GOLD BILLION DEVELOPMENT CORP.
Financial Statements
June 30, 2012

GOLD BULLION DEVELOPMENT CORP.
Notes to the Financial Statements
June 30, 2012

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 Canadian Generally Accepted Accounting Principles. Management has included amounts in the Company's financial statements based on estimates, judgments and policies that it believes reasonable in the circumstances.

To discharge its responsibilities for financial reporting and for the safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance, at appropriate cost, that the assets are maintained and accounted for in accordance with its policies and that transactions are recorded accurately in the Company's books and records.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Audit Committee is composed of three directors and meets periodically with management and the external auditors to review accounting, auditing, internal control and financial reporting matters.

BRATT FREMETH STAR S.E.N.C.
COMPTABLES AGRÉÉS / 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., which comprise the consolidated statements of financial position as at June 30, 2012, June 30, 2011, and July 1, 2010 and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for the years ended June 30, 2012 and 2011, 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 audits 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 in our audit is sufficient and appropriate to provide a basis for our audit opinion.

BRATT FREMETH STAR S.E.N.C.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Gold Bullion Development Corp. as at June 30, 2012, June 30, 2011 and July 1, 2010, and its financial performance and its cash flows for the years ended June 30, 2012 and 2011 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 has accumulated losses of $53,154,117 as at June 30, 2012, This condition along with other matters as set forth in Note 1, indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Bratt Fremeth Star senc [1]

Chartered Professional Accountants
Montreal, Quebec, Canada
October 28, 2012

[1] Chartered Professional Accountant auditor
Chartered Accountant, Public accountancy permit no. 5382

GOLD BULLION DEVELOPMENT CORP.

Consolidated Statement of Financial Position

(Expressed in Canadian Dollars)

As at	June 30, 2012	June 30, 2011	July 1, 2010 (Note 20)
Assets			
Current			
Cash and cash equivalents	**$ 854,829**	$ 3,777,362	$ 3,930,396
Receivables (Note 6)	**4,780,833**	4,421,977	569,641
Prepaid expenses	**497,083**	359,273	868,334
	6,132,745	8,558,612	5,368,371
Tax credit receivable - long-term (Note 6)	**100,000**	428,820	-
Deposit - long-term (Note 7)	**171,800**	171,800	-
Property, plant and equipment (Notes 10)	**731,592**	524,797	323,796
	7,136,137	9,684,029	5,692,167
Liabilities			
Current			
Trade and other payables (Note 8)	**2,766,559**	3,317,026	799,913
Term Loan payable (Note 11)	**2,350,000**	-	-
	5,116,559	3,317,026	799,913
Shareholders' Equity			
Share capital (Note 12)	**46,935,108**	39,778,799	24,190,010
Share-based payments reserve (Note 13)	**8,238,587**	9,021,839	6,394,260
Deficit	**(53,154,117)**	(42,433,635)	(25,692,016)
	2,019,578	6,367,003	4,892,254
	$ 7,136,137	$ 9,684,029	$ 5,692,167

Nature and continuance of operations (Note 1)
Contingencies (Note 15)
Commitments (Note 16)
Subsequent events (Note 19)

Signed "Frank Basa"

Signed "Roger Thomas"

See accompanying notes to audited consolidated financial statements.

GOLD BULLION DEVELOPMENT CORP.

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

for the years ended June 30,	2012	2011
Revenue		
Premium on flow through shares	$ 2,077,823	$ -
Interest and other income	23,372	12,229
	2,101,195	12,229
Expenses		
Exploration and evaluation (Note 9)		
Acquisition	$ 231,500	$ 1,756,000
Assaying and testing	1,016,194	1,011,522
Core analysis	900,427	-
Depreciation	89,424	105,851
Drilling	3,047,647	6,162,261
Equipment	889,365	1,915,633
Facility expenses	331,904	336,716
Geology, geophysics and surveys	147,573	117,212
Personnel costs	1,000,091	1,110,237
Program management and engineering	2,766,233	1,896,780
Royalty	15,000	15,000
Security	191,101	201,470
Taxes, permits and licensing	98,521	19,473
Mining tax credits	(892,606)	(3,614,595)
	9,832,374	11,033,560
Corporate		
Administrative and general expenses	156,277	365,214
Consulting fees	280,565	312,199
Financing charges	116,605	-
Management fees	444,718	342,105
Professional fees	430,315	145,621
Filing costs and shareholders' information	577,655	721,241
Travel	271,168	250,996
Stock-based compensation	712,000	3,027,244
Loss on sale of equipment	-	5,106
Commodity tax assessment	-	550,562
	2,989,303	5,720,288
Total expenses	12,821,677	16,753,848
Net loss and comprehensive loss for the year	$ (10,720,482)	$ (16,741,619)
Net loss per share - basic and fully diluted	$ (0.06)	$ (0.11)
Weighted average number of shares outstanding basic and fully diluted	186,069,696	147,121,411

See accompanying notes to audited 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 July 1, 2010	$ 24,190,010	$ 6,394,260	$ (25,692,016)	$ 4,892,254
Issued for property	1,551,000	-	-	1,551,000
Issued by private placement	9,935,983	1,968,814	-	11,904,797
Premum on flow-through shares	(1,479,045)	-	-	(1,479,045)
Exercise of warrants	4,920,409	(1,901,423)	-	3,018,986
Warrant exercise price adjustment	-	(156,064)	-	(156,064)
Exercise of Options	647,540	(298,090)	-	349,450
Options Granted	-	2,014,900	-	2,014,900
Options vested	-	1,158,094	-	1,158,094
Warrants expired	12,902	(12,902)	-	-
Options expired	-	(145,750)	-	(145,750)
Net loss for the year ended June 30, 2011	-	-	(16,741,619)	(16,741,619)
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
Premum 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	-	-	(10,720,482)	(10,720,482)
Balance June 30, 2012	**$ 46,935,108**	**$ 8,238,587**	**$ (53,154,117)**	**$ 2,019,578**

See accompanying notes to audited consolidated financial statements.

GOLD BULLION DEVELOPMENT CORP.

