GOLD BULLION DEVELOPMENT CORP.

Consolidated Financial Statements

Years Ended June 30, 2013 and 2012

(Expressed in Canadian Dollars)

GOLD BULLION DEVELOPMENT CORP.
Notes to the Financial Statements
June 30, 2013

Managements Responsibility for Financial Reporting

The financial statements and other information in management's discussion and analysis were prepared by the management of Gold Bullion Development Corp., reviewed by the Audit Committee of the Board of Directors and approved by the Board of Directors.

Management is responsible for preparation of the financial statements and believes that they fairly represent the Company's financial position and the results of its operations in accordance with International Financial Reporting Standards. Management has included amounts in the Company's financial statements based on estimates, judgments and policies that it believes reasonable in the circumstances.

McGovern, Hurley, Cunningham, LLP
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Gold Bullion Development Corp.

We have audited the accompanying consolidated financial statements of Gold Bullion Development Corp. and its subsidiary, which comprise the consolidated statement of financial position as at June 30, 2013, and the consolidated statement of loss and comprehensive loss, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Gold Bullion Development Corp. and its subsidiary as at June 30, 2013, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company had continuing losses during the year ended June 30, 2013. This condition along with other matters set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Other Matters

The consolidated financial statements of Gold Bullion Development Corp. as at and for the year ended June 30, 2012, were audited by other auditors who express an unmodified opinion on those statements on October 28, 2012.

McGOVERN, HURLEY, CUNNINGHAM, LLP

McGovern, Hurley, Cunningham, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
October 24, 2013

GOLD BULLION DEVELOPMENT CORP.

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

As at June 30,	2013	2012
Assets		
Current		
Cash and cash equivalents	**$ 52,449**	$ 854,829
Receivables (Note 5)	**1,989,244**	4,780,833
Prepaid expenses	**400,643**	497,083
	2,442,336	6,132,745
Tax credit receivable - long-term	**-**	100,000
Deposit - long-term (Note 6)	**171,800**	171,800
Property, plant and equipment (Note 8)	**95,803**	731,592
Total Assets	**2,709,939**	7,136,137
Liabilities		
Current		
Trade and other payables (Note 9)	**1,365,639**	2,766,559
Term loan payable (Note 10)	**-**	2,350,000
Total Liabilities	**1,365,639**	5,116,559
Shareholders' Equity		
Share capital (Note 11)	**50,442,351**	46,935,108
Share-based payments reserve (Note 12)	**6,647,749**	8,238,587
Deficit	**(55,745,800)**	(53,154,117)
Total Shareholders' Equity	**1,344,300**	2,019,578
Total Liabilities and Shareholders' Equity	**$ 2,709,939**	$ 7,136,137

Nature of operations and going concern (Note 1)
Contingencies (Note 14)
Commitments (Note 15)
Subsequent events (Note 19)

APPROVED ON BEHALF OF THE BOARD

Signed "Frank Basa"

Signed "Roger Thomas"

See accompanying notes to the consolidated financial statements.

GOLD BULLION DEVELOPMENT CORP.

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

For the years ended June 30,	**2013**	2012
Expenses		
Exploration and evaluation (Note 7)		
Acquisition	**$ 36,710**	$ 231,500
Assaying and testing	**228,977**	1,016,194
Core analysis	**15,535**	900,427
Depreciation	**54,576**	89,424
Drilling	**(52,581)**	3,047,647
Equipment	**33,203**	889,365
Facility expenses	**191,567**	331,904
Geology, geophysics and surveys	**22,560**	147,573
Personnel costs	**317,684**	1,000,091
Program management and engineering	**843,327**	2,766,233
Royalty	**15,000**	15,000
Security	**83,984**	191,101
Staking	**17,872**	-
Taxes, permits and licensing	**44,961**	98,521
Mining tax credits	**(488,299)**	(892,606)
	1,365,076	9,832,374
Corporate		
Administrative and general expenses	**142,355**	156,277
Consulting fees	**500,648**	280,565
Financing charges	**17,764**	116,605
Management fees	**433,245**	444,718
Professional fees	**268,280**	430,315
Filing costs and shareholders' information	**227,515**	577,655
Travel	**189,533**	271,168
	1,779,340	2,277,303
Other items		
Premium on flow through shares	**(931,679)**	(2,077,823)
Interest and other income	**(25,486)**	(23,372)
Stock-based compensation	**95,650**	875,800
Penalty on environmental quality	**54,380**	-
Gain on disposal of vehicles	**(10,965)**	-
Write-down on property, plant and equipment	**553,459**	-
	(264,641)	(1,225,395)
Loss before income taxes	**2,879,775**	10,884,282
Deferred income tax recovery	**(242,492)**	-
Net loss and comprehensive loss for the year	**$ 2,637,283**	$ 10,884,282
Net loss per share - basic and diluted	**$ 0.01**	$ 0.06
Weighted average number of shares outstanding basic and diluted	**219,634,648**	186,069,696

See accompanying notes to the consolidated financial statements.

GOLD BULLION DEVELOPMENT CORP.

