GOLD BULLION
DEVELOPMENT CORP

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Form 51-102F1
Management's Discussion & Analysis for the nine months ended March 31, 2012

DATE: May 29, 2012

This Management's Discussion and Analysis ("MD&A") of Gold Bullion Development Corp. (the "Company") has been prepared by management as of May 29, 2012 and should be read in conjunction with the Condensed Interim Financial Statements for the nine months ended March 31, 2012 and related notes thereto, which are prepared in accordance with International Financial Reporting Standards ("IFRS") and the Annual Financial Statements for the year ended June 30, 2011 and related notes thereto, which are prepared in accordance with Canadian Generally Accepted Accounting Principles ("CGAAP"). All amounts are stated in Canadian dollars unless otherwise indicated.

FORWARD-LOOKING INFORMATION

This MD&A contains certain forward-looking statements and information relating to the Company that are based on the beliefs of its management as well as assumptions made by and information currently available to the Company. When used in this document, the words "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration and development of the Company's exploration properties. Such statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Aside from factors identified in the annual MD&A, additional important factors, if any, are identified here.

DESCRIPTION OF BUSINESS

The Company is a junior natural resource company whose business is to seek out exploration opportunities with a focus on the Granada Gold Mine in Rouyn-Noranda, Quebec. Operations are conducted either directly or through consulting agreements with third parties. The Company finances its properties by way of equity or debt financing or by way of joint ventures. Additional information is provided in the Company's condensed interim financial statements for the nine months ended March 31, 2012 and audited annual financial statements for the years ended June 30, 2011 and 2010. These documents are available on SEDAR at www.sedar.com. The Company also maintains a website at www.goldbulliondevelopmentcorp.com.

The Company is a reporting issuer in the Provinces of British Columbia and Alberta, and trades on the TSX Venture Exchange under the symbol GBB, the US OTC market under the symbol GBBFF and the Frankfurt Stock Exchange under the symbol B6D-FRA.

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

CORPORATE

Financing

On November 9, 2009, the Company issued 4,300,000 units at $0.07 per unit pursuant to a non-brokered private placement to raise gross proceeds of $301,000. Each unit consists of one (1) common share and one (1) common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at $0.10 per share for the first year and $0.12 for the second year. The fair value of the warrants was determined, using the Black-Scholes option pricing model assuming a risk-free interest rate of 2% on the date of issue, an expected life of 2 years, a volatility of 195% and dividends of $Nil to be $279,500. In connection with this private placement, the Company paid finder's fees of $11,900.

On December 3, 2009, the Company issued 3,098,858 units at $0.07 per unit pursuant to a non-brokered private placement to raise gross proceeds of $216,920. Each unit consists of one (1) common share and one (1) common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at $0.10 per share for the first year and $0.12 for the second year. The fair value of the warrants was determined, using the Black-Scholes option pricing model assuming a risk-free interest rate of 2% on the date of issue, an expected life of 2 years, a volatility of 194% and dividends of $Nil to be $185,931. In connection with this private placement, the Company paid finder's fees of $18,500.

On December 22, 2009, the Company issued 13,735,042 units at $0.07 per unit pursuant to a non-brokered private placement to raise gross proceeds of $961,453. Each unit consists of one (1) common share and one (1) common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at $0.10 per share for the first year and $0.12 for the second year. The fair value of the warrants was determined, using the Black-Scholes option pricing model assuming a risk-free interest rate of 2% on the date of issue, an expected life of 2 years, a volatility of 195% and dividends of $Nil to be $837,838. In connection with this private placement, the Company paid finder's fees of $69,924 and 742,850 broker warrants having the same terms as the warrants issued under the private placement. The fair value of the warrants was determined, using the Black-Scholes option pricing model assuming a risk-free interest rate of 2% on the date of issue, an expected life of 2 years, a volatility of 195% and dividends of $Nil to be $45,315. .

On April 6, 2010 the Company closed a private placement of 18,700,000 units at $0.215 per unit to raise gross proceeds of $4,020,500. Each unit consists of one (1) common share and one half of one (1/2) common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one common share at $0.30 per share for a period of two (2) years. The fair value of the warrants was determined, using the Black-Scholes option pricing model assuming a risk-free interest rate of 2% on the date of issue, an expected life of 2 years, a volatility of 200% and dividends of $Nil to be $2,197,250. In connection with this private placement, the Company paid finder's fees of $381,595 and issued 1,056,356 broker warrants having the same terms as the warrants issued under the private placement. The fair value of the warrants was determined, using the Black-Scholes option pricing model assuming a risk-free interest rate of 2% on the date of issue, an expected life of 2 years, a volatility of 200% and dividends of $Nil to be $248,244.