Consolidated Statements of Cash flows

(Expressed in Canadian Dollars)

For the years ended June 30,	**2012**	2011
Cash Flows From		
Operating activities		
Net loss and comprehensive loss for the year	**$ (10,720,482)**	$ (16,741,619)
Items not involving cash		
Depreciation	**89,424**	105,851
Stock-based compensation	**712,000**	3,027,244
Loss on sale of equipment	**-**	5,106
Acquisition of property for shares	**211,500**	1,551,000
Premium on flow through shares	**(2,077,823)**	-
Changes in non-cash working capital items		
Receivables	**(358,856)**	(3,852,336)
Prepaid expenses	**(137,810)**	509,061
Trade and other payables	**785,078**	953,870
	(11,496,969)	(14,441,823)
Investing activities		
Acquisitions of property, plant and equipment	**(296,219)**	(319,958)
Proceeds from sale of equipment	**-**	8,000
Deposit - long term	**-**	(171,800)
Tax credit receivable - long term	**328,820**	(428,820)
Repayment of long-term debt	**-**	(8,166)
	32,601	(920,744)
Financing activities		
Issuance of common shares including warrants, net of issue costs	**5,712,014**	11,748,733
Exercise of options	**7,500**	349,450
Exercise of warrants	**472,321**	3,111,350
Term loan payable	**2,350,000**	**-**
	8,541,835	15,209,533
(Decrease) in cash and cash equivalents during the year	**(2,922,533)**	(153,034)
Cash and cash equivalents, beginning of year	3,777,362	3,930,396
Cash and cash equivalents, end of year	**$ 854,829**	$ 3,777,362
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	**$ 37,755**	-
Income taxes paid	**-**	-

See accompanying notes to audited consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Gold Bullion Development Corp. ("Gold Bullion" or the "Company") is a company 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 and the Frankfurt Stock Exchange.

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

The principal business of the Group is the acquisition, exploration and development of mineral property interests. The business of mining and exploring for minerals involves a high degree of risk, and there can be no assurance that planned exploration and development programs will result in profitable mining operations

The head office of the Company is at Suite 1005, 1155 Rene Levesque Blvd. West, Montreal, Quebec.

These consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, and 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.

At June 30, 2012, the Company had not yet achieved profitable operations, has accumulated losses of $53,154,117 (June 30, 2011 - $42,433,635) since its inception, has working capital of $1,016,186 (June 30, 2011 - $5,241,586) and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern.

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 find 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 recoverability of the carrying value of exploration properties and 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. Changes in future conditions could require material write-downs of the carrying values. 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.

2. BASIS OF PREPARATION

These financial statements were approved and authorized by the directors of the Company on October 27, 2012.

(a) Statement of Compliance

International Financial Reporting Standards (IFRS) has replaced Canadian generally accepted accounting principles (Canadian GAAP) for publicly accountable enterprises, including the Company, effective for the fiscal year beginning on or after January 1, 2011. These are the Company's first audited annual financial statements to be presented in accordance with IFRS as issued by the International Accounting Standards Board.

The Company adopted IFRS in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards effective July 1, 2010. Disclosures concerning the transition from Canadian generally accepted accounting principles ("Canadian GAAP") to IFRS are included in Note 20.

The Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at July 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 20 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended June 30, 2011.

Comparative figures for 2011 have been restated to give effect to these changes. The consolidated financial statements should be read in conjunction with the Company's Previous GAAP annual consolidated financial statements for the year ended June 30, 2011. Note 20 disclose IFRS information for the year ended June 30, 2012 that is material to an understanding of these consolidated financial statements.

2. BASIS OF PREPARATION (cont'd)

(b) Basis of Measurement

These consolidated financial statements have been prepared on the historic cost basis, except 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.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. The Company does not have any foreign operations.

(d) Use of Estimates and Judgments

The preparation of 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 reporting period. Although these estimates and assumptions are based on management's best knowledge of the amounts, events or actions, actual results may ultimately differ from these estimates. Areas where estimates are significant to these consolidated financial statements are disclosed in Note 4.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary Castle Silver Mines Inc., which was incorporated under the Canada Business Corporations Act on March 10, 2011.

(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 an operation's functional currency are recognized in the statement of income and comprehensive income..

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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 statement of financial position at fair value with changes being recognized in "Net financing charges (income)" in the consolidated statement of loss and comprehensive loss.

The Company made the following classifications:

Cash and cash equivalents (bank indebtedness) and derivative financial instruments 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 statement of loss and comprehensive loss.

Accounts receivable 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, dividends/distributions payable and long term debt 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Financial Instruments (cont'd)

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.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset [an incurred "loss event"] and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in net income. If in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance.

(e) Property, Plant and Equipment

Recognition and measurement

On initial recognition, property, plant, and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition of construction 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Property, plant and equipment are subsequently measure at cost less accumulated depreciation and any accumulated impairment losses.
When parts of an item of property, plant and equipment have different useful lives, they are accounted for an separate items (major components) of property, plant, buildings and equipment.

Depreciation

Depreciation 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%

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(f) Exploration and Evaluation Projects

Exploration & Evaluation expenditures
Exploration & Evaluation ("E&E") expenditures relate to costs incurred on the exploration for and evaluation of potential mineral reserves and includes 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.

(g) Borrowing Costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the costs of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expense in the statement of operations in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss recognised in the statement of loss and comprehensive loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of a financial asset is calculated by reference to its fair value. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and financial assets that are debt securities, the reversal is recognized through operations.

Non-Financial Assets

The Company assesses non-financial assets including mineral property rights, mine properties under development, mineral property assets and property, plant and equipment for impairment when facts and circumstances suggest that the carrying amount of the asset may not exceed its recoverable amount, being the higher of the value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows associated with the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset are estimates of future cash flows have not been adjusted. The recoverable amount with the impairment is recognized immediately in net income (loss).

(i) 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.

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. The Company presently has no decommissioning liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Income Taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized through operations.

Current income tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date and any adjustment 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.

(k) Share Capital
Common shares

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 balance sheet. When the expenditures are renounced, the deferred liability is reversed and this amount is recognized in the statement of operations.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Share Capital (cont'd)

The proceeds attributable to the warrants are also treated as equity and recorded in share based payments reserve on the balance sheet 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.

Share capital issue costs

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

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 within general and administrative expense 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 the statement of loss and comprehensive loss.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Loss per Share

Basic loss per share is calculated using the weighted average number of shares outstanding. In order to determine diluted loss per share, any proceeds from the exercise of dilutive warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of warrants that would increase earnings per share or decrease loss per share. The diluted loss per share calculation excludes all warrants for the years ended June 30, 2012 and 2011 as their effect would be anti-dilutive.

(m) New Standards and Interpretations Not Yet Adopted

A number of new standards, amendments to standards and interpretations, are not yet effective for the year ended June 30, 2012, and have not been applied in preparing these consolidated financial statements.

