GOLD BULLION DEVELOPMENT CORP.

Condensed Interim Consolidated Financial Statements

December 31, 2015

Unaudited

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NOTICE TO READERS

The accompanying unaudited interim financial statements of Gold Bullion Development Corp. have been prepared by and are the responsibility of the Company's management.

In accordance with National Instrument 51-102, Continuous Disclosure Obligations of the Canadian Securities Administrators, the Company herewith discloses that its independent auditor has not performed a review of these condensed unaudited interim financial statements.

Signed 'Frank J. Basa"

Frank J. Basa, President

Signed "Thomas P. Devlin"

Thomas P. Devlin, Chief Financial Officer

GOLD BULLION DEVELOPMENT CORP.

Interim Condensed Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	December 31, 2015 (unaudited)	June 30, 2015 (audited)
Assets		
Current assets		
Cash	$ -	$ 35,157
Receivables (Note 5)	104,474	135,141
Loan receivable	-	-
Marketable securities	76,501	
Prepaid expenses	3,000	26,000
Assets held for sale (Note 9)	-	25,690
Total current assets	183,975	221,988
Takara units receivable	103,253	-
Deposit - long-term (Note 6)	171,800	171,800
Property, plant and equipment (Note 8)	45,912	51,013
Total Assets	504,940	444,801
Liabilities		
Current liabilities		
Accounts payable and other liabilities	3,503,082	3,637,718
Liabilities of assets held for sale	-	114,200
Total current liabilities	3,503,082	3,751,918
Long term liabilities		
Secured loans payable (Note 9)	500,000	-
Total Liabilities	4,003,082	3,751,918
Sha Share capital (Note 11)		
Reserves (Note 12)	53,586,835	53,586,835
Deficit	2,729,472	3,337,947
	(59,814,449)	(60,231,899)
Total Shareholders' Equity (Deficiency)	$ (3,498,142)	(3,307,117)
Total Liabilities and Shareholders' Equity (Deficiency)	$ 504,940	$ 444,801

Nature of operations and going concern (Note 1)
Contingencies (Note 14)
Commitments (Note 15)
Subsequent events (Note 18)

APPROVED ON BEHALF OF THE BOARD

Signed "Frank Basa" ,Director

Signed "Roger Thomas" ,Director

See accompanying notes to the consolidated financial statements.

GOLD BULLION DEVELOPMENT CORP.

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars) (unaudited)

	Three months ended December 31.		Six months ended December 31.	
	2015	2014	**2015**	2014
Expenses				
Exploration and evaluation (Note 7)				
Assaying and testing	**$ 25,234**	$ 30,987	**$ 31,123**	$ 38,188
Consulting fees	**16,409**	-	**32,815**	-
Depreciation	**2,550**	4,690	**5,101**	9,381
Drilling	**-**	13,551	**-**	13,551
Equipment	**5,199**	96,383	**14,552**	131,132
Facility expenses	**38,636**	23,418	**60,282**	39,311
Geology, geophysics and surveys	**35,000**	35,000	**70,000**	70,000
Personnel costs	**33,219**	21,328	**68,345**	40,947
Program management and engineering	**119,059**	287,861	**243,692**	567,775
Royalty	**-**	15,000	**-**	15,000
Security	**239**	-	**539**	300
Taxes, permits and licensing	**16,739**	4,068	**19,157**	21,232
	292,284	532,286	**545,606**	946,817
Corporate				
Administrative and general expenses	**7,504**	31,547	**12,531**	70,548
Consulting fees	**72,520**	50,208	**139,811**	105,216
Financing Interest	**-**	-	**12,884**	-
Management fees	**68,092**	56,883	**128,593**	112,041
Professional fees	**71,631**	65,472	**107,563**	112,133
Filing costs and shareholders' information	**11,058**	55,196	**47,958**	102,891
Travel	**11,600**	42,124	**20,180**	77,328
	242,405	301,430	**469,520**	580,157
Other items				
Interest and other income	**-**	(36)	**(65)**	(71)
Quebec tax credits	**-**	(55,669)	**-**	(55,669)
Stock-based compensation	**750**	6,175	**10,125**	291,625
Gain on debt settlement	**(550,772)**	-	**(550,772)**	-
Gain on discontinued operations	**-**	-	**(179,754)**	-
Tax assessments	**-**	34,600	**-**	34,600
First nation costs	**-**	3,600	**-**	3,600
	(550,022)	(11,330)	**(720,466)**	274,085
Total expenses	**(15,333)**	822,386	**294,660**	1,801,059
Net gain (loss) for the period	**15,333**	$ (822,386)	**(294,660)**	$ (1,801,059)
Comprehensive loss				
Investment in Castle Silver Inc	**-**	-	**(2,925,100)**	-
Forgiveness of debt	**-**	-	**(1,251,361)**	-
	-	$ -	**(4,176,461)**	$ -
Net and comprehensive gain (loss) for the period	**15,333**	(822,386)	**(4,471,121)**	(1,801,059)
Net loss per share - basic and fully diluted	**$ 0.00**	$ (0.00)	**$ (0.01)**	$ (0.01)
Weighted average number of shares outstanding basic and fully diluted	**308,890,591**	284,392,113	**308,890,591**	270,993,493