Consolidated Statement of Changes in Equity

(Expressed in Canadian Dollars)

	Share Capital	Share-Based Payments Reserve	Deficit	Total Equity
Balance June 30, 2011	39,778,799	9,021,839	(42,433,635)	6,367,003
Issued for property	211,500	-	-	211,500
Issued by private placement	5,093,093	618,921	-	5,712,014
Premium on flow-through shares	(742,278)	-	-	(742,278)
Options granted	-	863,100	-	863,100
Options vested	-	12,700	-	12,700
Exercise of warrants	714,537	(242,216)	-	472,321
Exercise of options	13,275	(5,775)	-	7,500
Warrants expired	1,960,456	(1,960,456)	-	-
Options expired	-	(163,800)	163,800	-
Warrants extended	(94,274)	94,274	-	-
Net loss for the year ended June 30, 2012	-	-	(10,884,282)	(10,884,282)
Balance June 30, 2012	$ 46,935,108	$ 8,238,587	$ (53,154,117)	$ 2,019,578
Issued for property	34,500	-	-	34,500
Issued by private placement	2,781,750	180,024	-	2,961,774
Premium on flow-through shares	(695,815)	-	-	(695,815)
Share issue costs	(290,425)	-	-	(290,425)
Options vested	-	24,100	-	24,100
Warrants exercised	116,813	(18,000)	-	98,813
Options granted	-	71,550	-	71,550
Warrants expired	1,802,912	(1,802,912)	-	-
Options expired	-	(45,600)	45,600	-
Tax impact on expiry of warrants	(242,492)	-	-	(242,492)
Net loss for the year ended June 30, 2013	-	-	$ (2,637,283)	(2,637,283)
Balance June 30, 2013	**$ 50,442,351**	**$ 6,647,749**	**$ (55,745,800)**	**$ 1,344,300**

See accompanying notes to the consolidated financial statements.

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

For the years ended June 30,	**2013**	2012
Cash (used in) provided by:		
Operating activities		
Net loss and comprehensive loss for the year	**$ (2,637,283)**	$ (10,884,282)
Items not involving cash		
Depreciation	**54,576**	89,424
Stock-based compensation	**95,650**	875,800
Gain on disposal of vehicles	**(10,965)**	-
Write-down of property, plant and equipment	**553,458**	-
Acquisition of property for shares	**34,500**	211,500
Premium on flow through shares	**(931,679)**	(2,077,823)
Deferred income tax recovery	**(242,492)**	-
Changes in non-cash working capital items		
Receivables	**2,791,589**	(358,856)
Prepaid expenses	**96,440**	(137,810)
Trade and other payables	**(1,165,056)**	785,078
	(1,361,262)	(11,496,969)
Investing activities		
Acquisitions of property, plant and equipment	**(28,000)**	(296,219)
Proceeds from disposal of vehicles	**66,720**	-
Receipt of tax credits recoverable	**100,000**	328,820
	138,720	32,601
Financing activities		
Issuance of common shares	**2,934,660**	5,712,014
Share issue costs	**(263,311)**	-
Exercise of options	**-**	7,500
Exercise of warrants	**98,813**	472,321
Repayment of term loan	**(2,350,000)**	2,350,000
	420,162	8,541,835
Decrease in cash and cash equivalents during the year	**(802,380)**	(2,922,533)
Cash and cash equivalents, beginning of year	**854,829**	3,777,362
Cash and cash equivalents, end of year	**$ 52,449**	$ 854,829
Cash and cash equivalents consist of:		
Cash	**$ 52,449**	$ 704,829
Cash equivalents	**-**	150,000
	$ 52,449	$ 854,829
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	**$ 17,763**	$ 37,755
Income taxes paid	**-**	-

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.

These consolidated financial statements comprise the financial statements of Gold Bullion Development Corp. and its wholly-owned subsidiary Castle Silver Mines Inc. ("Castle" or "CSM").

The head office of the Company is located at Suite 1005, 1155 René Lévesque Blvd. West, Montreal, Quebec.

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.

As at June 30, 2013, the Company had not yet achieved profitable operations, has accumulated losses of $55,745,800 (June 30, 2012 - $53,154,117) since its inception, has working capital of $1,076,697 (June 30, 2012 - $1,016,186) and expects to incur further losses in the development of its business.

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.

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

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 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

These consolidated financial statements were approved and authorized for issue, by the Board of Directors on October 24, 2013.

(a) Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies applied in these consolidated financial statements are presented in Note 3 and are based on IFRS applicable as at June 30, 2013.

(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 year. Actual results may ultimately differ from these estimates. Of particular significance are the estimates and assumptions used in the recognition and measurement of items included in Note 4.

(c) Functional and Presentation Currency

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

2. Basis of Preparation (cont'd)

For the purpose of the consolidated financial statements, the results and financial position are expressed in Canadian dollars. The Company does not have any foreign operations.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements.

(a) Basis of Consolidation

These consolidated financial statements incorporate the financial statements of the Company and its subsidiary, Castle Silver Mines Inc. All intercompany transactions, balances, and income and expenses are eliminated upon consolidation.

(b) Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than the Company's functional currency are recognized in the consolidated statements of loss and comprehensive loss.

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand and bank balances with original maturities of three months or less from the date of acquisition, or are available upon demand. The Company did not have any cash equivalents as at June 30, 2013 (2012 - $150,000).

(d) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the asset have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets and financial liabilities, including derivative financial instruments, are initially measured at fair value. Subsequent to initial recognition, financial assets and financial liabilities are measured based on their classification: financial instruments at fair value through profit or loss, loans and receivables or other financial liabilities. Derivative financial instruments, including embedded derivative financial instruments that are not closely related to the host contract, are classified as financial assets or financial liabilities at fair value through profit or loss unless they are designated within an effective hedging relationship.