IFRS 7, "Financial Instruments" Disclosures

This standard is amended to require additional disclosures on offsetting of financial assets and financial liabilities. The amendment is effective for annual period beginning on or after January 1, 2013 and interim periods within those annual periods. The Company is currently evaluating the impact of this pronouncement on its financial statements.

IFRS 9, "Financial Instruments"

This new standard is part of the IASB's project to replace IAS 39, "Financial Instruments: Recognition and Measurement" and provides guidance on the classification and measurement of financial assets, financial liabilities, hedge accounting and derecognition. This new standard will also supersede International Financial Reporting Interpretations Committee 9, "Reassessment of Embedded Derivatives". This standard is effective for annual periods beginning on or after January 1, 2015. Earlier application is permitted. The Company is currently evaluating the impact of this pronouncement on its financial statements.

IFRS 10, "Consolidated Financial Instruments"

This new standard provides guidance on the determination of control where this is difficult to assess and replaces the consolidation requirements in IFRS Standing Interpretations Committee 12, "Consolidation – Special Purpose Entities". This new standard will also supersede the portion of IAS 27, "Consolidated and Separate Financial Statements", that addresses the accounting for consolidated financial statements. This standard is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of this pronouncement on its financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) New Standards and Interpretations Not Yet Adopted (cont'd)

IFRS 11, "Joint Arrangements"

This new standard provides guidance on how to account for interests in jointly controlled entities. This standard is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. This pronouncement is not expected to have a material impact on the Company's financial statements.

IFRS 12, "Disclosures of Interests in Other Entities"

This new standard provides disclosure guidance on interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. This standard is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of this pronouncement on its financial statements.

IFRS 13 Fair Value Measurements

IFRS 13 establishes a single source of guidance for fair value measurements, when fair value is required or permitted by IFRS. The key features of IFRS 13 include: a single framework for measuring fair value while requiring enhanced disclosures when fair value is applied, fair value would be defined as the 'exit price', and concepts of 'highest and best use' and 'valuation premise' would be relevant only for non-financial assets and liabilities. IFRS 13 is effective for annual periods beginning on or after January 1, 2013 and early adoption is permitted. The Company has not yet assessed the impact of the new standard on the financial statements.

IAS 1, "Presentation of Financial Statements"

This amendment contains new standards regarding the presentation of items of other comprehensive income. This amendment is effective for annual periods beginning on or after July 1, 2012. Earlier application is permitted. The application of this pronouncement is not expected to have a material impact on the Company's financial statements.

IAS 12, "Income Taxes"

This amendment contains new standards related to deferred tax: recovery of underlying assets and supersedes SIC 21, "Income Taxes – Recovery of Revalued Non-Depreciable Assets". This amendment is effective for annual periods beginning on or after January 1, 2012. Earlier application is permitted. The application of this pronouncement is not expected to have a material impact on the Company's financial statements.

IAS 19, "Employee Benefits"

This amendment contains new standards related to employee benefits from defined benefit plans. This amendment is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The application of this pronouncement is not expected to have a material impact on the Company's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) New Standards and Interpretations Not Yet Adopted (cont'd)

IFRIC 20, "Stripping Costs in the Production Phase of a Surface Mine"

This Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The Interpretation is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The application of this pronouncement is not expected to have an impact on the Company's consolidated financial statements as the Company is currently in the exploration and evaluation phase.

IAS 27, "Separate Financial Statements"

This amendment contains accounting and disclosure requirement for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. This amendment requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9, "Financial Instruments". This amendment is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of this pronouncement on its financial statements.

IAS 28, "Investments in Associates and Joint Ventures"

This amendment prescribes the accounting for investments in associates and sets out the requirement for the application of the equity method when accounting for investments in associates and joint ventures. The amendment is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The application of this pronouncement is not expected to have a material impact on the Company's financial statements.

4. Significant Judgements, Estimates and Assumptions

The preparation of 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 financial statements and reported amounts of revenues and expenses during the reporting period. 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 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 financial statements:

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

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 the Company's credit adjusted rate.

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.

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-though 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. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include a bank guaranteed investment (GIC) in amount of $150,000 bearing interest at 1.2% annually and is redeemable at anytime. This GIC has been provided as security for the term loan payable (see Note 11).

(Expressed in Canadian Dollars)

6. RECEIVABLES

	June 30, 2012	June 30, 2011	July 1, 2010
Commodity taxes	$ 370,071	$ 860,202	$ 163,641
Other receivable	-	-	30,000
Tax credits receivable	4,410,762	3,561,775	376,000
	$ 4,780,833	$ 4,421,977	$ 569,641

The Company is entitled to a refundable tax credit up to 35% on qualified mining exploration expenditures incurred in the Province of Quebec and a refund of mining duties at an effective rate up to 7.5% on qualified Canadian exploration expenditures net of the refundable tax credit. These refunds are applied against the exploration expenses and included in tax credits receivable.

The tax credit is assigned to the bank up to the outstanding amount of the term loan. The proceeds of the Quebec tax credits receivable are allocated to reduce the term loan when received.

7. DEPOSIT – LONG TERM

As at June 30, 2012 and June 30, 2011, 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.

8. TRADE AND OTHER PAYABLES

	June 30,2012	June 30,2011	July 1,2010
Trade payable	$ 1,419,672	$ 542,324	$ 722,201
Due to related parties	1,111,023	1,203,293	69,546
Loan payable - current	-	-	8,166
Flow-through premium Liability (see table below)	235,864	1,571,409	-
	$ 2,766,559	$ 3,317,026	$ 799,913

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

Balance at July 1, 2010	-
Flow-through premium from financing May 2011	$ 1,571,409
Flow-through premium adjusted through income	-
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

(Expressed in Canadian Dollars)

9. EXPLORATION AND EVALUATION PROJECTS

The Company has determined that as at June 30, 2012 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 at June 30, 2012, June 30, 2011, and July 1, 2010, the Company does not hold any assets classified as mining properties.