On October 28, 2010, pursuant to a non-brokered private placement, the Company issued 14,814,814 units in the capital of the company to raise gross proceeds of $8,000,000. Each Unit consists of one common share in the capital of the Company and one-half of a transferable share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share in the capital of the Company 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 assuming a risk-free interest rate of 2% on the date of issue, an expected life of 1 year, a volatility of 108% and dividends of $Nil to be $1,703,704. In connection with the Private Placement, the Company paid finder's fees to arm's length parties of $645,857 and issued 1,056,641 non-transferable broker warrants to the respective finder. Each Finder's Warrant will entitle the holder to purchase an additional common share in the capital of the Company 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 assuming a risk-free interest rate of 2% on the date of issue, an expected life of 1 year, a volatility of 108% and dividends of $Nil to be $243,027.

On May 9, 2011, pursuant to a private placement, the Company issued 7,142,770 flow-through common shares at $0.61 per share and 833,333 units at $0.51 per unit in the capital of the company to raise gross proceeds of $$4,782,090. Each Unit consists of one common share in the capital of the Company and one-half of a transferable share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share in the capital of the Company 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 assuming a risk-free interest rate of 2% on the date of issue, an expected life of 1 year, a volatility of 78% and dividends of $Nil to be $22,083. In connection with the private placement, the Company paid total cash commissions of $350,710.

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

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

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

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

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

CORPORATE CEASE TRADE ORDERS OR BANKRUPTCIES

Other than as described below, none of the directors, officers or promoters of the Company are, or within the past ten years prior to the date hereof have been, a director, officer, or promoter of any other issuer that, while that person was acting in that capacity:

(a) was subject to a cease trade or similar order or an order that denied the issuer access to any statutory exemptions for a period of more than 30 consecutive days; or

(b) was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangements or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the person.

On November 6, 2008 a cease trade order was issued by the British Columbia Securities Commission for the Company's failure to file its annual audited financial statements, and management discussion and analysis, for the year ended June 30, 2008. The cease trade order was revoked on December 9, 2008 and the Company's shares were reinstated for trading on February 18, 2009 after the Company met TSX Venture Exchange requirements. Frank Basa, Jacques Monette and Roger Thomas directors of the Company were directors of the Company at this time.

On September 6, 2011 a cease trade order was issued by the Quebec Securities Commission for failure to file its annual audited financial statements, and management discussion and analysis, for the year ended April 30, 2011 to Excel Gold Mining Inc. ("Excel"). Jacque Monette a director of the Company is a director of Excel. On September 7, 2011 a similar cease trade order was issued by the British Columbia Securities Commission and on December 20, 2011 a cease trade order was issued by the Alberta Securities Commission

LITIGATION

(1) On September 10, 2008, the Company received 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. All of the foregoing statements of offence have been postponed to June 20, 2012.

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

(2) On March 16, 2012, Genivar Inc. instituted a lawsuit against the Company in the Québec Superior Court, claiming approximately $785,000 in unpaid fees. The action relates to work which Genivar performed for Gold Bullion, primarily with respect to its Granada gold property in northwestern Québec.

Gold Bullion will vigorously defend the action and intends to institute a counter-claim against Genivar, under which Gold Bullion will claim damages from Genivar, due to the poor quality of the work performed by it and the costs incurred by Gold Bullion to have portions of the work done a second time. Gold Bullion also intends to institute action against Genivar to recover data and documents in Genivar's possession that belong to Gold Bullion and which Genivar has failed to return.

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

EXPLORATION AND EVALUATION PROJECTS

Granada Property

In 2009, the Company increased its land position in the Granada area and again in 2010 through map staking. The Company also entered into an agreement dated November 22, 2010 wherein it has the right to earn a 100% interest in a further 174 claims totaling 6201.94ha by making a cash payment of $200,000 (paid), issuing an aggregate of 2.9 million common shares (of which 2.4 have been issued) over a two-year period and incurring exploration expenditures on the properties totaling at least $200,000 (incurred) within one year of the agreement. A 2% net smelter royalty (NSR) is attached to each of the newly acquired properties with Gold Bullion holding the right to purchase 50% of the NSR at any time for $1,000,000. In total, the Company now retains rights to 1 mining patent, 2 mining leases and a further 277 mining claims with a cumulative total of 11,598.03 hectares. The mining leases are subject to a 2% GMR, of which half may be purchased for $1,000,000 and a 1% NSR and 23 of the mining claims are subject to a 1% NSR.

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The Granada deposit is a quartz-vein mesothermal gold deposit hosted by late Achaean Timiskaming sedimentary rock and younger syenite porphyry dykes. The dykes belong to a late tectonic suite that hosts the mesothermal gold mineralization in the Kirkland Lake and Timmins gold camps in Ontario and in Duparquet, north of Rouyn-Noranda, in Quebec.