Financial assets classified at "fair value through profit or loss" are carried in the consolidated statements of financial position at fair value with changes being recognized in the consolidated statements of loss and comprehensive loss.

3. Significant Accounting Policies (cont'd)

(d) Financial Instruments (cont'd)

The Company's financial instruments consist of the following:

Cash equivalents are classified "At fair value through profit or loss". Gains and losses realized on disposal and unrealized gains and losses from changes in fair value are recognized in income as they occur and reflected in the consolidated statements of loss and comprehensive loss.

Receivable and cash are classified under "loans and receivables". Loans and receivables are non-derivatives financial assets with fixed or determinable payments that are not quoted in an active market. After their initial measurement at fair value, they are carried at amortized cost using the effective interest rate method, which generally corresponds to their cost due to their short-term maturity.

Trade and other payables, and term loan payable are classified under "other financial liabilities". After their initial measurement at fair value, they are carried at amortized cost, using the effective interest rate method. It generally corresponds to their cost due to their relative short-term maturity.

Fair value of financial instruments

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

The Company categorizes its financial assets and liabilities measured at fair value into one of three different levels depending on the inputs used in the measurement.

Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.

Level 2: This level includes valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1. Derivative instruments in this category are valued using models or other industry standard valuation techniques derived from observable market inputs.

Level 3: This level includes valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the instruments' fair value.

3. Significant Accounting Policies (cont'd)

(d) Financial Instruments (cont'd)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting year. Financial assets are impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the financial assets. Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- the likelihood that the borrower will enter bankruptcy or financial re-organization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

An impairment loss is reversed through the statement of loss to the extent that the carrying amount of the financial asset at the date of impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized.

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets, including mineral property rights, mine properties under development, mineral property assets and property, plant and equipment, to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. In addition, long-lived assets that are not amortized are subject to an annual impairment assessment.

(e) Property, Plant and Equipment

Recognition and measurement

Property, plant and equipment are carried at cost, less accumulated amortization and accumulated impairment losses.

3. Significant Accounting Policies (cont'd)

(e) Property, Plant and Equipment (cont'd)

On initial recognition, property, plant, and equipment are valued at cost, being the purchase price and directly attributable cost required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant, buildings and equipment.

Amortization is recognized in profit or loss on a declining balance basis at the following annual rates:

Gravity plant	4%
Buildings	4%
Office equipment	20%
Vehicles	30%

An asset's amortization methods, useful lives and residual values are reviewed on an annual basis and adjusted, if appropriate.

(f) Exploration and Evaluation Expenditures

Exploration and Evaluation ("E&E") expenditures relate to costs incurred on the exploration for and evaluation of potential mineral reserves and include costs related to the following: acquisition of exploration rights; conducting geological studies; exploratory drilling and sampling and evaluating the technical feasibility and commercial viability of extracting a mineral resource.

E&E expenditures, including costs of acquiring licenses, are expensed as Exploration and Evaluation Expenses on an "area of interest basis" which generally is defined as a project. The Company considers a project to be an individual geological area whereby the presence of a mineral deposit is considered favourable or has been proved to exist and, in most cases, comprises of a single mine or deposit.

Once the technical feasibility and commercial viability of the extraction of mineral reserves in a project are demonstrable and permitted, additional E&E expenditures will be charged to mining properties. Currently, the Company does not hold any assets classified as mining properties.

3. Significant Accounting Policies (cont'd)

(g) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost and is based on the discount rates that reflect current market assessments and the risks specific to the liability.

In accordance with the Company's environmental policy and applicable legal requirements, a provision for site restoration or decommissioning in respect of land restoration, and the related expense, is recognized when there is a legal obligation to restore the site. A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The Company presently has no decommissioning liabilities or provisions as at June 30, 2013 and June 30, 2012.

(h) Income Taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable in respect of previous years.

Deferred income tax is recognized by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly-controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3. Significant Accounting Policies (cont'd)

(i) Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

The Company intends to finance a portion of its exploration and evaluation activities through the issue of flow-through shares. Under the terms of these share issues, the tax attributes of the related expenditures are renounced to subscribers. Common shares issued on a flow-through basis typically include a premium because of the tax benefits associated therewith ("Flow-through Premium"). Flow-through shares may also be issued with a warrant feature.

At the time of issue, the Company estimates the proportion of proceeds attributable to the Flow-through Premium, the common share and the warrant with reference to closing market prices and such techniques as the Black-Scholes option-pricing model. The Flow-through Premium is estimated as the excess of the subscription price over the market value of the share and is recorded as a deferred liability on the consolidated statement of financial position. When the expenditures are renounced, the deferred liability is reversed and this amount is recognized in the statement of loss.

The proceeds attributable to the warrants are also treated as equity and recorded in share- based payments reserve on the consolidated statement of financial position until exercise, when the associated proportion is transferred to share capital along with the cash proceeds received on exercise. The value attributed to expired warrants is also transferred to share capital.

Share-based payment arrangements in which the Company receives properties, goods or services as consideration for its own equity instruments are measured at the fair value of the properties, goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted.

(j) Share capital issue costs

Share capital issue costs are applied to reduce the proceeds of share capital issued in the year they are incurred.

(k) Share-based compensation plans

The Company uses the fair value method of valuing its equity settled share-based compensation plans. Under this method, compensation cost attributable to share-based plans are measured at their fair value on the grant date and expensed in the statement of loss over the vesting period with a corresponding credit to share based payment reserve. When options are exercised the associated proportion is transferred to share capital along with the cash proceeds received on exercise. The value attributed to expired options is transferred to deficit.