The Company currently has interests in the following resources properties and has accumulated expenditures on these projests as shown in the following table.:

Property	Balance June 30,2012	tax credits	Property Acquisitions	Exploration Expenditures	Balance June 30,2011
	$	$	$	$	$
Granada	**21,896,440**	(892,606)	211,500	9,556,108	13,021,438
Castle	**2,552,988**	-	-	846,787	1,706,201
Beaver	**110,585**	-	20,000	90,585	-
	24,560,013	(892,606)	231,500	10,493,480	14,727,639

Property	Balance June 30,2011	tax credits	Property Acquisitions	Exploration Expenditures	Balance July 1,2010
	$	$	$	$	$
Granada	**13,021,438**	(3,614,595)	1,756,000	11,238,597	3,641,436
Castle	**1,706,201**	-	-	1,634,085	72,116
	14,727,639	(3,614,595)	1,756,000	12,872,682	3,713,552

a) Granada Property, Quebec, Canada

The Company holds a 100% interest to 1 mining patent, 2 leases and mining claims covering a total area of approximately 11,598 hectares. The mining leases are subject to a 2% GMR, ½ of which may be purchased for $1,000,000 and a 1% NSR and certain other claims are subject to a 2% NSR whereby 1% NSR may be purchased for $1,000,000.

b) Castle Property, Ontario, Canada

The Company, through its wholly owned subsidiary, Castle Silver Mines Inc., holds a 100% interest to 34 claims and 2 parcels located in the Haultain and Nicol townships of Ontario covering a total of 564.41 hectares. The property is subject to a sliding scale royalty on silver production which will start from 3% when the price of silver is US$15 or lower per troy ounce and up to 5% when the price of silver is greater than US$30 per troy ounce and a 5% gross overriding royalty on the sale of products derived from the property with a minimum annual payment of $15,000 in the form of royalties on all future production from the property.

(Expressed in Canadian Dollars)

9. EXPLORATION AND EVALUATION PROJECTS (cont'd

c) Beaver Property, Ontario, Canada

The Company holds a 5 year option to acquire a 100% interest to an area of approximately 20 acres in Coleman Township, Ontario. The property is subject to a 3% net smelter return royalty, and the Company may purchase each 1% of the NSR royalty for $1.5 million.

On January 31, 2012, the Company entered into a consent to assignment and amendment of option agreement with Ansil Resources Ltd. (Ansil) pursuant to which Ansil consents to the assignment by Grupo Moje Limited (Grupo, related party), which is owned by an officer and director of the Company, to the Company of all of the rights, obligations and liabilities of Grupo under the Option Agreement, signed on May 10, 2011, to the complete exoneration of Grupo; and agrees that the completion of the foregoing assignment by the following terms:

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

b) Incur exploration expenditures aggregating $100,000 on the property over a period of seven years as follows: $20,000 in each year on or before May 10, 2012, May 10, 2013, May 10, 2014, and $10,000 in each of the further additional four years on or before May 10, 2018.

c) Pay to Ansil, as prepayment of the Net Smelter Royalty the following amounts, commencing July 1, 2012 and continuing for a period of five years or until the property is put into commercial production, whichever is earlier:

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

As at June 30, 2012, the Company paid $20,000 and incurred exploration expenditures in amount of $90,585. Included in exploration expenditures is the amount of $58,577 which were reimbursed to Grupo for the work previously done on the property.

(Expressed in Canadian Dollars)

10. PROPERTY, PLANT AND EQUIPMENT

	Gravity plant	Buildings	Office equipment	Vehicles	Total
Cost	$	$	$	$	$
Balance as at July 1, 2010	240,999	-	17,993	164,652	423,644
Additions	-	99,339	-	220,619	319,958
Disposals	-	-	-	(44,950)	(44,950)
Balance June 30, 2011	240,999	99,339	17,993	340,321	698,652
Additions	-	296,220	-	-	296,220
Balance as at June 30, 2012	240,999	395,559	17,993	340,321	994,872
Depreciation					
Balance as at July 1, 2010	23,337	-	8,756	67,755	99,848
Depreciation	8,706	3,974	1,848	91,323	105,851
Derecognition on disposal	-	-	-	(31,844)	(31,844)
Balance June 30, 2011	32,043	3,974	10,604	127,234	173,855
Depreciation	8,358	15,662	1,478	63,927	89,425
Balance June 30, 2012	40,401	19,636	12,082	191,161	263,280
Net book value					
As at July 1, 2010	217,662	-	9,237	96,897	323,796
As at June 30, 2011	208,956	95,365	7,389	213,087	524,797
As at June 30 2012	200,598	375,923	5,911	149,160	731,592

11. TERM LOAN PAYABLE

The Company has 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.
- The credit facility is non-revolving, non renewable and fully repayable upon the receipt of Quebec tax credit but no later than December 31, 2012.

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)

11. TERM LOAN PAYABLE (cont,d)

Covenants

The bank agreement includes various covenants.

The Company has satisfied all the required covenants throughout the year.

As at June 30, 2012, the Company had a loan payable of $2,350,000 and no outstanding letters of credit or letters of Guarantee.

Other

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

12. SHARE CAPITAL

Authorized
Unlimited number of common shares without par value

Issued

	2012		2011	
	Number of Shares	**Amount**	Number of Shares	Amount
Balance, beginning of year	**166,707,705**	**$39,778,799**	119,400,192	$24,190,010
Prior year adjustment	**-**	**-**	(13)	-
Private placements	**36,366,359**	**6,187,584**	22,790,917	12,782,090
Premium on flow-through shares		**(742,278)**	-	(1,571,409)
Exercise of options - cash	**75,000**	**7,500**	2,545,000	349,450
Exercise of options - expense value	**-**	**5,775**	-	298,090
Exercise of warrants - cash	**3,936,010**	**472,321**	19,521,609	3,111,350
Exercise of warrants - book value	**-**	**242,216**	-	1,901,423
Share issue costs	-	**(496,441)**	-	(1,120,320)
Value of warrants issued	**-**	**(598,050)**	-	(1,725,787)
Warrants expired	**-**	**1,960,456**	-	12,902
Warrants extended	**-**	**(94,274)**	-	-
Issued for property	**900,000**	**211,500**	2,450,000	1,551,000
Balance, end of year	**207,985,074**	**$46,935,108**	166,707,705	$39,778,799

On September 13, 2010 the Company issued 750,000 common shares at an amount of $480,000 ($0.64 per share) pursuant to the July 14, 2010 amendment to the March 20, 2008 agreement to acquire the 26 mineral claims attached to the Company's two mining leases.

12. SHARE CAPITAL (cont'd)

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

On December 20, 2010 the Company issued 1,700,000 common shares at an amount of $1,071,000 ($0.63 per share) pursuant to the November 22, 2010 agreement to acquire 174 mining claims in the Company's Granada property.

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

On November 14, 2011 the Company issued 900,000 common shares at an amount of $$211,500 ($0.235 per share) pursuant to the November 22, 2010 agreement to acquire 174 mining claims in the Company's Granada property.

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

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

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

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

(Expressed in Canadian Dollars)

12. 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 compensation options to various securities dealers and exempt market dealers entitling them to purchase a number of common shares of Gold Bullion equal to 8% of the aggregate number of "flow-through" units and units sold through such dealers in the private placement. The compensation options entitle their holders to acquire 1,590,833 common shares of Gold Bullion at $0.18 per share and 12,504 common shares of Gold Bullion at $0.16 per share for a period of twelve months.