See accompanying notes to the consolidated financial statements.

GOLD BULLION DEVELOPMENT CORP.

Interim Condensed Consolidated Statement of Changes in Equity
(Expressed in Canadian Dollars) (unaudited)

	Share Capital	Reserves	Deficit	Total Equity (Deficiency)
Balance June 30, 2014	$ 51,785,760	$ 6,224,515	$ (60,740,775)	$ (2,730,500)
Issued by private placement	1,643,312	1,264,527	-	2,907,839
Share issue costs	(171,478)	(86,038)	-	(257,516)
Options granted and vested	-	291,625	-	291,625
Options expired	-	(100,100)	100,100	-
Net loss for the six months ended Dec 30, 2014	-	-	(1,801,059)	(1,801,059)
Balance December 31, 2014	**$ 53,257,594**	**$ 7,594,529**	**$ (62,441,734)**	**$ (1,589,611)**
Issued by private placement	679,344	(679,344)	-	-
Premium on flow-through shares	(420,729)	-	-	(420,729)
Share issue costs	-	-	-	-
Options granted and vested	-	46,850	-	46,850
Options expired	-	(3,542,675)	3,542,675	-
Warrants expired	81,413	(81,413)	-	-
Tax impact on expiry of warrants	(10,787)	-	-	(10,787)
Net loss for the six months ended Dec 31, 2015	-	-	(1,332,840)	(1,332,840)
Balance June 30, 2015	**53,586,835**	**3,337,947**	**(60,231,899)**	**(3,307,117)**
Options vested	-	10,125	-	10,125
Options expired	-	(618,600)	618,600	-
Discontinued operations	-	-	93,510	93,510
Net loss for the six months ended June 30, 2015	-	-	(294,660)	(294,660)
Balance December 31, 2015	**$ 53,586,835**	**$ 2,729,472**	**$ (59,814,449)**	**$ (3,498,142)**

GOLD BULLION DEVELOPMENT CORP.
Interim Condensed Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars) (unaudited)

For the six months ended December 31,		2015	2014
Cash (used in) provided by:			
Operating activities			
Net loss and comprehensive loss for the year		**(294,660)**	$ (1,801,059)
Items not involving cash			
Depreciation		**5,101**	9,381
Stock-based compensation		**10,125**	-
Secured loan interest		**12,884**	
Gaim on disposal of discontinued operations		**(179,754)**	291,625
Changes in non-cash working capital items			
Receivables		**30,666**	(27,228)
Prepaid expenses		**23,000**	(88,901)
Trade and other payables		**(142,519)**	132,879
Net cash flows used in operating activities		**(535,157)**	(1,483,303)
Financing activities			
Secured loans		**500,000**	-
Issuance of common shares and warrants		**-**	2,650,323
Share issue costs		**-**	-
Net cash flows generated from financing activities		**500,000**	2,650,323
Decrease in cash and cash equivalents during the year		**(35,157)**	1,167,020
Cash and cash equivalents, beginning of year		**35,157**	152,227
Cash and cash equivalents, end of period	**$**	**-**	$ 1,319,247
Cash and cash equivalents consist of:			
Cash	**$**	**-**	$ 1,319,247
Cash equivalents		**-**	-
	$	**-**	$ 1,319,247

See accompanying notes to the consolidated financial statements.

