.0          | 1.17                       |
| <b>DUP-12-02</b>    | 607.5    | 610.5  | 3.0          | 4.15                       |
| <b>DUP-12-02</b>    | 992.5    | 995.5  | 3.0          | 4.58                       |
| <b>DUP-12-02W1</b>  | 784.5    | 787.5  | 3.0          | 4.19                       |
| including           | 784.5    | 786.0  | 1.5          | 8.26                       |
| <b>DUP-12-03A</b>   | 906.0    | 909.0  | 3.0          | 2.07                       |
| <b>DUP-12-03AW1</b> | 904.5    | 907.5  | 3.0          | 0.82                       |
| <b>DUP-12-03AW2</b> | 660.0    | 663.0  | 3.0          | 4.12                       |
| and                 | 786.0    | 789.0  | 3.0          | 2.34                       |
| and                 | 814.5    | 817.5  | 3.0          | 2.04                       |
| and                 | 906.0    | 909.0  | 3.0          | 1.40                       |

| Drill Hole          | From (m) | To (m) | Interval (m) | Weighted Gold grade g/t Au |
|---------------------|----------|--------|--------------|----------------------------|
| <b>DUP-12-03AW2</b> | 1218.0   | 1221.0 | 3.0          | 4.11                       |
| Including           | 1218.0   | 1219.5 | 1.5          | 8.18                       |

SGS Geostat is continuing to review and confirm all existing data for the Granada property in order to complete an updated resource estimate expected before the end of 2012. Updated Resource Estimate 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> | Tonnage           | Au g/t      | Au Oz            |
| 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> | Tonnage           | Au g/t      | Au Oz            |
| 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**

All interval calculations were completed by Gold Bullion Development Corp. up to November 2011 using raw data compiled by the company's former geological consultant while all calculations since that time have been under the supervision of Geostat of SGS Canada. Core has been sent to four separate laboratories to realize a faster turnaround for analytical results. Currently, all core is being sent to Accurassay Laboratory with a prep lab in Rouyn-Noranda. Analytical accuracy and precision are monitored by the analysis of reagent blanks and reference materials at all labs. Quality control is further assured by the insertion of blind certified standard reference material and blanks into the sample stream at regular intervals by logging personnel in order to independently assess analytical accuracy.

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 September 30, 2012 totaled \$22,506,192 (June 30, 2012 – \$21,896,440).

## Castle Silver Mine Property

The Castle Silver Mine 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.

Specifically, the royalty for each “Silver Sale”, that is, a sale or other disposition of product containing silver, is an amount equal to the product of the “Royalty Rate” and the “Sale Revenues”, as those terms are defined in the December 2006 Purchase and Sale Agreement, with respect to such “Silver Sale”. The “Royalty Rate” with respect to each “Silver Sale” is based on a sliding scale, from a low of 3% if the “Official Price” applicable to such “Silver Sale” is US\$15 per troy ounce or less, to a maximum of 5% if the “Official Price” applicable to such “Silver Sale” is greater than US\$30 per troy ounce.

There is no current resource estimate for the Castle Silver Mine Property. The 1989 Cobalt Residents Geologist’s Office reported that the Castle Silver Mine, 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. 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 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 technical report dated August 15, 2011 with respect to the Castle Silver Mine 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<br>ppb | Pt<br>ppb | Pd<br>ppb | Ag<br>ppm | As<br>ppm | Co<br>ppm | Cu<br>ppm | Pb<br>ppm | Zn<br>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       |

| Hole    | Sample | From   | to     | Length | Au<br>ppb | Pt<br>ppb | Pd<br>ppb | Ag<br>ppm | As<br>ppm | Co<br>ppm | Cu<br>ppm | Pb<br>ppm | Zn<br>ppm |
|---------|--------|--------|--------|--------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| 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       |
| 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 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 IP geophysical survey this fall based on the success of drilling IP-defined targets last spring. A small amount of stripping (approximately 1200m<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 September 30, 2012 totaled \$2,681,315 (June 30, 2012 – \$2,552,988).

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

The Company holds a 5 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.