On April 24, 2012, pursuant to a private placement, the Company issued 8,133,227 flow-through units at $0.15 per share for gross proceeds of $1,219,984. Each Unit consists of one flow-through common share and one-half of a transferable share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share for a period of twelve months from the date of issuance, at a purchase price of $0.175 per share.

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

13. 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 July 1, 2010	11,575,000	0.31	2,982,296	29,424,848	0.15	3,411,964	6,394,260
Granted	3,450,000	0.51	2,014,900	8,880,714	0.60	1,968,814	3,983,714
Vested	-	-	1,158,094	-	-	-	1,158,094
Exercised	(2,545,000)	0.11	(298,090)	(19,521,609)	0.16	(1,901,423)	(2,199,513)
Exercise price adjustment	-	-	-	-	-	(156,064)	(156,064)
Expired	(265,000)	0.46	(145,750)	(650,000)	0.16	(12,902)	(158,652)
Balance June30,2011	12,215,000	0.40	5,711,450	18,133,953	0.41	3,310,389	9,021,839
Granted	5,750,000	0.14	863,100	23,232,261	0.20	618,921	1,482,021
Vesting	-	-	12,700	-	-	-	12,700
Exercised	(75,000)	0.10	(5,775)	(3,936,010)	0.12	(242,216)	(247,991)
Extended	-	-	-	-	-	94,274	94,274
Expired	(300,000)	0.47	(163,800)	(9,484,250)	0.58	(1,960,456)	(2,124,256)
Balance June30,2012	17,590,000	0.32	6,417,675	27,945,954	0.22	1,820,912	8,238,587

(Expressed in Canadian Dollars)

13. SHARE-BASED PAYMENTS RESERVE (cont'd)

Warrants

Warrant Transactions

	2012			2011		
	Number of Warrants	Weighted average exercise price per shares	**Amount**	Number of Warrants	Weighted average exercise price per shares	Amount
Balance, beginning of year	**18,133,953**	**$ 0.41**	**$3,310,389**	29,424,848	$ 0.15	$3,411,964
Exercised	**(3,936,010)**	**0.12**	**(242,216)**	(19,521,609)	0.16	(1,901,423)
Extended	**-**	**-**	**94,274**	-	-	-
Expired	**(9,484,250)**	**0.58**	**(1,960,456)**	(650,000)	0.16	(12,902)
Issued by private placements	**21,042,266**	**0.21**	**598,050**	7,824,073	0.58	1,725,787
Issue costs related to warrants	**-**	**-**	**(53,328)**	-	-	(156,064)
Issued as compensation	**2,189,995**	**0.18**	**74,199**	1,056,641	0.75	243,027
Balance, end of year	**27,945,954**	**$ 0.22**	**$1,820,912**	18,133,953	$ 0.41	$ 3,310,389

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:

	2012	2011
Risk-free interest rate	1.83%	2%
Expected volatility	85%	107%
Dividend yield	0.00	0.00
Expected life (years)	0.46	0.35
Fair value at grant date	0.027	0.22

A summary of the Company's outstanding warrants as at June 30, 2012 is presented below. Each warrant entitles the holder to purchase one common share:

Number of Warrants	Exercise Price	Expiry Date
4,713,693	0.300	July 5, 2012
9,554,978	0.220	December 21, 2012
5,718,175	0.200	December 21, 2012
1,318,433	0.180	December 21,2012
12,504	0.160	December 21,2012
1,702,500	0.220	December 29, 2012
272,400	0.180	December 29, 2012
4,066,613	0.175	April 24, 2013
586,658	0.175	April 24, 2013
27,945,954	0.220	

(Expressed in Canadian Dollars)

13. SHARE-BASED PAYMENTS RESERVE (cont'd)

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, 2012, the Company recorded stock-based compensation expense of $712,000 (June 30, 2011 - $3,172,994). The following weighted average assumptions were used for the Black-Scholes option pricing model:

	2012	2011
Risk-free interest rate	1.53%	2%
Expected volatility	195%	168%
Dividend yield	0.00	0.00
Expected life (years)	8.25	4.47
Fair value at grant date	0.16	0.58

Options Transactions	**2012**		2011	
	Number	**Weighted average exercise price per share**	Number	Weighted Average exercise price per share
	#	**$**	#	$
Options outstanding, beginning of year	**12,215,000**	**0.40**	11,575,000	0.34
Exercised	**(75,000)**	**0.10**	(2,545,000)	0.11
Expired	**-**	**-**	-	-
Expired	**(300,000)**	**0.47**	(265,000)	0.46
Granted	**5,750,000**	**0.14**	3,450,000	0.51
Options outstanding, end of year	**17,590,000**	**0.32**	12,215,000	0.40

(Expressed in Canadian Dollars)

13. SHARE-BASED PAYMENTS RESERVE (cont'd)

Options (cont'd)

A summary of the Company's outstanding options as at June 30, 2012 is presented below. Each option entitles the holder to purchase one common share:

Number of Options	Exercise Price	Expiry Date
50,000	$0.10	May 11, 2014
1,300,000	0.10	September 9, 2014
500,000	0.10	February 12, 2015
125,000	0.15	March 3, 2015
100,000	0.19	March 8, 2015
200,000	0.20	April 7, 2013
50,000	0.20	April 7, 2015
400,000	0.29	April 25, 2015
5,965,000	0.46	June 21, 2015
200,000	0.47	September 22, 2015
900,000	0.48	October 6, 2015
1,200,000	0.65	January 5, 2016
850,000	0.35	March 25, 2016
300,000	0.35	July 14, 2016
4,450,000	0.13	January 4, 2022
200,000	0.13	January 4, 2022
200,000	0.15	March 9, 2017
600,000	0.15	March 9, 2014
17,590,000	$0.32	

14. RELATED PARTY TRANSACTIONS

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

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

	June 30,2012	June 30,2011
	$	$
Key management compensation	839,748	492,431
Stock-based compensation	600,000	747,600
	1,439,748	1,240,031

14. RELATED PARTY TRANSACTIONS (cont'd)

1) The Company retains the services of a company owned by an officer and director of the Company to carry out exploration work on its resource properties and for management services. During the year ended June 30, 2012, the total amount for such services provided was $562,628 (2011- $329,175), of which $331,314 (2011 - $164,588) was recorded in exploration expenses and $231,314 (2011 - $164,587) in management fees. As at June 30, 2012, an amount of $136,984 was included in trade and other payables. (Note 16).