1. Nature of Operations and Going Concern

Gold Bullion Development Corp. (“Gold Bullion” or the “Company”) is domiciled in Canada and was incorporated on July 17, 1985 under the Company Act of British Columbia. The Company is a publicly-traded company with its shares listed on TSX Venture Exchange, the Frankfurt Stock Exchange, and the US over-the-counter (“OTC”) market. The principal business of the Company is the acquisition, exploration and development of mineral property interests. The Company’s head office is located at 2875 Avenue Granada, Rouyn-Noranda, Quebec, J9Y 1J1.

These consolidated financial statements were reviewed, approved and authorized for issue by the Board of Directors on February 26, 2016.

The Company is in the process of exploring its mineral property interests and has not yet determined whether its mineral property interests contain mineral deposits that are economically recoverable. The Company will periodically have to obtain additional funds to continue its exploration activities, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company’s continuing existence is dependent upon the discovery of economically recoverable reserves and resources, the preservation of its interest in the underlying properties, the ability of the Company to obtain necessary financing to complete exploration, development and construction of processing facilities, obtaining certain government approvals and the achievement of profitable operations. The Company’s assets may also be subject to increases in royalties and taxes, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company’s assets may also be subject to increases in taxes and royalties, and renegotiation of contracts.

These consolidated financial statements have been prepared using International Financial Reporting Standards (“IFRS”) on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses and statement of financial position classifications that would be necessary were the going concern assumption deemed inappropriate. Such adjustments could be material.

1. Nature of Operations and Going Concern (cont'd)

As at December 31, 2015, the Company had not yet achieved profitable operations, has accumulated losses of $59,814,449 (June 30, 2015 - $60,231,899) since its inception, has a working capital deficiency of $3,319,107 (June 30, 2015 – $3,529,930) and expects to incur further losses in the development of its business.

The Company has a need for equity capital and financing for working capital and exploration and development of its properties. Because of continuing accumulated operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations. Management believes that unless additional funding is obtained there may be material uncertainty as to the Company's ability to continue as a going concern.

2. Basis of Preparation

(a) Statement of Compliance

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"), which incorporates International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Accordingly, these condensed interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, as required by National Instrument 52-107 sec. 3.2(1)(b)(ii).

(b) Basis of Presentation

These consolidated financial statements have been prepared on the historic cost basis, except certain financial instruments that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The preparation of consolidated financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the three months. Actual results may ultimately differ from these estimates.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency.

3. Significant accounting policies

The accounting policies set out in the Company's audited financial statements for the year ended June 30, 2015 have been applied consistently to these interim condensed consolidated financial statements.

(Expressed in Canadian Dollars) (Unaudited)

4. Significant Judgements, Estimates and Assumptions

The significant judgements, estimates and assumptions set out in the Company's audited financial statements for the year ended June 30, 2015 have been applied consistently to these interim condensed consolidated financial statements.

5. Receivables

	December 31, 2015	June 30, 2015
Commodity taxes	$ 87,727	$ 103,394
Other receivable	5,000	20,000
Tax credits receivable	11,747	11,747
	$ 104,474	$ 135,141

The Company is entitled to a refundable tax credit of up to 35% on qualified mining exploration expenditures net of flow-through renunciations incurred in the Province of Quebec and a refund of mining duties at an effective rate of up to 8% (2014 – 8%) on qualified Canadian exploration expenditures net of flow-through renunciations and the refundable tax credit. These refunds are applied against the exploration expenses and included in tax credits receivable.

6. Deposit – Long-term

As at December 31, 2015 and June 30, 2015, the Company has a non-interest bearing cash deposit of $171,800 with the Quebec government as a guarantee for the restoration of the Granada mine site. The Company had no material decommissioning obligations as at December 31, 2015 and June 30, 2015.

7. Exploration and Evaluation Projects

The Company has determined that as at December 31, 2015 the following projects have not met the technical feasibility and commercial viability criteria to be capitalized and classified in mining properties. Accordingly, the Company has expensed all exploration and evaluation expenditures in the six months. As of December 31, 2015 and June 30, 2014, the Company did not hold any assets classified as mining properties.

Granada Property, Quebec, Canada

The Company holds a 100% interest to certain mining leases and claims. The mining leases are subject to a 2% GMR, ½ of which may be purchased for $1,000,000 and a 1% NSR and 23 of the original 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.