The Granada Formation is intruded by northerly-trending Proterozoic diabase dykes, felsic dykes, sills and stocks. Sill-like syenitic bodies are concentrated throughout the immediate area of the mine property. The principal structural feature in the area is a penetrative schistosity affecting all lithologies. This fabric is usually parallel to stratigraphy. The flattening intensity of pebbles and cobbles increases from south to north towards the Cadillac Fault. Locally, the intensity of the regional schistosity strengthens into discrete shear zones that are emphasized by hydrothermal alteration. In the area of the mine workings, there is a prominent zone of deformation, hydrothermal alteration and quartz veining which extends for over 5 kilometres.

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

Gold mineralization is hosted by east-west trending smokey grey, fractured quartz veins and stringers. Free gold occurs at vein margins or within fractures of the quartz veins or sulphides. Late northeasterly-trending sigmoidal faults also host high grade gold mineralization. Accessory minerals include tourmaline, carbonate, chlorite and disseminated sulphides. Pyrite is the dominant sulphide typically occurring within the immediate wall rock to the quartz veins. Minor pyrite does occur within the veins themselves. Additional sulphides such as chalcopyrite, arsenopyrite sphalerite and galena are present in trace amounts. Fuchsite (chromium mica) is present in the immediate wall rock to the quartz veins.

To date, mineralization at the Granada gold mine remains open in all directions. A prior bulk sample of 140,000 tonnes was processed by the Company in 2007 from an open pit at the Granada gold deposit of which 30,000 was milled using an on-site mill. The average gold grade from this large sample was 1.62 grams per tonne with a 90-per-cent rate of recovery realized. The waste from this bulk sample, along with stockpiled waste from past bulk sampling programs at the Granada gold mine by previous operators, was also assayed and returned a grade of 1.75 g/t gold. This confirms the presence of gold mineralization between the known vein structures which trend east-west as one large overall structure. All core is being analyzed to determine whether there is sufficient grade between the higher grade vein structures to allow for bulk, open pit extraction.

Three phases of drill campaign are complete with a total of 78,414m drilled since December 2009.

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

Highlights of Phase 1 include:

Drill Hole	**From (m)**	**To (m)**	**Interval (m)**	**Weighted Gold grade g/t Au**
GR-09-02	15.50	48.00	32.50	1.78
including	40.70	41.00	0.30	96.60
GR-09-05	92.00	123.00	31.00	0.92
GR-09-06	36.00	52.50	16.50	1.22
GR-09-08	17.00	68.00	51.00	0.93

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

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

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

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

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

The Phase 3 drill program, of 50 000m, is complete. This program consisted of infill drilling to better define a preliminary resource calculation as well as some deeper drilling to the north of previously defined area of mineralization. Significant intervals are shown below.

Drill Hole	From (m)	To (m)	Interval (m)	Weighted Gold Grade g/t Au
GR-10-153	3.90	139.00	135.10	0.62
including	3.90	80.10	76.20	0.99
including	3.90	4.90	1.00	54.98
GR-10-157	45.50	116.50	71.00	1.06
including	56.50	61.00	4.50	3.75
including	69.00	70.00	1.00	44.80
GR-10-169	9.00	117.00	108.00	0.64
including	51.00	115.50	64.50	1.03
GR-10-173	117.75	356.00	238.25	0.52
including	253.50	333.50	80.00	1.36
GR-10-178	193.00	376.50	183.50	0.5
GR-10-179	3.00	159.00	156.00	0.61
including	50.75	123.00	72.25	1.25
GR-10-189	99.50	170.40	70.90	1.06
GR-11-199	60.00	146.00	86.00	1.20
including	60.00	61.00	1.00	63.50
and including	129.75	146.00	16.25	1.86
GR-11-200	50.50	156.50	106.00	0.81
GR-11-216	1.50	57.60	56.10	0.56
GR-11-223	3.40	54.00	50.60	0.56
GR-11-231	174.50	227.00	52.50	0.52
GR-11-235	2.20	150.00	147.80	0.50
including	6.50	96.00	89.50	0.78
GR-11-237	42.00	130.00	88.00	0.50
GR-11-256	75.00	173.00	98.00	1.21
including	139.00	168.50	29.50	2.34
GR-11-265	21.00	118.00	97.00	0.86
including	28.00	45.00	17.00	1.39
including	78.00	109.00	31.00	1.65
GR-11-271	24.55	207.50	182.95	1.11
including	24.55	25.30	0.75	207.27
and including	71.50	72.50	1.00	13.71
and including	206.00	207.50	1.50	10.49
and	206.00	258.00	52.00	0.79
GR-11-277	18.50	112.45	94.00	0.42
Including	88.40	112.00	23.60	1.13