On January 31, 2012, the Company entered into a consent to assignment and amendment of option agreement with Ansil Resources Ltd. (Ansil) pursuant to which Ansil consents to the

assignment by Grupo Moje Limited (Grupo, related party), which is owned by an officer and director of the Company, to the Company of all of the rights, obligations and liabilities of Grupo under the Option Agreement, signed on May 10, 2011, to the complete exoneration of Grupo; and agrees that the completion of the foregoing assignment by the following terms:

- a) Pay to Ansil the sum of \$10,000 upon execution of this Agreement; and
- b) Incur exploration expenditures aggregating \$100,000 on the property over a period of seven years as follows: \$20,000 in each year on or before May 10, 2012, May 10, 2013, May 10, 2014, and \$10,000 in each of the further additional four years on or before May 10, 2018.
- c) Pay to Ansil, as prepayment of the Net Smelter Royalty the following amounts, commencing July 1, 2012 and continuing for a period of five years or until the property is put into commercial production, whichever is earlier:

| Date of payment | Amount   |
|-----------------|----------|
| July 1, 2012    | \$10,000 |
| July 1, 2013    | \$10,000 |
| July 1, 2014    | \$10,000 |
| July 1, 2015    | \$15,000 |
| July 1, 2016    | \$15,000 |

As at September 30, 2012, the Company paid \$20,000 and incurred exploration expenditures in amount of \$93,978.

### **SHAREHOLDERS GOLD PURCHASE PROGRAM**

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, as follows:

- the program can only be offered to shareholders of the Company;
- the maximum subscription per shareholder should be proportional to share ownership;
- the right to purchase gold is non-transferable;
- the funds raised in the gold program can only be used for the financing of the project (i.e. bringing a mine into production);
- the maximum annual production allocated to the gold program shall not exceed 50% of the annual production;
- the program is to be properly disclosed by the Company to the public; and
- the legal counsel of the Company must provide a legal opinion to the Exchange that the future sale of gold (or the rights to purchase gold) is not considered as a "security" as defined under securities legislation in Canada.

On April 11, 2012, the Company provided the following update with respect to its proposed Shareholder Gold Royalty Program.

The Shareholder Gold Royalty is being developed so that Gold Bullion shareholders can participate in the security of gold ownership. The proposed Shareholder Gold Royalty is intended to allow Gold Bullion shareholders to receive a dividend payable in gold on a pro rata basis, based on the number of Gold Bullion shares held on the dividend record date. Shareholders who do not have a gold metal account or for other reason may not be able to receive the physical metal will be able to receive their dividend in Canadian dollars.

Gold Bullion intends to implement the Shareholder Gold Royalty if and when the Granada Gold Mine enters into production. The Shareholder Gold Royalty 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 replaces the Shareholder Gold Purchase Program outlined in Gold Bullion's news release dated June 4<sup>th</sup>, 2008, and is part of Gold Bullion's forward-looking policy of ensuring shareholder value. Gold Bullion will inform shareholders of the details of the Shareholder Gold Royalty as the program 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.

## **RISK FACTORS**

### **Overview**

The Company's financial instruments consist of cash and cash equivalents, receivables, trade and other payables, due to related parties and long-term debt. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. Due to their short term nature, the fair value of these financial instruments approximates their carrying value.

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

- Interest rate risk;
- credit risk;
- liquidity risk;
- market 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 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 fulfils 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.

### **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 September 30, 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 |

### **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.

### **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.

### **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.

### **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'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.

### **Market Risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices will affect the Company's income, the value of its EEP 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) 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.

#### **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 currency is the Canadian dollar. The Movement on US rates may impact the future economic feasibility of the Company's mining interests

### **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

## **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 September 30, 2012 totalled \$834,986 (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 three months ended September 30, 2012. 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<br/>June 30, 2012</b> | <b>Year-Ended<br/>June 30, 2011</b> | <b>Year-Ended<br/>June 30, 2010</b> |
|---------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Net Sales or Total Revenues           | 2,101,195                           | 12,229                              | 349                                 |
| Total Net Loss                        | (\$10,720,482)                      | (\$16,741,619)                      | (\$7,988,719)                       |
| Net Loss per share                    | (\$0.06)                            | (\$0.11)                            | (\$0.09)                            |
| Total Assets                          | \$7,136,137                         | \$9,684,029                         | \$5,692,167                         |
| Total long-term financial Liabilities | 0                                   | 0                                   | 0                                   |
| 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 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 three months ended September 30, 2012 and 2011.