7. Exploration and Evaluation Projects (cont'd)

Castle Property, Ontario, Canada

On September 15, 2015, the Company sold its wholly-owned subsidiary Castle to Takara Resources Inc. ("Takara"). Takara acquired all of the issued and outstanding common shares of Castle from the Company in exchange for 10,000,000 units of Takara to be issued in equal amounts of 2,500,000 units with the first issuance on closing of the transaction and the remaining issuances on each anniversary from the closing date for the next 3 years. Each unit comprises of one common share in the capital of Takara and one common share purchase warrant exercisable at $0.10.

Effective June 30, 2015 the Company, acquired a 1% NSR on the Castle Silver Mines property in return for the expenditure of in excess of $1,000,000 in exploration expenses made on the Castle property.

Beaver and Violet Properties, Ontario, Canada

The Company holds a 7-year option with Jubilee Gold Exploration Ltd. ("Jubilee") to acquire a 100% interest to an area 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 October 8, 2015, the Company, subject to TSX-V approval, entered into an Assignment Agreement with Takara, granting Takara the right to acquire a 100% interest in the Beaver and Violet cobalt and silver properties located in the township of Coleman, in northern Ontario. Pursuant to the Agreement, Takara will pay the Company an aggregate of $75,000, consisting of $15,000 payable within ten days upon execution of the Agreement plus four equal instalments of $15,000 on the first, second, third and fourth anniversary dates of the date of the Agreement. TSX-V is subject to the Company obtaining shareholder approval for the transaction.

(Expressed in Canadian Dollars) (Unaudited)

8. Property, Plant and Equipment

	December 31, 2015				
	Balance June 30, 2015	Additions (Disposals) (Write-down)	Balance Sept. 30, 2015	Accumulated Amortization	Net
Equipment	17,363	-	17,363	1,336	15,627
Vehicles	33,650	-	33,650	3,365	30,285
	51,013		51,013	5,101	45,912

	June 30, 2015				
	Balance June 30, 2014	Additions (Disposals) (Write-down)	Balance June 30, 2015	Accumulated Amortization	Net
Equipment	21,703	-	21,703	4,340	17,363
Vehicles	48,072	-	48,072	14,422	33,650
	69,775		69,775	18,762	51,013

9. Secured Loans Payable

0n August 4, 2015, the Company entered into two loan agreements and a Supply and Services agreement for proceeds totaling $800,000.

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

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

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

(Expressed in Canadian Dollars) (Unaudited)

9. Secured Loans Payable (cont'd)

On November 11, 2015 the Company entered into a second loan agreement with an existing shareholder for a demand loan for proceeds of $200,000 over a three-year term at an interest rate of 8% calculated monthly and payable annually. The loan will automatically renew for an additional three-year term until such time as the lender agrees to terminate the agreement. The lender also has the option to obtain interest and principal loan repayments in gold rather than cash should that option become feasible while the loan remains in place. In that event, the gold is to be valued at US $800 per ounce. The lender also has the option to participate in future financings but is not obliged to do so. The outstanding loan balance is subject to repayment in full at any time at the discretion of the lender.

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

10. Trade and Other Payables and Provisions

	December 31, 2015	June 30, 2015
Trade payable	$1,056,336	$1,550,300
Due to related parties	486,274	139,830
Secured loan interest payable	12,284	-
Part XII.6 taxes and interest (1)	385,852	385,852
Flow-through indemnification provision (1)	1,098,004	1,098,004
Part XII.6 taxes and interest (ii)	113,732	113,732
Flow-through indemnification provision (ii)	350,000	350,000
	3,503,082	3,637,718

(1) The Company had been reassessed for a renunciation shortfall of $1,759,590 on unspent flow-through expenditures for fiscal years 2006 to 2008. As a result, the Company has accrued $385,892 for Part XII.6 taxes and penalties on the shortfall. In addition, the Company has accrued $1,098,004 for potential indemnity for shareholders. The Company has reviewed the reassessment and has filed objections on certain of the CRA's claims.

(2) The Company has estimated potential Part XII.6 taxes and indemnity in relations to unspent flow-through expenditures on flow-through issuance in fiscal year 2012. The Company has accrued $108,316 for Part XII.6 taxes and penalties on the shortfall. In addition, the Company has accrued $350,000 for potential indemnity for shareholders.