Drill Hole	From (m)	To (m)	Interval (m)	Weighted Gold Grade g/t Au
GR-11-278	36.50	111.00	74.50	0.55
Including	76.00	90.10	14.10	1.79
GR-11-284	18.70	186.00	167.30	0.68
including	51.50	95.50	44.00	0.37
including	154.80	186.00	31.20	2.85
GR-11-287	104.00	173.50	69.50	1.05
Including	110.40	111.30	0.90	30.03
and including	122.50	123.00	0.50	38.75
and including	172.60	173.50	0.90	15.79
and including	129.75	146.00	16.25	1.86
GR-11-294	19.00	130.00	111.00	0.87
including	73.50	109.50	36.00	2.42
GR-11-296	11.50	126.50	115.00	0.78
including	11.50	69.50	58.00	1.40
GR-11-390	285.00	541.50	256.50	0.44
including	285.00	350.50	65.50	0.65
including	340.00	350.50	10.50	2.92
including	480.00	541.50	61.50	0.86
including	480.00	484.50	4.50	4.52
including	532.50	541.50	9.00	2.81

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

SGS Geostat is currently reviewing and confirming existing data in order to complete an independent NI 43-101 compliant resource calculation for the Granada Mine gold property. All drilling has been performed by Landdrill International Inc.

All interval calculations were completed by Gold Bullion Development Corp. to November 2011. Core has been sent to four separate laboratories in an attempt to realize a faster turnaround for analytical results. Currently, all core is sent to Accurassay Laboratory with a prep lab in Rouyn-Noranda. Analytical accuracy and precision are monitored by the analysis of reagent blanks and reference materials at all labs. Quality control is further assured by the insertion of blind certified standard reference material and blanks into the sample stream at regular intervals by logging personnel in order to independently assess analytical accuracy.

Gold Bullion's management is extremely pleased with the exploration results to date. The expansion of mineralized zones through drilling coupled with the positive results from bulk sampling leave the company confident in its objective of defining an economic, bulk-tonnage gold deposit on the property that is amenable to open-pit mining.

SGS Canada Inc. - Geostat has replaced the previous geological consultant and is working diligently to complete the logging and sampling left from Phase 3 drilling while running a new deep hole drill program at the north end of the Granada property. Planned are three deep holes to intersect the mineralized horizon at depth. Each hole has one wedge planned to derive at least two pierce points per hole. The program is progressing as planned.

Castle Silver Mine Property

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

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

There is no current resource estimate for the Castle Silver Mine Property. The 1989 Cobalt Residents Geologist’s Office reported that the Castle Silver Mine, in operation at various times from 1917 to 1989, produced a total of 763,127,010 grams of silver from the No. 3 shaft. This included production by Agnico-Eagle Mines Ltd. from 1979 to 1989 which came to 101,024 tonnes milled; 91,421,294 grams silver; 34,597 kilograms cobalt; and 10,180 kilograms copper. Operations were shut down in 1989 due to low silver prices.

Gold Bullion carried out a total of 6,842.38 m of diamond drilling on the Castle Silver Mine Property between February and July 2011. A total of twelve holes, NQ size core, were drilled. The program successfully identified multiple new vein structures, the most significant being a silver-cobalt vein in hole CA11-08 with a weighted average of 6,476 g/t Ag over 3.09m. Additional surface and down-the-hole geophysical work is planned prior to further follow-up diamond drilling.

A technical report dated August 15, 2011 with respect to the Castle Silver Mine Property is available on SEDAR at www.sedar.com under Gold Bullion’s company profile.

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

Hole	Sample	From	to	Length	Au ppb	Pt ppb	Pd ppb	Ag ppm	As ppm	Co ppm	Cu ppm	Pb ppm	Zn ppm
CA11-03	44253	570.00	573.90	0.90	12	0	0	12.2	736	521	3255	15504	22982
CA11-03	44254	573.90	575.00	1.10	7	0	0	5	68	74	1209	2468	2468
CA11-04	44356	214.83	215.83	1.00	76	0	0	2.49	107	91	13782	17	59
CA11-04	44450	393.07	393.86	0.79	9	<15	<10	10.17	871	130	1149	4382	7795
CA11-04	44454	412.00	412.14	0.14	21	0	0	5	425	244	236	7024	17999
CA11-05	44465	37.15	37.73	0.58	<5	0	0	1.24	5	17	5609	11	20