3. Significant Accounting Policies (cont'd)

(l) Valuation of equity units in private placements

The Company uses the fair value method to value any warrants and broker warrants issued in private placements. The fair value assigned to share purchase warrants is recorded as a reduction to share capital and an increase to share-based payments reserve. The fair value assigned to broker warrants is recorded as share issue costs and an increase to share-based payments reserve. The fair value of each warrant is estimated on the date of the grant using the Black-Scholes warrant-pricing model. Warrant pricing models require the input of highly subjective assumptions, including the expected price volatility and changes in these assumptions can materially affect the fair value estimate. When warrants are exercised the associated proportion is transferred to share capital along with the cash proceeds received on exercise. The value attributed to expired warrants is also transferred to share capital.

(m) Loss per Share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year.

Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effect of all dilutive warrants and options outstanding that may add to the total number of common shares.

As at June 30, 2013 and 2012, all outstanding warrants and options are anti-dilutive because the Company was in a net loss position. As a result, all options and warrants are excluded from the calculation of diluted loss per share.

(n) Recent Accounting Pronouncements and New Accounting Policies

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for the Company's annual fiscal years beginning on July 1, 2013 or later years. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 7 – Financial Instruments: Disclosures ("IFRS 7") was amended by the IASB in December 2011 to amend the disclosure requirements in IFRS 7 to require information about all recognized financial instruments that are offset in accordance with paragraph 42 of IAS 32 – Financial Instruments: Presentation ("IAS 32"). The amendments also require disclosure of information about recognized financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32. The amendments to IFRS 7 are effective for annual periods beginning on or after July 1, 2013. The Company is in the process of evaluating the effect of the adoption of this standard.

3. Significant Accounting Policies (cont'd)

(n) Recent Accounting Pronouncements and New Accounting Policies (cont'd)

IFRS 9 - Financial Instruments ("IFRS 9") was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements of IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. Earlier adoption is permitted. The Company is in the process of evaluating the effect of the adoption of this standard.

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

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

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

3. Significant Accounting Policies (cont'd)

(n) Recent Accounting Pronouncements and New Accounting Policies (cont'd)

IAS 32 - Financial Instruments: Presentation ("IAS 32") was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014. Earlier adoption is permitted. The Company is in the process of evaluating the effect of the adoption of this standard.

4. Significant Judgements, Estimates and Assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions based on currently available information that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the year. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual results could differ from those estimates. By their very nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements of future periods could be material.

In the process of applying the Company's accounting policies, management has made the following judgments, estimates, and assumptions which have the most significant effect on the amounts recognized in the consolidated financial statements:

Income taxes

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

Decommissioning and restoration costs

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

(Expressed in Canadian Dollars)

4. Significant Judgements, Estimates and Assumptions (Cont'd)

Share-based payments

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

Premium on Flow-through shares

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

5. Receivables

	June 30, 2013	June 30, 2012
Commodity taxes	$ 122,125	$ 370,071
Tax credits receivable	1,867,119	4,410,762
	$ 1,989,244	$ 4,780,833

The Company is entitled to a refundable tax credit 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 up to 8% (2012 - 7.5%) 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 June 30, 2013 and June 30, 2012, 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.

7. Exploration and Evaluation Projects

The Company has determined that as at June 30, 2013 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 year. As of June 30, 2013 and June 30, 2012, the Company did not hold any assets classified as mining properties.

(Expressed in Canadian Dollars)

7. Exploration and Evaluation Projects (cont'd)

Granada Property, Quebec, Canada

The Company holds a 100% interest to certain mining patent, 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. As of June 30, 2013, the Company has expended $22,932,353 on this project (June 30, 2012 - $21,896,440).

Castle Property, Ontario, Canada

The Company, through its wholly-owned subsidiary, Castle, holds a 100% interest to certain claims and parcels located in the Haultain and Nicol townships of Ontario. 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. As of June 30, 2013, the Company has expended $2,886,375 on this project (June 30, 2012 - $2,552,988).

Beaver Property, Ontario, Canada

The Company holds a 7 year option to acquire a 100% interest to an area 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"), 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:

i) Pay to Ansil the sum of $10,000 upon execution of this Agreement; and

ii) 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, 2013 and 2014, and $10,000 in each of the further additional four years on or before May 10, 2018.

iii) 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

(Expressed in Canadian Dollars)

7. Exploration and Evaluation Projects (cont'd)

All future payments and obligations will be made to Jubilee Gold Exploration Ltd. ("Jubilee") as Jubilee amalgamated with Ansil on January 1, 2013.

As of June 30, 2013, the Company has expended $131,725 on this project (June 30, 2012 - $110,585).

8. Property, Plant and Equipment

	June 30, 2013				
	Cost June 30, 2012	Additions (Disposals) (Write-down)	Cost June 30, 2013	Accumulated Amortization	Net
Gravity plant	$ 240,999	$ (240,999)	$ -	$ -	$ -
Buildings	395,559	(395,559)	-	-	-
Equipment	17,993	28,000	45,993	18,864	27,129
Vehicles	340,321	(172,270)	168,051	99,377	68,674
	$ 994,872	$ (780,828)	$ 214,044	$ 118,241	$ 95,803

	June 30, 2012				
	Cost June 30, 2011	Additions (Disposals) (Write-down)	Cost June 30, 2012	Accumulated Amortization	Net
Gravity plant	$ 240,999	$ -	$ 240,999	$ 40,401	$ 200,598
Buildings	99,339	296,220	395,559	19,636	375,923
Equipment	17,993	-	17,993	12,082	5,911
Vehicles	340,321	-	340,321	191,161	149,160
	$ 698,652	$ 296,220	$ 994,872	$ 263,280	$ 731,592

The Company has determined that there is no commercial or disposable value for the gravity plant and buildings and has therefore written them down to zero.