|  | <b>2012</b>       | 2011       |
|--|-------------------|------------|
| Administrative and general expenses        | <b>37,928</b>     | 31,305     |
| Consulting fees                            | <b>144,761</b>    | 88,483     |
| Financing charges                          | <b>17,763</b>     | -          |
| Management fees                            | <b>110,616</b>    | 88,132     |
| Professional fees                          | <b>43,976</b>     | 36,937     |
| Filing costs and shareholders' information | <b>38,535</b>     | 150,006    |
| Travel                                     | <b>50,826</b>     | 50,690     |
| Stock-based compensation                   | <b>12,700</b>     | 119,100    |
|  | <b>\$ 457,105</b> | \$ 564,653 |

The following schedule provides the details of the company's expenditures, by project, on its exploration and evaluation projects for the three months ended September 30, 2012 and 2011.

|                             | for the three months ended |            |          |            | for the three months ended |            |              |
|-----------------------------|----------------------------|------------|----------|------------|----------------------------|------------|--------------|
|                             | September 30, 2012         |            |          |            | September 30, 2011         |            |              |
|                             | Granada                    | Castle     | Beaver   | Total      | Granada                    | Castle     | Total        |
| Acquisition costs           | \$ -                       | \$ 2,210   | \$ -     | \$ 2,210   | \$ -                       | \$ -       | \$ -         |
| Assaying and testing        | 216,697                    | 7,481      | -        | 224,178    | 408,948                    | 42,989     | 451,937      |
| Depreciation                | 13,644                     | -          | -        | 13,644     | 21,959                     | -          | 21,959       |
| Drilling                    | 49,018                     | -          | -        | 49,018     | 1,477,958                  | 80,209     | 1,558,167    |
| Equipment costs             | 8,611                      | 17,935     | -        | 26,546     | 428,112                    | 11,308     | 439,420      |
| Facility expense            | 15,381                     | 17,630     | -        | 33,011     | 72,519                     | 62,191     | 134,710      |
| Geology and geophysics      | -                          | 4,502      | -        | 4,502      | -                          | 163        | 163          |
| Personnel                   | 98,736                     | 45,166     | 3,393    | 147,295    | 309,692                    | 41,279     | 350,971      |
| Project management          | 146,607                    | 30,228     | -        | 176,835    | 771,740                    | 51,326     | 823,066      |
| Security costs              | 46,124                     | 3,175      | -        | 49,299     | 52,029                     | -          | 52,029       |
| Taxes permits and licensing | 14,934                     | -          | -        | 14,934     | 2,209                      | -          | 2,209        |
|                             | \$ 609,752                 | \$ 128,327 | \$ 3,393 | \$ 741,472 | \$ 3,545,186               | \$ 289,465 | \$ 3,834,631 |

## Summary of Quarterly Results

The following table sets forth selected quarterly financial information for each of the most recently completed quarters. Data for periods prior to July 1, 2011 have been re-calculated to comply with IFRS.

|                   | Sept 30<br>2012 | June 30<br>2012 | Mar 31<br>2012 | Dec 31<br>2011 | Sept 30<br>2011 | June 30<br>2011 | Mar 31<br>2011 | Dec 31<br>2010 |
|-------------------|-----------------|-----------------|----------------|----------------|-----------------|-----------------|----------------|----------------|
| Revenue           | \$ 1,285        | \$ 23,372       | \$ 2,077,823   | \$ -           | \$ -            | \$ -            | \$ -           | \$ 126         |
| Net Income (Loss) | (1,197,292)     | (2,050,680)     | (2,062,526)    | (2,253,866)    | (4,399,284)     | (1,868,304)     | (5,456,463)    | (5,255,689)    |
| Loss per Share    | (\$0.01)        | (\$0.01)        | (\$0.01)       | (\$0.01)       | (\$0.03)        | (\$0.01)        | (\$0.04)       | (\$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 Canadian generally accepted accounting principles on a going concern basis which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business. The ability of the Company to continue as a going concern is dependent upon the continued support from its directors, the ability to continue to raise adequate financing or achieving 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 September 30, 2012 the Company had capital deficiency of \$116,042 (June 30, 2012 - \$1,016,186), cumulative losses of \$54,351,409 (June 30, 2012 - \$53,154,119) and expects to incur further losses in the development of its business. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