11. Share Capital

Authorized

Unlimited number of common shares without par value

Issued

At both December 31, 2015 and June 30, 2015 the company had 308,890,591 common shares issued and outstanding.

(Expressed in Canadian Dollars) (Unaudited)

12. Reserves

Warrants

A summary of the Company's outstanding warrants as at December 31, 2015 is presented below. Each warrant entitles the holder to purchase one common share:

Number of Warrants	Exercise Price	Expiry Date
50,000	0.100	August 19, 2018
7,606,350	0.100	January 31, 2017
500,000	0.100	January 31, 2017
9,045,510	0.100	September 6, 2016
6,952,698	0.100	September 6, 2016
9,570,000	0.100	December 23, 2016
1,440,000	0.100	December 23, 2016
3,550,000	0.100	December 30, 2016
568,000	0.100	December 30, 2016
39,282,558	0.100	

Options

The Company's Stock Option Plan (the "Plan") provides for the granting of stock options to directors, officers, employees and consultants of the Company. Share options are granted for a term not to exceed ten years from the date of grant. All options are subject to a four month holding period from the date of grant if granted at the price lower than the market price or to insiders. The Plan is administered by the Board of Directors, which determines individual eligibility under the Plan, number of shares reserved for optioning to each individual (not to exceed 5% of issued and outstanding shares to any one individual) and the vesting period. The maximum number of shares of the Company which may be reserved for the issuance shall be 10% of the issued and outstanding shares at the time of the option grant.

The Company records the fair value of stock-based compensation on the granting of stock options over the period in which they vest. The fair value is determined using the Black-Scholes option pricing model.

For the six months ended December 31, 2015, the Company recorded stock-based compensation expense of $9,375 (June 30, 2015 - $285,450. The following weighted average assumptions were used for the Black-Scholes option pricing model:

Risk-free interest rate	1.25%
Expected volatility	114% to 151%
Expected dividend yield	0.00
Expected life (years)	1 to 5 years
Estimated fair value at grant date	0.036 to 0.049

(Expressed in Canadian Dollars) (Unaudited)

12. Reserves (cont'd)

Options (cont'd)

A summary of the Company's outstanding stock options issued to directors, officers, employees and key consultants as at December 31, 2015 is presented below. Each option entitles the holder to purchase one common share:

Number of Options	Options Vested	Exercise Price	Expiry Date
1,200,000	1,200,000	0.65	January 5, 2016
250,000	250,000	0.35	March 25, 2016
300,000	300,000	0.35	July 14, 2016
3,650,000	3,650,000	0.13	January 4, 2022
200,000	200,000	0.15	March 9, 2017
150,000	150,000	0.10	March 11, 2018
600,000	600,000	0.10	March 11, 2018
600,000	600,000	0.10	June 12, 2018
500,000	500,000	0.05	June 6, 2016
4,900,000	4,900,000	0.05	July 23, 2019
300,000	300,000	0.05	July 23, 2019
300,000	300,000	0.05	August 5, 2019
400,000	400,000	0.05	May 14, 2020
300,000	150,000	0.05	May 21, 2016
13,650,000	13,500,000	0.16	

13. 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.

	December 31, 2015	December 31, 2014
Key management compensation	$ 170,000	$ 177,362
Stock-based compensation	10,125	169,050
	$ 180,125	$ 340,412

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 another company for management services. During the six months ended December 31, 2015, the total amount for such services provided was $220,000 (December 31, 2014 – $220,000), of which $220,000 was recorded in exploration expenses and $NIL in management fees.

13. Related Party Transactions (cont'd)

b) The Company retains the services of two directors and an officer to carry out administrative services. During the six months ended December 31, 2015, the total amount for such services provided was of $170,000 (December 31, 2014 – $136,235) which was recorded in management and consulting fees.

c) On August 4, 2015, the Company entered into a loan agreement and a Supply and Services agreement for proceeds totaling $600,000.

The loan agreement is from a company owned by a director of the Company and comprises a $100,000 demand loan with a three-year term at an interest rate of 8% calculated monthly and payable annually. The loan will automatically renew for an additional three-year term until such time as the lender agrees to terminate the agreement. The lender also has the option to obtain interest and principal loan repayments in gold rather than cash should that option become feasible while the loan remains in place. In that event, the gold is to be valued at US $800 per ounce. The lender also has the option to participate in future financings but is not obliged to do so. The outstanding loan balance is subject to repayment in full at any time at the discretion of the lender.