   During the year, 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 10c).

2) The Company retains the services of two directors and an officer to carry out administrative services. During the year ended June 30, 2012, the total amount for such services provided was of $277,120 (2011 -$163,256) which was recorded in management fees. As at June 30, 2012, an amount of $8,612 was included in trade and other payables. (Note 16).

3) During the year ended June 30, 2012, the Company incurred drilling expenditures of $2,761,411 (2011 - $6,127,344) 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, 2012, an amount of $965,427 (2011 – 1,203,293) was included in trade and other payables.

4) The Company advanced and paid expenses in the amount of $948,093 to and on behalf of its wholly owned subsidiary. The balance is not interest bearing with no specific terms of repayments. The amount was eliminated in preparing the consolidated financial statements.

15. CONTINGENCIES

a) The Company's operations are subject to governmental laws and regulations regarding environmental protection. The environmental consequences are hardly identifiable, whether with the outcomes, the impacts or the deadline. At the date of the financial statements and to the best knowledge of its management, the Company is, at the present, in conformity with the laws and regulations except as disclosed in note 13(b) below. Restoration costs will be accrued in the financial statements only when they can be reasonably estimated and will be charged to the earnings at that time.

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

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

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

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

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

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

During the year ended June 30, 2011, the Company received $4,357,090 from flow-through share issuance. According to the tax rules, the Company has until December 31, 2012 to spend this amount on qualified exploration expenditures. As at June 30, 2012 the Company has spent the full amount.

In December 2011, the Company received $4,052,692 flow-through share issuance. According to the tax rules, the Company has until December 31, 2012 to spend this amount on qualified exploration expenditures. As at June 30, 2012 the Company has spent the full amount.

15. CONTINGENCIES (cont')

c) As at June 30, 2011, the Company was assessed $550,562 for Quebec Sales Tax and Goods and Services Tax, which has been paid. The Company has filed a notice of objection with the Ministere du Revenu du Quebec for these assessments.

d) On March 15, 2012, a supplier instituted an action against the Company in the amount of $783,652 before the Superior Court of Quebec. The Company is contesting that claim and has filed a counter-claim in the amount of $25,431,906. The claim and counter-claim are presently in their infancy in that no examinations have yet to take place. The facts reviewed by the Company's legal counsel indicate that the Company has a strong defence to the claim asserted by the supplier and has serious grounds supporting its counter-claim

16. COMMITMENTS

a) Operating lease

The Company has a lease for its office expiring November, 2012.

The following are the Company's minimum annual rental payments for the next year:

2013	16,210

b) Consulting service agreements

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

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

(2) Effective July 1, 2010, the Company entered into a consulting agreement with a director and officer of the Company. The fee for consulting services is $7,500 per month. Either party may terminate this engagement by giving four months notice to the other, subject to certain provisions of the agreement. This agreement also requires that if the agreement is terminated by the Company upon or following a change in control or change of management the Company shall make a payment to the consultant of $90,000. Effective January 1, 2012 this agreement was amended as follows: The fee for consulting services is $9,500 per month and if the agreement is terminated by the Company upon or following a change in control or change of management the Company shall make a payment to the consultant of $114,000.

16. COMMITMENTS (cont'd)

(3) Effective December 1, 2010, the Company entered into an agreement with a consultant of the Company. The fee for consulting services is $6,500 per month. Either party may terminate this engagement by giving four months notice to the other subject to certain provisions of the agreement. The agreements also requires that if the agreement is terminated by the Company upon or following a change in control or change of management the Company shall make payments to the consultant in the amounts of $78,000.

Effective October 1, 2011, the agreement was amended as follows: The fee for consulting services is $8,000 (previously $6,500) per month and if the agreement is terminated by the Company upon or following a change in control or change of management the Company shall make a payment to the consultant of $96,000 (previously $78,000). In April 2012, this consultant was appointed a director.of the Company.

(4) Effective March 1, 2011, the Company entered into a consulting agreement with an officer of the Company. The fee for consulting services is USD $6,000 per month. Either party may terminate this engagement by giving four months notice to the other subject to certain provisions of the agreement. This agreement also requires that if the agreement is terminated by the Company upon or following a change in control or change of management the Company shall make a payment to the consultant of USD $72,000.

Effective February 1, 2012, this agreement was amended as follows: The fee for consulting services is USD $8,000 per month and if the agreement is terminated by the Company upon or following a change in control or change of management the Company shall make a payment to the consultant of USD $96,000.

Consulting service agreement with non-related party

(5) Effective December 1, 2010, the Company entered into an agreement with a consultant of the Company. The fee for consulting services is $6,000 per month. Either party may terminate this engagement by giving four months notice to the other subject to certain provisions of the agreement. The agreement also requires that if the agreement is terminated by the Company upon or following a change in control or change of management the Company shall make payments to the consultant in the amounts of $72,000.

Effective January 1, 2012, the agreement was amended as follows: The fee for consulting services is $8,000 (previously $6,000) per month and if the agreement is terminated by the Company upon or following a change in control or change of management the Company shall make a payment to the consultant of $96,000 (previously $72,000).

c) Exploration and Evaluation projects (Note 9)

17. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT DISCLOSURES

Overview

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

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

- Interest rate risk;
- credit risk;
- liquidity risk;
- market risk; and
- operational risk.

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

Risk Management Framework

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

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

The Company's risk and control framework is facilitated by the small-sized and hands-on executive team.

Interest rate risk

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

As at June 30, 2012 and 2011, 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%

17. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT DISCLOSURES (cont'd)

Credit Risk

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

Cash and cash equivalents

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

Receivables

When necessary, the Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures.

Further, when the Company engages in corporate transactions, it seeks to manage its exposure by ensuring that appropriate recourse is included in such agreements upon the counterparty's failure to meet contractual obligations.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking undue damage to the Company's reputation.

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

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

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

17. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT DISCLOSURES (cont'd)

Market Risk

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

a) Price risk

The Company is exposed to price risk with respect to fluctuation in gold and silver prices which impacts the future economic feasibility of its mining interests. Gold and silver prices are affected by numerous factors such as the sale or purchase of gold and silver by various institutions, interest rates, exchange rates, inflations in the value of the US dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major gold and silver producing counties throughout the world.

b) Foreign currency exchange risk

The Company is exposed to foreign currency exchange risk with respect to future gold and silver sales, since gold and silver sales are denominated in US dollars and the Company's currency is the Canadian dollar. The Movement on US rates may impact the future economic feasibility of the Company's mining interests

Operational Risk

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

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. The Company has a small but hands-on and experienced executive team which facilitates communication across the Company. This expertise is supplemented, when necessary, by the use of experienced consultants in legal, compliance and industry-related specialties. The Company also has standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- development of contingency plans;
- ethical and business standards; and
- risk mitigation, including insurance when this is effective and available.