(Expressed in Canadian Dollars)

9. Trade and Other Payables

	June 30,2013	June 30,2012
Trade payable	$ 1,268,643	$ 1,419,672
Due to related parties	96,996	1,111,023
Flow-through premium liability (see table below)	-	235,864
	$ 1,365,639	$ 2,766,559

The following table shows the transactions and balances of the flow through premium liability:

Balance at June 30, 2011	$ 1,571,409
Flow-through premium from financing December 2011	506,414
Flow-through premium from financing April 2012	235,864
Flow-through premium adjusted through income	(2,077,823)
Balance at June 30, 2012	$ 235,864
Flow-through premium from financing November 2012	662,292
Flow-through premium adjusted through income	(898,156)
Balance at June 30, 2013	$ -

10. Term Loan Payable

As at June 30, 2012 the Company had a banking arrangement with a Canadian financial institution subject to the following terms and conditions:

Credit facility

- Credit facility of $2,500,000, Canadian, including an amount of $150,000 for letters of credit and/or letters of guarantee.
- Due on demand bearing interest at the bank's Canadian prime rate, plus 1.45% per annum.
- Credit facility is non-revolving, non-renewable and fully repayable upon the receipt of the 2012 Quebec tax credit.

Security provided

- A first ranking moveable hypothec (universality) in the amount of $2,750,000 providing a charge over all present and future property of the Company.
- Accounts receivable including all tax credits receivables.
- A moveable hypothec on a bank Guaranteed Investment Certificate for a capital amount of $150,000.
- A Guaranteed Certificate from Investissement – Quebec in favour of the bank for a maximum of $2,350,000.

(Expressed in Canadian Dollars)

10. Term Loan Payable (cont'd)

Other

- The bank term loan was completely repaid on August 28, 2012.

11. Share Capital

Authorized

Unlimited number of common shares without par value.

Issued

	2013		2012	
	Number of Shares	**Amount**	Number of Shares	Amount
Balance, beginning of year	**207,985,074**	**$46,935,108**	166,707,705	$ 39,778,799
Private placements	**19,564,400**	**2,934,660**	36,366,359	6,187,584
Premium on flow-through shares	**-**	**(695,815)**	-	(742,278)
Exercise of options - cash	**-**	**-**	75,000	7,500
Exercise of options - book value	**-**	**-**	-	5,775
Exercise of warrants - cash	**637,500**	**98,813**	3,936,010	472,321
Exercise of warrants - book value	**-**	**18,000**	-	242,216
Share issue costs	-	**(290,425)**	-	(496,441)
Value of warrants issued	**-**	**(152,910)**	-	(598,050)
Warrants expired	**-**	**1,802,912**	-	1,960,456
Tax impact on warrants expired	**-**	**(242,492)**	-	-
Warrants extended	**-**	**-**	-	(94,274)
Issued for property	**300,000**	**34,500**	900,000	211,500
Balance, end of year	**228,486,974**	**$50,442,351**	207,985,074	$ 46,935,108

On November 14, 2011, the Company issued 900,000 common shares at an amount of $211,500 ($0.235 per share) pursuant to the November 22, 2010 agreement to acquire certain 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. And 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.

11. Share Capital (cont'd)

In connection with the private placement, Gold Bullion paid a cash commission of $323,192 to various securities dealers and exempt market dealers, an amount equal to 8% of the gross proceeds raised through such dealers. In addition, Gold Bullion issued a finder's fee to various securities dealers and exempt market dealers entitling them to purchase a number of common shares of Gold Bullion equal to 8% of the aggregate number of "flow-through" units and units sold through such dealers in the private placement.

The compensation options entitle 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 warrants to Meadowbank Asset Management Inc. Each warrant entitles the holder to purchase one common share for a period of twelve months from the date of issuance, at a purchase price of $0.175 per share.

On November 30, 2012, pursuant to a non-brokered private placement, the Company issued 16,231,066 flow-through units at $0.15 per unit and on December 28, 2012 3,333,334 flow-through units at $0.15 to raise gross proceeds of $2,934,660. Each unit consists of one common share and one-half of a transferable share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share for a period of one year from the date of issuance, at a purchase price of $0.18 per share. The fair value of the warrants was determined, using the Black-Scholes option pricing model, to be $152,910. In connection with the private placement, the Company paid finder's fees of $235,813 and issued 1,511,818 non-transferable broker warrants to the respective finder. Of these broker warrants, 266,666 will entitle the holder to purchase 266,666 common shares for a period of one year from the date of issuance, at a purchase price of $0.15 per share and 1,245,152 broker warrants will entitle the holder to purchase 1,245,152 units for a period of one year from the date of issuance, at a price of $0.15 per unit. Each unit consists of one common share and one-half of a warrant. Each whole warrant will entitle its holder to acquire one common share at a price of $0.18. The fair value of the broker warrants was determined, using the Black-Scholes option pricing model, to be $54,427.