Hole	Sample	From	to	Length	Au ppb	Pt ppb	Pd ppb	Ag ppm	As ppm	Co ppm	Cu ppm	Pb ppm	Zn ppm
CA11-07	44593	132.07	132.29	0.22	139	0	0	1.59	3	212	8494	4	108
CA11-07	44659	211.52	211.72	0.20	5	0	0	3.48	<2	38	6931	10	46
CA11-07	44873	841.21	842.29	1.08	<5	0	0	9	45	13	318	3954	1660
CA11-07	44874	842.29	843.32	1.03	6	29	<10	18	94	23	342	10053	13049
CA11-07	44876	843.32	843.97	0.65	<5	0	0	9	103	20	286	4439	4691
CA11-08	45119	379.72	380.41	0.69	367	34	16	12	37	90	3635	104	691
CA11-08	45182	563.54	564.34	0.80	<5	<15	<10	386.3	684	160	322	153	343
CA11-08	45183	564.34	564.79	0.45	<5	<15	210	947.8	51862	9107	453	39	282
CA11-08	45184	564.79	565.68	0.89	8	<15	12	269.3	155	57	340	50	280
CA11-08	45184	564.79	565.68	0.89	<5	<15	<10	168.3	101	91	360	50	300
CA11-08	45185	565.68	566.28	0.60	8	24	15	311.2	121	47	450	28	299
CA11-08	45186	566.28	566.63	0.35	6	45	11	220.2	103	40	316	24	285
CA11-09	45290	343.47	343.59	0.12	560	<15	<10	19.32	20746	14455	4631	1598	475
CA11-09	45298	350.17	351.44	1.27	287	16	11	10.46	16	96	191	121	50

Underground workings at the Castle Silver Mine have not been accessed since 1989 when the low price of silver forced Agnico-Eagle Mines to shut down operations. The first level, at 70 feet below the collar at the shaft, is accessible by way of an adit. Because the adit level is above the water table, the workings are dry and therefore does not require any dewatering for initial inspection. The Company has applied for and received an Advanced Exploration Permit to allow the opening of the adit for mapping and sampling purposes. The adit has been opened but is awaiting work to allow safe access to the workings to comply with current safety and labour practices and regulations.

SHAREHOLDERS GOLD PURCHASE PROGRAM

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

- the program can only be offered to shareholders of the Company;
- the maximum subscription per shareholder should be proportional to share ownership;
- the right to purchase gold is non-transferable;
- the funds raised in the gold program can only be used for the financing of the project (i.e. bringing a mine into production);
- the maximum annual production allocated to the gold program shall not exceed 50% of the annual production;
- the program is to be properly disclosed by the Company to the public; and

- the legal counsel of the Company must provide a legal opinion to the Exchange that the future sale of gold (or the rights to purchase gold) is not considered as a "security" as defined under securities legislation in Canada.

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

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

Gold Bullion intends to implement the Shareholder Gold Royalty if and when the Granada Gold Mine enters into production. The Shareholder Gold Royalty will be for the life of the Granada Gold Mine for all current resources, and for other resources that may be discovered through further exploration. Gold Bullion cannot guarantee that the Granada Gold Mine will enter into production or that the proposed Shareholder Gold Royalty will be implemented. The proposed Shareholder Gold Royalty replaces the Shareholder Gold Purchase Program outlined in Gold Bullion's news release dated June 4th, 2008, and is part of Gold Bullion's forward-looking policy of ensuring shareholder value. Gold Bullion will inform shareholders of the details of the Shareholder Gold Royalty as the program is developed.

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

RISK FACTORS

Through its operations, the Company is exposed to various business risks outlined below. Additional risks and uncertainties, including those that we are not aware of now or that we currently deem immaterial, may also adversely affect our business.

Financing Risks

The development of the Company's properties will depend upon the Company's ability to obtain financing through private placement financing, public financing or other means. There is no assurance that the Company will be successful in obtaining any required financing.

Cash Flow

The Company's properties are currently being assessed for exploration and as a result, the Company has no source of operating cash flow. Failure to obtain additional financing could result in delay or indefinite postponement of further exploration. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects with the possible loss of such properties. The Company will require new capital to continue to operate its business and to continue exploration on its mineral properties, and there is no assurance that capital will be available when needed, if at all.

Conflicts of Interest

Certain of the Company's directors and officers serve as directors or officers of other companies or have significant shareholdings in other companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such a participation or such terms. From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. Under the laws of the Province of British Columbia, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

Industry Risks

Exploration and Development Risks

The business of exploring for minerals and mining involves a high degree of risk. There is no assurance the Company's mineral exploration activities will be successful. Few properties that are explored are ultimately developed into producing mines. In exploring and developing its mineral deposits the Company will be subjected to an array of complex economic factors and technical considerations. Delays in obtaining governmental approvals, inability to obtain financing or other factors could cause delays in exploring and developing properties. Such delays could materially adversely affect the financial performance of the Company. Unusual or unexpected formations, formation pressures, power outages, labour disruptions, flooding, explosions, cave-ins, landslides, environmental hazards, the discharge of toxic chemicals and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the operation of mines and the conduct of exploration programs. The Company has limited experience in the development and operation of mines and in the construction of facilities required to bring mines into production. The Company has relied and may continue to rely upon consultants and others for operating expertise. Depending on the price of minerals produced, the Company may determine that it is impractical to commence or continue commercial production.