(Expressed in Canadian Dollars)

17. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT DISCLOSURES (cont'd)

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, 2012 totalled $2,019,578 (June 30, 2011 – $6,367,003).

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

The Company currently has no source of revenues, and therefore is dependent on external financing to fund activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended June 30, 2012. The Company is not subject to external imposed capital requirements.

18. INCOME TAXES

Provision for income taxes

A reconciliation of income taxes at statutory rates is as follows::	2012	2011
Income taxes of the combined Federal and Provincial income tax rate 26.9% (2011 - 29.15%)		
Expected tax recovery on net loss, before income tax	$2,627,774	$1,742,917
Difference due to recognition of items for tax purposes:		
Premium on flow-through shares	558,934	
Property plant and equipment	24,055	21,893
Resource property	1,115,442	(683,956)
Changes in tax rate	-	(586,936)
Stock based compensation	(191,528)	(924,928)
Share issue costs	110,712	286,729
Other non-deductable expenses	(13,450)	(23,529)
Investment tax credits	141,302	659,605
	4,373,241	491,795
Changes in valuation allowance	(4,373,241)	(491,795)
Future income tax recovery	-	-

(Expressed in Canadian Dollars)

18. INCOME TAXES (cont'd)

The Company has accumulated resource property expenditures of $17,642,661 and non-capital losses of $10,619,177 which may be carried forward to reduce taxable income in future years. The non-capital losses expire as follows:

2014	**$ 177,252**
2015	**102,546**
2026	**203,893**
2027	**990,463**
2028	**751,755**
2029	**41,441**
2030	**1,329,308**
2031	**4,597,625**
2031	**2,424,894**
	$ 10,619,177

Significant components of the Company's future tax assets and liabilities, after applying enacted corporate income tax rates, are as follows:

Future income tax assets		
	2012	2011
Non-Capital losses carry forward	$2,856,558	$2,204,262
Resources property related deductions	4,745,876	1,174,173
Share issue costs	312,187	328,302
Investment credit	884,879	743,576
Property, plant and equipment	44,684	20,630
	8,844,184	4,470,943
Less: valuation allowance	(8,844,184)	(4,470,943)
Future income tax assets	-	-

The Company recorded a valuation allowance against its future income tax assets based on the extent to which it is more likely-than-not that sufficient taxable income will be realized during the carry forward periods to utilize all the future tax assets.

19. SUBSEQUENT EVENTS

a) In September, the Company reduced the exercise price of 5,718,175 share purchase warrants from $0.20 per share to $0.155 per share and reduced the exercise price of 11,257,478 share purchase warrants from $0.22 per share to $0.155. All other terms and conditions remain constant.

b) The Company repaid the term loan payable completely on August 28, 2012

20. EXPLANATION OF TRANSITION TO IFRS

As stated in Note 2(a), these consolidated financial statements are prepared in accordance with IFRS.

The accounting policies set out in Note 3 have been applied in preparing the consolidated financial statements for the periods ended June 30, 2012 and 2011, and the comparative statement of financial position as at June 30, 2012, as at June 30, 2011 and the opening IFRS statement of financial position as at July 1, 2010 (Gold Bullion's date of transition)

Set forth below are the exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS.

IFRS Exemption Options

1. Business combinations – IFRS 1 provides the option to apply IFRS 3, Business combinations retrospectively or prospectively from the transition date. The Company elected to apply IFRS 3 prospectively from the transition date. The retrospective basis would require restatement of all business combinations that occurred prior to the transition date. The Company did not apply IFRS 3 retrospectively to business combinations that occurred prior to its transition date and such business combinations have not been restated. Any goodwill arising on such business combinations before the transition date has not been adjusted from the carrying value previously determined under Canadian GAAP as a result of applying the exemption.

2. Share-based payments – IFRS 2 encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the transition date. The Company elected to avail itself of the exemption provided under IFRS 1 and applied IFRS for all equity instruments granted after November 7, 2002 that had not vested by its transition date.

In preparing its opening IFRS statement of financial position, Gold Bullion has adjusted amounts reported previously in financial statements prepared in accordance with predecessor Canadian GAAP in effect for the Company prior to the transition date ("pre-transition Canadian GAAP"). An explanation of how the transition from pre-transition Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

GOLD BULLION DEVELOPMENT CORP.

Notes to Consolidated Financial Statements

Reconciliation of Consolidated Statement of Financial Position

	Notes	Pre-transition Canadian GAAP	Effect of Transition to IFRS	IFRS
		July 1, 2010		
Assets				
Current				
Cash and cash equivalents		$ 3,930,396	$ -	$ 3,930,396
Reiceivables		569,641	-	569,641
Prepaid expenses		868,334	-	868,334
		5,368,371	-	5,368,371
Property, plant and equipment		323,796	-	323,796
Resource properties	a	3,713,552	(3,713,552)	-
		$ 9,405,719	$ (3,713,552)	$ 5,692,167
Liabilities				
Current				
Trade and oyher payables		$ 799,913	$ -	$ 799,913
		799,913	-	799,913
Shareholders' Equity				
Share capital	c	23,531,485	658,525	24,190,010
Warrants	c	3,411,964	(3,411,964)	-
Contributed surplus	c	3,640,821	(3,640,821)	-
Share based payments reserve	c	-	6,394,260	6,394,260
Deficit	a	(21,978,464)	(3,713,552)	(25,692,016)
		8,605,806	(3,713,552)	4,892,254
		$ 9,405,719	$ (3,713,552)	$ 5,692,167

GOLD BULLION DEVELOPMENT CORP.
Notes to Consolidated Financial Statements
Reconciliation of Consolidated Statement of Financial Position