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

(Expressed in Canadian Dollars)

12. Share-Based Payments Reserve

	Number of Options	Weighted Average Exercise Price	Value of Options	Number of Warrants	Weighted Average Exercise Price	Value of Warrants	Total Value
Balance, June 30, 2011	12,215,000	0.40	5,711,450	18,133,953	0.41	3,310,389	9,021,839
Granted	5,750,000	0.13	863,100	23,232,261	0.20	618,921	1,482,021
Vesting	-	-	12,700	-	-	-	12,700
Exercised	(75,000)	0.10	(5,775)	(3,911,010)	0.12	(242,216)	(247,991)
Extended	-	-	-	-	-	94,274	94,274
Expired	(300,000)	0.47	(163,800)	(9,509,250)	0.60	(1,960,456)	(2,124,256)
Balance, June 30, 2012	17,590,000	0.32	6,417,675	27,945,954	0.22	1,820,912	8,238,587
Exercised	-	-	-	(637,500)	0.16	(18,000)	(18,000)
Expired	(200,000)	0.18	(45,600)	(27,308,454)	0.18	(1,802,912)	(1,848,512)
Vesting	-	-	24,100	-	-	-	24,100
Granted	2,100,000	0.10	71,550	11,294,018	0.18	180,024	251,574
Balance, June 30, 2013	19,490,000	0.29	6,467,725	11,294,018	0.18	180,024	6,647,749

Warrants

On March 29, 2012, the Company amended the terms of 4,713,693 share purchase warrants by extending the expiry date by three months from April 5, 2012 to July 5, 2012. The Company records the fair value of warrants issued. The fair value is determined using the Black-Scholes option pricing model. The following weighted average assumptions were used for the Black-Scholes option pricing model:

	2013	2012
Risk-free interest rate	1.25%	1.83%
Expected volatility	105%	85%
Expected dividend yield	0.00	0.00
Expected life (years)	1.0	0.35
Estimated fair value at grant date	0.031	0.22

(Expressed in Canadian Dollars)

12. Share-Based Payments Reserve (cont'd)

A summary of the Company's outstanding warrants as at June 30, 2013 is presented below. Each warrant entitles the holder to purchase one common share:

Number of Warrants	Exercise Price	Expiry Date
8,115,533	0.180	November 30,2013
1,245,152*	0.150	November 30,2013
1,666,667	0.180	December 27, 2013
266,666	0.150	December 27, 2013
11,294,018	0.176	

* The units are convertible into shares at $0.15, with each unit consisting of one common share and one-half warrant, each whole warrant exercisable at $0.18.

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; options granted at market prices are not subject to the hold period. 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 year ended June 30, 2013, the Company recorded stock-based compensation expense of $95,650 (June 30, 2012 - $875,800). The following weighted average assumptions were used for the Black-Scholes option pricing model:

	2013	2012
Risk-free interest rate	1.08% - 1.63%	1.53%
Expected volatility	99% - 150%	195%
Expected dividend yield	0.00	0.00
Expected life (years)	1-5 years	8.25
Estimated fair value at grant date	0.019 - 0.062	0.16

(Expressed in Canadian Dollars)

12. Share-Based Payments Reserve (cont'd)

Options (cont'd)

A summary of the Company's outstanding stock options issued to directors, officers, employees and key consultants as at June 30, 2013 is presented below. Each option entitles the holder to purchase one common share:

Number of Options	Options Vested	Exercise Price	Expiry Date
50,000	50,000	0.10	May 11, 2014
1,300,000	1,300,000	0.10	September 9, 2014
500,000	500,000	0.10	February 12, 2015
125,000	125,000	0.15	March 3, 2015
100,000	100,000	0.19	March 8, 2015
50,000	50,000	0.20	April 7, 2015
400,000	400,000	0.29	April 25, 2015
5,965,000	5,965,000	0.46	June 21, 2015
200,000	200,000	0.47	September 22, 2015
900,000	900,000	0.48	October 6, 2015
1,200,000	1,200,000	0.65	January 5, 2016
850,000	850,000	0.35	March 25, 2016
300,000	300,000	0.35	July 14, 2016
4,450,000	4,450,000	0.13	January 4, 2022
100,000	100,000	0.13	January 4, 2022
200,000	200,000	0.15	March 9, 2017
600,000	600,000	0.15	March 9, 2014
600,000	600,000	0.10	February 15, 2018
150,000	150,000	0.10	March 11, 2018
150,000	150,000	0.10	March 11, 2014
600,000	150,000	0.10	March 11, 2018
600,000	600,000	0.10	June 12, 2018
19,490,000	18,940,000	0.29	

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.

	June 30, 2013	**June 30, 2012**
Key management compensation	$ 733,600	$ 839,748
Stock-based compensation	-	600,000
	$ 733,600	$1,439,748

13. Related Party Transactions (cont'd)

a) The Company retains the services of a company owned by an officer and director of the Company to carry out exploration work on its resource properties and for management services. During the year ended June 30, 2013, the total amount for such services provided was $414,064 (2012- $562,628), of which $212,912 (2012 - $331,314) was recorded in exploration expenses and $201,152 (2012 - $231,314) in management fees. As at June 30, 2013, an amount of $63,339 (2012 - $136,984) was included in trade and other payables.