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

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

14. Contingencies

The Company's operations are subject to governmental laws and regulations regarding environmental protection. The environmental consequences are hardly identifiable, whether with the outcomes, the impacts or the deadline. As at December 31, 2015 and to the best knowledge of its management, the Company is, at the present, in conformity with the laws and regulations.

The Company is partly financed by the issuance of flow-through shares. However, there are no guarantees that the funds spent by the Company will qualify as Canadian exploration expenditures, even if the Company has taken all the necessary measures for this purpose. Refusal of certain expenses by the tax authorities would have a negative tax impact for investors.

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

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

14. Contingencies (cont'd)

During the year ended June 30, 2015, the Company received $2,835,551 (2014 – $1,730,639) from flow-through share issuances. According to the tax rules, the Company has until December 31, 2015 to spend this amount on qualified exploration expenditures. As at December 31, 2015, the Company had an unspent amount of approximately $1.1 million.

The Company has indemnified the subscribers of current and previous flow-through offerings against any tax related amounts that become payable by shareholders in the event the Company does not meet its expenditure commitment. As at June 30, 2015, in relations to renunciation shortfalls from fiscal years 2006 to 2008, the Company has accrued $385,852 (2014 – $367,478) for Part XII.6 taxes and penalties on the $1,759,590 shortfall. In addition, $1,098,004 (2014 - $1,045,718) has been accrued for potential claims which may arise as a result of possible reassessments denying personal tax deductions to the investors. The Company had reviewed the reassessment proposed by the CRA, and had filed objections on certain of the claims. In relations to renunciation shortfall from fiscal year 2012, the Company has accrued $113,732 (2014 – $108,316) for Part XII.6 taxes and penalties on the $765,495 shortfall. In addition, $350,000 has been accrued for potential claims which may arise as a result of possible reassessments denying personal tax deductions to the investors.

15. Commitments

Consulting service agreements

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

i) Effective January 1, 2007, and amended December 1, 2010, May 16, 2013 and March 1, 2015, the Company entered into a management agreement with Grupo Moje Limited ("Grupo"), a company owned by a director and officer of the Company to provide management services of Frank Basa in consideration for a nominal annual fee of $1. This agreement also requires that if the agreement is terminated by the Company upon or following a change in control or change of management the Company shall make a payment to Grupo equal to 480 ounces of gold with the dollar amounts to be calculated based on the price of gold on the date of termination of the agreement.

ii) Effective January 1, 2014, the Company entered into a management agreement with Mineral Recovery Management Systems Corp. ("MRMSC"), a company controlled by Frank Basa and Elaine Basa, to provide project management, engineering and geological services to the Company in consideration of $25,000 per month for the services of Frank Basa and $11,666.67 per month for the services of Elaine Basa. Either party may terminate this agreement by giving a four months' notice to the other, subject to certain provisions of the agreement.

15. Commitments (cont'd)

Consulting service agreements (cont'd)

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

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

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

16. 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 as set out in the Company's June 30, 2014 audited financial statements during the six months ended December 31, 2014.

17. Capital Management Disclosures

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

The Company considers its capital to be equity, which is comprised of common shares, reserves and deficit, which as at December 31, 2015 totalled a shareholders' deficiency of $3,569,215 (June 30, 2015 – $3,307,117).

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 significant 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 six months ended December 31, 2015 and year ended June 30, 2015. The Company is not subject to externally imposed capital requirements.

18. Subsequent Events

On January 8, 2016 the Company entered into a loan agreement with an existing shareholder for a demand loan for proceeds of $200,000 over a three-year term at an interest rate of 8% calculated monthly and payable annually. The loan will automatically renew for an additional three-year term until such time as the lender agrees to terminate the agreement. The lender also has the option to obtain interest and principal loan repayments in gold rather than cash should that option become feasible while the loan remains in place. In that event, the gold is to be valued at US $800 per ounce. The lender also has the option to participate in future financings but is not obliged to do so. The outstanding loan balance is subject to repayment in full at any time at the discretion of the lender.

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

On On February 12, 2016, the Company granted 4,900,000 stock options to officers, directors, employees, and consultants of the Company, at an exercise price of $0.05 per share. The options vested immediately on the date of grant, and are exercisable for a term of five years.