Title Matters

The mining claims in which the Company has an interest have not been surveyed and, accordingly, the precise location of the boundaries of the claims and ownership of mineral rights on specific tracts of land comprising the claims may be in doubt. Such claims have not been converted to lease and tenure, and are, accordingly, subject to annual compliance with assessment work requirement. Other parties may dispute the Company's title to its mining properties. While the Company has diligently investigated title to all mineral claims and, to the best of its knowledge, title to all properties is in good standing; this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfers or land claims and title may be affected by undetected defects.

Competition

There is aggressive competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The Company competes with other mining companies, many of which have greater financial resources than the Company, for the acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel.

Mineral Prices

The market price of precious metals and other minerals is volatile and cannot be controlled. If the price of precious metals and other minerals should drop significantly, the economic prospects of the projects which the Company has an interest in could be significantly reduced or rendered uneconomic. There is no assurance that, even if commercial quantities of ore are discovered, a profitable market may exist for the sale of same. Factors beyond the control of the Company may affect the marketability of any minerals discovered. Mineral prices have fluctuated widely, particularly in recent years. The marketability of minerals is also affected by numerous other factors beyond the control of the Company, including government regulations relating to royalties, allowable production and importing and exporting of minerals, the effect of which cannot be accurately predicted.

Environmental and Other Regulatory Requirements

Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted. Before production can commence on any properties the Company must obtain regulatory approval and there is no assurance that such approvals will be obtained. Although the Company believes its mineral and exploration activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development.

Uninsured Risks

The Company may become subject to liability for cave-ins, pollution or other hazards against which it cannot insure or against which it may elect not to insure because of high premium costs or other reasons. The payment of such liabilities would reduce the funds available for exploration and mining activities. In particular, the Company is not insured for environmental liability or earthquake damage.

Operating Hazards and Risks

Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of base metals, any of which could result in work stoppages, damage to property, and possible environmental damage. The Company currently does not maintain liability insurance against such liabilities. Although the Company currently intends to obtain insurance when it commences operations of reasonable significance, the nature of these risks is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable, or the Company might not elect to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that could have a materially adverse effect upon its financial condition.

The Company undertakes its best efforts to mitigate the above risks using the resources at its disposal, but believes that uncertainties and risks do exist in its business operations.

SELECTED ANNUAL INFORMATION

The following table provides a brief summary of the Company's financial operations for the last three fiscal years.

	Year-Ended June 30, 2011	**Year-Ended June 30, 2010**	**Year-Ended June 30, 2009**
Net Sales or Total Revenues	0	0	0
Loss before Other Items	($5,435,694)	($4,275,791)	($622,865)
Total Net Loss	($5,979,133)	($4,275,442)	($404,779)
Net Loss per share	($0.04)	($0.05)	($0.01)
Total Assets	$24,305,817	$9,405,719	$2,821,858
Total long-term financial Liabilities	0	0	$8,166
Cash dividends declared per share	N/A	N/A	N/A

RESULTS OF OPERATIONS

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may be different from those estimates.

The following schedule provides the details of the company's expenditures on its exploration and evaluation projects for the nine months ended March 31, 2012 and 2011.

	2012	2011
Acquisition	**$ 211,500**	$ 1,586,000
Assaying and testing	**716,525**	656,736
Core analysis	**1,372,463**	-
Depreciation	**67,069**	66,528
Drilling	**1,832,633**	4,108,905
Equipment	**730,219**	602,291
Facility expenses	**205,918**	226,802
First Nations costs	**43,000**	-
Personnel costs	**740,278**	1,441,213
Program management and engineering	**2,188,763**	1,388,114
Royalty	**15,000**	15,000
Security	**137,894**	139574
Taxes, permits and licensing	**33,761**	18360
	$ 8,295,023	$ 10,249,523

The following schedule provides the details of the company's corporate operating expenditures for the nine months ended March 31, 2012 and 2011.

	2012	2011
Administrative and general expenses	**$ 124,601**	$ 386,909
Consulting fees	**182,883**	287,415
Financing charges	**90,533**	-
Management fees	**338,232**	220,510
Professional fees	**310,867**	27,232
Filing costs and shareholders' information	**531,660**	565,411
Travel	**209,995**	197,071
Stock-based compensation	**699,300**	3,172,994
	$ 2,488,071	$ 4,857,542

Summary of Quarterly Results

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

	Mar 31 2012	*Dec 31 2011*	*Sept 30 2011*	*June 30 2011*	*Mar 31 2011*	*Dec 31 2010*	*Sept 30 2010*	*Jun 30 2010*
Revenue	$ -	$ -	$ -	$ -	$ -	$ 126	$ 12,093	$ -
Net Income (Loss)	(2,319,511)	(2,253,866)	(4,399,284)	(1,868,304)	(5,456,463)	(5,255,689)	(4,304,813)	(4,118,184)
Loss per Share	($0.01)	$(0.01)	$(0.03)	$(0.01)	$(0.04)	$(0.03)	$(0.03)	$(0.04)

LIQUIDITY

The Company has financed its operations to date primarily through the issuance of common shares and the exercise of warrants and stock options. The Company will continue to seek capital through various means including the issuance of capital stock.