During the year ended June 30, 2012, the Company acquired the Beaver property from the same related company and reimbursed an amount of $58,577 for exploration and evaluation expenditures incurred by the related company prior to its acquisition. (Note 7c).

b) The Company retains the services of two directors and an officer to carry out administrative services. During the year ended June 30, 2013, the total amount for such services provided was of $319,536 (2012 - $277,120) which was recorded in management and consulting fees. As at June 30, 2013, $nil (2012 – $8,612) was included in trade and other payables.

c) During the year ended June 30, 2012, the Company incurred drilling expenditures of $2,761,411 to Landdrill International Inc. ("Landdrill") on its resource properties. Two directors of the Company are also directors and officers of Landdrill. As at June 30, 2013, $nil (2012 - $965,427) was included in trade and other payables.

14. 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 June 30, 2013 and to the best knowledge of its management, the Company is, at the present, in conformity with the laws and regulations. On September 10, 2008, the Company received 40 statements of offence pursuant to the *Environment Quality Act* (Québec) (the "Act") for allegedly failing to comply with certain conditions of its permit for a current project on the Company's Granada property and for non-respect of the Act. The statements of offence related to the period from October 6, 2006 to November 14, 2007. The prosecution was requiring fines amounting to $72,000 plus the cost of the penal proceeding amounting to $69,498 for a total of $141,498. On March 15, 2013, the Company settled the case by pleading guilty to 18 of the statements of offence. The remaining 22 statements of offence were withdrawn by the prosecution. The Company agreed to pay the minimum fine on each of the 18 statements as well as fees at the rate established by regulation of the Minister pursuant to section 116.1.1 of the Act relating to the costs of sampling, analysis, inspection and investigation for the penal proceedings instituted for the purposes of the Act. The aggregate amount of $54,380 was charged to the Company for said fines and fees. The Company paid this amount on April 25, 2013.

14. Contingencies (cont'd)

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

i) Moreover, tax rules regarding flow-through investments set deadlines for carrying out the exploration work no later than the first of the following dates:
ii) Two years following the flow-through investment;
iii) One year after the Company has renounced the tax deductions relating to the exploration work.

During the year ended June 30, 2013, the Company received $2,934,660 from flow-through share issuances. According to the tax rules, the Company has until December 31, 2013 to spend this amount on qualified exploration expenditures. As at June 30, 2013, the Company has expended $823,367 of this amount, and is required to spend $2,111,293 by December 31, 2013. The Company had identified 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.

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

Gold Bullion will vigorously defend the action and has instituted a counter-claim against Genivar, under which Gold Bullion has claimed damages from Genivar, 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.

The claim and counter-claim are presently in their infancy in that examinations began to take place on May 23, 2013. As the outcome of these procedures cannot be reasonably determined, no amounts have been recorded in these consolidated financial statements.

15. Commitments

(a) Consulting service agreements

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

i) Effective January 1, 2007, the Company entered into a management agreement with Grupo Moje Limited ("Grupo"), a company owned by a director and officer of the Company. The fee for management services was 20 ounces of gold per month. The dollar amount calculated is based on the price of gold which is quoted in U.S. dollars converted into Canadian dollars on the same date as at the end of each quarter. Either party may terminate this engagement by giving four months' notice to the other subject to certain provisions of the agreement. Effective December 1, 2010 this agreement was amended to require that if the agreement is terminated by the Company upon or following a change in control or change of management the Company shall make a payment to Grupo equal to 240 ounces of gold with the dollar amounts to be calculated based on the price of gold on the date of termination of the agreement. Effective May 16, 2013, this agreement was amended to change the management fee from 20 ounces of gold per month to $25,000 per month for the services of Mr. Frank Basa and to $11,666.67 per month for the services of Ms. Elaine Basa.

ii) Effective July 1, 2010 and amended January 1, 2012 the Company entered into a consulting agreement with a director and officer of the Company. The fee for consulting services was $9,500 per month. Either party may terminate this engagement by giving four months' notice to the other, subject to certain provisions of the agreement. This agreement also requires that if the agreement is terminated by the Company upon or following a change in control or change of management the Company shall make a payment to the consultant of $114,000. Effective July 1, 2013 this agreement was amended to change the fee for consulting services to approximately $60 per hour. Effective September 16, 2013, the director agreed to forgive 50% of the fee for a period of six months.

iii) Effective December 1, 2010 and amended October 1, 2011 the Company entered into an agreement with a director of the Company. The fee for consulting services was $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 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 amount of $96,000. Effective July 1, 2013 this agreement was amended to change the fee for consulting services to $50 per hour. Effective September 16, 2013, the director agreed to forgive 50% of the fee for a period of six months.

iv) Effective March 1, 2011 and amended February 1, 2012 the Company entered into a consulting agreement with an officer of the Company. The fee for consulting services is USD $8,000 per month. Either party may terminate this engagement by giving four months' notice to the other subject to certain provisions of the agreement. This agreement also requires that if the agreement is terminated by the Company upon or following a change in control or change of management the Company shall make a payment to the consultant of USD $96,000.

15. Commitments (cont'd)

(a) Consulting service agreements (cont'd)

Consulting service agreement with non-related party

v) Effective December 1, 2010 and amended January 1, 2012, the Company entered into an agreement with a consultant of the Company. The fee for consulting services is $8,000 per month. Either party may terminate this engagement by giving four months' notice to the other subject to certain provisions of the agreement. The agreement also requires that if the agreement is terminated by the Company upon or following a change in control or change of management the Company shall make payments to the consultant in the amounts of $96,000.

vi) The Company is committed to pay an annual royalty payment in amount of $15,000 to Milner Consolidated.

vii) The Company has entered into a Memorandum of Understanding (MOU) with a First Nation community in connection with certain exploration and evaluation programs in their area in return for contributions towards education and environmental activities and the improvement of community facilities. Also, the Company will pay 2% of all costs of the exploration program incurred to date and thereafter. As at June 30, 2013, the Company has prepaid $14,000 of this amount.