	Notes	June 30, 2011 Pre-transition Canadian GAAP	Effect of Transition to IFRS	IFRS
Assets				
Current				
Cash and cash equivalents		$ 3,777,362	$ -	$ 3,777,362
Receivables		4,421,977	-	4,421,977
Prepaid expenses		359,273	-	359,273
		8,558,612	-	8,558,612
Tax credit receivable - long-term		428,820	-	428,820
Deposit - long-term		171,800	-	171,800
Property, plant and equipment		524,797	-	524,797
Resource properties	a	14,621,788	(14,621,788)	-
		$ 24,305,817	$ (14,621,788)	$ 9,684,029
Liabilities				
Current				
Trade and other payables		$ 1,745,617	$ 1,571,409	$ 3,317,026
		1,745,617	1,571,409	3,317,026
Shareholders' Equity				
Share capital	b,c	40,678,781	(899,982)	39,778,799
Warrants	c	3,310,389	(3,310,389)	
Contributed surplus	c	6,528,627	(6,528,627)	
Share based payments reserve	c		9,021,839	9,021,839
Deficit	a,b,c	(27,957,597)	(14,476,038)	(42,433,635)
		22,560,200	(16,193,197)	6,367,003
		$ 24,305,817	$ (14,621,788)	$ 9,684,029

GOLD BULLION DEVELOPMENT CORP.
Notes to Consolidated Financial Statements
Reconciliation of Consolidated Statements of Loss and Comprehensive Loss

	Notes	Pre-transition Canadian GAAP	Effect of Transition to IFRS	IFRS
		for the year ended June 30, 2011		
Revenue				
Interest and other income		$ 12,229	$ -	$ 12,229
		$ 12,229	$ -	$ 12,229
Expenses				
Exploration and evaluation				
Acquisition	a	-	1,756,000	1,756,000
Assaying and testing	a	-	1,011,522	1,011,522
Depreciation		105,851	-	105,851
Drilling	a	-	6,162,261	6,162,261
Equipment	a	-	1,915,633	1,915,633
Facility expenses	a	-	336,716	336,716
Geology, geophysics and surveys	a	-	117,212	117,212
Personnel costs	a	-	1,110,237	1,110,237
Program management and engineering	a	-	1,896,780	1,896,780
Royalties	a	-	15,000	15,000
Security	a	-	201,470	201,470
Taxes, permits and licensing	a	-	19,473	19,473
Mining tax credits	a		(3,614,595)	(3,614,595)
		105,851	10,927,709	11,033,560
Corporate				
Administrative and general expenses		365,214	-	365,214
Consulting fees		312,199	-	312,199
Management fees		342,105	-	342,105
Professional fees		145,621	-	145,621
Filing costs and shareholders' information		721,241	-	721,241
Travel		250,996	-	250,996
Stock-based compensation	**c**	3,172,994	(145,750)	3,027,244
Loss on sale of equipment		5,106	-	5,106
Commodity tax assessment		550,562	-	550,562
		5,866,038	(145,750)	5,720,288
Net loss and comprehensive loss for the year		$ (5,959,660)	$ (10,781,959)	$ (16,741,619)
Net loss per share - basic and fully diluted		$ (0.04)	$ (0.07)	$ (0.11)
Weighted average number of shares outstanding basic and fully diluted		147,121,411	147,121,411	147,121,411

GOLD BULLION DEVELOPMENT CORP.
Notes to Consolidated Financial Statements
Reconciliation of Consolidated Statements of Cash Flows

		for the year ended June 30, 2011		
	Notes	Pre-transition Canadian GAAP	Effect of Transition to IFRS	IFRS
Operating activities				
Net loss and comprehensive loss for the year	a,c	$(5,979,133)	$ (10,762,486)	$ (16,741,619)
Items not involving cash				
Depreciation		105,851	-	105,851
Stock-based compensation	c	3,172,994	(145,750)	3,027,244
Loss on sale of equipment		5,106	-	5,106
Acquisition of property for shares	a	-	1,551,000	1,551,000
Changes in non-cash working capital items			-	
Receivables	a	(666,561)	(3,185,775)	(3,852,336)
Prepaid expenses		509,061	-	509,061
Trade and other payables		953,870	-	953,870
		(1,898,812)	(12,543,011)	(14,441,823)
Investing activities				
Acquisitions of plant and equipment		(319,958)	-	(319,958)
Proceeds from sale of equipment		8,000	-	8,000
Deposit - long term		(171,800)	-	(171,800)
Resource properties	a	(12,971,831)	12,971,831	-
Long term Quebec tax credit	a	-	(428,820)	(428,820)
Repayment of long-term debt		(8,166)	-	(8,166)
		(13,463,755)	12,543,011	(920,744)
Financing activities				
Issuance of common shares including warrants - net		11,748,733	-	11,748,733
Exercise of stock options		349,450	-	349,450
Exercise of warrants		3,111,350	-	3,111,350
		15,209,533	-	15,209,533
			-	
(Decrease) in cash and cash equivalents during the year		(153,034)	-	(153,034)
			-	
Cash and cash equivalents, beginning of year		3,930,396	-	3,930,396
			-	
Cash and cash equivalents, end of year		$ 3,777,362	$ -	$ 3,777,362

a) Exploration and Evaluation Projects

Under pre-transition Canadian GAAP, the Company capitalized its exploration and evaluation costs. At the date of transition, the Company adopted the accounting policy to expense exploration and evaluation costs when incurred.

b) Flow-through share financing

Under pre-transition Canadian GAAP, the Company recorded the entire amount of financing received as equity in share capital with an appropriate apportionment of proceeds to any warrants issued. Under IFRS, the Company's selected accounting treatment requires an identification of the premium associated with the tax benefits passed on to the subscribers of the flow-through shares. Flow-through expenditures are sometimes made in different reporting periods than the one in which formal renunciation to the CRA takes place.

There is no applicable exemption available to the Company and the cumulative impact of the bifurcation of the flow-through premium as well as the different treatment of renunciation must be made. The Company made a best efforts attempt to calculate the historic impact of renunciation and premium recognition based upon the presently available information and determined that there were no premiums on flow through financing with the exception of the financing done on May 9, 2011. An adjustment has been made to record the liability in the transition to IFRS.

c) Share Based Payments Reserve.

Under pre-transition Canadian GAAP, the Company recorded the fair value of warrants using the Black-Scholes option pricing model as warrants and if exercised this amount was transferred to share capitol, if expired the fair value amount was transferred to contributed surplus. And, under pre-transition Canadian GAAP, the Company recorded the fair value of options using the Black-Scholes option pricing model as Stock-based compensation expense with an offsetting entry to contributed surplus. If exercised this amount in contributed surplus was transferred to share capital and if the options expired no further entries were recorded. Under IFRS the fair value of all warrants granted is calculated using the Black-Scholes option pricing model, and is recorded as credits to share based payments reserve, and when exercised this amount is transferred to share capitol., And, under IFRS, the Company records the fair value of options using the Black-Scholes option pricing model as stock-based compensation expense with an offsetting entry to share based payment reserve. If exercised this amount is transferred to share capital and if the options expire this amount is transferred to the statement of operations.