The Company is in the exploration stage. These financial statements are prepared in accordance with Canadian generally accepted accounting principles on a going concern basis which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business. The ability of the Company to continue as a going concern is dependent upon the continued support from its directors, the ability to continue to raise adequate financing or achieving profitable operations in the future. The outcome of these matters cannot be predicted at this time. These financial statements do not reflect any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

The Company has no history of profitable operations and its mineral projects are at an early stage. Therefore, it is subject to many risks common to comparable junior venture resource companies, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources as well as a lack of revenues.

At March 31, 2012 the Company had $1,771,401 in working capital (June 30, 2011 - $6,812,995), cumulative losses of $51,396,891 (June 30, 2010 - $42,433,635) and expects to incur further losses in the development of its business. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

RELATED PARTY TRANSACTIONS

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

1) The Company retains the services of a company owned by an officer and director of the Company to carry out exploration work on its resource properties and for management services. During the nine months ended March 31, 2012, the total amount for such services provided was $364,146, of which $182,073 was recorded in exploration expenses and $182,073 in management fees. (Note 16)

2) The Company retains the services of a director and an officer to carry out administrative services. During the nine months ended March 31, 2012, the total amount for such services provided was of $125,500, which was recorded in management fees.

3) During the nine months ended March 31, 2012, the Company incurred drilling expenditures of $1,808,544 to Landdrill International Inc. (Landdrill) on its resource properties. Two directors of the Company are also directors and officers of Landdrill. As at March 31, 2012, an amount of $189,902 paid to Landdrill was included in prepaid expenses and $175,644 was included in trade and other payables.

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.

b) On September 10, 2008, the Company received 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. All of the foregoing statements of offense have been postponed to March 20, 2012.

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

c) 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 29.15% (Federal and Provincial).

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

In December 2011, the Company received $4,052,692 flow-through investments. According to the tax rules, the Corporation has until December 31, 2012 to spend this amount on qualified exploration. As at March 31, 2012 the Company has expended $2,832,055 of this amount.

d) As at June 30, 2011, the Company was assessed $550,562 for Quebec Sales Tax and Goods and Services Tax. As at June 30, 2011, the company paid $374,174 towards these tax assessments and paid the balance of $176,388 on July 27, 2011. The Company has filed a notice of objection with the Quebec Ministry of Revenue for these assessments.

COMMITMENTS

Consulting service agreements

The Company has consulting service agreements with 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 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.

(3) Effective December 1, 2010, the Company entered into consulting agreements with two consultants of the Company. The fee for consulting services is $12,500 per month, one for $6,500 and the other for $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. These agreements also requires that if the agreements are terminated by the Company upon or following a change in control or change of management the Company shall make payments to each consultant in the amounts of $78,000 and $72,000.

Effective October 1, 2011, one of these 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).

Effective January 1, 2012, the other 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).

(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.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Estimates, Assumptions and Measurement Uncertainty

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. Areas requiring significant management estimates relate to the determination of impairment of mineral properties, expected tax rates for future income tax recoveries, fair value of stock-based payments and useful lives for amortization of long-lived assets.

Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents.

Deferred Charges

The Company adopted Emerging Issues Committee (EIC) 94, “Accounting for Corporate Transaction Costs” and recorded the costs incurred in connection with the proposed corporate transaction eligible for deferral as a non-current deferred charge.

Marketable Securities

Marketable securities are classified as held for trading securities and are recorded at market value. Unrealized holding gains and losses on held for trade securities are included in the statement of operations in accordance with the Company's designation of marketable securities as held for trading assets.

Foreign currency translation

Monetary assets and liabilities are translated at the rate of exchange at the balance sheet date. Non-monetary assets and liabilities are translated at exchange rates prevailing at the transaction date. Income and expenses are translated at rates which approximate those in effect on transaction dates. Gains or losses arising on conversion are included in income or expense.

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 to *mine property and development projects*. Currently, Castle does not hold any assets classified as *mine property and development projects*.

Asset Retirement Obligations

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. This would include obligations related to future removal of property and equipment, and site restoration costs. The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. The Company currently does not have any significant asset retirement obligations.