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

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

The MOU also includes terms outlining environmental protection, employment, training and business opportunities, and mitigation of impacts on the traditional pursuits of the members of the First Nation Community. See Note 19.

viii) As the likelihood of the events disclosed in Note 15(i), (ii), (iii), (iv) and (v) taking place is not determinable, the contingent payments have not been recorded in these consolidated financial statements.

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 during 2012 and 2013.

Credit Risk

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

a) Cash and cash equivalents

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

16. Financial Risk Management (cont'd)

b) Receivables

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

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking undue damage to the Company's reputation. The Company generates cash flow primarily from its financing activities. As at June 30, 2013, the Company had cash of $52,449 (June 30, 2012 - $854,829) to settle current liabilities of $1,365,639 (2012 - $2,766,559).

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

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

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

Classification of Financial Instruments

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

16. Financial Risk Management (cont'd)

Market Risk

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

a) Commodity price risk

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

b) Foreign currency exchange risk

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

c) Interest rate risk

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

As at June 30, 2013 and 2012, the Company's exposure to interest rate risk is summarized as follows

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

16. Financial Risk Management (cont'd)

Sensitivity Analysis

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

i) The Company receives low interest rates on its cash balances and, as such, the Company does not have significant interest rate risk.

ii) The Company does not hold balances in foreign currencies to give rise to exposure to foreign currency risk.

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

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

The Company currently has no 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 years ended June 30, 2013 and 2012. The Company is not subject to external imposed capital requirements.

(Expressed in Canadian Dollars)

18. Income Taxes

a) Provision for income taxes

Major items causing the Company's income tax rate to differ from the combined federal and provincial statutory income tax rate of 26.9% (2012 – 26.9%) were as follows:

	Year Ended June 30, 2013 $	Year Ended June 30, 2012 $
(Loss) before income taxes	(2,879,775)	(10,720,482)
Combined statutory income tax rate	26.9%	26.9%
Expected income tax recovery based on statutory rate	(775,000)	(2,628,000)
Adjustment to expected income tax benefit:		
Stock-based compensation	26,000	192,000
Share issue costs	(78,000)	(111,000)
Premium on flow-through shares	(251,000)	(559,000)
Investment tax credits	(448,000)	(141,000)
Tax benefit not recognized	1,768,000	3,247,000
Deferred income tax recovery	242,000	-

The major components of income tax recovery for the year are as follows:

	Year Ended June 30, 2013 $	Year Ended June 30, 2012 $
Current taxes		
Recognition of non-capital losses	(242,000)	-
Deferred taxes	-	-
Income tax recovery	(242,000)	-

(Expressed in Canadian Dollars)

18. Income Taxes (cont'd)

b) Deferred Income Tax Balances

The tax effects of the following deductible temporary difference and unused tax losses for which no tax benefit have been recognized:

	Year Ended June 30, 2013 $	Year Ended June 30, 2012 $
Non-capital loss carry-forwards	3,427,000	2,857,000
Exploration and evaluation	6,506,000	4,746,000
Share issue costs	266,000	312,000
Investment tax credits	723,000	885,000
Property, plant and equipment	234,000	45,000
	11,156,000	8,845,000
Tax benefits not recognized	(11,156,000)	(8,845,000)

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which can utilize these benefits.

c) Tax loss carry-forwards

As at June 30, 2013, the Company had approximately $12,740,000 (2012 - $10,619,177) of non-capital losses in Canada, which may be used to reduce taxable income in future years that expire as follows:

2026	33,000
2027	924,000
2028	658,000
2029	584,000
2030	1,329,000
2031	4,611,000
2032	2,700,000
2033	1,901,000
	12,740,000

18. Income Taxes (cont'd)

(c) Tax loss carry-forwards (cont'd)

As at June 30, 2013, the Company had approximately $8,145,000 (2012 - $8,108,000), $15,602,000 (2012 - $13,161,000), $264,000 (2012 - $264,000) and $177,000 (2012 - $177,000) of Canadian development expenditures, Canadian exploration expenditures, foreign resource expenditures and depletion credit, respectively, which, under certain circumstances, may be utilized to reduce taxable income of future years.

As at June 30, 2013, the Company also had approximately $990,000 (2012 - $949,000) of pre-production mining expenditures, which under certain circumstances, may be used to reduce tax payable in future years.

19. Subsequent Events

On July 29, 2013, the Company announced that it has entered into an amended assignment agreement with Castle and the First Nation community whereby the Company will issue 50,000 common shares over a period of 18 months, and issue options to purchase 50,000 common shares with the exercise price to be determined as at the date of issue, subject to approval of the TSX Venture Exchange.

On August 15, 2013, the TSX Venture Exchange accepted that Gold Bullion will issue a total of 50,000 common shares and warrants to purchase 50,000 common shares at an exercise price of $0.10 during a five-year period to the First Nation community. These shares were issued on August 20, 2013.

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

In connection with the private placement, the Company paid finders' fees consisting of $72,000.32 in cash and issued 514,288 non-transferable broker warrants, each broker warrant exercisable into one common share in the capital of the Company on or before April 21, 2015 at a purchase price of $0.10 per share.