### **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 & 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.

- 1) 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 three months ended September 30, 2012, the total amount for such services provided was \$98,012, of which \$49,006 was recorded in exploration expenses and \$49,006 in management fees. As at September 30, 2012, an amount of \$121,947 was included in trade and other payables.
- 2) The Company retains the services of two directors and an officer to carry out administrative services. During the three months ended September 30, 2012, the total amount for such services provided was of \$77,150, of which \$53,150 was recorded in management fees and \$24,000 was recorded on Consulting fees. As at September 30, 2012, an amount of \$9,500 was included in trade and other payables.
- 3) During the three months ended September 30, 2012, the Company incurred drilling expenditures of \$54,766 to Landdrill International Inc. (Landdrill) on its resource properties. Two directors of the Company are also directors and officers of Landdrill. As at September 30, 2012, an amount of \$770,193 was included in trade and other payables.
- 4) The Company has advanced and paid expenses in the amount of \$1,158,666 to and on behalf of its wholly owned subsidiary. The balance is not interest bearing with no specific terms of repayments. The amount was eliminated in preparing the interim condensed 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 except as disclosed in note 13(b) below. Restoration costs will be accrued in the financial statements only when they can be reasonably estimated and will be charged to the earnings at that time.

On September 10, 2008, the Company received 48 statements of offence pursuant to the *Environment Quality Act* (Québec) (the "Act") for allegedly of 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 relate to the period from November 1, 2006 to November 14, 2007. The statements of offence include fines in an aggregate amount of \$97,000. The Company pleaded not guilty to all of these statements of offence. In the event the Company is declared guilty to all of these statements of offences, additional fees in the aggregate amount of \$51,098 will be charged to the Company pursuant to the Regulation respecting the rate to determine the costs of sampling, analysis, inspection or investigation included in the costs of civil or penal proceedings instituted for the purposes of the environment Quality Act. The trial is scheduled for April 2013.

The Company has vigorously contested all of the statements of offence; accordingly, no provision of the claim has been made in the financial statements. Any amounts if due, resulting from the claim will be recorded in the period in which they are determined.

- 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:

- Two years following the flow-through investment;
- 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, 2011, the Company received \$4,357,090 from flow-through share issuance. According to the tax rules, the Company has until December 31, 2012 to spend this amount on qualified exploration expenditures. As at September 30, 2012 the Company has spent the full amount.

In December 2011, the Company received \$4,052,692 flow-through share issuance. According to the tax rules, the Company has until December 31, 2012 to spend this amount on qualified exploration expenditures. As at September 30, 2012 the Company has spent the full 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.
- d) On March 15, 2012, a supplier instituted an action against the Company in the amount of \$783,652 before the Superior Court of Quebec. The Company is contesting that claim and has filed a counter-claim in the amount of \$25,431,906. The claim and counter-claim are presently in their infancy in that no examinations have yet to take place. The facts reviewed by the Company's legal counsel indicate that the Company has a strong defence to the claim asserted by the supplier and has serious grounds supporting its 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 is 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.
- (2) Effective July 1, 2010, the Company entered into a consulting agreement with a director and officer of the Company. The fee for consulting services is \$7,500 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 \$90,000. Effective January 1, 2012 this agreement was amended as follows: The fee for consulting services is \$9,500 per month and 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.
- (3) Effective December 1, 2010, the Company entered into an agreement with a consultant of the Company. The fee for consulting services is \$6,500 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 \$78,000. Effective October 1, 2011, the agreement was amended as follows: The fee for consulting services is \$8,000 (previously \$6,500) per month and 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 \$96,000 (previously \$78,000). In April 2012, this consultant was appointed a director of the Company.

- (4) Effective March 1, 2011, the Company entered into a consulting agreement with an officer of the Company. The fee for consulting services is USD \$6,000 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 \$72,000. Effective February 1, 2012, this agreement was amended as follows: The fee for consulting services is USD \$8,000 per month and 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, the Company entered into an agreement with a consultant of the Company. The fee for consulting services is \$6,000 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 \$72,000. Effective January 1, 2012, the agreement was amended as follows: The fee for consulting services is \$8,000 (previously \$6,000) per month and 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 \$96,000 (previously \$72,000).

### **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 208,285,074 shares issued and outstanding. The Company had 27,945,954 share purchase warrants outstanding. Each warrant entitles the holder to purchase one common share at prices of \$0.155 to \$0.18 per share until April 24, 2013. Stock options outstanding total 17,490,000 and are exercisable for common shares at \$0.10 to \$0.65 per share until January 4, 2022.

### **APPROVAL**

The Board of Directors of the Company have approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

Additional information relating to the Company's operations and activities can be found by visiting the Company's website at [www.goldbulliondevelopmentcorp.com](http://www.goldbulliondevelopmentcorp.com) as well as numerous news releases and 43-101 reports, which are filed on SEDAR at [www.sedar.com](http://www.sedar.com).





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