Impairment of Long-Lived Assets

The Company follows the recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3063, "Impairment of Long-Lived Assets". Section 3063 establishes standards for recognizing, measuring and disclosing impairment of long-lived assets held for use. The Company conducts its impairment test on long-lived assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment is recognized when the carrying amount of an asset to be held and used exceeds the undiscounted future net cash flows expected from its use and disposal. If there is an impairment, the impairment amount is measured as the amount by which the carrying amount of the asset exceeds its fair value, calculated using discounted cash flows when quoted market prices are not available.

Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury method. The treasury method assumes that proceeds received from the exercise of stock options and warrants are used to repurchase common shares at the prevailing market rate. Diluted loss per share is equal to the basic loss per share as there were no dilutive securities as at March 31, 2012 and 2010.

Income Taxes

The Company accounts for income taxes using the asset and liability method, whereby future tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the carrying values of the asset and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using substantively enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income taxes and liabilities of a change in rates is included in operations in the period that includes the substantive enactment date. To the extent that the Company does not consider it more likely than not that a future income tax asset will be recovered, it provides a valuation allowance against the excess.

Stock-Based Compensation

The Company accounts for stock options granted using CICA Section 3870,"Stock-Based Compensation and Other Stock-Based Payments". Under this Handbook section, the Company is required to expense, over the vesting period, the fair value of the options and awards granted. Accordingly, the fair value of the options at the date of grant is accrued and charged to operations, with a corresponding credit to share based payments reserve, on a straight-line basis over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of share based payments reserve are transferred to share capital.

Risk Management

The Company is engaged in mineral exploration and development and is accordingly exposed to environmental risks associated with mineral exploration activity. The Company is currently in the initial exploration stages on its property interests and has not determined whether significant site reclamation costs will be required. The Company would only record liabilities for site reclamation when reasonably determinable and when such costs can be reliably quantified.

Segmented Information

The Company currently conducts substantially all of its operations in Canada in one business segment.

Comprehensive income

Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income comprises items recognized in comprehensive income, but excluded from net income calculated in accordance with Canadian GAAP.

Financial instruments

All financial instruments are classified into one of five categories: held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other liabilities.

(1) Financial assets and liabilities classified as held-for-trading are required to be measured at fair value, with gains and losses recognized in net income.
(2) Financial assets classified as held-to-maturity, loans and receivables and financial liabilities (other than those held-for-trading) are required to be measured at amortized cost using effective interest method of amortization.
(3) Available-for-sale financial assets are required to be measured at fair value with unrealized gains and losses recognized in Other Comprehensive Income (loss). Investments in equity instruments classified as available-for-sale that do not have a quoted market price in active market should be measured at cost.

The Corporation has implemented the following classification:

(1) Cash is classified as held for trading;
(2) Accounts receivable is classified as loans and receivables;
(3) Accounts payable and accrued liabilities, due to related parties, and long-term debt are classified as other liabilities.

FUTURE ACCOUNTING CHANGES

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 condensed interim financial statements.

(i) Financial instruments

IFRS 9, Financial Instruments, replaces IAS 39, Financial Instruments: Recognition and Measurement. The new standard requires entities to classify financial assets as being measured either at amortized cost or fair value depending on the business model and contractual cash flow characteristics of the asset. For financial liabilities, IFRS 9 requires an entity choosing to measure a liability at fair value to present the portion of the change in its fair value due to change in the entity's own credit risk in the other comprehensive income rather than in the statement of profit or loss. The new standard applies to annual periods beginning on or after January 1, 2015.

(ii) Presentation of items of other comprehensive income ("OCI")

IAS 1, Presentation of Financial Statements, is amended to change the disclosure of items presented in OCI, including a requirement to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss in the future. This amendment is effective for years beginning on or after July 1, 2012.

(iii) Fair value measurement

IFRS 13, Fair Value Measurements, provides a single source of guidance on how to measure fair value where its use is already required or permitted by other IFRS and enhances disclosure requirements for information about fair value measurements. The new standard is effective for years beginning on or after January 1, 2013.

The Company has not early adopted these standards, amendments and interpretations. However the Company is currently assessing what impact the application of these standards or amendments will have on the financial statements of the Company.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not utilize off-balance sheet arrangements

OUTSTANDING SHARE DATA

The Company's authorized capital is an unlimited number of common shares without par value. As at May 29, 2012, there were 207,985,074 shares issued and outstanding. The Company had 28,365,621 share purchase warrants outstanding. Each warrant entitles the holder to purchase one common share at prices of $0.16 to $0.58 per share until December 29, 2012. Stock options outstanding as of May 29, 2012 total 17,590,000 and are exercisable for common shares at $0.10 to $0.65 per share until January 4, 2022.

SUBSEQUENT EVENT

On April 24, 2012, pursuant to a private placement, the Company issued 8,433,227 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.

APPROVAL

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

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

GOLD BULLION
DEVELOPMENT CORP

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